

**PROSPECTUS**

**STARHILL REAL ESTATE INVESTMENT TRUST**

(Established in Malaysia under the Deed dated 18 November, 2005 entered into between Pintar Projek Sdn Bhd (314009-W) and Mayban Trustees Berhad (5004-P))



THE INITIAL PUBLIC OFFERING OF 509,599,000 NEW UNITS REPRESENTING UNDIVIDED INTERESTS IN STARHILL REAL ESTATE INVESTMENT TRUST ("STARHILL REIT") COMPRISING:

- 29,999,000 NEW UNITS UNDER THE RETAIL OFFER AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC AT A RETAIL OFFER PRICE OF RM0.98 PER UNIT PAYABLE IN FULL UPON APPLICATION AND SUBJECT TO A REFUND IN THE EVENT THAT THE FINAL RETAIL PRICE IS LESS THAN RM0.98 PER UNIT; AND
- 479,600,000 NEW UNITS UNDER THE INSTITUTIONAL OFFER AVAILABLE BY WAY OF OFFER TO MALAYSIAN AND FOREIGN INSTITUTIONAL AND OTHER SELECTED INVESTORS AT THE INSTITUTIONAL OFFER PRICE TO BE DETERMINED BY WAY OF BOOKBUILDING PAYABLE IN FULL UPON APPLICATION,

IN CONJUNCTION WITH THE LISTING OF STARHILL REIT ON THE MAIN BOARD OF BURSA MALAYSIA SECURITIES BERHAD.

THE FINAL RETAIL PRICE WILL EQUAL TO THE LOWER OF:

- THE RETAIL OFFER PRICE OF RM0.98 PER UNIT; OR
- 95% OF THE INSTITUTIONAL OFFER PRICE, TO BE DETERMINED BY WAY OF BOOKBUILDING

IN EACH CASE ROUNDED UP TO THE NEAREST SEN.

*Lead Financial Adviser for the Offering*

**ecmlibra**

ECM Libra Capital Sdn Bhd  
(579116-A)

*Adviser for the Offering*

AmMerchant Bank Berhad  
(23742-V)  
A member of



**AmInvestment Group**

*Joint Bookrunner for the Institutional Offer  
and Joint Managing Underwriter  
for the Retail Offer*

**ecmlibra**

ECM Libra Securities Sdn Bhd  
(164534-K)

*Senior Co-Lead Manager for the Institutional Offer  
and Joint Managing Underwriter for the Retail Offer*

AmMerchant Bank Berhad  
(23742-V)  
A member of



**AmInvestment Group**

*Trustee*

**Mayban Trustees Berhad**  
(5004-P)  
(A trust corporation registered under  
the Trust Companies Act, 1949)

*Manager*



**Pintar Projek Sdn Bhd**  
(314009-W)  
(Incorporated in Malaysia under the Companies Act, 1965)

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS.  
IF IN DOUBT, PLEASE CONSULT YOUR PROFESSIONAL ADVISER.

*This Prospectus is dated 22 November, 2005  
and expires on 21 November, 2006*

### What is the Starhill REIT?

Starhill Real Estate Investment Trust ("Starhill REIT") was formed to invest in a diversified portfolio of income-producing real estate which is primarily used for retail, office and hospitality purposes, with a particular focus on retail and hotel properties.

Starhill REIT aims to provide stable distributions to its Unitholders with potential for sustainable growth and to enhance long-term Unit value.

### Who is the Sponsor of Starhill REIT?

Starhill REIT is sponsored by YTL Corporation Berhad, one of Malaysia's leading integrated infrastructure conglomerates. YTL is listed on Bursa Malaysia and had a secondary listing on the Tokyo Stock Exchange ("TSE") since 1985 and 1996 respectively, making YTL the first non-Japanese Asian company to be listed on the TSE.

### Who is the Manager of Starhill REIT?

Pintar Projek Sdn Bhd was incorporated in 1994 and is a 70% owned subsidiary of YTL Land Sdn Bhd which in turn is a wholly owned subsidiary of YTL. Its board of directors and key personnel comprise experienced and prominent individuals in their respective fields of expertise.

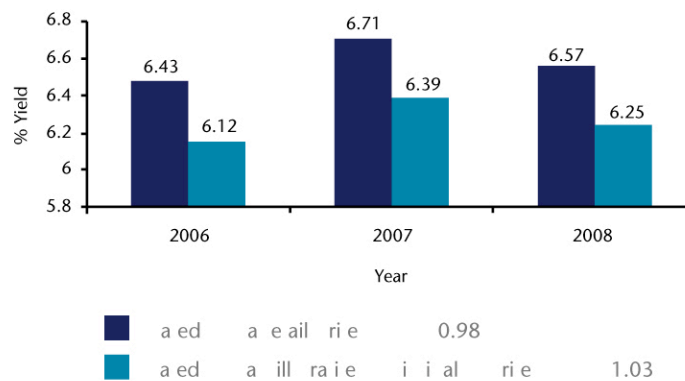
### What are the properties in Starhill REIT?

Property	Appraised Value (RM mn)	% of Total Appraised Value of Portfolio
Starhill Property	480	41.7 %
Lot 10 Property	341	29.7 %
Hotel Property - JW Marriott	329	28.6 %

### What are the Key Investment Highlights of Starhill REIT?

Stable and diversified portfolio

#### Projected Gross Distributive Yield



Note: Starhill REIT, the Manager, the Underwriters, the Sponsor and the Trustee do not guarantee the performance of Starhill REIT, the repayment of capital or the payment of any distributions, or any particular return on the Units. Such yields will vary accordingly for investors who purchase Units in the secondary market at a market price that differs from the Issue Price.

- **Capital Growth Opportunities Through Acquisitions**  
Starhill REIT will pursue an acquisition strategy to increase cash flows and enhance Unit value and the potential for net asset growth through the following:
  - Acquiring properties with yields that are above Starhill REIT's cost of capital and which are expected to maintain or enhance returns to Unitholders
  - Assessing potential properties for convenient access to major roads, public transportation network and proximity to major residential areas
  - Seeking to acquire properties with high existing rental yields or with potential for higher rental returns relative to comparative properties
  - Acquiring buildings with good quality specifications which are in compliance with legal and zoning regulations, with due consideration given to the size and age of the buildings
  - Seeking to acquire properties where there is potential to increase the occupancy rate and rental income through active property management
- Starhill REIT aims to offer its Unitholders with the following benefits:
  - An investment strategy to provide Unitholders with stable distributions;
  - Experienced and professional management;
  - Opportunities for future capital growth through
    - i) active property and portfolio management;
    - ii) the acquisition of additional properties that are yield accretive; and
    - iii) a conservative capital structure;
  - 100% distribution in the first two years and a distribution of at least 90% subsequently

### Key Dates for Investors

Public and Institutional Offer opens	22 November 2005
Public Offer closes	29 November 2005
Institutional Offer closes	1 December 2005
Units commence trading	16 December 2005

### What are the Key Highlights of Properties in the Portfolio?

- **Strategic Location**  
The Properties are landmarks in Kuala Lumpur, strategically located in the Jalan Bukit Bintang area which forms part of the "Golden Triangle" area of Kuala Lumpur.  
  
Jalan Bukit Bintang is one of Kuala Lumpur's main tourist hubs, popularly known as "Bintang Walk" and as a result of the Properties proximity to it, will attract a large number of tourists.

- **Convenient Access**

The Properties are located in an area close to numerous hotels and offices, making them very accessible to tourists and travelers, as well as office workers.

The Lot 10 Property is also linked by an overhead bridge to another popular shopping centre, Sungei Wang Plaza.

- **Strong Brand Recognition**

The Properties enjoy high profile status due to their strong branding, spearheaded by YTL Land and their strategic location in Kuala Lumpur's prime shopping area.

The building which houses Starhill Property was awarded one of KL's major awards, the 1997 FIABCI International Prix d'Excellence Special Award in the Retail Properties Category for its architectural design. The current rebranding and transformation of Starhill Property to become an icon of luxury and indulgence includes renovation works designed by international architect David Rockwell of New York.

- **High occupancy levels**

Both Starhill Property and Lot 10 Property ("Retail Properties") enjoy high occupancy levels, reflecting the demand for quality space at a prominent location along Kuala Lumpur's tourist hub. As at Latest Practicable Date\*, Starhill Property and Lot 10 Property had an occupancy rate of 99.9% and 96%, respectively.

- **Strong Tenant Base**

The Retail Properties are tenanted by high profile, international brand names and prominent local stores, as a result of the YTL Land's marketing efforts to promote the Retail Properties as a well known and desired address.

Starhill Property houses exclusive association led by the prestigious LVMH Group with Louis Vuitton and Fendi paving the way with stand alone boutiques including Kenzo, Aspree, Korloff, Mulberry, Anne Klein and Jim Thompson. Renowned luxury houses including Gucci, Dunhill, Celine, Loewe, Versace, Cole Haan, DKNY, Givenchy, Ferragamo and Davidoff have all established their presence at Starhill Gallery.

This property also showcases stand alone boutiques and highly established retailers in the luxury watch industry. Jaeger-Le Coultre established their largest free standing boutique in the world.

Lot 10 Property houses Isetan of Japan and well-known apparel brands such as Armani Exchange, Calvin Klein, Esprit and Guess, to name a few.

# Starhill Property

## Description

The Starhill Property is located along Kuala Lumpur's prime shopping district, Jalan Bukit Bintang within an area more popularly known as "Bintang Walk". The property comprises a 7-level shopping centre with 5 basements forming part of the podium block of the main building together with a 12-level annexe building with 3 basements.

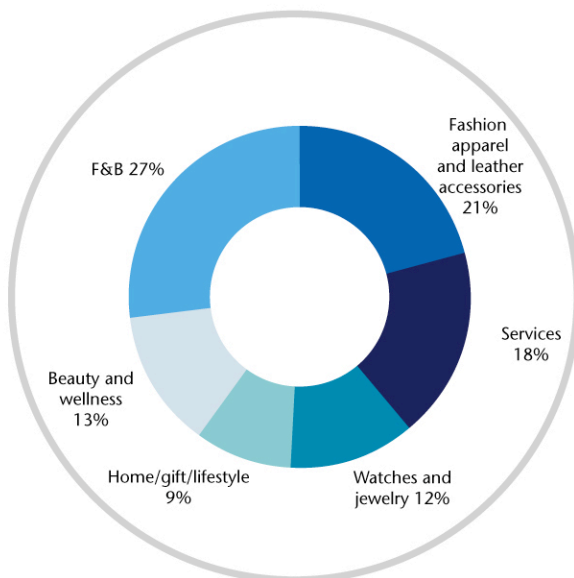
## Tenants

Tenants at the Starhill Property include Swiss Union, Cortina Watch, Louis Vuitton, Gucci, Asprey, Christian Dior and Chopard.



Starhill Gallery  
Appraised value of property RM 480 million

Starhill Property Tenant Mix by Sector



### Note

Tenant mix as at 31 July 2005 and taking into account sub-sectors of Autodome's sub-tenants in the Starhill Property and with respect to the Starhill Property only, if not sub-tenanted, the floor category in line with the Starhill rebranding.

## Property Statistics

Net Lettable Area	295,006 sq. ft. as at Latest Practicable Date*
Occupancy	99.9% as at Latest Practicable Date*
Gross Receipts for FY2005	RM28.57 mn

## Lot 10 Property

### Description

The Lot 10 Property is located within the Lot 10 Shopping Centre which is located at the intersection of Jalan Sultan Ismail and Jalan Bukit Bintang. The Lot 10 Shopping Centre consists of an 8-storey block with one basement and a lower ground floor and a 7 storey annexe building with a lower ground floor.

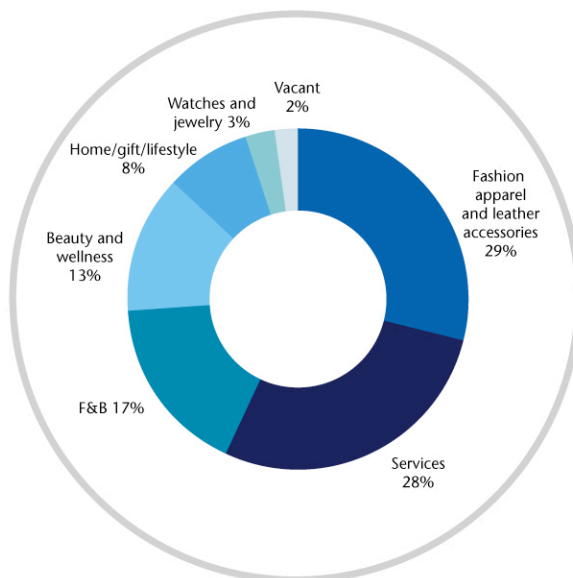
### Tenants

Tenants at the Lot 10 Property include Esprit De Corp, Isetan of Japan, The Hour Glass, Topman Topshop, Timberland, House of Woo Hing and Guess.



Lot 10 Shopping Centre  
Appraised value of property RM 341 million

Lot 10 Property Tenant Mix by Sector



**Note**

Tenant mix as at 31 July 2005

### Property Statistic

Net Lettable Area	174,116 sq. ft. as at Latest Practicable Date*
Occupancy	96% as at Latest Practicable Date*
Gross Receipts for FY2005	RM27.20 mn



JW Marriott Hotel  
Appraised value of property  
RM 329 million

## Hotel Property (“JW Marriott”)

### Description

JW Marriott was the first hotel property branded as a “Marriott” hotel in Malaysia. It is situated in the heart of the Golden Triangle, Kuala Lumpur’s prime business and shopping district, adjacent to the Starhill Property and anchoring Bintang Walk. It comprises part of an 8-level podium block and the entire twenty-four (24)-level tower block of the main building.

### Tenant

JW Marriott is presently leased to the Hotel Operator (“Star Hill Hotel Sdn Bhd”) for a term expiring on 31 December, 2023.

### Lease payment

An initial annual rent of RM20.5 million per annum is payable by Star Hill Hotel Sdn Bhd. The monthly rental shall then increase by 5% after the expiry of 3 years from December 1, 2004 and thereafter, at 5 yearly intervals.

### Note

\* Latest Practicable Date as 31 October 2005

## **RESPONSIBILITY STATEMENTS**

This Prospectus has been seen and approved by the Directors (as defined herein) of the Manager and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, having made all enquiries which are reasonable in the circumstances, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statements herein misleading.

The Directors of the Manager hereby accept full responsibility for the profit forecast and projections included in this Prospectus and confirm that the profit forecast and projections have been prepared based on the assumptions made.

ECM Libra Capital Sdn Bhd and AmMerchant Bank Berhad being the Lead Financial Adviser and Adviser for the Offering (as defined herein) respectively, acknowledge that, based on all available information, and to the best of their knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the Offering and are satisfied that any profit forecast and/or projection (for which the Directors of the Manager are fully responsible), prepared for inclusion in this Prospectus have been stated by the Directors of the Manager after due and careful enquiry and have been duly reviewed by the Reporting Accountants (as defined herein).

## **STATEMENTS OF DISCLAIMER**

The Securities Commission has approved the issue, offer or invitation in respect of the Offering, the subject of this Prospectus, and that the approval shall not be taken to indicate that the Securities Commission recommends the Offering.

The Securities Commission shall not be liable for any non-disclosure on the part of the Manager and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of this Prospectus.

**INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

The valuation approved or accepted by the Securities Commission shall only be utilised for the purpose of the proposal submitted to and approved by the Securities Commission and shall not be construed as an endorsement by the Securities Commission on the value of the subject assets for any other purposes.

A copy of this Prospectus has been registered, and lodged with the Securities Commission.

A copy of this Prospectus can also be viewed or downloaded from Bursa Malaysia Securities Berhad's ("Bursa Securities") website at [www.bursamalaysia.com](http://www.bursamalaysia.com). The contents of the electronic Prospectus are as per the contents of the copy of this Prospectus registered by the SC.

## **ADDITIONAL STATEMENTS**

An application will be made to Bursa Securities for permission to deal in and for the listing of and quotation for all the units of Starhill REIT already issued as well as the units which are the subject of this Offering. Such permission will be granted when Starhill REIT has been admitted to the Official List of Bursa Securities. Acceptance or applications for the units will be conditional upon permission being granted to deal in and quotation for all the issued units of Starhill REIT. Monies paid in respect of any application for the units accepted will be returned if the said permission is not granted. Admission to the Official List is not to be taken as an indication of the merits of Starhill REIT or its units.

This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or with or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.



The Manager will not, prior to acting on any acceptance in respect of the Offering, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith. It shall be your sole responsibility if you are or may be subject to the laws of countries or jurisdictions other than Malaysia to consult your legal and/or other professional advisers as to whether the Offering would result in the contravention of any laws of such countries or jurisdictions.

Further, it shall also be your sole responsibility to ensure that your application for the Offering would be in compliance with the terms of the Offering and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected. The Manager will further assume that you had accepted the Offering in Malaysia and will at all applicable times be subjected only to the laws of Malaysia in connection therewith.

However, the Manager reserves the right, in its absolute discretion to treat any acceptance as invalid if the Manager believes that such acceptance may violate any law or applicable legal or regulatory requirements.

No action has been or will be taken to ensure that this Prospectus complies with the laws of any countries or jurisdiction other than the laws of Malaysia. It shall be your sole responsibility to consult your legal and/or other professional adviser on the laws to which the Offering or you are or might be subjected to. Neither the Manager nor the advisers in relation to the Offering shall accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, avoidable or void in any country or jurisdiction.

In respect of any reference in this Prospectus to Third Party Internet Sites (such internet sites are hereinafter referred to as "Third Party Internet Sites"), whether by way of hyperlinks or by way of description of the Third Party Internet Sites, the applicant acknowledges and agrees that:

- (i) the Manager does not endorse and is not affiliated in any way with the Third Party Internet Sites referred to in this Prospectus and is not responsible for the availability of, or the contents or any data, information, files or other material provided on the Third Party Internet Sites, and that the applicant bears all risks associated with the access to or use of the Third Party Internet Sites;
- (ii) the Manager is not responsible for the quality of the products or services provided in the Third Party Internet Sites, for fulfilling any of the terms of the applicant's agreement in connection with the Third Party Internet Sites, if any, and any loss or damage or costs that the applicant may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites and the reliance on any data, information, files or other material provided thereon; and
- (iii) any data, information, files or other material downloaded from the Third Party Internet Sites is done at the applicant's own discretion and risk. The Manager shall bear no responsibility, liability or obligation whatsoever in respect of any damage to the applicant's computer system or loss of data resulting from the downloading of any such data, information, files or other material.

## FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus constitute "forward-looking statements". This Prospectus also contains forward-looking financial information in Section 11 headed "*Profit Forecast and Projections*". Such forward-looking statements and financial information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Starhill REIT or the Manager, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and financial information. Such forward-looking statements and financial information are based on numerous assumptions regarding the Manager's present and future business strategies and the environment in which Starhill REIT or the Manager will operate in the future. Because these statements and financial information reflect the Manager's current views concerning future events, these statements and financial information necessarily involve risks, uncertainties and assumptions. Actual future performance could differ materially from these forward-looking statements and financial information.

Among the important factors that could cause Starhill REIT's or the Manager's actual results, performance or achievements to differ materially from those in the forward-looking statements and financial information are the condition of, and changes in, the domestic, regional or global economy that result in reduced occupancy or rental rates for Starhill REIT's properties, changes in governmental laws and regulations affecting Starhill REIT, competition in the Malaysian retail, hotel and office property markets, interest rates, relations with service providers, relations with lenders and the quality of tenants and other matters not yet known to the Manager or not currently considered material by the Manager. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under Appendix 2 headed "*Independent Report on the Malaysian Retail and Hotel Property Market*", Section 10 headed "*Risk Factors*" and Section 11 headed "*Profit Forecast and Projections*". These forward-looking statements and financial information speak only as of the date of this Prospectus. The Manager expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement or financial information contained herein to reflect any change in the Manager's expectations with regard thereto or any change in events, condition or circumstances on which any such statement or information is based, subject to compliance with all applicable laws and regulations and/or the rules of the Bursa Securities and/or any other regulatory or supervisory body or agency.

## CERTAIN DEFINED TERMS AND CONVENTIONS

Starhill REIT will publish its financial statements in Malaysian Ringgit. In this Prospectus, references to "RM" or "Malaysian Ringgit" are to the lawful currency of Malaysia.

Capitalised terms used in this Prospectus shall have the meanings set out in Section 1 headed "*Definitions*".

This Prospectus contains certain information with respect to the business sectors of the tenants located in the Retail Properties. The Manager has determined the business sectors in which such tenants are primarily involved based upon the Manager's general understanding of the business activities conducted by such tenants in the premises occupied by them. The Manager's knowledge of the business activities of the tenants located in the Retail Properties is necessarily limited and such tenants may conduct business activities that are in addition to, or different from, those shown herein.

The forecast yields and yield growth are calculated based on the Retail Offer Price and the illustrative Institutional Offer Price. Such yields will vary accordingly for investors who purchase Units in the secondary market at a market price different from the Retail Offer Price and the illustrative Institutional Offer Price.

Any discrepancies in the tables, graphs and charts included in this Prospectus between the listed amounts and totals thereof are due to rounding. Where applicable, figures and percentages are rounded to two decimal places and measurements in square metres ("sq m") are converted to square feet ("sq ft") and *vice versa* based on the conversion rate of 1 sq m = 10.7639 sq ft. References to "Appendices" are to the appendices set out in this Prospectus. All references in this Prospectus to dates and times shall mean dates and times in Malaysia unless otherwise specified.

## INDICATIVE TIMETABLE

The indicative timing of events leading up to the listing of and quotation for Starhill REIT on the Bursa Securities is set out below:

<b>Event</b>	<b>Date</b>
Opening of the Institutional Offer	22 November 2005
Opening of the Retail Offer	22 November 2005
Closing of the Retail Offer	29 November 2005
Closing of the Institutional Offer	1 December 2005
Price Determination Date	1 December 2005
Balloting of applications for Units pursuant to the Retail Offer	1 December 2005
Allotment of Units to successful applicants pursuant to the Retail Offer	12 December 2005
Allotment of Units pursuant to the Institutional Offer	12 December 2005
Listing of Units on the Main Board of Bursa Securities	16 December 2005

**THE INSTITUTIONAL OFFER WILL OPEN AND CLOSE AT THE DATES STATED ABOVE OR SUCH OTHER DATES AS THE MANAGER AND JOINT BOOKRUNNERS IN THEIR ABSOLUTE DISCRETION MAY DECIDE. APPLICATIONS FOR THE UNITS PURSUANT TO THE RETAIL OFFER WILL OPEN AND CLOSE AT THE TIME AND DATE AS STATED ABOVE OR SUCH OTHER DATE OR DATES AS THE MANAGER AND JOINT MANAGING UNDERWRITERS IN THEIR ABSOLUTE DISCRETION MAY DECIDE.**

**IF EITHER THE INSTITUTIONAL OFFER OR RETAIL OFFER IS EXTENDED, THE DATES FOR THE BALLOTING AND LISTING OF STARHILL REIT ON THE MAIN BOARD OF BURSA SECURITIES WILL BE EXTENDED ACCORDINGLY. ANY EXTENSION OF THE ABOVEMENTIONED DATES WILL BE ANNOUNCED BY WAY OF ADVERTISEMENT IN BAHASA MALAYSIA AND ENGLISH DAILY NEWSPAPERS WHICH ARE WIDELY CIRCULATED THROUGHOUT MALAYSIA.**

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## 1. DEFINITIONS

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In this Prospectus, unless where the context requires otherwise, the following words and abbreviations shall have the following meanings:

Act	:	Companies Act, 1965 and includes any amendments thereto from time to time
AmMerchant Bank	:	AmMerchant Bank Berhad (23742-V), a member of AmInvestment Group
AOR	:	average occupancy rate determined in respect of a Retail Property for a period of time as the average of the letted area as a proportion of the Net Lettable Area (of the relevant time) as at the last day of each month comprising the relevant period
Application	:	the application for the Retail Offer Units by way of Application Forms or by way of Electronic Application
Application Form(s)	:	the printed Application Form(s) for the application for the Retail Offer Units accompanying this Prospectus
Appraised Value	:	in relation to a Property, the market value of that Property as at 1 March 2005 as appraised by the Independent Property Valuer
Assets	:	all the cash (including subscriptions for Units), investments and other properties of Starhill REIT held in trust under the Deed
Auditors	:	KPMG or such other firm of auditors of Starhill REIT as may be appointed from time to time
Authority	:	any government or any agency, authority, bureau, central bank, commission, department or instrumentality of any such government, or any court, arbitrator, regulatory body, administrative agency or other tribunal having or purporting to have jurisdiction over a Person at law
Autodome	:	Autodome Sdn Bhd (288352-K), a wholly owned subsidiary of YTL Hotels & Properties Sdn Bhd (216464-H) which in turn is wholly owned by YTL
Base Fee	:	an amount equal to 0.1% per annum of the Gross Asset Value (excluding any GST payable), accruing daily and payable to the Manager monthly in arrears, such fees not exceeding 1% of the Gross Asset Value, as set out in the Deed
Bursa Depository	:	Bursa Malaysia Depository Sdn. Bhd. (165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
Car Park Agreement	:	the agreement dated 18 November 2005 made between the Manager, the Trustee and YTL Land pursuant to which YTL Land will manage and operate the car park areas located within the Retail Properties as identified therein
Car Park Income	:	the fixed amount payable by YTL Land (excluding any GST payable) under the Car Park Agreement as described in Section 5.9 of this Prospectus
Cash Consideration	:	the portion of the Purchase Consideration which is payable to the Vendor in cash being RM619,600,000
CDS	:	Central Depository System

CDS Account	:	an account established at Bursa Depository for a Depositor for the recording of deposit of securities and for dealing in such securities by the Depositor
Central Depositories Act	:	the Securities Industry (Central Depositories) Act, 1991 or any statutory modification, amendment or re-enactment thereof for the time being in force
Committed Tenancies	:	existing tenancies as at 31 August 2005 or tenancies with a commencement date after 31 August 2005, which have been entered into or renewed by the tenant
Completion Date	:	the date of completion of the sale and purchase of the Properties pursuant to the Sale and Purchase Agreement
Consideration Units	:	530,400,000 Units to be issued to the Vendor and/or its nominees at RM1.00 per Unit to be credited as fully paid as part payment of the Purchase Consideration
Debt Facility	:	RM180,000,000 term loan facility granted by the Lender to part finance the acquisition of the Properties
Deed	:	trust deed dated 18 November 2005 between the Trustee and the Manager constituting Starhill REIT
Depositor	:	a holder of a CDS Account
DI	:	distributable income as described in Section 3.9 and Section 14 of this Prospectus
Directors	:	the board of directors of the Manager
ECM Libra	:	ECM Libra Securities Sdn Bhd (164534-K)
Electronic Application	:	an application for the Units through Participating Financial Institutions
Final Retail Price	:	the final price per Unit payable by investors under the Retail Offer, being the lower of the (a) Retail Offer Price, and (b) 95% of the Institutional Offer Price, in each case rounded up to the nearest sen
Financial Year or FY	:	the financial year ended or, as the case may be, ending 30 June
Fixed Operating Costs	:	certain operating costs which have been fixed for the Starhill Property pursuant to the Property Management Agreement as described in Section 22.7 of this Prospectus
Forecast	:	Starhill REIT's profit forecast for the 6 month period from 1 January 2006 to 30 June 2006
Gross Asset Value	:	as at any time, the sum of (a) the value of all Assets obtained or determined by the Manager in accordance with the Deed, and (b) any other amounts which, in the opinion of the Manager in consultation with the Auditors, if appropriate, should be included for the purpose of making a fair and reasonable determination of the gross value of Starhill REIT on an undiscounted basis, having regard to approved accounting standards prescribed by the Financial Reporting Act 1997

Gross Receipts	:	in respect of each Property, all rents, licence fees, service charges and other income or revenue derived or reserved from the tenancies and the Hotel Lease Agreement, other non rental income (including Car Park Income) derived from the operation and/or the maintenance of the Properties and the proceeds of any payment under any insurance policy against loss of rent or other income from the Property
GST	:	any value added, consumption, goods and services or other such tax imposed on goods and services in Malaysia
Hotel Lease Agreement	:	the lease agreement dated 8 March 2005 between YTL Land and the Hotel Operator in relation to the grant of a lease of the Hotel Property (excluding the car park) to the Hotel Operator
Hotel Operator	:	Star Hill Hotel Sdn Bhd (363926-V), a wholly-owned subsidiary of YTL Hotels & Properties Sdn Bhd (216464-H) which in turn is wholly-owned by YTL
Hotel Property	:	part of an eight (8) level podium block and the entire twenty four (24) level tower block of the main building and bearing postal address No. 183 Jalan Bukit Bintang, 55100 Kuala Lumpur which is erected on part of a freehold land held under Grant No. 28678 for Lot No. 1267 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur on which a five (5) star hotel with five hundred and sixty one (561) rooms known as "JW Marriott Hotel Kuala Lumpur" is located
Independent Property Valuer	:	Azmi & Co Sdn Bhd (77155-D)
Institutional Offer	:	the offering of 479,600,000 Units for cash at the Institutional Offer Price to Malaysian and foreign institutional and other selected investors as further described in Section 24 headed " <i>Structure of the Offering</i> " in this Prospectus
Institutional Offer Price	:	the price per Institutional Offer Unit to be paid by investors pursuant to the Institutional Offer which will be determined at the Price Determination Date by way of bookbuilding
Institutional Offer Unit(s)	:	the Unit(s) being offered by the Manager pursuant to the Institutional Offer (subject to clawback)
Institutional Underwriting Agreement	:	the underwriting agreement to be entered into between the Trustee, the Manager, the Sponsor, the Joint Bookrunners and the Senior Co-Lead Manager for the underwriting of the Institutional Offer Units
Isetan	:	Isetan of Japan Sdn Bhd (75382-X)
Isetan Parcel	:	parcel number 1 within Lot 10 Shopping Centre, in respect of which a separate strata title has been issued and registered in the name of Isetan
Issue Price	:	the price at which new Units may be issued pursuant to the Deed
Issuing House	:	Malaysian Issuing House Sdn Bhd (258345-X)
ITA	:	Income Tax Act, 1967
Joint Bookrunners	:	ECM Libra, DBS Bank Ltd and The Hongkong and Shanghai Banking Corporation Limited as joint bookrunners for the Institutional Offer



Joint Managing Underwriters	:	ECM Libra and AmMerchant Bank as joint managing underwriters for the Retail Offer
Latest Practicable Date	:	31 October 2005, being the latest practicable date for the purposes of ascertaining certain information contained in this Prospectus
Lender	:	Great Eastern Life Assurance (Malaysia) Berhad (93745-A)
Listing	:	admission to the Official List and the listing of and quotation for 1,040,000,000 Units on the Main Board of Bursa Securities
Listing Date	:	the date, expected to be on 16 December 2005, on which the Units are first listed and from which dealings therein are permitted to take place on Bursa Securities
Listing Requirements	:	the listing requirements of Bursa Securities
Lot 10 Common Property	:	the part of the Lot 10 Shopping Centre which is not comprised in any individual parcel of retail, office, storage and other spaces including accessory parcels held under separate strata titles currently registered in the name of individual parcel proprietors
Lot 10 MC	:	the management corporation known as "Lot Ten Management Corporation", being a body corporate established pursuant to the Strata Titles Act 1985 consisting of all parcel proprietors of Lot 10 Shopping Centre and the proprietor of the Lot 10 Common Property
Lot 10 Property	:	one hundred and thirty-seven (137) parcels and two (2) accessory parcels of retail, office, storage and other spaces held under separate strata titles within Lot 10 Shopping Centre
Lot 10 Service Charges	:	the service charges payable by Starhill REIT to the Lot 10 MC (or any other party authorised by the Lot 10 MC) for the operation and maintenance of the Lot 10 Common Property
Lot 10 Shopping Centre	:	the subdivided building known as "Lot 10 Shopping Centre" and bearing postal address No. 50, Jalan Sultan Ismail, 50250 Kuala Lumpur, which is erected on a leasehold land held under Pajakan Negeri No. 11008 for Lot No. 1247, Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur which comprises the Lot 10 Property, the Isetan Parcel, the YTL Parcel and the Lot 10 Common Property
Malaysian Prospectus or Prospectus	:	this prospectus
Malaysian Public	:	Malaysian citizens, companies, societies, co-operatives and institutions
Managed Properties	:	the Retail Properties excluding the car park areas described in the Car Park Agreement
Management Fees	:	comprising the Base Fee and the Performance Fee payable to the Manager
Manager	:	Pintar Projek Sdn Bhd (314009-W), a 70% owned subsidiary of YTL Land

Market Day	:	any day between (and including) Monday and Friday which is not a public holiday and when Bursa Securities is open for trading of securities
Market Price	:	the price of the Units, on a per Unit basis on any Market Day being the volume weighted average price of the Units in the five trading days of the Bursa Securities immediately preceding such Market Day or, if the Manager believes such calculation does not provide a fair reflection of the market price, an amount determined by the Manager in consultation with the Auditors, if appropriate, and taking into account, the valuation determined by an approved valuer, if any, as being the fair market price of a Unit, in accordance with the Deed
MASB	:	Malaysian Accounting Standards Board
MASB Standards	:	accounting standards issued by the MASB
Net Asset Value or NAV	:	at any time, net asset value of Starhill REIT as determined by deducting the value of all Starhill REIT's liabilities from the Gross Asset Value
Net Lettable Area or NLA	:	area in a building that is available for leasing, excluding common areas, and is usually the area in respect of which rent is payable
Net Property Income	:	as at any day, the Net Revenue less (a) Property Costs less, (b) Fixed Operating Costs less, (c) Lot 10 Service Charges and less (d) Property Management Fees
Net Revenue	:	Gross Receipts net of bad debts allowance
Offering	:	the Institutional Offer and the Retail Offer
Official List	:	the official list of the Main Board of Bursa Securities
Ordinary Resolution	:	a resolution of Unitholders proposed and passed by a simple majority of the Unitholders validly voting at a meeting of the Unitholders
Participating Financial Institution	:	each of the participating financial institutions for the Electronic Application listed in Appendix 8 of this Prospectus
Performance Fee	:	2% per annum of the net property income, but before deduction of Property Management Fees and where net property income is the amount determined by the Manager in consultation with the Auditor, if appropriate, as representing the surplus (if any) of the total income and gains of the Starhill REIT derived from real estate, whether held directly or indirectly through single-purpose companies after deducting all direct costs (excluding any GST payable), such fees not exceeding 5% of the aforesaid net property income, as set out in the Deed
Person	:	an individual, partnership, corporation, unincorporated association, joint venture, Authority or any other entity
Price Determination Date	:	the date, expected to be 1 December 2005, on which each of the Institutional Offer Price and Retail Offer Price is determined for the purposes of the Offering
Projections	:	Starhill REIT's profit projections for the financial years ending 30 June 2007 and 30 June 2008

Promoter Units	:	1,000 Units issued on 18 November 2005 to the Manager at RM1.00 each payable in cash for the purpose of constituting Starhill REIT
Properties	:	collectively, the Hotel Property, the Lot 10 Property and the Starhill Property and "Property" means any one of them
Property Costs	:	all costs and expenses relating to the Properties which have not been included in Fixed Operating Costs and Lot 10 Service Charges, including without limitation, quit rent, assessment, insurance premiums and costs of a replacement nature or relating to non routine repairs
Property Management Agreement	:	the agreement dated 18 November 2005 made between the Manager, the Trustee and the Property Manager pursuant to which the Property Manager will provide certain property management services for the Managed Properties
Property Management Fees	:	an amount equal to the aggregate of: <ul style="list-style-type: none"> <li>(a) in respect of the first RM30,000 of the annual Gross Receipts relating to the Managed Properties, 5% per annum of such Gross Receipts;</li> <li>(b) in respect of the next RM30,001 to RM100,000 of the annual Gross Receipts relating to the Managed Properties, 3% per annum of such Gross Receipts; and</li> <li>(c) in respect of amounts above RM100,000 of the annual Gross Receipts relating to the Managed Properties, 2% per annum of such Gross Receipts,</li> </ul> payable to the Property Manager pursuant to the Property Management Agreement (excluding any GST payable)
Property Manager	:	Azmi & Co Building Services Sdn Bhd (475267-U)
Property Market Consultant	:	Azmi & Co Sdn Bhd (77155 D)
Purchase Consideration	:	the sum of RM1,150 million payable to the Vendor under the Sale and Purchase Agreement which shall be satisfied by way of the (a) Cash Consideration and (b) Consideration Units
REIT	:	real estate investment trust
REIT Guidelines	:	the Guidelines on Real Estate Investment Trusts (3 <sup>rd</sup> edition, 3 January 2005) issued by the Securities Commission including any amendments or reissue
Regulation S	:	Regulation S under the United States Securities Act of 1933 as may be amended from time to time
Reporting Accountants	:	KPMG
Retail Offer	:	the offering of 29,999,000 Units to the Malaysian Public by the Manager for subscription at the Retail Offer Price, on and subject to the terms and conditions described in this Prospectus and the Application Form
Retail Offer Price	:	the initial offer price of RM0.98 per Unit to be fully paid by applicants pursuant to the Retail Offer and to be finalised on determination of the Institutional Offer Price as further described in Section 24 headed " <i>Structure of the Offering</i> " in this Prospectus

Retail Offer Unit(s)	:	the Unit(s) initially being offered by the Manager pursuant to the Retail Offer (subject to clawback)
Retail Properties	:	the Starhill Property and the Lot 10 Property and "Retail Property" means either of them
Retail Underwriting Agreement:		the underwriting agreement dated 18 November 2005 between the Trustee, the Manager, the Sponsor and the Joint Managing Underwriters for the underwriting of the Retail Offer Units
RM	:	Ringgit Malaysia
RPGT	:	real property gains tax
RPGT Act	:	Real Property Gains Tax Act, 1976
Sale and Purchase Agreement:		the agreement dated 18 November 2005 entered into between the Vendor and the Trustee (as trustee of Starhill REIT) for the sale and purchase of the Properties
SC or Securities Commission	:	Securities Commission of Malaysia
SCA or Securities Commission Act	:	the Securities Commission Act 1993 of Malaysia and includes any amendments thereto from time to time
Senior Co-Lead Manager	:	AmMerchant Bank as the Senior Co-Lead Manager for the Institutional Offer
Sponsor	:	YTL
sq ft	:	square feet
sq m	:	square metres
Starhill Property	:	part of an 7 level shopping centre with 5 basements of the main building together with a 12 level annexe building with three basements and bearing postal address No. 181, Jalan Bukit Bintang, 55100 Kuala Lumpur, which is erected on part of a freehold land held under Grant No. 28678 for Lot No. 1267 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur on which a mixed commercial complex known as Starhill Shopping Centre is located
Starhill REIT	:	the Starhill real estate investment trust, a collective investment scheme constituted as a real estate investment trust and authorised under the REIT Guidelines and constituted under the Deed
Tangs	:	C.K. Tang Properties (M) Sdn Bhd (181249-W)
Tangs Area	:	158,531 sq ft gross floor area of space in Starhill Property previously acquired by YTL Land from Tangs in 2003
tenancy	:	a lease, tenancy agreement or a licence in respect of premises at a Retail Property granted to a tenant
tenant	:	a lessee, tenant or licensee
Trustee	:	Mayban Trustees Berhad (5004-P), the trustee of Starhill REIT

Trustee Fees	:	an amount equal to 0.03% per annum of the Gross Asset Value, accruing daily and payable to the Trustee half-yearly in arrears, , such fees not exceeding 0.1% of the Gross Asset Value, as set out in the Deed
Underwriters	:	the Joint Managing Underwriters, the Joint Bookrunners and the Senior Co-Lead Manager
Underwriting and Selling Commissions	:	commissions payable to the Underwriters in connection with the Offering in accordance with the Underwriting Agreements
Underwriting Agreements	:	the Institutional Underwriting Agreement and the Retail Underwriting Agreement
Unit	:	an undivided interest in Starhill REIT
Unitholder	:	any person registered as holding a Unit in accordance with the provisions of the Deed
Unit Trust Guidelines	:	the Guidelines on Unit Trust Funds (3rd edition dated 1 April 2003 and updated on 30 September 2003) issued by the Securities Commission including any amendments or reissue
Vendor	:	YTL Land
YTL	:	YTL Corporation Berhad (92647-H)
YTL Group	:	YTL and its subsidiaries
YTL L&D	:	YTL Land & Development Berhad (1116-M), a 58.03% (as at 28 October 2005) subsidiary of YTL
YTL Land	:	YTL Land Sdn Bhd (223073-M), a wholly owned subsidiary of YTL
YTL Parcel	:	parcel number 89 within the Lot 10 Shopping Centre, in respect of which a separate strata title has been issued and registered in the name of YTL Land and which is to be retained by YTL Land and will not be acquired by the Trustee pursuant to the Sale and Purchase Agreement

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## 2. CORPORATE DIRECTORY

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- MANAGER** : Pintar Projek Sdn Bhd
- Registered Office/Principal Place of Business : 11th Floor, Yeoh Tiong Lay Plaza  
55 Jalan Bukit Bintang  
55100 Kuala Lumpur  
Malaysia  
Telephone No : +603 2117 0088
- Board of Directors
- Chief Executive Officer : Y Bhg Tan Sri Dato' (Dr) Francis Yeoh Sock Ping
- Non-independent Executive Directors : Y Bhg Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir  
Y Bhg Dato Yeoh Seok Kian
- Independent Non-executive Directors : Y Bhg Dato' (Dr) Yahya Bin Ismail  
Eu Peng Meng @ Leslie Eu
- Management Team : Datin Kathleen Chew Wai Lin, Legal Advisor  
Ho Say Keng, Company Secretary/Accountant  
Eoon Whai San, General Manager
- Company Secretary : Ho Say Keng  
MIA 3708  
46 Jalan BU12/5  
Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Telephone No: +603 2117 0088
- BANKER** : Malayan Banking Berhad  
KL Main Branch, Menara Maybank  
100 Jalan Tun Perak  
50050 Kuala Lumpur  
Malaysia  
Telephone No: +603 2070 8833
- 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  
Malaysia  
Telephone No: +603 4256 6868
- TRUSTEE** : Mayban Trustees Berhad  
34th Floor, Menara Maybank  
100 Jalan Tun Perak  
50050 Kuala Lumpur  
Malaysia  
Telephone No: +603 2078 8363  
Email: mtb@maybank.com.my
- REGISTRAR AND TRANSFER OFFICE** : Pintar Projek Sdn Bhd  
11th Floor, Yeoh Tiong Lay Plaza  
55 Jalan Bukit Bintang  
55100 Kuala Lumpur  
Malaysia  
Telephone No: +603 2117 0088

- AUDITORS AND REPORTING ACCOUNTANTS** : KPMG  
Wisma KPMG  
Jalan Dungun  
Damansara Heights  
50490 Kuala Lumpur  
Malaysia  
Telephone No: +603 2095 3388
- TAX CONSULTANT** : LCSM Management Services Sdn Bhd  
27B, Suite #1  
Jalan Bukit Desa 5  
Taman Bukit Desa  
58100 Kuala Lumpur  
Malaysia  
Telephone No: +603 7983 7631
- INDEPENDENT PROPERTY VALUER AND PROPERTY MARKET CONSULTANT** : Azmi & Co. Sdn Bhd  
B9, Jalan Ampang Utama 2/2  
One Ampang Avenue  
68000 Ampang  
Selangor Darul Ehsan  
Malaysia  
Telephone No: +603 4256 6666
- ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd  
27th Floor Menara Multi Purpose  
Capital Square  
No 8 Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Malaysia  
Telephone No: +603 2693 2075
- LEAD FINANCIAL ADVISER FOR THE OFFERING** : ECM Libra Capital Sdn Bhd  
3rd Floor Wisma Genting  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Malaysia  
Telephone No: +603 2178 1888
- ADVISER FOR THE OFFERING** : AmMerchant Bank Berhad  
22nd Floor, Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Malaysia  
Telephone No: +603 2078 2633 / 44 / 55
- JOINT MANAGING UNDERWRITER FOR THE RETAIL OFFER** : ECM Libra Securities Sdn Bhd  
1st, 2nd & 3rd Floor Wisma Genting  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Malaysia  
Telephone No: +603 2178 1888

- JOINT BOOKRUNNERS FOR THE INSTITUTIONAL OFFER** : ECM Libra Securities Sdn Bhd  
1st, 2nd & 3rd Floor Wisma Genting  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Malaysia  
Telephone No: +603 2178 1888
- DBS Bank Ltd  
6 Shenton Way  
DBS Building Tower One  
Singapore 068809  
Telephone No: +65 6878 8888
- The Hongkong and Shanghai Banking Corporation Limited  
21, Collyer Quay  
#14-01 HSBC Building  
Singapore 049320  
Telephone No: +65 6530 5000
- SENIOR CO-LEAD MANAGER FOR THE INSTITUTIONAL OFFER AND JOINT MANAGING UNDERWRITER FOR THE RETAIL OFFER** : AmMerchant Bank Berhad  
22nd Floor, Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Malaysia  
Telephone No: +603 2078 2633 / 44 / 55
- MALAYSIAN SOLICITORS TO THE MANAGER** : Lee Perara & Tan  
55, Jalan Thambapillai  
Brickfields  
50470 Kuala Lumpur  
Malaysia  
Telephone No: +603 2273 4307
- MALAYSIAN SOLICITORS TO THE JOINT MANAGING UNDERWRITERS AND JOINT BOOKRUNNERS** : Albar & Partners  
6th Floor, Faber Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Malaysia  
Telephone No: +603 2078 5588
- LISTING SOUGHT** : Main Board of Bursa Securities

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### 3. KEY DATA

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THE INFORMATION SUMMARY INCLUDED IN THIS SECTION IS ONLY A SUMMARY OF CERTAIN INFORMATION CONTAINED IN THIS PROSPECTUS. INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST IN THE UNITS AND IF NECESSARY, CONSULT YOUR OWN PROFESSIONAL ADVISERS.

INVESTORS SHOULD BE AWARE THAT THE RENTAL YIELDS OF THE PROPERTIES AS WELL AS OTHER REAL ESTATE THAT STARHILL REIT MAY INVEST IN THE FUTURE ARE NOT EQUIVALENT TO THE YIELD OF THE UNITS AND THAT THE CURRENT RENTAL INCOME AND YIELDS OF THE PROPERTIES MAY FLUCTUATE.

INVESTORS SHOULD ALSO NOTE THAT THE VALUE OF THE PROPERTIES (INCLUDING OTHER ASSETS AND INVESTMENTS THAT STARHILL REIT MAY HAVE IN THE FUTURE), UNIT PRICES AND DISTRIBUTIONS PAYABLE, IF ANY, MAY FLUCTUATE.

THE INFORMATION SUMMARY SET OUT BELOW IS DERIVED FROM THIS PROSPECTUS AND SHOULD BE READ IN CONJUNCTION WITH THE FULL TEXT OF THIS PROSPECTUS.

#### 3.1 INTRODUCTION

Starhill REIT was established on 18 November 2005 pursuant to the Deed and is categorised as a real property fund. Starhill REIT 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 will initially own and invest in the Properties which comprise (a) the Lot 10 Property, (b) the Starhill Property and (c) the Hotel Property which are to be acquired from YTL Land pursuant to the Sale and Purchase Agreement.

#### 3.2 KEY OBJECTIVES AND STRATEGIES OF STARHILL REIT

Starhill REIT will be managed and administered by the Manager. The primary objectives of the Manager are: (a) to provide Unitholders with stable cash distributions with potential for sustainable growth, principally from the ownership of properties; and (b) to enhance long-term Unit value. The Manager will use the operating, acquisition, capital management and financing strategies in Sections 9.1.2 to 9.1.4 to pursue Starhill REIT's business objectives.

#### 3.3 INVESTOR PROFILE

Starhill REIT may appeal to investors with a long term investment horizon seeking sustainable distribution of income and long term capital growth.

#### 3.4 INFORMATION ON TRANSACTION AND MAXIMUM APPROVED FUND SIZE OF STARHILL REIT

- Minimum initial investment*** : Applicants must apply for at least 100 Units or a multiple thereof.
- Minimum additional investment*** : Additional investment made will be at least 100 Units or a multiple thereof.
- Transfer of Units*** : The Units may be transferred through the CDS in accordance with the Central Depositories Act and the business rules of Bursa Depository.

See Section 18 headed "*The Units*" for further details about transfers of Units.

**Repurchase of Units**

: The Deed does not oblige the Manager to repurchase Units.

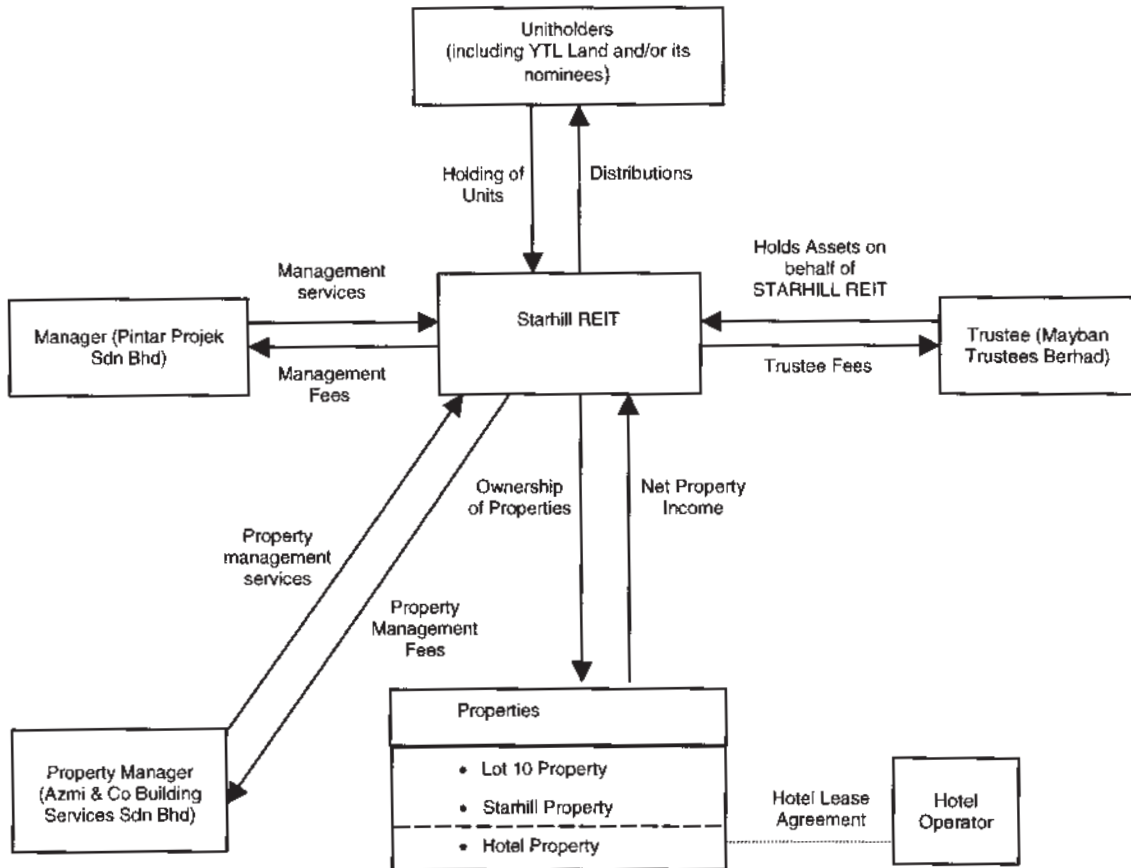
See Section 19 headed "*Salient Terms of Deed and Rights and Liabilities of the Unitholders*" in this Prospectus for further details about repurchase of Units.

The approved fund size of Starhill REIT is 1,040,000,000 Units. Further increases of the size of Starhill REIT beyond 1,040,000,000 Units will be subject to the approval of SC and other relevant regulatory Authorities and, if required, approvals of the Unitholders. The Manager may, in accordance with the provisions of the SCA, the REIT Guidelines, the Listing Requirements and any other applicable regulatory requirements, issue or offer Units by any method permitted under the REIT Guidelines and upon such terms as determined by the Manager.

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### 3.5 OVERVIEW OF STARHILL REIT STRUCTURE

The following illustrates the structure of Starhill REIT:



#### 3.5.1 The Manager

The Manager, Pintar Projek Sdn Bhd, was incorporated in Malaysia under the Act on 1 September, 1994. As at the Latest Practicable Date, the Manager has an authorised and paid-up capital of RM5,000,000 and RM1,500,000 respectively. The Manager's principal activity is to manage Starhill REIT.

The appointment of the Manager has been approved by the SC.

See Section 20 headed "*The Manager*" in this Prospectus for further details about the Manager.

#### 3.5.2 The Property Manager

The Property Manager, Azmi & Co Building Services Sdn Bhd was incorporated in Malaysia under the Act on 8 January, 1999. As at the Latest Practicable Date, the Property Manager has an authorised and paid-up capital of RM500,000 and RM150,000 respectively.

The Property Manager is a registered valuer and has been issued with an authority to practise property management by the Board of Valuers, Appraisers and Estate Agents Malaysia under the Valuers, Appraisers and Estate Agents Act, 1981.

The Property Manager will provide, among others, the following services for the Managed Properties, subject to the overall management of the Manager:

- *Property management services.* These include liaising with tenants to approve and co-ordinate tenants' fitting-out requirements, reviewing tenants' proposed design, assisting tenants with their tenancy design, supervising fitting outworks, effecting routine maintenance, ensuring compliance with building and safety regulations and arranging for adequate insurance.
- *Lease management services.* These include preparation of tenancy agreements, administration of rental collection, initiating lease renewals and negotiation of terms.
- *Marketing services.* These include providing marketing and marketing co-ordination services.

See Section 22 headed "*The Property Manager*" in this Prospectus for further details about the Property Manager.

### **3.5.3 The Trustee**

The Trustee of Starhill REIT is Mayban Trustees Berhad. The Trustee is a company incorporated in Malaysia and registered on 11 November 1963 as a trust company under the Trust Companies Act 1949. The Trustee is also registered with the SC as a trustee for unit trusts. The Trustee was approved by the SC to act as a trustee for Starhill REIT. As at the Latest Practicable Date, the Trustee has a paid up share capital of RM500,000.

See Section 21 headed "*The Trustee*" in this Prospectus for further details about the Trustee.

## **3.6 OVERVIEW OF THE PROPERTIES**

The NLA of Lot 10 Property and Starhill Property as disclosed in this section was based on the Latest Practicable Date as opposed to the NLA as disclosed in the valuation certificate dated 18 November 2005, prepared by the Independent Property Valuer, which was based on the NLA as at 28 February 2005.

The NLA for both Lot 10 Property and Starhill Property has been amended from time to time based on the requirements of the tenants as well as the conversion of common areas of Starhill Property into NLA subsequent to 1 March 2005, being the date of valuation.

In relation to Starhill Property, YTL Land has, with a view to transforming Starhill Property to become a leading expression of taste and style in food, fashion, living, beauty and art in the city, made renovations to parts of the Starhill Property, and created new lettable areas subsequent to 1 March 2005, being the date of valuation. See Section 6.6 in this Prospectus for further details about the rebranding and transformation of Starhill Property.

### **3.6.1 The Properties**

Starhill REIT's initial real estate portfolio will, on the Completion Date, comprise the Lot 10 Property, the Starhill Property and the Hotel Property. The Properties are all situated in the Bukit Bintang area, forming part of the 'Golden Triangle' district of Kuala Lumpur, Malaysia.

A summary of the Properties is as follows:

#### **Lot 10 Property**

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Address	50, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia
Description	Lot 10 Property is located within the Lot 10 Shopping Centre. The Lot 10 Shopping Centre is at the south-east corner of the intersection of Jalan Sultan Ismail and Jalan Bukit Bintang and within the area more popularly known as "Bintang Walk". It consists of an 8-storey block with one basement and a lower ground floor, together with a 7-storey annexe building with a lower ground floor.
Year of completion	1990
Occupancy rate (as at the Latest Practicable Date)	96%
Net Lettable Area (as at the Latest Practicable Date)	174,116 sq ft
Appraised Value	RM341 million
Gross Receipts (for FY 2005)	RM27.20 million
Number of tenants (as at the Latest Practicable Date)	96
Top three tenants <sup>(1)</sup>	(a) Autodome Sdn Bhd (5%) (b) Esprit De Corp (Malaysia) Sdn Bhd (4%) (c) F.J. Benjamin Fashions Sdn Bhd (3%)
Title	Leasehold; 99-year term expiring on 29 July 2076

#### **Starhill Property**

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Address	181, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
Description	Starhill Property is located on the south side of Jalan Bukit Bintang and within the area more popularly known as "Bintang Walk". It comprises part of a 7-level shopping centre with 5 basements and a 12-level annexe building with 3 basements.
Year of completion	1995
Occupancy rate (as at the Latest Practicable Date)	99.9%
Net Lettable Area (as at the Latest Practicable Date)	295,006 sq ft
Appraised Value	RM480 million

Gross Receipts (for FY 2005)	RM28.57 million
Number of tenants (as at the Latest Practicable Date)	38
Top three tenants <sup>(1)</sup>	(a) Autodome Sdn Bhd (67%) (b) Cortina Watch Sdn Bhd (6%) (c) Apcot PP(M) Sdn Bhd (2%)
Title	Freehold <sup>(2)</sup>

### **Hotel Property**

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Address	183, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
Description	The Hotel Property comprises part of an 8-level podium block and the entire twenty-four (24)-level tower block of the main building with five hundred and sixty-one (561) rooms
Year of completion	1997
Appraised Value	RM329 million
Gross Receipts (for FY 2005)	RM17.93 million
Sole Lessee	Star Hill Hotel Sdn Bhd
Expiry of Lease	31 December 2023
Title	Freehold <sup>(2)</sup>

**Notes:**

<sup>(1)</sup> Based on a percentage of monthly rent payable by tenants of Starhill Property or Lot 10 Property for the month of July 2005.

<sup>(2)</sup> There is no separate individual title for the Starhill Property and the Hotel Property which are both located on the land held under one title.

### **3.6.2 Valuation**

The Properties have been valued by the Independent Property Valuer. As at 1 March 2005, the total aggregate market value of the Properties was RM1,150 million. The valuations were primarily based on income and comparison approaches. In arriving at its valuations, the Independent Property Valuer has also considered recent sales and leasing transactions of comparable properties that have occurred in the retail property and hotel markets in the city of Kuala Lumpur, Malaysia. For further details of the valuations of the Properties, see "Valuation Certificate" in Appendix 1 of this Prospectus.

### **3.6.3 Security**

A first fixed charge will be granted over the Properties (subject to the Hotel Lease Agreement in the case of the Hotel Property) as part of the security for the Debt Facility in favour of the Lender.

### 3.7 SUMMARY OF RISK FACTORS

An investment in the Units to be listed on the Bursa Securities involves a number of risks, some of which, include market, industry, liquidity, credit, operational, legal and regulatory risks.

Prospective investors should rely on their own evaluations and consider carefully the investment considerations before buying any of the Units which are the subject of this Prospectus. Risk factors to be considered include, among others, the following:

- (a) risks relating to Starhill REIT's organisation and operating environment;
- (b) risks relating to investment in real estate;
- (c) risks relating to Starhill REIT's Properties; and
- (d) risks relating to an investment in the Units.

Further details of the principal risks of investing in Starhill REIT are set out in Section 10 headed "*Risk Factors*" of this Prospectus.

### 3.8 FEE, CHARGES AND EXPENSES

**THERE ARE FEES, CHARGES AND EXPENSES INVOLVED IN AN INVESTMENT IN STARHILL REIT. INVESTORS ARE ADVISED TO CONSIDER THE FEES, CHARGES AND EXPENSES WHICH MAY BE INVOLVED BEFORE INVESTING IN STARHILL REIT.**

Save for the fees and charges highlighted in Section 4.5, there are no other fees to be borne directly by the Unitholders when purchasing the Units. Other fees involved in an investment in Starhill REIT are as follows:

- (a) Fees and charges imposed by the Manager

	<b>Rate</b>
<b>Annual Management Fee</b>	
Base Fee	0.1% per annum of the Gross Asset Value (excluding any GST payable), accruing daily and payable to the Manager monthly in arrears
Performance Fee	2% per annum of the net property income, but before deduction of Property Management Fees and where net property income is the amount determined by the Manager in consultation with the Auditor, if appropriate, as representing the surplus (if any) of the total income and gains of the Starhill REIT derived from real estate, whether held directly or indirectly through single-purpose companies after deducting all direct costs (excluding any GST payable)
<b>Acquisition fee</b>	1.0% of the acquisition price of any asset (other than the Properties) being real estate or any single-purpose company whose principal assets are real estate purchased by the Trustee for Starhill REIT (pro rated if applicable to the proportion of the interest of Starhill REIT in the asset acquired)

**Divestment fee**

0.5% of the sale price of any asset being real estate or any single-purpose company whose principal assets are real estate sold or divested by the Trustee for Starhill REIT (pro rated if applicable to the proportion of the interest of Starhill REIT in the asset sold)

The Manager is further entitled to be reimbursed for all costs incurred in the course of exercising its powers and in fulfilling its obligations and in relation to the administration and management of Starhill REIT under the Deed. These costs include, amongst others, those incurred in communicating with Unitholders, maintaining the Starhill REIT on the Official List and building operating expenses not paid by tenants.

The Manager may charge a Unitholder fees for performing any service or undertaking any task at the request of the Unitholder where no obligation to perform that service or undertake that task is expressly provided for in the Deed, the Securities Commission Act, the REIT Guidelines or the Unit Trust Guidelines.

**(b) Fees imposed by the Trustee****Rate****Annual Trustee Fee**

0.03% per annum of the Gross Asset Value, accruing daily and payable to the Trustee half-yearly in arrears

Except for expenses incurred for the general overhead and the cost for services which the Trustee is expected to provide, or falling within the normal expertise of the Trustee, the Trustee has the right to be reimbursed the fees, costs, charges, expenses and other outgoings incurred by it that are directly related and necessary to the business of Starhill REIT as allowed under the Deed.

**(c) Fees imposed by the Property Manager****Rate****Annual Property Management Fee**

- In respect of the first RM30,000 of the annual Gross Receipts relating to the Managed Properties, 5% per annum of such Gross Receipts
- In respect of the next RM30,001 to RM100,000 of the annual Gross Receipts relating to the Managed Properties, 3% per annum of such Gross Receipts
- In respect of amounts above RM100,000 of the annual Gross Receipts relating to the Managed Properties, 2% per annum of such Gross Receipts

(excluding any GST payable)



(d) Expenses of the Starhill REIT

In addition to the fees payable to the Manager, Trustee and Property Manager as disclosed above, there are operating expenses involved in operating Starhill REIT such as the professional fees, fees in relation to the Debt Facility, allowance for bad debts and other direct administrative costs. In addition, Starhill REIT is responsible for the Property Costs, the Lot 10 Service Charges and the Fixed Operating Costs. These expenses are to be deducted from the Gross Receipts.

### 3.9 DISTRIBUTION POLICY

The Manager's current policy is to distribute to Unitholders at least 90% of the DI for each Financial Year. The Manager may amend its distribution policy at any time by giving notice to Unitholders.

Barring any unforeseen circumstances, the Manager will distribute an amount equal to 100% of the Starhill REIT's DI for the period from the Completion Date to 30 June 2007, and intends to distribute at least 90% of DI for each Financial Year thereafter. Distributions will be declared and paid to Unitholders in Ringgit Malaysia.

The Manager intends to make distributions to Unitholders on a semi-annual basis but the Manager may in its discretion change the frequency of any distributions to Unitholders, and the Manager anticipates that the interim and final distributions will be paid within 60 days from the book closure date. Starhill REIT's first distribution after the Listing Date, however, will be for the period from the Completion Date to 30 June 2006.

For these purposes, and under the terms of the Deed, DI will be:

- (a) the interim unaudited net income after tax of the Starhill REIT in regards to interim distributions; or
- (b) the audited net income after tax of the Starhill REIT, less the interim distributions, in regards to final distributions,

for the relevant period adjusted to eliminate the effects of certain Adjustments (as defined below) which have been recorded in the income statement for the relevant financial period.

Adjustments means the effects of: (i) realised gains on disposal of properties / assets; (ii) fair value gains on financial instruments; (iii) deferred tax charges / credits in respect of property valuation movements; and (iv) other non-cash gains, in each case as recorded in the income statement for the relevant distribution period.

In addition, the Manager has the discretion to distribute additional amounts including the equivalent of any realised property gains and realised gains on financial instruments and any amounts previously not distributed (referred to as "Additional DI").

In any case, the total distribution, comprising DI and Additional DI, to be distributed shall be subjected to the following:

- (a) the availability of funds in providing for the amount of total distribution; and
- (b) compliance with the gearing level prescribed by the REIT Guidelines and any applicable borrowing covenants.

The above distribution policy is based on current accounting policies applicable to Starhill REIT. In the event of any change in accounting policy, the Manager will review the distribution policy and may make any change to the distribution policy.

### 3.10 PROPOSED UTILISATION OF PROCEEDS

The total indicative gross proceeds accruing entirely to Starhill REIT arising from the Offering are estimated to be RM523,387,020, based on the Retail Offer Price and illustrative Institutional Offer Price of RM0.98 per Unit and RM1.03 per Unit respectively.

The following table sets out the intended application of the total proceeds from the Offering:

	<b>Application of proceeds</b> <i>(RM'000)</i>
Part finance the Purchase Consideration for the acquisition of the Properties <sup>(1)</sup> .....	439,600
Repayment of bank borrowing/Working capital <sup>(2)</sup> .....	61,787
Estimated listing expenses .....	22,000
Total .....	<u>523,387</u>

Notes:

<sup>(1)</sup> The balance of the Purchase Consideration for the Properties will be settled by the issuance of Consideration Units and the proceeds raised from the Debt Facility.

<sup>(2)</sup> The utilisation of proceeds for repayment of bank borrowing/working capital purposes will be adjusted accordingly depending on the actual proceeds raised from the Offering and actual expenses incurred for the Listing.

Further details of the utilisation are set out in Section 16 headed "*Proposed Utilisation of Gross Proceeds*" of this Prospectus.

### 3.11 INFORMATION ON THE OFFERING

#### 3.11.1 The Offering

The Offering is subject to the terms and conditions of this Prospectus and upon acceptance, the Units are expected to be allocated in the manner described below, subject to the clawback and reallocation provisions as set out in Section 24 headed "*Structure of the Offering*" of this Prospectus:

- ***Retail Offer at the Retail Offer Price of RM0.98 per Unit to be fully paid by applicants and subject to refund in the event the Final Retail Price is less than RM0.98 per Unit***

29,999,000 Units will be made available for application by the Malaysian Public of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

- ***Institutional Offer at an Institutional Offer Price to be fully paid by applicants upon allocation and determined by way of bookbuilding***

479,600,000 Units are being offered to Malaysian and foreign institutional and other selected investors.

The Promoter Units were issued on 18 November 2005 to the Manager for the purpose of constituting Starhill REIT and will be disposed of by the Manager on the Market Day immediately following the date on which Starhill REIT is listed.

### 3.11.2 Issued Units

	<u>No. of Units</u>
Fund size approved by the SC	1,040,000,000
Promoter Units as at the date of this Prospectus	1,000
To be issued as Consideration Units	530,400,000
To be issued pursuant to the Offering	509,599,000
Enlarged fund size of Starhill REIT	1,040,000,000
Total value of issued Units upon listing on the Main Board of Bursa Securities (RM) <sup>(1)</sup>	1,053,788,020

Note:

(1) Based on the Retail Offer Price of RM0.98 per Unit and illustrative Institutional Offer Price of RM1.03 per Unit.

### 3.11.3 Clawback and Reallocation

The allocation of Units between the Retail Offer and the Institutional Offer is subject to adjustment by the Joint Managing Underwriters and the Joint Bookrunners.

In the event the Retail Offer is over-subscribed and there is an under-subscription in the Institutional Offer, Units may be clawed back from the Institutional Offer and reallocated to the Retail Offer. In the event the Institutional Offer is over-subscribed and there is an under-subscription in the Retail Offer, Units may be clawed back from the Retail Offer and reallocated to the Institutional Offer. Any such reallocation is subject to the agreement among the Joint Managing Underwriters and the Joint Bookrunners with the Manager, which approval shall be unreasonably withheld or delay.

### 3.11.4 Distribution Forecast

	<u>Forecast Period 2006</u>	<u>Projection Year 2007</u>	<u>Projection Year 2008</u>
Retail Offer Price per Unit (RM)	0.98	0.98	0.98
Illustrative Institutional Offer Price per Unit (RM)	1.03	1.03	1.03
Gross distribution per Unit (Sen)	3.11	6.58	6.44
Gross yield based on the Retail Offer Price (%)	6.43*	6.71	6.57
Gross yield based on the illustrative Institutional Offer Price (%)	6.12*	6.39	6.25
Gross distribution payout (%)	100	100	95

Note:

\* indicates annualised figures. Annualised distribution yield has been computed by extrapolating on a monthly basis the revenue and expenses of Starhill REIT for the 6 months from 1 January 2006 and 30 June 2006, except that certain expenses, such as property maintenance, administration expenses and arranger's fee have not been extrapolated as such expenses are expected to remain unchanged regardless of the length of the financial period under review.

### 3.12 Financial Highlights

Investors should read the whole of the Financial Highlights section set out below together with the reports set out in Appendix 3 headed "Reporting Accountants' Letters on Profit Forecast and Projections", Appendix 4 headed "Reporting Accountants' Letter on Proforma Historical Financial Information" and Appendix 5 headed "Reporting Accountants' Letter on Proforma Balance Sheet".

#### 3.12.1 Proforma Balance Sheet as at Listing Date

The table below sets out a summary of the proforma balance sheet of Starhill REIT assuming Starhill REIT is in existence on the Listing Date and after application of the total proceeds from the Offering using an assumed price of RM0.98 per Unit for Retail Offer and RM1.03 for Institutional Offer. The proforma balance sheet is presented for illustrative purposes only and should be read in conjunction with the notes set out in Section 17 headed "Proforma Balance Sheet".

	<b>As at Listing Date RM'000</b>
<b>Non-current assets</b>	
Investment properties	1,150,000
<b>Current asset</b>	
Cash in bank	61,788
<b>Non-current liability</b>	
Borrowing	(180,000)
<b>Net assets</b>	<u>1,031,788</u>
<b>Unitholders' funds</b>	
Units in issue	1,053,788
Estimated listing expenses	(22,000)
	<u>1,031,788</u>
Number of Units in issue	1,040,000,000
NAV per Unit (RM)	0.99
Gearing (Borrowing / Gross Asset Value)	14.85%

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### 3.12.2 Proforma Historical Financial Information

The table below sets out a summary of the proforma income statements of Starhill REIT for the five (5) financial years ended 30 June 2005 prepared based on the audited financial statements of YTL Land on the assumption that the current structure of Starhill REIT had been in existence throughout the financial years under review. The proforma income statements are presented for illustrative purposes only and should be read in conjunction with Section 12 headed "Proforma Historical Financial Information" and Section 13 headed "Management's Discussion and Analysis of Financial Condition and Results of Operations".

	<u>FY2001</u>	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
<b>Gross Receipts</b>	46,240	52,770	60,050	65,994	73,697
<b>Less: Property related operating expenses</b>					
Property cost	4,645	4,780	4,785	4,923	4,954
Operating cost	9,478	9,330	9,772	9,723	9,705
<b>Total operating expenses</b>	14,123	14,110	14,557	14,646	14,659
<b>Net Property Income</b>	32,117	38,660	45,493	51,348	59,038

### 3.12.3 Profit Forecast and Projections

The table below sets out Starhill REIT's profit forecast for the 6 months period from 1 January 2006 to 30 June 2006 and projections for financial years ending 30 June 2007 and 2008. Further details of the Forecast and Projections are set out in Section 11 of this Prospectus headed "Profit Forecast and Projections". The Reporting Accountants' letters on the Forecast and Projections are set out in Appendix 3 of this Prospectus.

	<b>Forecast 6 months period ending 30 June 2006</b>	<b>&lt; ----- Projections ----- &gt;</b>	
	<u><i>RM'000</i></u>	<u><i>RM'000</i></u>	<u><i>RM'000</i></u>
Gross Receipts	48,050	98,587	101,695
Net Revenue	47,400	97,250	100,310
Total Property Operating Expenses	(8,589)	(17,106)	(18,085)
Net Property Income	38,811	80,144	82,225
Interest income	292	487	511
Total trust expenses	(6,799)	(12,191)	(12,236)
Net income before tax	32,304	68,440	70,500
DI	32,304	68,440	70,500
Distribution to Unitholders	32,304	68,440	66,975

	Forecast	< ----- Projections ----- >	
	6 months period ending 30 June 2006	FY2007	FY2008
Number of Units in issue ('000)	1,040,000	1,040,000	1,040,000
Gross Distribution per Unit (sen)	3.11	6.58	6.44
Annualised/annual gross distribution yield based on the Retail Price of RM0.98 per Unit	6.43%	6.71%	6.57%
Annualised/annual gross distribution yield based on the illustrative Institutional Offer Price of RM1.03	6.12%	6.39%	6.25%
Distribution payout	100%	100%	95%
Distribution cover	100%	100%	105%

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### 3.13 OWNERSHIP AND MANAGEMENT

#### 3.13.1 Unitholdings of the Sponsor and substantial shareholders of the Sponsor

The direct and indirect unitholdings of the Sponsor and substantial shareholders of the Sponsor in Starhill REIT upon completion of the Offering will be as follows:

Unitholders	Direct		Indirect	
	No. of Units ( <i>'000</i> )	(%)	No. of Units ( <i>'000</i> )	(%)
YTL	530,400	51%	-	-
Yeoh Tiong Lay & Sons Holdings Sdn Bhd	-	-	530,400 <sup>(1)</sup>	51%
YBhg Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	-	-	530,400 <sup>(2)</sup>	51%

Notes:

<sup>(1)</sup> Deemed interest through YTL

<sup>(2)</sup> Deemed interest through Yeoh Tiong Lay & Sons Holdings Sdn Bhd

#### 3.13.2 Unitholdings of the substantial shareholders of the Manager

The direct and indirect unitholdings of the substantial shareholders of the Manager in Starhill REIT upon completion of the Offering will be as follows:

Unitholders	Direct		Indirect	
	No. of Units ( <i>'000</i> )	(%)	No. of Units ( <i>'000</i> )	(%)
YTL	530,400	51%	-	-
Yeoh Tiong Lay & Sons Holdings Sdn Bhd	-	-	530,400 <sup>(1)</sup>	51%
YBhg Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	-	-	530,400 <sup>(2)</sup>	51%

Notes:

<sup>(1)</sup> Deemed interest through YTL and on the assumption that Yeoh Tiong Lay & Sons Holdings Sdn Bhd does not make any application for Units under the Offering.

<sup>(2)</sup> Deemed interest through Yeoh Tiong Lay & Sons Holdings Sdn Bhd and on the assumption that YBhg Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay does not make any application for Units under the Retail Offering.

#### 3.13.3 Unitholdings of the Directors and key management of the Manager

Upon completion of the Offering, none of the Directors and key management of the Manager will have any interest in the Units and on the assumption that such persons do not make any applications for Units under the Retail Offer.

## 4. GENERAL INFORMATION ON REIT

### 4.1 INTRODUCTION TO REIT

A REIT is a collective investment scheme constituted as a real estate investment trust that invests primarily in income-producing real estate and real estate related assets and uses the income from the properties, net of expenses, to provide returns to its unitholders.

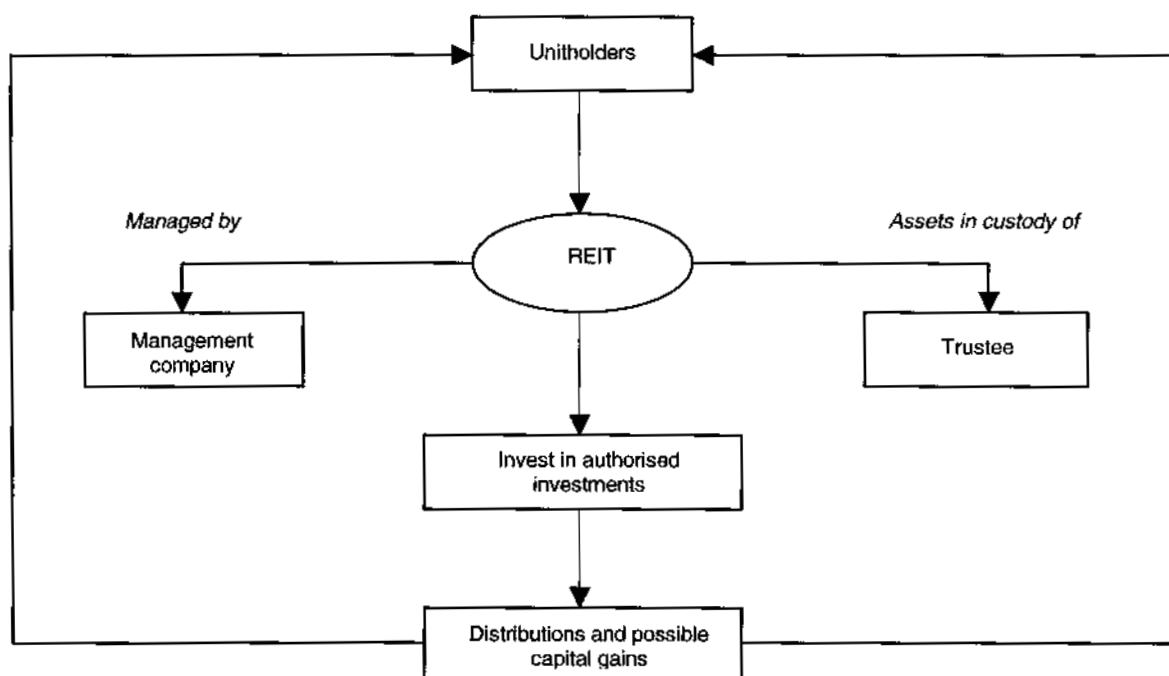
### 4.2 OBJECTIVE OF REIT

The key objective of a REIT is to provide unitholders with stable distributions per unit with the potential for sustainable long-term growth of such distributions.

The objective is sought to be achieved by optimising the performance and enhancing the overall quality of real estate assets through various investment and business strategies.

### 4.3 STRUCTURE AND ORGANISATION OF REIT

A REIT may be illustrated as a tripartite relationship between the manager, the trustee and the unitholders governed by a trust deed registered with the SC. The tripartite relationship between the manager, the trustee and the unitholders in a REIT is illustrated below:



A REIT is constituted by a trust deed entered into between the manager and the trustee. The trust deed sets out the manner in which the scheme is to be administered, the valuation and pricing of units, the collection and distribution of income, the rights of unitholders, the duties and responsibilities of the manager and trustee with regard to the operations of the scheme, and the protection of unitholders' interests.

### 4.4 THE REGULATORY REGIME

The principal legislation governing the establishment and operation of REITs in Malaysia is the Securities Commission Act, REIT Guidelines, Unit Trust Guidelines and the Listing Requirements (in the case of listed REITs), which must be complied with at all times subject to any waivers and/or exemptions granted by the SC and the other relevant Authorities from time to time. This requires, *inter alia*, that the manager and the trustee execute a trust deed which is registered with the SC.



The SC must approve the appointments of the manager, trustee, the manager's directors and chief executive officer as well as the members of the investment committee, if any.

#### 4.4.1 The Manager

The manager is obliged under the trust deed, Securities Commission Act and REIT Guidelines to manage and administer the REIT in a proper, diligent and efficient manner and observe high standards of integrity and fair dealing in managing the REIT to the exclusive interests of the unitholders. The manager is independent of the trustee.

#### 4.4.2 The Trustee

The trustee is obliged under the trust deed, Securities Commission Act and REIT Guidelines to act as the custodian for all the assets owned by REIT and, among others, to safeguard the interests of the unitholders. The trustee must ensure that the manager administers the REIT in accordance with the objectives of the REIT and the provisions of the trust deed, Securities Commission Act and REIT Guidelines.

### 4.5 FEES AND CHARGES

Investors may incur the following fees and charges upon the purchase, sale and holding of their investment in REITs (so long as the units are listed).

#### Payable Directly by Unitholders

Charges	(%/RM)
Bursa Securities clearing fee .....	0.04% of the transaction value, subject to a maximum of RM500 per transaction
Brokerage .....	A percentage of the transaction value as prescribed by the authorised depository agents subject to a minimum of RM12.00 per transaction
Stamp duty.....	0.1% of the transaction value as stated in the contract notes, subject to a maximum of RM200 per transaction

#### Payable Indirectly by Unitholders

In addition to the costs of maintaining and operating properties and other income producing assets and the costs of administration of the REIT, the REIT shall incur the following costs:

Management fees .....	The manager receives this fee for managing the REIT
Property management fees .....	The property manager receives this fee for managing properties. The fee is based on a certain graduated scale as provided in the Seventh Schedule of the Valuers, Appraisers and Estate Agents (Amendment) Rules 2002
Trustee fees.....	The trustee receives this fee for acting as trustee and custodian of the assets and to safeguard the interests of the unitholders

#### **4.6 COMPARISON TO OTHER INVESTMENTS**

There are other forms of investments that are available to investors which include, among others, bonds, shares, fixed deposits, financial derivative products, cash equivalent securities and direct investments in real estate. Different investments have different levels of risk and some are more suitable for investors willing to bear risk whilst others are suitable for investors seeking more security. The level of return from an investment is usually linked to the level of risk an investor has to bear.

An investment in a REIT provides an opportunity for investors to pool their resources into a fund to enable the fund to acquire a selected portfolio of investments primarily in real properties managed by qualified managers.

#### **4.7 INVESTOR PROFILE**

REITs may appeal to investors with a long-term investment horizon seeking sustainable distribution of income and long-term capital growth.

#### **4.8 PERFORMANCE INDICATORS AND BENCHMARKS**

An investment is usually evaluated by comparing it with the performance of an appropriately chosen benchmark. In this context, the performance of REITs can be directly assessed against the performance of the currently listed REITs on the Bursa Securities.

The Kuala Lumpur Composite Index may be an indicator and benchmark for evaluating performance of listed REITs. In addition, the EMAS Index which indicates the overall performance of listed companies on the Main Board of Bursa Securities and Property Sector Index which indicates the performance of listed companies in the EMAS Index that are involved in the property sector, may also be used as an indicator.

Investors may refer to the Bursa Securities website, [www.bursamalaysia.com](http://www.bursamalaysia.com) under Market Information Section for information on the abovesaid indices. Investors could also obtain other pertinent information such as daily stocks performance by sectors and individual stocks from the Bursa Securities' website.

In reviewing the performance of REITs, investors may consider the following performance indicators:

##### **Average Annual Return**

The percentage change in a REIT's price (after adjusting for distributions payout) for the period to the number of years under review. This indicator allows investors to compare the annualised return of the REIT with other forms of investment which is most often expressed in '*per cent per annum*'.

##### **Distribution Yield**

The ratio of the distribution paid to unitholders to the price paid for the units of the REIT or the prevailing market price as the case may be.

##### **Management Expense Ratio**

The Management Expense Ratio ("MER") of a REIT is the total of all the fees and expenses incurred in a financial year and deducted directly from that REIT's income (including the annual management fees, the annual trustee fees, the auditor's fees and other professional fees and expenses) and all the expenses not recovered from and/or charged to the REIT (including the costs of printing, stationery and postage) expressed as a percentage of the average value of that fund.

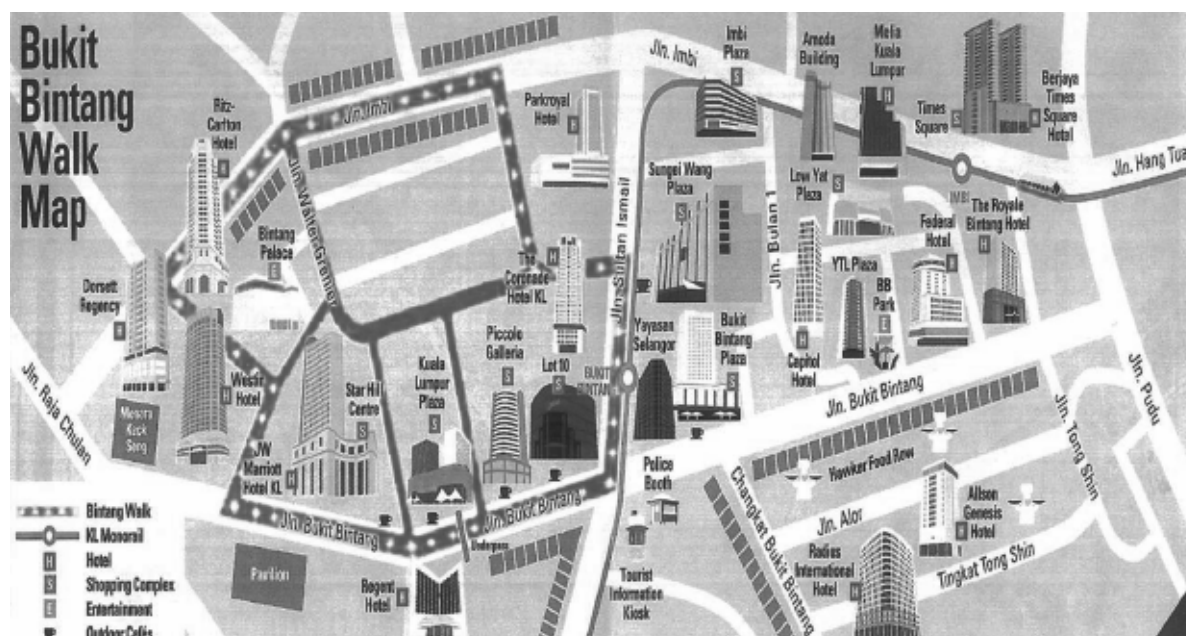
The MER is one way of comparing the costs of investment in a REIT with the costs of other investments of similar nature.

## 5. THE PROPERTIES

### 5.1 INTRODUCTION

Pursuant to the Sale and Purchase Agreement, the Trustee (as the trustee of Starhill REIT), will acquire from YTL Land, three (3) prime properties located in the Bukit Bintang area within the "Golden Triangle" area in central Kuala Lumpur, namely the Starhill Property, the Lot 10 Property and the Hotel Property. YTL Land purchased the Properties (excluding the Tangs Area) for RM323 million in 1999 and the Tangs Area from Tangs for RM77 million in 2003. Since the acquisition of the Properties, YTL Land has played a primary role in the redevelopment and upgrading of Jalan Bukit Bintang, a prime hotel, entertainment, shopping and business district of Kuala Lumpur into the area now known as Bintang Walk. YTL Land proposed to the Dewan Bandaraya Kuala Lumpur (the Kuala Lumpur municipal authority), a master redevelopment plan (the "Masterplan") to convert the driveways and road reserves between the Lot 10 Property and the Starhill Property into a pedestrian walkway, with various food and beverage outlets and other tourist attractions, in order to establish a tourist hub and YTL undertook the development around the Lot 10 Property and the Starhill Property area. Subsequently, other owners of buildings along this stretch financed their own upgrades of the pedestrian walkways, lighting and landscaping of the surrounding environment, based on the Masterplan.

The map below indicates the location of the Properties along Jalan Bukit Bintang.



### 5.2 REVENUE

The table below sets out revenue details for each of the Properties for FY 2005:

Property	Annual Gross Receipts	Annual Gross Receipts as a percentage of total Gross Receipts for the Properties
	(RM million)	(%)
Starhill Property.....	28.57	38.8
Lot 10 Property.....	27.20	36.9
Hotel Property.....	17.93	24.3
<b>Total.....</b>	<b>73.70</b>	<b>100.0</b>

### 5.3 NET LETTABLE AREA

The table below sets out details of the Net Lettable Area for each Retail Property as at the Latest Practicable Date:

Property	Net Lettable Area
	(sq ft)
Starhill Property.....	295,006
Lot 10 Property.....	174,116

### 5.4 VALUATION

The Properties were valued by the Independent Property Valuer on 1 March 2005.

The Appraised Values of the Properties are set out in the following table:

Property	Appraised Value <sup>(1)</sup>	Percentage of aggregate Appraised Value of Properties
	(RM million)	(%)
Starhill Property.....	480	41.7
Hotel Property.....	329	28.6
Lot 10 Property.....	341	29.7
<b>Total</b> .....	<b>1,150</b>	<b>100.0</b>

Note:

<sup>(1)</sup> See "Valuation Certificate" in Appendix 1 of this Prospectus.

### 5.5 MAINTENANCE, REPAIRS AND UPGRADES

Upon completion of the acquisition of the Properties pursuant to the Sale and Purchase Agreement, Starhill REIT will be responsible for the repair, maintenance and operation of the Retail Properties, including repair and maintenance of fixtures and fittings in the Retail Properties. This includes amongst others, maintaining air conditioning, lifts and escalators, plumbing and CCTV systems. The tenants are generally responsible for the upkeep and repair of fixtures and fittings within the area rented out by them in accordance with the provisions of the tenancy agreements. In addition, upgrading of the Retail Properties, repair, renovation and reconfiguration of space leased to tenants will be carried out as and when the need arises. Starhill REIT will also bear the Lot 10 Service Charges in relation to the maintenance of the Lot 10 Common Property. YTL Land has spent approximately RM17.5 million on the renovation of Hotel Property over the past five years as part of its property maintenance and redevelopment program. It is expected that there will not be any major capital expenditure to be incurred for the Starhill Property and the Hotel Property whereas for Lot 10 Property, it is estimated that approximately RM0.17 million will be required to be expended over the next three years for capital expenditure.

Under the Hotel Lease Agreement, the owner of the Hotel Property is obliged to maintain the structure, roof and exterior of the Hotel Property in good and tenantable condition.

See also Section 11 headed "Profit Forecast and Projections" in this Prospectus for further details.

The following table summarises projected significant expenditures of the Properties for the next three years:

Property	Projected capital expenditure requirements	Projected property maintenance costs requirement
	(RM'000)	(RM'000)
Starhill Property.....	FY 2006	-
	FY 2007	-
	FY 2008	-

Property	Projected capital expenditure requirements		Projected property maintenance costs requirement
		(RM'000)	(RM'000)
Lot 10 Property.....	FY 2006	30	87
	FY 2007	111	52
	FY 2008	26	981
Hotel Property.....	FY 2006	-	-
	FY 2007	-	-
	FY 2008	-	-

## 5.6 TENANCY AGREEMENTS AND MANAGEMENT OF TENANCIES

The tenancy agreements entered into for the Retail Properties contain usual terms and conditions, including those relating to payment of rents, provision of security deposit as well as restrictions on alteration and improvement works.

When a prospective tenant has committed to a tenancy, generally a security deposit equal to four (4) months' rent and a utilities deposit, where applicable, is usually payable. Certain security deposits held by YTL Land are represented by irredeemable convertible preference shares issued by YTL L&D and held by an appointed trustee for the benefit of the relevant tenants (but subject to the rights and claims of YTL Land). The basic fixed rent and service charges are normally payable monthly in advance. The turnover rent, which is determined and calculated based on a specified percentage of the monthly gross sale receipts of the tenant, is payable monthly in arrears.

The tenants are also generally liable for paying a service charge, in addition to rent, towards maintenance of the Retail Properties and for the provision of certain services and facilities as described in the tenancy agreements.

As tenant retention is crucial to minimising the turnover of tenancies, under the terms of the Property Management Agreement, the Property Manager is expected to maintain close communication and good working relationships with the tenants of the Managed Properties. Discussions for tenancy extension will be held with tenants whose tenancies are due to expire. The Property Manager will be responsible for enforcing the timely payment of rent by tenants to reduce late payments of rents.

The table below sets out information on the percentage of the AOR of each of the Retail Properties that was leased for FY 2002 to FY 2005 and occupancy rate as at the Latest Practicable Date:

Retail Property	AOR				Occupancy Rate As at the Latest Practicable Date
	FY 2002	FY 2003	FY 2004	FY 2005	
	(%)	(%)	(%)	(%)	(%)
Starhill Property.....	83	91 <sup>(1)</sup> / 90 <sup>(2)</sup>	82 <sup>(1)</sup> / 89 <sup>(2)</sup>	77 <sup>(1)</sup> / 93 <sup>(2)</sup>	99.9
Lot 10 Property.....	94	93	94	96	96

Notes:

<sup>(1)</sup> Including the Tangs Area previously leased to Tangs from April 2003 to March 2004 that was unoccupied during the relevant periods.

<sup>(2)</sup> Excluding the Tangs Area which was being renovated and not available for occupation.

Pursuant to the Hotel Lease Agreement, the sole lessee of the Hotel Property is the Hotel Operator, who has leased the Hotel Property for a period expiring on 31 December, 2023.

## 5.7 EXPIRIES AND RENEWALS

The tenancies at the Starhill Property and the Lot 10 Property are generally for a term of not more than three (3) years with an option for tenants to renew for a further term but renewals are generally at the discretion of the owner of the Retail Properties. In line with normal commercial practice, renewals are generally made on the same terms and conditions as the original tenancies except for the rental rate, which will generally be revised to prevailing market rent. The following table sets out information on expiries of the tenancies of the Retail Properties as at 31 July 2005:

Period	Total number of tenancies expiring	NLA of tenancies	Expiring tenancies as a
		expiring	percentage of NLA of Retail Properties
		(sq ft)	(%)
Vacant .....	6	3,834	1
FY 2006 .....	80	101,843	22
FY 2007 .....	31	33,859	7
FY 2008 .....	126	317,877	68
FY 2011 .....	1	10,430	2
<b>Total .....</b>	<b>244</b>	<b>467,843</b>	<b>100</b>

## 5.8 TENANCY PROFILE

### Tenant profile

Well-known retailing names in the Starhill Property include Louis Vuitton, Alfred Dunhill, Audemars Piguet, Celine, Chopard, Polo Ralph Lauren, Christian Dior, Davidoff, DKNY, Fendi, Versace, Givenchy, Gucci, Kenzo, Salvatore Ferragamo, Ulysse Nardin, Jaeger-Le Coultre, Korloff, Garrard and Rolex together with other luxury designer brands and several restaurants and food outlets. As at 31 July 2005, the ten (10) largest tenants of Starhill Property in terms of monthly rent accounted for 88% of the total Net Lettable Area of the Starhill Property.

Well-known names in the Lot 10 Property include Isetan, Armani Exchange, The Body Shop, Esprit, Guess, Renoma, Timberland, Toni & Guy, Calvin Klein, Topman Topshop, Brilliant Rose, Braun Buffel, Crabtree & Evelyn and Swatch. As at 31 July 2005, the ten (10) largest tenants of the Lot 10 Property in terms of monthly rent accounted for 35% of the total Net Lettable Area of the Lot 10 Property.

The sole lessee of the Hotel Property is the Hotel Operator which makes rental payments for its lease of the Hotel Property. All room rentals and income related to the operations and management of the Hotel Property accrue directly to the Hotel Operator.

The following table sets out the ten (10) largest tenants of the Retail Properties as a whole, in terms of rent as at 31 July 2005, which account for 55% of the total monthly rent of the Retail Properties.

Tenant	Subject property	Trade sub-sector	NLA occupied by tenant	% of total NLA	Rental per month	% of total monthly rental income
			(sq ft)	(%)	(RM)	(%)
Autodome Sdn Bhd.....	Starhill Property and Lot 10 Property	Food and beverage and sub-let	248,932	53.2	1,958,193	41.6
Cortina Watch Sdn Bhd ...	Starhill Property	Watch	6,978	1.5	174,302	3.7
Esprit De Corp (Malaysia) Sdn Bhd .....	Lot 10 Property	Apparel	2,567	0.5	82,144	1.7
F.J. Benjamin Fashions Sdn Bhd.....	Lot 10 Property	Apparel	2,643	0.6	66,075	1.4
YTL e-Solutions Berhad.....	Lot 10 Property	Office	9,395	2.0	56,370	1.2
Apcot PP (M) Sdn Bhd.....	Starhill Property	Apparel	2,798	0.6	50,364	1.1

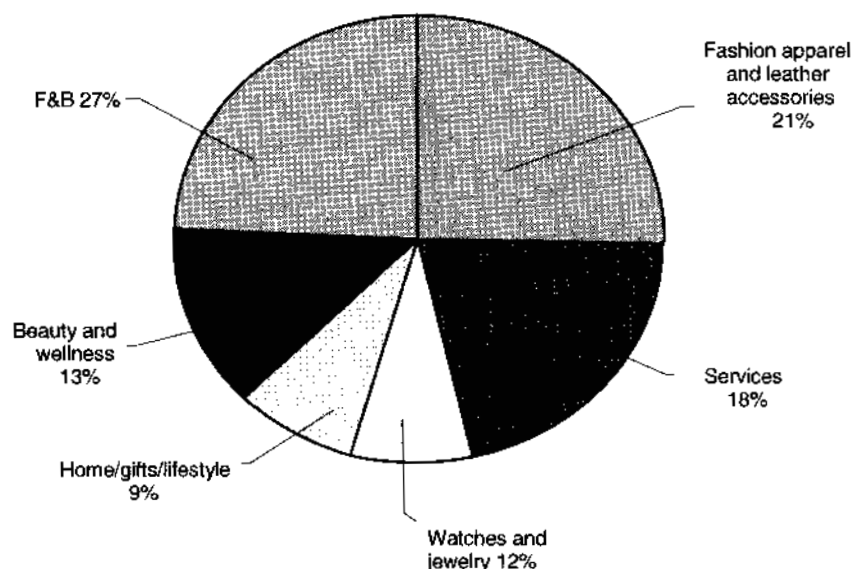
Tenant	Subject property	Trade sub-sector	NLA occupied by tenant (sq ft)	% of total NLA (%)	Rental per month (RM)	% of total monthly rental income (%)
Club Twenty One Retail (M) Sdn Bhd.....	Starhill Property	Apparel	2,875	0.6	46,000 or 13% of gross sales (whichever is higher)	1.0 <sup>(1)</sup>
Dome Café Sdn Bhd .....	Lot 10 Property	Food and Beverage	2,500	0.5	45,000 plus 12% of net sales above RM250,000	1.0 <sup>(1)</sup>
Louis Vuitton (M) Sdn Bhd.....	Starhill Property	Leather accessories (Flagship Store)	12,096	2.6	44,212	0.9
FASB Retail Ventures Sdn Bhd .....	Lot 10 Property	Apparel	2,399	0.5	44,118	0.9

Note:

<sup>(1)</sup> Represents the proportion of the base rental per month over the total base monthly rental for the Retail Properties.

As at 31 July 2005, the segmentation of tenants by trade sub-sector of the Retail Properties is as follows:

### Tenant Mix - Retail Properties (by NLA)



Note:

This segmentation takes into account the trade sub-sectors of Autodome's sub-tenants in the Starhill Property or, with respect to the Starhill Property only, if not sub-tenanted, the floor category in line with the Starhill re-branding.

## 5.9 CAR PARKS

The car park area of each of the Retail Properties will be managed for an initial term of five (5) years by YTL Land pursuant to the Car Park Agreement. YTL Land will be responsible for the costs of operating and managing the car park.

Under the Car Park Agreement, YTL Land will be entitled to occupy and use the car park area and retain for its own account, all revenue derived from all rights of occupation or use of the car park area and the proceeds of any payment under any insurance policy against loss of rent or income from the car park area.

Pursuant to the Car Park Agreement, YTL Land is obliged to pay the Car Park Income. The annual Car Park Income in respect of the car park area for each Retail Property is as follows:

<u>Property</u>	<u>Annual Car Park Income</u>
	<i>(RM)</i>
Lot 10 Property .....	2,500,000
Starhill Property .....	2,500,000
<b>Total .....</b>	<b>5,000,000</b>

The Car Park Income will be payable in equal installments payable monthly in arrears.

The Car Park Income will be increased by 5% of the then prevailing Car Park Income from the third and fifth years of the term of the Car Park Agreement.

## 5.10 MARKETING AND LEASING ACTIVITIES

Pursuant to the Property Management Agreement, the Retail Properties will be marketed by the Property Manager to prospective tenants in desired target groups through direct calls and other appropriate means. Prospective tenants will also be regularly updated with the list of available retail or office units for rental. Viewings of the premises will be conducted regularly with prospective tenants.

## 5.11 INSURANCE

The insurance policies described as follows have been taken out in respect of the Properties by YTL Land, in its capacity as owner of the Properties. Upon completion of the purchase of the Properties pursuant to the Sale and Purchase Agreement, YTL Land is obliged under the Sale and Purchase Agreement to use reasonable endeavours to procure the insurers to include the Trustee as a party to the aforesaid insurance policies to the extent it has an interest in the insurance policies.

Each of the Properties benefits from insurance coverage. The key insurance policies in respect of the Properties that are in place as at the Latest Practicable Date are described in the following table:

<u>Property</u>	<u>Insurance policy</u>	<u>Coverage</u>
Starhill Property and Lot 10 Property	Fire material damage	Building, structure, machinery, fixtures and stock
	Fire consequential loss	Loss of gross revenue due to fire
	Intelligent building policy	Electronic, electrical and mechanical plant and machinery
	Intelligent building – loss of profit	Loss of revenue due to intelligent machinery failures
	Plate glass policy	Plate glass on premises
	Machinery and equipment policy	Electronic, electrical and mechanical equipment



<b>Property</b>	<b>Insurance policy</b>	<b>Coverage</b>
	Machinery breakdown policy	Cold room and refrigeration plant
Hotel Property	Fire material damage	Building, structure, machinery, fixtures and stock
	Fire consequential loss	Loss of gross revenue due to fire
	Plate glass policy	Plate glass on premises

The table below sets out the amount of insurance premiums paid in respect of each of the Retail Properties, for FY 2001 to FY 2005.

<b>Retail property</b>	<b>Insurance payments</b>				
	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
	<i>(RM)</i>	<i>(RM)</i>	<i>(RM)</i>	<i>(RM)</i>	<i>(RM)</i>
Starhill Property	178,146	176,060	173,426	185,152	190,795
Lot 10 Property	318,631	308,367	263,824	137,344	162,375

Insurance premiums policies relating to the Lot 10 Property in FY 2004 decreased due primarily to a change of insurance cover in May 2003. Following an analysis of insurance requirements, YTL Land decided against insurance cover on foundation and basement structures of the Retail Properties and insured the Properties based on replacement cost of the Properties, which accounted for the decrease in the insurance cost.

The Hotel Operator will be responsible for payment of the insurance premiums relating to the Hotel Property. The table below sets out the amount of insurance premiums paid by the Hotel Operator in respect of the Hotel Property for FY 2001 to FY 2005.

<b>Property</b>	<b>Insurance payments</b>				
	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
	<i>(RM)</i>	<i>(RM)</i>	<i>(RM)</i>	<i>(RM)</i>	<i>(RM)</i>
Hotel Property	577,122	553,028	595,418	449,214	368,243

## 5.12 ENCUMBRANCES

The Properties will be charged for the benefit of the Lender as security for the Debt Facility. The charge will be created simultaneously with the transfer of the Properties pursuant to the provisions of the Sale and Purchase Agreement.

## 5.13 RETAIL PROPERTY COMPETITION

The retail property sector in Malaysia remains highly competitive. The principal competitive factors include rental rates, quality and location of properties, supply of comparable space and changing needs of business users brought about by corporate restructuring or technological advances. The accessibility and trade mix within a retail mall is also a major factor in attracting shoppers and tenants.

The retail property market has undergone a revolution, with conventional shopping malls featuring only retail shops no longer being enough to attract the crowds. Although the Retail Properties are attractive to prospective retailers with their large immediate catchment of tourists, business travellers, convention and exhibition participants, office workers and local shoppers, both Retail Properties face competition from retail-cum-entertainment malls located within the Klang Valley including the Curve, Ikano Power Centre, MidValley Megamall, Suria KLCC and Berjaya Times Square.

There are also two (2) shopping malls under construction within the neighbourhood, namely, Nas Pavillion on Jalan Imbi, and the Pavillion on Jalan Bukit Bintang which are located across the Starhill Property. UDA's Bukit Bintang Plaza is also undergoing a refurbishment, which could provide increased competition to Starhill Property and Lot 10 Property. Against such competition, malls like the Starhill Property and the Lot 10 Property will need to capitalise on their location, refurbishments and niche markets to maintain their share of this evolving market.

## 5.14 HOTEL COMPETITION

Similar to the retail sector, the hotel industry underwent a tumultuous year in 2003 with the global outbreak of SARS (Severe Acute Respiratory Syndrome) and the reduction in international travel due to the US-Iraq war in March 2003. As a result, the Malaysian Tourism Promotion Board registered 10.6 million tourist arrivals in Malaysia in 2003, 20% fewer than the previous year's 13.3 million. This has had a significant effect on the occupancy levels of the 4-and 5-star hotels in Kuala Lumpur, with average occupancy levels of about 66% in 2003 and 72.5% in 2004 as compared to 66% in 2002. However, occupancy levels for most 4-star and 5-star hotels in Kuala Lumpur have picked up and the hotel industry in the Klang Valley remains competitive with new hotels opening including the recently opened Hilton KL Sentral (5-star, 510 rooms) and Le Meridien (5-star, 422 rooms).

## 5.15 COMPETITIVE STRENGTHS

The Manager is of the opinion that the Properties enjoy the following competitive strengths:

- **Strategic and prime location**

The Properties are landmark properties strategically located in the Jalan Bukit Bintang area, forming part of the "Golden Triangle" area of Kuala Lumpur. They are located within the area more popularly known as "Bintang Walk", a popular shopping strip with a range of restaurants and entertainment outlets which attracts visitors.

The Properties are easily accessible by roads and are well-served by public transport facilities. Furthermore, accessibility to the Properties has been enhanced with the introduction of the KL Monorail in 2003 (the Bukit Bintang station of the KL Monorail is sited near the side entrance of the Lot 10 Property).

- **Proximity to numerous tourists and business travellers**

The Lot 10 Property and the Starhill Property are located in an area close to numerous hotels and offices, thereby accessible to tourists and business travellers as well as executive and office workers.

The Lot 10 Property is linked by an overhead bridge to Sungei Wang Plaza, which is a large shopping mall in the vicinity of the Properties and also attracts a large number of shoppers.

The Jalan Bukit Bintang area, where the Properties are located, is one of Kuala Lumpur's tourist hubs and as a result, the Properties attract a large number of tourists.

- **High profile of Retail Properties**

The Retail Properties enjoy a high profile as a result of the Vendor's marketing efforts to date. Due to the high profile, the Retail Properties are a recognised and desired address for retail tenants as evidenced by the high occupancy rates mentioned below.

- **High occupancy levels**

High occupancy levels reflect the quality and demand for space in the Lot 10 Property and the Starhill Property. For FY 2005, AOR of the Lot 10 Property was 96%. For FY 2005, the AOR of the Starhill Property was 93% (excluding the Tangs Area). The occupancy rate as at the Latest Practicable Date was 96% and 99.9% for the Lot 10 Property and the Starhill Property respectively.

- **Quality tenant base**

The major tenants of the Retail Properties are mainly foreign brand names and prominent local stores. These quality tenants enhance the stability of the Retail Properties' rental income as they generally have significant long term space requirements in Kuala Lumpur.

## 6. STARHILL PROPERTY

### 6.1 DESCRIPTION

The Starhill Property comprises a 7-level shopping centre with five (5) basements forming part of the podium block of the main building together with a 12-level annexe building with three (3) basements named Starhill Shopping Centre which was completed in September 1995. The Starhill Property is part of an integrated shopping, entertainment and hotel development. The building's architectural design won the Starhill Property the 1997 FIABCI International Prix d'Excellence Special Award in the Retail Properties Category.

As at the Latest Practicable Date, the Starhill Property comprises an aggregate of 295,006 sq ft of Net Lettable Area, with 278,996 sq ft being retail space and 16,010 sq ft being storage and office space. The Starhill Property also offers a total of fourteen (14) levels of car park area throughout the basement levels and the annexe building.

### 6.2 INCOME

For FY 2005, the Starhill Property generated Gross Receipts of RM28.57 million, or 38.8% of the Gross Receipts generated by the Properties.

Rental income accounts for most of the Gross Receipts derived from the Starhill Property and non-rental income has become a less significant component of Gross Receipts from FY 2002 (29%) to FY 2005 (12%). The table below highlights income sources for FY 2001 to FY 2005:

Financial Year	Non-rental income				Total non-rental income	Gross receipts
	Rental income	Maintenance	Car park	Service charges		
	(RM million)	(RM million)	(RM million)	(RM million)	(RM million)	(RM million)
2001 .....	9.85	0.24	1.15	3.06	4.45	14.30
2002 .....	12.83	0.20	1.45	3.47	5.12	17.95
2003 .....	17.34	0.35	1.74	3.93	6.02	23.36
2004 .....	21.56	0.23	1.59	2.44	4.26	25.82
2005 .....	25.04	0.23	1.50	1.80	3.53	28.57

### 6.3 OCCUPANCY

The selection of tenants has been specifically planned according to the nature of business, style of trading and specific floor designation in order to optimise business potential and profitability. This policy also saw the AOR of the Starhill Property rise from 83% for FY 2002 to 93% (excluding the Tangs Area) for FY 2005.

#### AOR and occupancy rate for the Starhill Property

FY 2002	FY 2003	FY 2004	FY 2005	Occupancy rate as at Latest Practicable Date
83%	91% <sup>(1)</sup> /90% <sup>(2)</sup>	82% <sup>(1)</sup> /89% <sup>(2)</sup>	77% <sup>(1)</sup> /93% <sup>(2)</sup>	99.9%

Notes:

<sup>(1)</sup> Including the Tangs Area previously leased to Tangs from April 2003 to March 2004 that was unoccupied during the relevant periods.

<sup>(2)</sup> Excluding the Tangs Area which was being renovated and not available for occupation.

Since April 2004, Tangs vacated 158,531 sq ft gross floor area of space in the Starhill Property. This space has been left empty whilst YTL Land has been focusing on reconceptualising its existing retail space together with the additional 158,531 sq ft gross floor area of space. As the space vacated by Tangs represented approximately 46% based on the Net Lettable Area of the Starhill Property as at 30 June 2004, its AOR dropped to 82% for FY 2004. The AOR for FY 2004 excluding the Tangs Area was 89%.

As at the Latest Practicable Date, the occupancy rate of Starhill Property is 99.9%. This was achieved by virtue of Autodome agreeing to rent approximately 76% of the NLA as at the Latest Practicable Date which is inclusive of the Tangs Area. The area leased by Autodome for the purposes of subleasing represents approximately 57% of the NLA of the Starhill Property. As at the Latest Practicable Date, Autodome has successfully sub-let approximately 90% of this space.

#### 6.4 TENANT INFORMATION

The Starhill Property targets an upscale market with brand names such as Louis Vuitton, Alfred Dunhill, Audemars Piguet, Celine, Chopard, Polo Ralph Lauren, Christian Dior, Davidoff, DKNY, Fendi, Versace, Givenchy, Gucci, Kenzo, Salvatore Ferragamo, Ulysse Nardin, Jaeger-Le Coultre, Korloff, Garrard and Rolex. Eateries include Shook!, Sentidos Tapas and Luk Yu Tea House.

As at the Latest Practicable Date, the Starhill Property has 38 tenants. The table below sets out information relating to the top ten tenants based on monthly rental payable by the tenant as at 31 July 2005.

Tenant	Trade sub-sector	NLA occupied by tenant (sq ft)	% of total NLA (%)	Rental per month (RM)	% of total monthly rental income <sup>(1)</sup> (%)
Autodome Sdn Bhd.....	Food and beverage and sub-let	223,092	76.0	1,860,923	67.4
Cortina Watch Sdn Bhd..	Watch	6,978	2.4	174,302	6.3
Apcot PP (M) Sdn Bhd....	Apparel	2,798	1.0	50,364	1.8
Club Twenty One Retail (M) Sdn Bhd.....	Apparel	2,875	1.0	46,000 or 13% of gross sales (whichever is higher)	1.7 <sup>(2)</sup>
Louis Vuitton (M) Sdn Bhd .....	Leather accessories (Flagship Store)	12,096	4.1	44,212	1.6
Belbon Sdn Bhd.....	Apparel	2,017	0.7	40,340	1.5
Gucci (Malaysia) Sdn Bhd .....	Apparel	1,958	0.7	39,160	1.4
Tse Sui Luen Jewellery Retailing Sdn Bhd.....	Jewellery	1,985	0.7	37,175	1.4
Ferragamo (M) Sdn Bhd .....	Apparel	2,252	0.8	34,579 or 11% of gross sales (whichever is higher)	1.3 <sup>(2)</sup>
Kasturi Mujur Sdn Bhd.....	Apparel	1,186	0.4	33,208	1.2

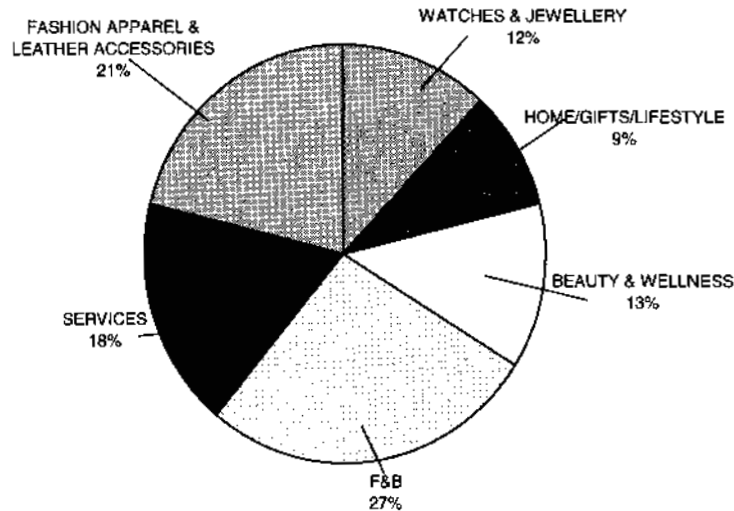
Notes:

<sup>(1)</sup> % of total monthly rental income for July 2005

<sup>(2)</sup> Represents the proportion of the base rental per month over the total base monthly rental for the Starhill Property.

As at 31 July 2005, the segmentation of tenants by trade sub-sector of the Starhill Property is as follows:

**Tenant mix - Starhill Property (by NLA)**



Note:

This segmentation takes into account the trade sub-sectors of Autodome's sub-tenants in the Starhill Property, and with respect to the Starhill Property only, if not sub-tenanted, the floor category in line with the Starhill rebranding.

## 6.5 EXPIRIES AND RENEWALS

The following table sets out information on tenancies at the Starhill Property that have expired and those that have been renewed by the existing tenants during the periods indicated:

<b>Financial Year</b>	<b>Number of expired tenancies</b>	<b>NLA of expired tenancies (sq ft)</b>	<b>Number of tenancies renewed</b>	<b>Total NLA of renewed tenancies (sq ft)</b>	<b>Renewal rate by number of tenancies (%)</b>	<b>Renewal rate by NLA (%)</b>
2002 .....	33	45,701	5	9,748	15	21
2003 .....	37	72,934	20	45,179	54	62
2004 .....	31 <sup>(1)</sup> /30 <sup>(2)</sup>	189,205 <sup>(1)</sup> / 30,674 <sup>(2)</sup>	8	11,069	26 <sup>(1)</sup> /27 <sup>(2)</sup>	6 <sup>(1)</sup> /36 <sup>(2)</sup>
2005 .....	45	113,720	11	34,213	24	30

Notes:

<sup>(1)</sup> Including Tangs Area

<sup>(2)</sup> Excluding Tangs Area

Starhill Property was acquired by YTL Land together with the then existing tenancies. Some of these tenancies included tenants who were not prompt with payments of their rent. With a view to securing reputable tenants and to minimise rental revenue impact, YTL Land undertook an exercise to re-assess tenants' profile in conjunction with expiry of the tenancies as part of its overall strategy to re-position Starhill Property. Accordingly, the renewal rates for tenancies for FY 2002 and FY 2003 were low. The repositioning exercise continued upon completion of the acquisition by YTL Land of Tangs Area as described in Section 6.6 below. Tenancies granted to tenants who no longer fit into the theme planned and designed for Starhill Property were not renewed. This resulted in the drop in the renewal rate of tenancies in FY 2004 and FY 2005.

The table below sets out details of expiries in respect of tenancies which, as at 31 July 2005, are scheduled to take place during the periods indicated:

Period	Total number of tenancies expiring	NLA of tenancies expiring (sq ft)	Expiring tenancies as a percentage of NLA of Starhill Property (%)
FY 2006.....	26	39,815	14
FY 2007.....	8	9,059	3
Beyond FY 2007.....	90	244,853	83
<b>Total.....</b>	<b>124</b>	<b>293,727</b>	<b>100</b>

## 6.6 REBRANDING AND TRANSFORMATION OF STARHILL PROPERTY

YTL Land has, with a view to transforming Starhill Property to become a leading expression of taste and style in food, fashion, living, beauty and art in the city, made renovations to parts of the Starhill Property, including the Tangs Area that was vacated by Tangs in April 2004. The renovation works have been designed by international architect, David Rockwell of New York and are inspired by the overall theme of the elegance of nature and endeavour to capture a spirit of wellness.

Along with the renovations, YTL Land embarked on a rebranding and reimagining exercise. As part of this exercise, the Starhill Property was relaunched on 30 July 2005 as "Starhill Gallery".

Following the renovations and rebranding, Starhill Property has seven (7) themed floors, each with its own particular focus as described below:

### **Feast floor**

This floor is designed as a multi-ethnic feast village having an ethnic and rustic theme by Yuhkichi Kawai, an architect from Japan, and comprises 13 restaurants serving an array of international cuisine.

### **Indulge floor**

This floor is intended to cater to an upmarket clientele and houses leading luxury brands which includes Mulberry, Louis Vuitton, Fendi and Anne Klein.

### **Adorn floor**

Leading luxury watch brands and stand alone boutiques, such as Swiss Union group, Yafiro group and Cortina Watch Espace Boutique are housed on this floor.

### **Explore floor**

This floor has an array of Malaysia's talented and innovative designers which features boutiques, such as Facet Fire, Rizalman and Beatrice Looi.

**Pamper floor**

This floor is devoted entirely to beauty and health services and renowned beauty brands such as Essential Urban Retreat, Kanebo Spa and Spa Indrani.

**Relish floor**

This floor is dedicated to speciality restaurants such as the Japanese Robotayaki Gonbei and the Taiwanese Jogoya Buffet Restaurant and also contains a showcase of YTL Homes.

**Muse floor**

This floor houses outlets dedicated to fine arts, photography, sculptures and antiques.

**6.7 RENOVATION**

Starhill Property underwent renovation under the design of David Rockwell of New York as part of its rebranding exercise. Renovation works began in April 2004 and was completed in July 2005. All renovation and rebranding costs were borne by YTL Land. The Manager does not expect any major capital expenditure to be incurred by the Starhill REIT in the immediate future.

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## 7. LOT 10 PROPERTY

### 7.1 DESCRIPTION

The Lot 10 Property comprises approximately 174,116 sq ft of Net Lettable Area as at the Latest Practicable Date. The Lot 10 Property, is located within the Lot 10 Shopping Centre which consists of an 8-storey block with one basement and a lower ground floor and a 7 storey annexe building with a lower ground floor and also includes the Isetan Parcel located on five (5) storeys and the basement and lower ground floor measuring approximately 128,596 sq ft and the YTL Parcel, which occupies an area of approximately 571 sq ft on the second floor. Isetan is also a major tenant of Lot 10 Property. The Lot 10 Shopping Centre commenced operations on 10 October 1990 and was awarded ISO9002 certification for Quality Management Systems Standards in 1996.

The Lot 10 Shopping Centre is an attractively designed shopping centre which incorporates contemporary designs with wide pedestrian frontages and large atriums. The Lot 10 Shopping Centre is also linked via an overhead bridge above Jalan Sultan Ismail to Sungei Wang Plaza.

### 7.2 LOT 10 COMMON PROPERTY

The Lot 10 Property does not include the Lot 10 Common Property which is owned by the Lot 10 MC. The Lot 10 MC comprises all parcel proprietors of the Lot 10 Shopping Centre which, as at the date of this Prospectus, are YTL Land and Isetan. The owners of the Lot 10 Property, the Isetan Parcel and the YTL Parcel are required to pay the service charges to the Lot 10 MC (or to such person authorised by the Lot 10 MC) which is responsible for the maintenance of the Lot 10 Common Property. Service charges are payable at the rate of RM1.00 per sq ft per month based on the respective areas of Lot 10 Property, Isetan Parcel and YTL Parcel owned by the respective owners. Lot 10 MC has appointed YTL Land to manage the Lot 10 Common Property and to collect the services charges for the period commencing 18 November 2005 and expiring 31 December 2006. Subject to the agreement of Starhill REIT, Lot 10 MC and YTL Land, this arrangement is expected to continue for a further period to be mutually agreed upon.

### 7.3 INCOME

Whilst rental income accounts for most of the Gross Receipts derived from the Lot 10 Property, there is also significant non-rental income. The table below highlights income sources for FY 2001 to FY 2005:

Financial Year	Non-Rental Income				Total Non-Rental Income (RM million)	Gross Receipts (RM million)
	Rental Income (RM million)	Maintenance (RM million)	Carpark (RM million)	Service charges (RM million)		
2001 .....	16.95	0.17	1.81	2.03	4.01	20.96
2002 .....	19.39	0.16	1.68	2.30	4.14	23.53
2003 .....	20.58	0.27	1.88	2.67	4.82	25.40
2004 .....	21.24	0.24	1.79	2.61	4.64	25.88
2005 .....	22.27	0.32	1.72	2.89	4.93	27.20

For FY 2005, the Lot 10 Property generated Gross Receipts of RM27.20 million, or 36.9% of the Gross Receipts generated by the Properties.

### 7.4 OCCUPANCY

As at the Latest Practicable Date, the Lot 10 Property has an occupancy rate of 96%. The AOR of the Lot 10 Property remain largely unchanged from FY 2002 to FY 2005 as illustrated in the table below:

#### AOR and occupancy rate for Lot 10 Property

FY 2002	FY 2003	FY 2004	FY 2005	Occupancy rate as at the Latest Practicable Date
94%	93%	94%	96%	96%



## 7.5 TENANT INFORMATION

The selection of tenants has been specifically planned according to the nature of business, style of trading, specific floor designation and most importantly, to optimise business potential and profitability.

The tenants of the Lot 10 Property include well-known brands such as Isetan, Armani Exchange, The Body Shop, Esprit, Guess, Renoma, Timberland, Toni & Guy, Calvin Klein, Topman, Topshop, Brilliant Rose, Braun Buffel, Crabtree & Evelyn and Swatch, as well as eateries such as Delifrance, Dome Café, San Francisco Café and Société Café.

As at the Latest Practicable Date the Lot 10 Property has 96 tenants. The table below sets out information relating to the top ten tenants based on monthly rentals payable by tenant as at 31 July 2005:

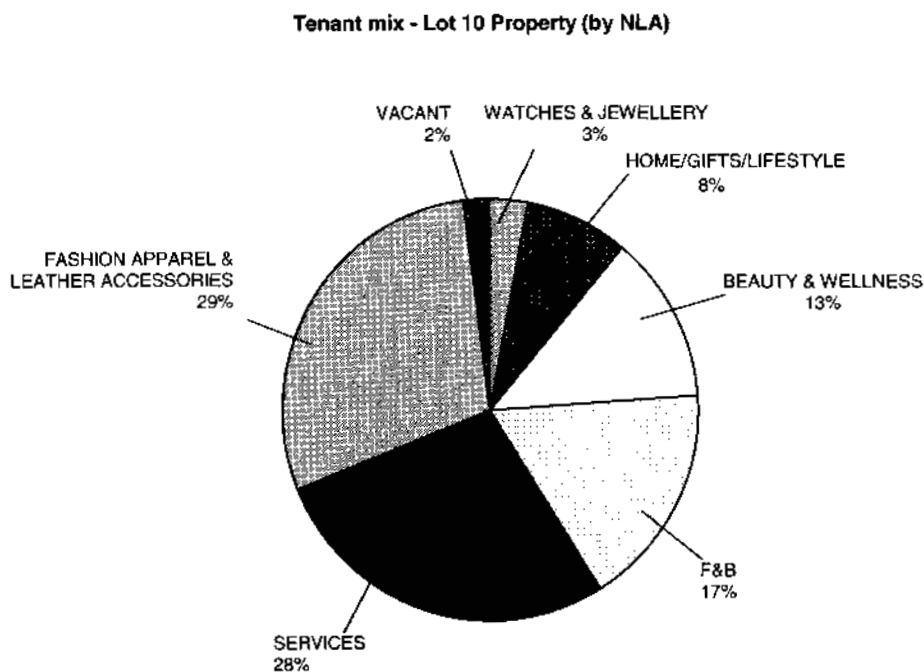
Tenant	Trade sub-sector	NLA occupied by tenant (sq ft)	% of total NLA (%)	Rental per month (RM)	% of total monthly rental income <sup>(1)</sup> (%)
Autodome Sdn Bhd ..	Food and beverage	25,840	14.8	97,270	5.0
Esprit De Corp (Malaysia) Sdn Bhd ..	Apparel	2,567	1.5	82,144	4.2
F.J. Benjamin Fashions Sdn Bhd ....	Apparel	2,643	1.5	66,075	3.4
YTL e-Solutions Berhad.....	Office	9,395	5.4	56,370	2.9
Dome Café Sdn Bhd .....	Food and Beverage	2,500	1.4	45,000 plus 12% of net sales above RM250,000	2.3 <sup>(2)</sup>
FASB Retail Ventures Sdn Bhd ....	Apparel	2,399	1.4	44,118	2.3
Generation Two Thousand Apparel Sdn Bhd.....	Apparel	1,676	1.0	39,604	2.0
House of Woohing Sdn Bhd.....	Watch	1,221	0.7	39,072	2.0
Isetan of Japan Sdn Bhd.....	Supermarket	11,116	6.4	38,334	2.0
The Hour Glass Sdn Bhd.....	Watch	1,194	0.7	38,028	2.0

Notes:

<sup>(1)</sup> % of total monthly income for July 2005

<sup>(2)</sup> Represents the proportion of the base rental per month over the total base monthly rental for the Lot 10 Property.

As of 31 July 2005, the segmentation of tenants by trade sub-sector of the Lot 10 Property is as follows:



## 7.6 EXPIRIES AND RENEWALS

The following table sets out information on tenancies at Lot 10 Property that have expired and those that have been renewed by the existing tenants during the periods indicated:

<b>Financial Year</b>	<b>Number of expired tenancies</b>	<b>NLA of expired tenancies (sq ft)</b>	<b>Number of tenancies renewed</b>	<b>Total NLA of renewed tenancies (sq ft)</b>	<b>Renewal rate by number of tenancies (%)</b>	<b>Renewal rate by NLA (%)</b>
2002 .....	19	34,736	11	26,845	58	77
2003 .....	77	92,390	43	56,489	56	61
2004 .....	22	30,767	8	20,210	36	66
2005 .....	39	70,055	14	42,569	36	61

Lot 10 Property's tenant mix has been designed to keep abreast with current trends and the selection of tenants has been specifically planned accordingly. As a result, not all tenancies were renewed upon expiry in cases where YTL Land determines that:

- the existing tenant's business does not fall within the desired tenant mix; or
- a prospective tenant offers a higher rent than the existing tenant.

The table below sets out details of expiries in respect of tenancies which, as at 31 July 2005, are scheduled to take place during the periods indicated:

<b>Period</b>	<b>Total number of tenancies expiring</b>	<b>NLA of tenancies expiring</b>	<b>Expiring tenancies as a percentage of NLA of Lot 10 Property</b>
		<i>(sq ft)</i>	<i>(%)</i>
Vacant .....	6	3,834	2
FY 2006 .....	54	62,028	36
FY 2007 .....	23	24,800	14
FY 2008 .....	36	73,024	42
FY 2011 .....	1	10,430	6
<b>Total</b> .....	<b>120</b>	<b>174,116</b>	<b>100</b>

## 7.7 RENOVATION

There has been no substantial renovation or refurbishment undertaken for the Lot 10 Property in the last five (5) years. Save as disclosed in Section 5.5 herein, the Manager does not foresee any major capital expenditure to be incurred by Starhill REIT in the immediate future.

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## 8. HOTEL PROPERTY

### 8.1 DESCRIPTION

The Hotel Property was the first hotel property branded as a "Marriott" hotel in Malaysia which opened on 12 July, 1997. The Hotel Property is situated in the heart of the Golden Triangle, Kuala Lumpur's prime business and shopping district, adjacent to the Starhill Property, and anchoring Bintang Walk, a popular shopping strip with a range of restaurants and entertainment outlets.

The Hotel Property comprises part of an 8-level podium block and the entire 24-level tower block of the main building.

The Hotel Property which is targeted mainly towards business travellers and tourists, comprises 561 guest rooms including 70 suites, most of which are equipped with multi-line telephone with voice-mail, facsimile and computer capabilities and satellite television.

Recreational facilities include a gymnasium with aerobics room, sauna, whirlpool and steam room, as well as swimming pool, tennis court, jogging track and health spa.

Other facilities include conference and meeting rooms, which comprise one grand ballroom and 22 meeting rooms targeted for business meetings, creative events and social occasions with the capacity to cater to up to 1,200 people, as well as a well-equipped business centre.

### 8.2 HOTEL OPERATOR AND HOTEL LEASE AGREEMENT

The Hotel Property is presently leased by YTL Land to the Hotel Operator for a term expiring on 31 December, 2023 pursuant to the Hotel Lease Agreement. Following the Completion Date, Starhill REIT will continue to lease the Hotel Property to the Hotel Operator pursuant to the Hotel Lease Agreement which will be novated to Starhill REIT upon completion of the purchase of the Properties pursuant to the Sale and Purchase Agreement. The Hotel Operator is the operator of the Hotel Property.

Pursuant to the Hotel Lease Agreement, an initial annual rent of RM20,520,000 per annum is payable by the Hotel Operator monthly in advance. The monthly rental shall be increased by 5% of the then prevailing monthly rental after the expiry of 3 years from 1 December 2004 and thereafter at 5 yearly intervals. The rental payable during the term of the lease is as set out below:

Period		Rental	
From	To	Per Month (RM)	Per Annum Equivalent (RM)
1 December 2004	30 November 2007	1,710,000	20,520,000
1 December 2007	30 November 2012	1,795,500	21,546,000
1 December 2012	30 November 2017	1,885,275	22,623,300
1 December 2017	30 November 2022	1,979,539	23,754,468
1 December 2022	31 December 2023	2,078,516	24,942,192

Pursuant to the Sale and Purchase Agreement, YTL Land will, at the Completion Date, procure that a security deposit in the sum of RM5,000,000 as security for the due observance and performance by the Hotel Operator of its obligations under the Hotel Lease Agreement, will be provided by YTL Hotels & Properties Sdn Bhd by way of a corporate guarantee in favour of Starhill REIT.

Subject to the Hotel Operator having paid the monthly rents and performed in all material respects its obligations under the Hotel Lease Agreement and having given the requisite notice, upon the expiration of the existing lease tenure, Starhill REIT is obliged to let the Hotel Property to the Hotel Operator for a further term of 15 years on terms similar to the Hotel Lease Agreement but at the revised rentals determined in the following manner:

- (a) Starhill REIT and the Hotel Operator shall use reasonable endeavours to mutually agree on the monthly rentals for the renewed term within 60 days from the date of receipt by Starhill REIT of the written notice to renew the lease from the Hotel Operator, taking into account prevailing market conditions and other relevant factors; and
- (b) if Starhill REIT and the Hotel Operator fail to agree on the monthly rentals payable for the renewed term upon expiry of the 60 day period mentioned above, the monthly rentals for the renewed term will be as follows:
  - (i) for the first 5 years of the renewed term, the prevailing monthly rental payable in the last month of the existing rental term increased by 5%; and
  - (ii) the monthly rental will be increased by 5% of the then prevailing monthly rental every 5 yearly interval thereafter.

The Hotel Lease Agreement can be terminated in the following circumstances:

- (a) upon the expiry of the Hotel Lease Agreement on 31 December 2023 and if the Hotel Operator has not given the requisite written notice of its intention to renew the lease to Starhill REIT;
- (b)
  - (i) the Hotel Operator fails to pay the monthly rent;
  - (ii) the Hotel Operator fails to perform or observe any material obligation under the Hotel Lease Agreement;
  - (iii) the Hotel Operator has a receiving/winding-up order made against it;
  - (iv) the Hotel Operator has made a general assignment of or has entered into an arrangement with its creditors generally,

and the Hotel Operator fails to remedy the breach (if remediable) within a 30-day period (which will be extended by an additional 60 day period if such breach cannot be remedied within the aforesaid 30 day period so long as the Hotel Operator is exercising reasonable diligence to remedy such breach); and

- (c) if damage or destruction to the Hotel Property from any cause materially and adversely affects the operation of the hotel business and Starhill REIT fails (regardless of whether insurance proceeds are available or not) to promptly commence and complete the repairing, rebuilding or replacement of the Hotel Property to the same condition as existed immediately prior to such damage or destruction or is not, in the reasonable opinion of the Hotel Operator, rendered fit for occupation and use within a period of 6 months from the date of such damage or destruction.

Under the terms of the Hotel Lease Agreement:

- (a) Starhill REIT will, at the request of the Hotel Operator, take all action to apply for and procure a separate document of title in respect of the Hotel Property to enable the Hotel Operator to obtain a valid and registered lease over the Hotel Property; and
- (b) Starhill REIT will not sell, transfer, dispose of, charge or otherwise deal with the Hotel Property without the prior written consent of the Hotel Operator provided that such consent will not be unreasonably withheld.

The rental for the Hotel Property for FY 2001 to FY 2005 is set forth below.

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
	<i>(RM million)</i>	<i>(RM million)</i>	<i>(RM million)</i>	<i>(RM million)</i>	<i>(RM million)</i>
Rental.....	10.98	11.29	11.29	14.29	17.93

### **8.3 HOTEL MANAGEMENT**

The Hotel Operator has appointed Marriott International Hotels, Inc. to manage the operations of the Hotel Property.

All income related to the operations and management of the Hotel Property are for the benefit of the Hotel Operator and not the owner of the Hotel Property. The monthly rental payable by the Hotel Operator to Starhill REIT will not be affected by the results of the operations undertaken by the Hotel Operator nor the performance of the hotel manager appointed by the Hotel Operator.

### **8.4 RENOVATION**

In the last 5 years, a total of approximately RM17.5 million was spent by YTL Land on refurbishment of the top four floors of the Hotel Property.

The Manager does not foresee any major capital expenditure to be incurred by Starhill REIT in the immediate future.

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## 9. INVESTMENT STRATEGY

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### 9.1 INVESTMENT STRATEGIES

#### 9.1.1 Introduction

The Manager's principal investment strategy is to invest in a diversified portfolio of income-producing real estate which is primarily used for retail, office and hospitality purposes, with particular focus on retail and hotel properties. The primary objectives of the Manager are: (a) to provide Unitholders with stable cash distributions with potential for sustainable growth, principally from the ownership of properties; and (b) to enhance long-term Unit value. The Manager will use the operating, acquisition, capital management and financing strategies to pursue Starhill REIT's business objectives.

#### 9.1.2 Operating Strategy

The Manager's operating strategy is to continue to enhance the performance of the Properties by increasing yields and returns from the Properties. This is to be achieved through a combination of retaining existing tenants, reducing vacancy levels, adding and/or optimising retail space at the Retail Properties and minimising interruptions in rental income and operational costs. The Manager expects to apply the following key operating and management principles in order to continue to manage the Properties efficiently, to increase the yields of the Properties and to maximise growth:

- **Improve retail rental rates:** The Manager will work with the Property Manager to manage lease renewals and new leases to minimise vacancy periods through (a) negotiations with tenants whose tenancies are about to expire and (b) identifying and increasing rents on leases which are at below market rents.
- **Establishing close relationships with tenants to optimise tenant retention:** The Manager will work closely with the Property Manager to establish closer relationships with tenants. The Manager believes that such enhanced relationship will increase the attractiveness of the Retail Properties and help maximise tenant retention.
- **Tenant base:** The Manager intends to maintain occupancy rates by actively working with the Property Manager to pursue new leasing opportunities. The Manager will also seek to diversify the tenant base to minimise over-reliance on any retail sector to reduce susceptibility to economic cycles.
- **Tenant mix and space configuration:** The Manager may review tenant mix and, if practicable, re-configure lettable space to maximise rental income. Consumer research and consultation with major tenants will allow the Manager to tailor the tenant mix to the needs of the trade areas in order to meet the retail requirements of the tenants.
- **Create more retail space:** To the extent possible and permitted by relevant laws and regulations, the Manager may convert excess common areas into retail space.
- **Continually maintaining the quality of the Properties:** The Manager will seek to achieve a high level of occupancy by maintaining the physical condition of the Properties.
- **Maximising the performance of each Property:** The Manager will seek to maximise the overall financial performance of the Properties by focusing on each individual Retail Property, using proper management systems to provide timely information to the Property Manager to support effective pricing decisions and reduce and control operating costs. The Manager will measure actual results from operations against prior years' results and planned budgets in an effort to create a focused, profit-oriented approach to the management of each Retail Property. The Manager intends to review the Retail Properties that do not achieve their targets, and will develop action plans designed to improve the operating performance of any of such Retail Properties. The Manager will also work with the Property Manager to minimise payment delinquencies and defaults by tenants.

- **Improving operating efficiencies and economies of scale:** The Manager will seek to maintain and pursue further operating efficiencies through cost control measures to achieve internal cost savings. The Manager will take advantage of centralised purchasing, construction and renovation management, information technology and accounting functions.
- **Raise the profile of the Properties:** The Manager will through its marketing, advertising and promotional efforts, help to raise the profile of the Properties.

### 9.1.3 Acquisition Strategy

The Manager will also seek to increase cash flow and enhance Unit value through selective acquisitions. Starhill REIT intends to pursue an acquisition strategy to increase cash flows and the potential for net asset growth.

- **Yield thresholds:** The Manager will seek to acquire properties with yields that are above Starhill REIT's cost of capital and which are expected to maintain or enhance returns to Unitholders.
- **Location:** The Manager will assess potential properties for convenient access to major roads, public transportation network and proximity to major residential areas.
- **Occupancy and tenant mix:** The Manager will seek to acquire properties with strong existing rental or with the potential for higher rental returns, relative to competing properties in the market.
- **Building and facilities specifications:** The Manager will acquire buildings with good quality specifications, with due consideration being given to the size and age of the buildings.
- **Opportunities:** The Manager may also seek to acquire properties where there is potential to increase occupancy rate and rental income through active property management (for example through selective renovations and other enhancements).

The Manager has access to a network 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 management of Starhill REIT believes that these deal-sourcing capabilities, combined with the deal-making capacities of the senior executives of the Manager, will be an important competitive advantage of Starhill REIT.

The Manager anticipates that any properties acquired by Starhill REIT after the Listing Date will be managed in the manner described under Section 9.1.2 above.

Starhill REIT intends to hold its Properties on a long-term basis. 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 its investment criteria.

### 9.1.4 Capital Management Strategy

The Manager aims to optimise Starhill REIT's capital structure and cost of capital within the borrowing limits prescribed by the REIT Guidelines and intends to use a combination of debt and issuance of new Units to fund future acquisitions and improvement works at the Properties. The Manager's capital management strategy involves:

- adopting and maintaining a conservative gearing level which will enable Starhill REIT to maintain operating flexibility when considering future acquisition opportunities and capital expenditure requirements; and
- adopting an active interest rate management strategy to manage risks associated with changes in interest rates while seeking to ensure that Starhill REIT's ongoing cost of debt capital remains competitive. The Manager has managed to secure



100% of Starhill REIT's borrowings on a fixed rate basis for the entire five year tenure of the Debt Facility.

### **9.1.5 Investment Policy and Compliance with REIT Guidelines**

Starhill REIT will comply with the REIT Guidelines and other requirements as imposed by the SC from time to time, including the investment limits and restrictions set out in the REIT Guidelines. These guidelines and requirements include the following:

#### **9.1.5.1 Permitted investments and restrictions**

Under the Deed, Starhill REIT will be allowed to invest in any of the following:

- (a) Real estate;
- (b) Single purpose companies, which means unlisted companies whose principal assets comprise real estate;
- (c) Real estate-related assets, which includes units of other real estate investment trusts, listed securities of and issued by property companies, listed or unlisted debt securities of and issued by property companies, and mortgage-backed securities;
- (d) Liquid assets, which means cash, deposits with licensed institutions and/or other institutions licensed or approved to accept deposits; and any other instrument capable of being converted into cash within seven (7) days as may be approved by the trustee;
- (e) Non-real estate-related assets, which means listed shares issued by non-property companies; and
- (f) Asset-backed securities.

In addition, the approval of the SC has been obtained for the Manager to invest in certain non-real estate related assets which are limited to:

- (a) debt securities issued by or fully guaranteed by the Government of Malaysia; and
- (b) commercial paper or other debt securities issued by companies or institutions with a credit rating of not less than:
  - (i) A/P-1 by Rating Agency Malaysia Berhad, or
  - (ii) A/MARC-1 by Malaysia Rating Corporation Berhad,in each case denominated and payable in Ringgit.

The Manager will ensure that the investments made by Starhill REIT will also adhere to the investment policy set out above. Whilst ensuring that Starhill REIT will strive to invest in earnings accretive investments, the Manager will also ensure that Starhill REIT will not be involved in any of the following activities for any purpose as set out in the REIT Guidelines:

- (a) extending loans and any other credit facilities to any party;
- (b) entering into forward purchases or forward sales in any currency or money including Malaysian Ringgit or any foreign-exchange contracts unless Starhill REIT owns foreign real estates in its portfolio and the involvement in these instruments are in compliance with the Exchange Control Act 1953 with a view to manage the risks involved in foreign exchange; and
- (c) property development, except in the case where the development is made with a view of purchasing the real estate upon completion and having met the criteria spelled out under Section 10.03(8) of the REIT Guidelines.

Upon completion of the Offering, the initial investment portfolio of Starhill REIT shall only consist of the Properties.

#### **9.1.5.2 Investment limits and restrictions**

Starhill REIT's investments in real estate-related assets and non-real estate-related assets will be subject to the following limits:

- (a) Spread of investments:
  - (i) The value of Starhill REIT's holdings of the securities of, and the securities relating to, any single issuer must not exceed 5% of the Gross Asset Value; and
  - (ii) The value of Starhill REIT's holdings of the securities of, and the securities relating to, any group of companies must not exceed 10% of the Gross Asset Value;
- (b) Concentration of investments:
  - (i) Starhill REIT's holdings of any class of security of any single issuer must not exceed 10% of the security issued.

In determining compliance with any limit or restriction, the holding of an investment and/or other instrument by Starhill REIT may exclude any entitlement accruing on the investment and/or instrument held. Notwithstanding the preceding sentence, the entitlement shall not be exercised if the exercise results in the breach of any limit or restriction under this part.

#### **9.1.5.3 Portfolio composition**

The Starhill REIT's investments will be allocated in the following manner, as prescribed by the REIT Guidelines:

- (a) at least 75% of the Starhill REIT's total Assets shall be invested in real estate, single-purpose companies, real estate-related assets and/or liquid assets;
- (b) at least 50% of Starhill REIT's total Assets must be invested in real estate and/or single-purpose companies; and
- (c) the remaining 25% of the listed fund's total assets may be invested in other assets (i.e. real estate-related assets, non-real estate-related assets or asset-backed securities).

## 9.2 BASIS OF VALUATION AND ITS FREQUENCY

The Manager intends to obtain a valuation of the Properties at least once every three years from the last valuation date or as the REIT Guidelines may stipulate. All valuations will be conducted on the basis and methods, which are in accordance with the Asset Valuation Guidelines issued by the SC.

The basis of valuation of the Properties, conducted by the Independent Property Valuer on 1 March 2005, was the market value. Market value is meant to be the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In determining the market value of the Properties, the Independent Property Valuer has applied the Income (or Investment) and Comparison Approaches as defined by the Asset Valuation Guidelines issued by the SC.

Starhill REIT will not be owning any non-real estate related assets, as defined under the Deed, upon Listing. However, should Starhill REIT acquire these non-real estate assets in the future, valuation of these assets will be made at the frequency and in the manner required by the REIT Guidelines.

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## 10. RISK FACTORS

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*An investment in the Units involves significant risks. In evaluating an investment in Starhill REIT and before deciding to invest in the Units, prospective investors should carefully consider all information contained in this Prospectus including but not limited to the general and specific risks of the following investment considerations as well as seek professional advice from their relevant advisers about their particular circumstances.*

*Investors should be aware that the price of the Units and the income from them, may rise or fall. Investors should note that they may not get back their original investments and that they may not receive any distributions.*

### 10.1 RISKS RELATING TO STARHILL REIT'S ORGANISATION AND OPERATING ENVIRONMENT

#### ***Economic and political risks***

Starhill REIT's operations are closely linked to the economic performance of Malaysia. Any adverse developments in the political and economic environment and uncertainties in Malaysia can materially and adversely affect the financial performance of Starhill REIT. Political and economic uncertainties include (but are not limited to) changes in general economic, business and credit conditions, government legislations and policies affecting real estate industry, inflation, interest rates, taxation, fluctuation in foreign exchange rates and political or social developments in Malaysia.

#### ***Changes to regulatory regime***

Starhill REIT is subject to certain regulatory regime including the REIT Guidelines which were published by the SC on 3 January 2005. There can be no guarantee that the rules set out in the REIT Guidelines will not from time to time be amended by the SC. The regulatory regime that is currently applicable to Starhill REIT may be changed. No assurance can be given that future legislation and regulations, administrative and regulatory rulings, court decisions or changes to the REIT Guidelines will not adversely affect the financial condition and results of operations of Starhill REIT or an investment by a Unitholder.

#### ***Certain regulations that apply to other securities and investments in Malaysia do not apply to the Units and Starhill REIT***

Unitholders' rights differ from, and may be less protective in certain respects than, those granted to shareholders of public companies in Malaysia.

The Malaysian Code on Takeovers and Mergers, 1998 does not apply to acquisitions of units in REITs, which means (among other things) that a person may acquire any number of Units without being required to make a general offer to acquire the Units held by other Unitholders. Accordingly, Unitholders may not benefit from a possible premium price and may not receive equal prices for Units sold from an acquirer of Units.

In addition, whilst the Listing Requirements set out detailed provisions regulating transactions involving a listed issuer or its subsidiaries acquiring or disposing of business or assets and related party transactions which aim at protecting the interest of shareholders, such provisions do not apply to the Starhill REIT.

#### ***Related Party Transactions and Conflicts of Interest***

As disclosed in Section 20.12 headed "*The Manager – Related Party Transactions*" of this Prospectus, there are certain related-party transactions involving the Directors and substantial shareholders and/or persons connected with the Directors or substantial shareholders of the Manager.

In addition, some of the Directors and/or substantial shareholders of YTL have interests in similar businesses as Starhill REIT which include certain hotel properties located within the same vicinity as the Properties. In this respect, the strategies and activities of Starhill REIT may be influenced by overall interest of YTL including acquisitions of properties and competition for clientele.

Furthermore, based on the monthly rent payable by the tenants as at 31 July 2005, the proportion of rent payable by the related parties attributable to the monthly rent of the Starhill Property and Lot 10 Property are 68% and 11% respectively. The entire amount payable under the Hotel Lease Agreement is also to be paid by related parties.

In mitigating the potential conflict of interest situation, the Manager will adhere strictly to its policy with respect of dealing with conflict of interest as disclosed in Section 20.13 headed "*The Manager's Policy With Respect To Dealing With Conflict of Interest Situation*" of this Prospectus.

***Neither Starhill REIT nor the Manager, as new entities, has an established operating history***

Starhill REIT was established on 18 November 2005 and the Manager was incorporated on 1 September, 1994 but did not commence business operations until Starhill REIT was established. As such, neither Starhill REIT nor the Manager has an operating history as a REIT or a manager of a REIT, or a track record by which its past performance may be judged. This may make it difficult for investors to assess their likely future performance. In addition, due to the change in the ownership and management of the Properties, the historical operations may not be indicative of future operations, and the historical costs may not be indicative of future costs.

***Performance of Starhill REIT is subject to the success of the investment strategy and policy implemented by the Manager***

Upon completion of the Listing, Starhill REIT's investment portfolio will consist only of the Properties. The Manager will need to ensure that the investment policies and strategies of the Starhill REIT will be implemented in the future to grow the investment portfolio and provide stable distribution to Unit holders with long term growth potential. Starhill REIT may change its investment policies in the future and therefore there is no assurance that the new investment policies will result in a better distribution of income to Unitholders and capital growth in such investment.

***The Manager's operations are subject to regulation***

No guarantee can be given that the Manager will remain the manager of Starhill REIT. In the event that the Manager ceases to be approved under the Securities Commission Act or is removed pursuant to the Deed and any other securities law, Starhill REIT may need to appoint another manager, which may materially and adversely affect the financial condition and results of operations of Starhill REIT.

***There are limitations on Starhill REIT's ability to leverage***

Borrowings by Starhill REIT are limited by the REIT Guidelines to no more than 35% of its Gross Asset Value at the time the borrowings are incurred.

***Starhill REIT will be exposed to risks of debt financing***

A first fixed charge will be granted over the Properties as security for the Debt Facility. If there is an event of default under the Debt Facility, the security over the Properties may be enforced which could result in a forced sale of the Properties. A sale of the Properties in such circumstances could adversely affect the interests of the Unitholders in Starhill REIT.

In addition, the use of leverage may increase the exposure of Starhill REIT to adverse economic factors such as rising interest rates and economic downturns. Generally, Starhill REIT is subject to general risks associated with debt financing, including the risk of: (a) there being insufficient cash flow to meet loan repayments; and (b) not being able to maintain debts at optimum levels in the future due to the lack of capacity in the lending market.

***Starhill REIT's dependence on key executives of the Manager***

Starhill REIT is dependent upon the efforts and abilities of the Manager's senior management team. While the Manager believes it could find replacements for these key executives, the loss of any of these individuals could adversely affect Starhill REIT's performance and continuing ability to compete effectively in the industry.

### ***Starhill REIT is connected to the Vendor***

The Vendor and/or its nominees will hold 51% of the Units upon completion of the sale of the Properties. The Manager is a subsidiary of the Vendor. The Vendor, its subsidiaries and associates are engaged in, and/or may engage in, amongst other things, investment in, and the development and management of, retail shopping malls and hotels in Malaysia and elsewhere and property management. In addition, certain Directors hold management positions or are employed by the Vendor. As a result, the strategy and activities of Starhill REIT may be influenced by the overall interests of the Vendor. There can be no assurance that conflicts of interest will not arise between Starhill REIT and the Vendor in the future, including in relation to the competition for tenants within the Malaysian market (see Sections 20.11 and 20.12 headed "*Conflicts of Interests*" and "*Related Party Transactions*" respectively).

### ***Starhill REIT is dependent on the YTL Group for a high proportion of its revenue***

Parties related to YTL who are expected to contribute to Starhill REIT's revenue include: (a) the Hotel Operator, Star Hill Hotel, (b) tenants in the Retail Properties, primarily Autodome, and (c) the car park operator, YTL Land. The total revenue contribution to Starhill REIT to be received from entities related to YTL for the forecast period 1 January 2006 to 30 June 2006 is approximately 58%.

## **10.2 RISKS RELATING TO INVESTMENT IN REAL ESTATE**

### ***There are general risks attached to investments in real estate***

Investments in real estate are subject to various risks, including: (a) adverse changes in national or economic conditions; (b) adverse local market conditions; (c) the financial conditions of tenants, buyers and sellers of properties; (d) changes in availability of debt financing; (e) changes in interest rates and other operating expenses; (f) changes in environmental laws and regulations, zoning laws and other governmental rules and fiscal policies; (g) changes in energy prices; (h) changes in the relative popularity of property types and locations leading to an oversupply of space or a reduction in tenant demand for a particular type of property in a given market; (i) competition among property owners for tenants; (j) insufficiency of insurance coverage; (k) inability of the property manager to provide or procure the provision of adequate maintenance and other services; (l) illiquidity of real estate investments; (m) considerable dependence on cash flow for the maintenance of, and improvements to, the properties; (n) acts of God and other factors.

Many of these factors may cause fluctuations in occupancy rates, rent schedules, collection of rental income or operating expenses, causing a negative effect on the value of real estate and income derived from real estate. Increased operating costs and other expenses incurred by the owner of real estate, such as maintenance and capital expenditure, insurance premiums, property taxes and other statutory charges may also affect the value of real estate. The valuation of the Properties will reflect such factors and as a result may fluctuate upwards or downwards. The capital value of Starhill REIT's real estate assets may be significantly diminished in the event of a decrease in real estate market prices and Starhill REIT's ability to make distributions to Unitholders could also be adversely affected.

### ***Starhill REIT is dependent on a small number of major tenants***

Starhill REIT would be dependent to a significant degree on a limited number of tenants. As at 31 July 2005, the 10 largest tenants of the Retail Properties accounted for 55% of the total monthly rent due in respect of the Retail Properties. These include Autodome which is subsidiary of YTL who, as at 31 July 2005 accounted for 41.6% of the total monthly rent due in respect of the Retail Properties. In addition, as at 31 July 2005 the Hotel Operator, also a subsidiary of YTL, accounted for 27% of the total monthly rent due in respect of the Properties. Starhill REIT's financial condition, results of operations and ability to make distributions may be adversely affected by the business and financial condition of such major tenants as rent due from such tenants makes up a material proportion of the operating income of the Properties.

***There may be uninsured or under-insured losses***

The Property Management Agreement requires the Property Manager to obtain and maintain insurance coverage in respect of the Retail Properties usually insured in the normal course of business, with insurance companies as may be determined by the Manager and notified to the Trustee against fire and such other risks as the Manager and the Trustee may deem prudent. However, there is no assurance that insurance against some or all of these risks will in the future continue to be available, or be available in amounts that are equal to the full market value or replacement cost of the insured assets. In addition, there can be no assurance that the particular risks will continue to be insurable on an economically feasible basis or at all.

***Starhill REIT may be adversely affected by the illiquidity of real estate investments***

Real estate investments are relatively illiquid. Such illiquidity may affect Starhill REIT's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, financial, real estate market or other conditions. This could have an adverse effect on Starhill REIT's financial condition and results of operations.

***The Properties or part thereof may be acquired compulsorily***

The Malaysian Government has the power to acquire compulsorily any land in Malaysia pursuant to the provisions of applicable legislation including the Land Acquisition Act, 1960 for certain purposes.

In the event of any compulsory acquisition of property in Malaysia, the amount of compensation to be awarded is based on the fair market value of a property and is assessed on the basis prescribed in the Land Acquisition Act, 1960 and other relevant laws. If any of the Properties were acquired compulsorily by the Malaysian Government at a point in time when the market value of the Properties has decreased, the level of compensation paid to Starhill REIT may be less than the price which Starhill REIT paid for such Properties if the fair market value of the Properties at the relevant time has fallen, which may have an adverse effect on the price of the Units.

**10.3 RISKS RELATING TO STARHILL REIT'S PROPERTIES**

***Transfer of the Properties may not be registered***

Under the Malaysian land registration system, the legal title in real property does not pass until the relevant instrument of transfer has been duly registered in the relevant land registry of title in favour of the transferee. Presently, the registration process could take a number of months to complete and the issue document of title evidencing the change in the ownership will only be received by the transferee after completion of such registration process although the date of change of ownership would be at the time of presentation of the instrument of transfer.

At the time of listing of Starhill REIT, the registration of the Properties will not have been completed. As such, there is a risk of non registration of the transfer of the Properties in favour of the Trustee on or after the Starhill REIT is listed in which event it may be necessary to terminate and wind up Starhill REIT and the relevant provisions relating to a winding up process as set out in accordance with the Deed would apply.

However, given the nature of property transactions in Malaysia, the risk of non-registration is not a risk which is unique to REITs and can be minimised by taking appropriate steps to ensure that the transfer instrument in respect of the Properties are fit for registration and that there are no restraints on dealings which could prevent the registration of the transfer of the Properties at the time of presentation of the relevant instrument of transfer for registration at the relevant land office.

***The Properties are subject to the risk of non-renewal of expiring tenancies***

Most of the tenancies for the Lot 10 Property and Starhill Property are for periods of 3 years or less, which reflects the general practice in the Malaysian retail property market. As a result, each of the Lot 10 Property and the Starhill Property experiences tenancy cycles within which a significant number of tenancies expire each year. This frequency of renewals makes Starhill REIT susceptible to rental market fluctuation which, in a declining market, may lead to higher vacancies and lower rents and which will in turn reduce the revenues of Starhill REIT.

***The sale price for a Property may be less than its current valuation or the purchase consideration paid by Starhill REIT***

The valuation of the Properties is not an indication of, and does not guarantee, a sale price either at the present time or at any time in the future (see also the investment consideration headed "*Starhill REIT may be adversely affected by the illiquidity of real estate investments*" above). Accordingly, there can be no assurance that Starhill REIT would be able to sell a Property, either at the present time or at any time in the future, or that the price realisable on such sale would not be lower than the present valuation of, or the price paid by Starhill REIT to purchase, such Property.

***Defects relating to the Properties may adversely affect Starhill REIT's financial condition***

The Properties may be subject to structural defects or latent defects which the Vendor or Starhill REIT are not aware of. If the Properties have design, construction or other latent property or equipment defects, these may require additional capital expenditure, special repair or maintenance expenses or the payment of damages or other obligations to third parties, other than those disclosed in this Prospectus. No structural report, engineering assessment or other such due diligence investigations have been conducted with respect to the Properties prior to the acquisition thereof by the Trustee. In addition, the Vendor has not given any warranty or representation as to the state of the Properties. It is possible that defects and flaws of Properties may become apparent over time and no assurance can be given that defects and flaws in the Properties will not affect the value of the Properties. Costs or liabilities arising from such property or equipment defects may involve significant and potentially unpredictable patterns and levels of expenditure and Starhill REIT may incur additional financial or other obligations in relation to such defects and flaws. Accordingly, any defects or flaws in the Properties could have material adverse effect on the financial condition of Starhill REIT including the value of its assets, its earnings and its cash flows.

***Malaysia's retail properties and hotel markets are highly competitive***

New facilities built in the vicinity of the Properties may compete with the Properties for tenants. While this may enhance the establishment of Jalan Bukit Bintang as Kuala Lumpur's premier shopping street by attracting more shoppers to the area, this competition may affect Starhill REIT's ability to maintain existing occupancy and utilisation rates and rental rates in respect of the Properties. Rents and rates may need to be lowered, additional capital improvements may need to be made or additional tenant inducements may need to be offered as a result of increased competition, all of which may have a negative impact on Starhill REIT's revenues. The competitive business environment among retailers in Malaysia may also have a detrimental effect on tenants' businesses and, consequently, their ability to pay rent.

***The sale of the Hotel Property is subject to the consent of the Hotel Operator***

The Hotel Property is presently leased by the Vendor to the Hotel Operator for a term expiring on 31 December 2023 pursuant to the Hotel Lease Agreement. Following the Completion Date, the Hotel Lease Agreement will be novated to Starhill REIT pursuant to the Sale and Purchase Agreement.

Under the terms of the Hotel Lease Agreement, which will be novated to Starhill REIT upon the completion of the purchase of the Properties, Starhill REIT may not sell, transfer, dispose of, charge or otherwise deal with the Hotel Property without the prior written consent of the Hotel Operator which shall not be unreasonably withheld, provided that any such sale, transfer, disposal, charge or dealing with the Hotel Property must be subject to the provisions of the Hotel Lease Agreement and Starhill REIT shall ensure that any new owner of the Hotel Property undertakes to be bound by the provisions of the Hotel Lease Agreement. This restriction may impede or constrain Starhill REIT's ability to dispose of the Hotel Property, should the Manager decide that it is in the best interests of Starhill REIT to do so. See Section 8 headed "*Hotel Property*".

***Starhill REIT is obliged to renew the lease if the Hotel Operator is desirous of renewing the lease for a further period of 15 years***

In the event that the Hotel Operator exercises its rights to extend the lease for the Hotel Property at the expiration of the term on 31 December 2023, Starhill REIT is obliged under the Hotel Lease Agreement to extend the lease at certain fixed monthly rent if the parties cannot agree on the new rent. This may result in Starhill REIT renting the Hotel Property to the Hotel Operator at a rent which is below the then market rate. See Section 8 headed "*Hotel Property*".



## 10.4 RISKS RELATING TO AN INVESTMENT IN THE UNITS

### ***The price of the Units may decline after the Offering***

The Institutional Offer Price, and consequently, the Final Retail Price of the Units will be determined by agreement between the Sponsor, the Manager and the Joint Bookrunners and may not be indicative of the market price for the Units after completion of the Offering. The Units may trade at prices significantly below the Final Retail Price after the Offering and may trade at prices higher or lower than the attributable Net Asset Value per Unit. The trading price of the Units may be volatile and will depend on many factors, including but not limited to:

- (a) the market value of Starhill REIT's assets;
- (b) the perceived prospects of Starhill REIT's business and investments and the Malaysian real estate market;
- (c) differences between Starhill REIT's actual financial and operating results and those expected by investors and analysts;
- (d) changes in Starhill REIT's revenues or earnings estimates or analysts' recommendations or projections;
- (e) broad market fluctuations, including weakness of the equity market and increases in interest rates;
- (f) the perceived attractiveness of the Units against those of other securities, including those not related to the real estate sector;
- (g) the balance of buyers and sellers of the Units; and
- (h) the future size and liquidity of the Malaysian REIT market.

### ***Distributions to Unitholders will be subject to cash flow***

The Net Property Income earned from real estate investments depends on, amongst other factors, the amount of rental and other income received and the level of operating and other expenses incurred. If the Properties and any other assets held by Starhill REIT from time to time do not generate sufficient Net Property Income and Starhill REIT is unable to borrow funds from the market in a timely and cost-effective manner, Starhill REIT's income, cash flow and ability to make distributions will be adversely affected.

The Manager's intention is to distribute to Unitholders an amount equal to a stipulated percentage of Starhill REIT's DI based on its current distribution policy as more fully described in Section 14 headed "*Distribution Policy*" in this Prospectus. DI accruing to Unitholders may exceed total cash available to Starhill REIT from time to time because of items such as capital expenditure, fees and expenses. Accordingly, Starhill REIT may face periodic liquidity constraints and may be reliant on borrowings in order to pay distributions. Further, Starhill REIT may change its distribution policy.

No assurance can be given as to Starhill REIT's ability to pay or maintain distributions. Nor is there any assurance that the level of distributions will increase over time, or that there will be increases in rent under the leases of the Properties (or leases of other properties held by Starhill REIT for the time being), that vacated Properties (or other properties held by Starhill REIT for the time being) will be re-let or that the receipt of rental revenue in connection with any expansion of the Properties or future acquisitions of properties will increase Starhill REIT's income available for distribution to Unitholders.

### ***Unitholders have no right to require the redemption of their Units***

Unitholders have no right to require the redemption of their Units while the Units are listed on Bursa Securities. Accordingly, Unitholders may only be able to liquidate or dispose of their Units through a sale of such Units to third parties on the secondary market.

### **Substantial holdings**

There is nothing in the Deed that require relevant persons to disclose to the Manager information in relation to the acquisition or disposal of interests in the Units or to, provide information in relation to substantial holdings of Units.

In addition, the Vendor and/or its nominees will hold 51% of the Units upon completion of the sale of the Properties. These Consideration Units are not required by the SC and/or any other authorities to be held under a moratorium. However, the Vendor has agreed with the Underwriters that it will not, directly or indirectly, offer, sell or contract to sell or otherwise dispose of any part of its Consideration Units or any part thereof, for a period of 180 days from and including the Listing Date. If the Vendor and/or its nominees sell or are perceived as intending to sell a substantial amount of the Units, the market price of the Units may be adversely affected.

### **Failure and/or delay in the Listing**

The success of the listing exercise is also exposed to the risk that it may fail or be delayed should any of the following event occurs:

- (a) the Underwriters of the Units fail to honour their obligations under the Underwriting Agreements;
- (b) gross proceeds of less than RM461.6 million being raised;
- (c) Starhill REIT is unable to meet the public spread requirements i.e. at least 25% of the total number of Units must be held by a minimum of 1,000 public holding no less than 100 Units in Starhill REIT; or
- (d) the Debt Facility is not capable of being drawn down.

### **Changes to accounting standards may result in changes in the future as to how Starhill REIT's results and financial position are prepared and presented**

The audited financial statements of Starhill REIT will be prepared in accordance with applicable approved accounting standards in Malaysia. The MASB, as part of its programme to fully converge with international financial reporting standards, has introduced a number of Malaysian Financial Reporting Standards or revised MASB Standards, collectively referred to in this Prospectus as Malaysian Financial Reporting Standards, which are effective for accounting periods beginning on or after 1 January 2006.

These new standards cover amongst others financial instruments, share-based payments, business combinations, insurance contracts and non-current assets held for sale and discontinued operations. A series of exposure drafts to revise the remaining MASB Standards have been issued and include, amongst others, proposed revisions to the accounting of investment properties.

The above changes as well as any other further changes to MASB Standards may result in significant changes in the preparation and presentation of Starhill REIT's results in the future. In Section 14 headed "*Distribution Policy*" in this Prospectus, total distribution has been defined to address the significant proposed changes so far, which may potentially impact Starhill REIT's results. However, there can be no assurance that future changes to accounting standards will not affect the ability of Starhill REIT to make distributions to Unitholders or that such distributions will be in line with those set out in Section 11 headed "*Profit Forecast and Projections*" in this Prospectus.

***The actual performance of Starhill REIT and the Properties could differ materially from the forward-looking statements in this Prospectus***

This Prospectus contains forward-looking statements regarding, among other things, forecast and projected distribution levels for the period from 1 January 2006 to 30 June 2008. These forward-looking statements are based on a number of assumptions which are subject to significant uncertainties and contingencies, many of which are outside of Starhill REIT's control (see Section 11 headed "*Profit Forecast and Projections*"). In addition, Starhill REIT's revenue is dependent on a number of factors, including the receipt of rent from the Properties, which may decrease for a number of reasons, such as the decline in occupancy and rental rates, insolvency of tenants or delay in rent payment by tenants. This may adversely affect Starhill REIT's ability to achieve the forecast and projected distributions as some or all of the events and circumstances assumed may not occur as expected or events and circumstances which are not currently anticipated may arise. Actual results may be materially different from the Forecast and Projections. While the Manager currently expects to meet the forecast and projected distribution levels, no assurance can be given that the assumptions will be realised and the actual distributions will be as forecast and projected.

***Future dilution of the NAV of the Units***

The Deed provides that the Manager shall determine the issue price of any issue of new Units based on market-based principles, subject to the approval of the Trustee and the SC. The issue price of any new Units issued after the Listing Date may be at or below the then current NAV of the existing Units. If new Units are issued at less than NAV, the NAV of existing Units will be diluted.

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## 11. PROFIT FORECAST AND PROJECTIONS

Statements contained in this section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set forth in this section and are subject to certain risks and uncertainties which could cause actual results to differ materially from those forecasted and projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Manager, any of the Underwriters, the Sponsor, the Trustee or any other person, nor that these results will be achieved or are likely to be achieved. See "Forward-Looking Statements" and Section 10 headed "Risk Factors". Investors in the Units are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date of this Prospectus.

The table below sets forth Starhill REIT's profit forecast for the 6 months period from 1 January 2006 to 30 June 2006 and profit projections for the financial years ending 30 June 2007 and 30 June 2008. The financial year end of Starhill REIT is 30 June. Starhill REIT's first accounting period will be for the period from 18 November 2005, being the date of its establishment, to 30 June 2006. The profit forecast and profit projections are based on the assumptions set out below. The profit forecast and projections have been reviewed and the computations have been checked by KPMG. Their report on the Profit Forecast and Projections are set out in Appendix 3 headed "Reporting Accountants' Letters on Profit Forecast and Projections".

The Directors of the Manager have reviewed and analysed the bases and assumptions used in arriving at the Profit Forecast and Projections and are of the opinion that the Profit Forecast and Projections are fair and reasonable in light of the future plans, strategies and prospects of the Starhill REIT, and after taking into consideration the forecast gearing levels, liquidity and working capital requirements of the Starhill REIT.

### 11.1 Profit Forecast and Projections

	Forecast	Projections	
	1 January 2006 to 30 June 2006	1 July 2006 to 30 June 2007	1 July 2007 to 30 June 2008
	RM'000	RM'000	RM'000
<b>Gross Receipts</b>			
Rental Revenue	40,760	84,006	86,989
Service Charge	4,540	9,081	9,081
Car Park Income	2,500	5,000	5,125
Other Income	250	500	500
<b>Total Gross Receipts</b>	<b>48,050</b>	<b>98,587</b>	<b>101,695</b>
Allowance for Bad Debts	(650)	(1,337)	(1,385)
<b>Net Revenue</b>	<b>47,400</b>	<b>97,250</b>	<b>100,310</b>
<b>Property Operating Expenses</b>			
Service Charge and Operating Costs <sup>(1)</sup>	(5,283)	(10,565)	(10,565)
Property Management Fees	(743)	(1,536)	(1,586)
Property Costs			
Assessment	(2,260)	(4,521)	(4,521)
Quit rent	(40)	(79)	(79)
Insurance	(176)	(353)	(353)
Property maintenance	(87)	(52)	(981)
Total Property Costs	(2,563)	(5,005)	(5,934)
<b>Total Property Operating Expenses</b>	<b>(8,589)</b>	<b>(17,106)</b>	<b>(18,085)</b>

	Forecast	Projections	
	1 January 2006 to 30 June 2006	1 July 2006 to 30 June 2007	1 July 2007 to 30 June 2008
	RM'000	RM'000	RM'000
<b>Net Property Income</b>	<b>38,811</b>	<b>80,144</b>	<b>82,225</b>
Interest Income	292	487	511
<b>Trust Expenses</b>			
<i>Trustee Fee</i>	(182)	(364)	(364)
<i>Base Fee</i>	(636)	(1,272)	(1,272)
<i>Performance Fee</i>	(831)	(1,715)	(1,760)
<i>Administration Expenses</i>	(200)	(200)	(200)
<i>Arranger's Fee</i>	(630)	-	-
<i>Finance Charges</i>	(4,320)	(8,640)	(8,640)
<b>Total Trust Expenses</b>	<b>(6,799)</b>	<b>(12,191)</b>	<b>(12,236)</b>
<b>Net Income Before Tax</b>	<b>32,304</b>	<b>68,440</b>	<b>70,500</b>
<b>DI</b>	<b>32,304</b>	<b>68,440</b>	<b>70,500</b>
<b>Distribution to Unitholders</b>	<b>(32,304)</b>	<b>(68,440)</b>	<b>(66,975)</b>
<b>Net Income Retained</b>	<b>-</b>	<b>-</b>	<b>3,525</b>
Number of Units in Issue ('000)	1,040,000	1,040,000	1,040,000
Gross Distribution per Unit (sen)	3.11	6.58	6.44
Annualised gross distribution yield based on the Retail Price of RM0.98 per Unit (%) <sup>(2)</sup>	6.43%	6.71%	6.57%
Annualised gross distribution yield based on the illustrative Institutional Offer price of RM1.03 <sup>(2)</sup>	6.12%	6.39%	6.25%
Distribution Rate	100%	100%	95%
Distributable Amount	32,304	68,440	66,975
Distribution Cover <sup>(3)</sup>	100%	100%	105%

Notes:

<sup>(1)</sup> This comprises service charge payable by Starhill REIT for the maintenance of Lot 10 Common Property as well as fixed cost payable to the Property Manager for the operation and maintenance of Starhill Property. Please refer to Section 11.1(II) headed "Property Operating Expenses" for further information.

<sup>(2)</sup> Starhill REIT, the Manager, the Underwriters, the Sponsor and the Trustee do not guarantee the performance of Starhill REIT, the repayment of capital or the payment of any distributions, or any particular return on the Units. The forecast and projected yields stated in the table above are calculated based on the Retail Offer Price and the illustrative Institutional Offer Price. Such yields will vary accordingly for investors who purchase Units in the secondary market at a market price that differs from the Retail Offer Price and the illustrative Institutional Offer Price.

Annualised distribution yield has been computed by extrapolating on a monthly basis the revenue and expenses of Starhill REIT for the 6 months from 1 January 2006 and 30 June 2006, except that certain expenses, such as property maintenance, administration expenses and arranger's fee have not been extrapolated as such expenses are expected to remain unchanged regardless of the length of the financial period under review.

<sup>(3)</sup> Defined as the amount available for distribution to Unitholders over the actual amount distributed, expressed as a percentage.

## Net Revenue and Net Property Income of Each Property

The forecast and projected contributions of Starhill Property, Lot 10 Property and Hotel Property to Net Revenue are as follows:

Property	Contribution to Net Revenue forecast for Forecast Period 2006		Contribution to Net Revenue forecast for Projection Period 2007		Contribution to Net Revenue forecast for Projection Period 2008	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Starhill Property.....	21,258	44.9	44,351	45.6	45,550	45.4
Lot 10 Property.....	15,882	33.5	32,379	33.3	33,641	33.5
Hotel Property.....	10,260	21.6	20,520	21.1	21,119	21.1
<b>Net Revenue</b> .....	<b>47,400</b>	<b>100.0</b>	<b>97,250</b>	<b>100.0</b>	<b>100,310</b>	<b>100.0</b>

The forecast and projected contributions of Starhill Property, Lot 10 Property and Hotel Property to Net Property Income are as follows:

Property	Contribution to Net Property Income forecast for Forecast Period 2006		Contribution to Net Property Income forecast for Projection Period 2007		Contribution to Net Property Income forecast for Projection Period 2008	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Starhill Property.....	17,596	44.5	37,026	45.3	38,225	45.6
Lot 10 Property.....	12,454	31.5	25,846	31.4	25,979	31.0
Hotel Property.....	9,504	24.0	19,008	23.3	19,607	23.4
<b>Net Property Income (excluding Property Management Fees)</b> .....	<b>39,554</b>	<b>100.0</b>	<b>81,680</b>	<b>100.0</b>	<b>83,811</b>	<b>100.0</b>
Property Management Fees.....	(743)		(1,536)		(1,586)	
<b>Net Property Income</b> .....	<b>38,811</b>		<b>80,144</b>		<b>82,225</b>	

## Directors' Commentary and Analysis

The Directors confirm that the Forecast and Projections of the Starhill REIT and the underlying bases and assumptions stated herein have been reviewed by the Directors after due and careful inquiries, and that the Directors, having taken into account the future prospects of the industry, the future direction of Starhill REIT and its level of gearing, liquidity and working capital requirements, are of the opinion that the Forecast and Projections of Starhill REIT are achievable and the assumptions made are reasonable, barring unforeseen circumstances.

Nevertheless, in the light of the current economic environment in Malaysia, regionally and globally, certain assumptions, including interest and exchange rates, may differ significantly from the date of this Prospectus and this may have a material impact on Starhill REIT's Forecast and Projections.

## Assumptions

The Manager has prepared the Forecast and Projections based on the assumptions listed below. The Manager considers these assumptions to be appropriate and reasonable as at the date of this Prospectus. However, investors should consider these assumptions as well as the Forecast and make their own assessment of the future performance of Starhill REIT.

### (i) Net Revenue

Net revenue comprises rental revenue, service charges, car park income and other income receivable from the operation and/or maintenance of the Properties, net of allowance for doubtful debts. A summary of the assumptions which have been used in calculating the net revenue is set out below:

**(a) Rental Revenue**

Rental revenue consists of (i) hotel lease revenue and (ii) base rental revenue and turnover rent of the Retail Properties.

The Hotel Operator will pay to Starhill REIT an initial annual rent of RM20,520,000 per annum, payable monthly in advance. The monthly rental shall be increased by 5% of the then prevailing monthly rental after the expiry of 3 years from 1 December 2004 and thereafter at 5 yearly intervals.

The percentage of forecast rental revenue (excluding turnover rent) attributable to Committed Tenancies of Retail Properties is as follows:

	<u>Forecast Period</u>		<u>Projection Year 2007</u>		<u>Projection Year 2008</u>	
	<u>Lot 10 Property</u>	<u>Starhill Property</u>	<u>Lot 10 Property</u>	<u>Starhill Property</u>	<u>Lot 10 Property</u>	<u>Starhill Property</u>
Percentage of rental revenue attributable to Committed Tenancies of Retail Properties (%) .....	82	94	65	82	35	37

**(i) Base rental revenue**

The base rental revenue is the rent payable by tenants based on the Net Lettable Area occupied by the respective tenants. In order to forecast and project the base rental revenue, the Manager has, in the first instance, used rental payable under the Committed Tenancies. The Manager has used the following process to forecast and project the base rental revenue for the Forecast and Projections following the expiry of the tenancies committed by the existing tenants:

- The Manager has assessed the market rent for each lettable area at the Retail Properties as at 31 July 2005. The market rent is the rent which the Manager believes it could be achieved if each tenancy were renegotiated at that time and is estimated with reference to rental revenue payable pursuant to comparable tenancies that have recently been negotiated, the effect of competing retail and office properties, assumed tenant retention rates upon tenancy expiries, likely market conditions, inflation levels and tenant demand levels.

The Manager has forecast base rental revenue of RM30.1 million for the Forecast Period, and projected RM62.6 million and RM64.9 million for 2007 and 2008 Projection Periods, respectively.

**(ii) Turnover rent**

Certain tenants have provision in their tenancy agreements for the payment of turnover rent, in addition to base rental revenue. Turnover rent is payable by the tenants based on their monthly sales achieved. As at 31 July 2005, only about 8.2% or 20 numbers of committed tenancy agreements contain provisions for the payment of turnover rent.

The Manager has analysed the historical collection of turnover rent and, based on the analysis, assumed the turnover rent component of the Starhill Property and the Lot 10 Property to be RM0.286 million and RM0.12 million respectively for the Forecast period and 10% higher for the Projection periods.

Turnover rent represents 1.3% of rental revenue for the Forecast and 1.4% and 1.5% for the projection year 2007 and 2008 respectively.

*(iii) Renewal rate*

In preparing the Forecast and Projections, it has been assumed that all of Starhill Property and Lot 10 Property's existing tenancies with a renewable option will be fully renewed. Such tenancies represent 93% and 86% of Starhill Property and Lot 10 Property respectively based on Net Lettable Area as at 31 July 2005.

*(iv) Occupancy rate*

The occupancy rate of the Starhill Property and Lot 10 Property as at 31 July 2005 was 100% and 98% respectively. All existing vacant storage space in the Retail Properties are not expected to be leased during the Forecast Period and Projection Periods. The vacant storage space represents approximately 1.1% and 0.1% of the NLA of Lot 10 Property and Starhill Property as at 31 July 2005 respectively. Save for the aforementioned, the NLA of the Retail Properties is expected to be fully leased throughout the period of the Forecast and Projections, except for those lots without a renewal term where one (1) month rent free period was assumed.

**(b) Service charge**

The service charge is a contribution payable by tenants towards the maintenance of the Starhill Property and Lot 10 Property area and for provision of certain services and facilities.

Tenants who are subjected to service charges are generally charged with a rate that ranges from RM0.77 per sq ft to RM2.00 per sq ft for the Lot 10 Property, and from RM1.50 per sq ft to RM2.50 per sq ft for the Starhill Property as at 31 July 2005. The service charge is expected to remain at this rate throughout the period of the Forecast and Projections. A minority of retail tenants in Lot 10 Property and tenants occupying the office space in the Starhill Property do not pay service charge as the flat rental rate payable by these tenants include such service charge amount. Tenants occupying the NLA for the use as storage and kiosks are not required to pay any service charge.

**(c) Car park income**

The car park income is the fixed amount payable by YTL Land to the Starhill REIT pursuant to the Car Park Agreement.

The car park income is fixed at RM5.0 million per annum during the period of the Forecast and projection year 2007 and is increased by 5% during the projection year 2008. The car park income attributable to each of the car parks of Lot 10 Property and Starhill Property is RM2.5 million per annum.

**(d) Other income**

Other income represents income receivable from tenants for the provision of maintenance services of their respective lettable areas in relation to the Lot 10 Property and Starhill Property.



**(e) Allowance for bad debts**

An allowance for bad debts has been provided for the Forecast and Projections on the rental revenue and service charges at the rate of 3% and 1% for the Lot 10 Property and the Starhill Property respectively.

**(II) Property Operating Expenses**

The property operating expenses consist of (i) service charge and operating cost payable, (ii) Property Management Fees, and (iii) Property Costs.

A summary of the assumptions which have been used in arriving at the property operating expenses is set out below:

**(a) Service charge and operating cost**

A service charge will be payable on a monthly basis at the rate of RM1.00 per sq ft based on the total area of Lot 10 Property as stated in the strata titles for the maintenance of Lot 10 Common Property by the Lot 10 MC (or such other person appointed by the Lot 10 MC). Service charge payable by Starhill REIT is expected to be RM5.2 million per annum for the period covered by the Forecast and Projections. Please refer to Section 7.2 headed "*Lot 10 Common Property*" for further details.

Pursuant to the Property Management Agreement, the operation and maintenance of the Starhill Property will be undertaken by the Property Manager at a fixed sum of RM5.4 million per annum for the period of Forecast and Projections which shall be payable in equal installments on a monthly basis. Please refer to Section 22.7 headed "*Fixed Operating Cost*" for further details.

**(b) Property management fees**

The operations and maintenance of the Managed Properties will be undertaken by the Property Manager pursuant to the Property Management Agreement.

Starhill REIT shall pay to the Property Manager a property management fee calculated based on the following fee scale:

- 5% per annum of the first RM30,000 of the annual Gross Receipts relating to the Managed Properties;
- 3% per annum of the next RM30,001 to RM100,000 of the annual Gross Receipts relating to the Managed Properties; and
- 2% per annum of over the amounts above RM100,000 of the annual Gross Receipts relating to the Managed Properties.

The property management fees is subject to 5% government service tax and shall be payable on a monthly basis in arrears.

**(c) Property costs**

Property costs consist of (i) assessment, (ii) quit rent, (iii) insurance and (iv) property maintenance cost.

Assessment is a rate imposed by the local authority on land. Quit rent is a rent imposed by the state authority on alienated land located within the jurisdiction of such state authority. As the assessment and quit rent amount is determined annually by the local authorities, it has been assumed that the amounts for the period of Forecast and Projections is expected to remain the same as the amount for the FY 2005 which is approximately RM4.5 million per annum.

The insurance premium is expected to be RM0.35 million per annum for the period covered by the Forecast and Projections, which remains the same as the premium for FY 2005.

Property maintenance cost relates to revenue expenditure items incurred including non routine repairs and external painting and lighting which do not form part of the services provided under the Property Management Agreement or which falls within the responsibility of Starhill REIT under the Car Park Agreement.

**(d) Interest income**

It has been assumed that surplus funds will be placed in the fixed deposit to earn interest income at the prevailing rate of 2.7% per annum.

**(III) Trust Expenses**

Trust expenses comprise Starhill REIT's recurring operating expenses such as the trustee's fee, base fee and performance fee payable to the Manager, other administration expenses, arranger's fee and finance charges.

**(a) Trustee fee**

The trustee fee is payable to the Trustee at the rate of 0.03% per annum of the Gross Asset Value of the Starhill REIT. The fee is accrued daily and paid half-yearly in arrears in accordance with the Deed.

**(b) Base fee and performance fee**

The base fee and performance fee are payable to the Manager in accordance to the Deed. The base fee is charged on the basis of 0.1% per annum of the Gross Asset Value of the Starhill REIT whilst the performance fee is charged on the basis of 2% per annum of the net property income, but before deduction of Property Management Fees. The base fee and performance fee are subject to a 5% government service tax.

**(c) Administration expenses**

Administration expenses include expenses such as annual listing fees, registration fees, accounting, audit and tax advisory fees, valuation fees, costs associated with the preparation and distribution of reports to Unitholders, investor communication costs, annual facility and security agent fees in respect of the Debt Facility and other miscellaneous expenses.

**(d) Arranger's fee**

Arranger's fee is a one-off payment to be made in relation to the arrangement of the Debt Facility, charged on the basis of 0.35% flat on the amount of the Debt Facility.

**(e) Finance charges**

Finance charges in relation to the Debt Facility is calculated based on the fixed interest rate of 4.80% per annum on the full amount to be drawdown from the Debt Facility.

**(IV) Unit Issue Expenses**

The costs associated with the issue of the Units will be paid for by Starhill REIT. These costs are charged against Unitholders' funds in the balance sheet and have no impact on the Profit Forecast or distributions.

**(V) Capital Expenditure**

The Manager is not expecting any material capital expenditure to be incurred on the Properties for the period of the Forecast and Projections.

Total capital expenditure requirement for the Lot 10 Property for the Forecast is estimated to be approximately RM0.03 million, and RM0.11 million and RM0.03 million for projection year 2007 and 2008 respectively.

Capital expenditure requirements for the period of the Forecast and Projections are expected to be funded internally.

**(VI) Debt Facility**

Upon drawdown of the Debt Facility granted by the Lender to part finance the acquisition of the Properties, Starhill REIT will have outstanding borrowings of RM180 million, which is repayable five years after the date of the first drawdown.

**(VII) Properties**

The Properties will be revalued at least once in every three (3) years and it is assumed that the next valuation will be carried out in FY2008. For the purposes of the profit Forecast and Projections, the Manager has assumed that the value of the Properties remain unchanged at the Appraised Value taking into consideration the capital expenditure to be incurred to maintain the valuation of the Properties.

**(VIII) Accounting Standards**

The Manager has assumed no change in the applicable approved accounting standards or other financial reporting requirements in Malaysia that may have a material effect on the Forecast and Projections.

Significant accounting policies adopted by the Manager in the preparation of the Forecast and Projections are set out in Section 13.9.

**(IX) Other Assumptions**

The Manager has made the following additional assumptions in preparing the Forecast and Projections:

- that the property portfolio remains unchanged throughout the period of the Forecast and Projections;
- that no further capital will be raised during the period of the Forecast and Projections;
- that there will be no change in taxation legislation or other applicable legislation;
- that all tenancies and licences are enforceable and will be performed in accordance with their terms (with allowances for bad and doubtful debts); and
- that 100% of DI will be distributed for the Forecast and projection year 2007 to the Unitholders and as such no tax will be payable under the ITA.
- that 95% of total DI will be distributed for the projection year 2008 to the Unitholders. The Manager assumes no tax is payable as there will be sufficient unutilised capital allowance to set off against the net income for projection year 2008.

## 11.2 Sensitivity Analysis

The forecast and projected distributions included in this Prospectus are based on a number of assumptions that have been outlined above including no material changes in existing political, legal, fiscal, market or economic conditions in Malaysia. The forecast and projected distributions are also subject to a number of risks as outlined in Section 10 headed "Risk Factors".

Investors should be aware that future events cannot be predicted with any certainty and that deviations from the figures forecast or projected in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the profit forecast and profit projection, a series of tables demonstrating the sensitivity of the distribution per Unit to changes in the principal assumptions are set out below.

The sensitivity analysis is intended to provide a guide only and variations in actual performance could exceed the ranges shown. Movement in other variables may offset or compound the effect of a change in any variable beyond the extent shown.

### Rental revenue

Changes in the rental revenue will impact the Net Property Income of Starhill REIT and, consequently, the gross distribution yield. The assumptions for rental revenue have been set out earlier in this section. The effect of variations in the rental revenue on the gross distribution yield is set out below:

	<b>Annualised gross distribution yield (%) pursuant to changes in Rental Revenue<sup>(1)</sup></b>		
	<b>Forecast Period 2006</b>	<b>Projection Year 2007</b>	<b>Projection Year 2008</b>
<b>Retail Offer Price</b>	<b>RM0.98</b>	<b>RM0.98</b>	<b>RM0.98</b>
5.0% above base case .....	6.71	7.01	6.87
Base Case .....	6.43	6.71	6.57
5.0% below base case .....	6.15	6.42	6.28
<b>Institutional Offer Price</b>	<b>RM1.03</b>	<b>RM1.03</b>	<b>RM1.03</b>
5.0% above base case .....	6.39	6.67	6.53
Base Case .....	6.12	6.39	6.25
5.0% below base case .....	5.85	6.11	5.97

Note:

<sup>(1)</sup> Starhill Property and Lot 10 Property

## 12. PROFORMA HISTORICAL FINANCIAL INFORMATION

### ***Past performance is not an indication of future performance***

The following table presents the proforma income statements for Starhill REIT for FY2001, FY2002, FY2003, FY2004 and FY2005. Such proforma income statements should be read in conjunction with Section 13 headed "Management's Discussion and Analysis of Financial Conditions and Results of Operations".

Starhill REIT's Reporting Accountant, KPMG, have reported on the proforma income statements and the report is included in Appendix 4 headed "Reporting Accountants' Letters on Proforma Historical Financial Information" of the Malaysian Prospectus. The proforma income statement of Starhill REIT has been prepared on the bases set out in Appendix 4 headed "Reporting Accountants' Letters on Proforma Historical Financial Information" of the Malaysian Prospectus.

The objective of the proforma income statements is to show what the financial position of the Properties might have been if Starhill REIT existed at an earlier date. However, the proforma income statements do not include Trust Expenses (as defined in Section 11.1(III) in this Prospectus) as the purpose of this proforma is to illustrate the operating performance of the Properties. The proforma income statement of Starhill REIT is not indicative of the total income that would have been attained had Starhill REIT actually existed earlier.

### **Proforma Income statement**

	<b>FY 2001 RM'000</b>	<b>FY 2002 RM'000</b>	<b>FY 2003 RM'000</b>	<b>FY 2004 RM'000</b>	<b>FY 2005 RM'000</b>
<b>Net Revenue</b>					
Rental revenue .....	37,778	43,510	49,209	57,098	65,239
Service charge.....	5,090	5,770	6,609	5,053	4,687
Car park income .....	2,955	3,125	3,615	3,375	3,225
Other income .....	417	365	617	468	546
	<u>46,240</u>	<u>52,770</u>	<u>60,050</u>	<u>65,994</u>	<u>73,697</u>
<b>Less: Property Operating Expenses</b>					
<b>Property cost</b>					
Assessment.....	4,074	4,222	4,273	4,522	4,522
Quit rent.....	74	74	75	79	79
Insurance.....	497	484	437	322	353
	<u>4,645</u>	<u>4,780</u>	<u>4,785</u>	<u>4,923</u>	<u>4,954</u>
<b>Operating Cost.....</b>	<b>9,478</b>	<b>9,330</b>	<b>9,772</b>	<b>9,723</b>	<b>9,705</b>
<b>Total Property Operating Expenses .....</b>	<b>14,123</b>	<b>14,110</b>	<b>14,557</b>	<b>14,646</b>	<b>14,659</b>
<b>Net Property Income.....</b>	<b><u>32,117</u></b>	<b><u>38,660</u></b>	<b><u>45,493</u></b>	<b><u>51,348</u></b>	<b><u>59,038</u></b>

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## **13. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

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*The following discussion and the selected financial and operating information set forth below should be read in conjunction with Section 12 headed "Proforma Historical Financial Information" and the assumptions set out in this Prospectus and the Reporting Accountants' Letter set forth in Appendix 4 to this Prospectus, which have been prepared in accordance with applicable approved accounting standards in Malaysia. Statements contained in this section that are not historical facts may be forward looking statements. Such forward looking statements are subject to certain risks, uncertainties and assumptions which could cause actual results to differ materially from those forecasted and projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Manager, the Trustee, the Underwriters or any other person. Investors are cautioned not to place undue reliance on these forward looking statements that speak only as of the date hereof.*

### **13.1 INTRODUCTION**

Starhill REIT is a real estate investment trust established in Malaysia as a real estate investment trust pursuant to the Deed. As Starhill REIT was only established on 18 November 2005 and will only acquire the Properties on the Completion Date (expected to be 16 December 2005), Starhill REIT has no historical operating results and financial information based on which prospective investors in the Retail Offer Units and/or the Institutional Offer Units may evaluate the Starhill REIT. Starhill REIT's first accounting period will be from 18 November 2005 to 30 June 2006.

Starhill REIT was established 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's key objective is to provide Unitholders with stable distributions per Unit with the potential for sustainable long term growth of such distributions and the Net Asset Value per Unit.

The Starhill REIT's strategy is, *inter alia*, to acquire properties that meet Starhill REIT's investment criteria.

The retail, office and hotel property sectors in Malaysia remain highly competitive and are affected by amongst other factors, the demand for, and the supply of, space which are in turn, affected by economic conditions of Malaysia in general. The principal competitive factors include rental rates, quality and location of properties, supply of comparable space and changing needs of business users. Trade mix and accessibility of a retail mall are also major factors in attracting traffic and tenants.

### **13.2 STARHILL REIT'S RESULTS OF OPERATIONS**

#### **13.2.1 Revenue**

##### **13.2.1.1 Net Revenue**

Starhill REIT's Net Revenue during each relevant period comprised primarily of its rental revenue, service charge, car park income, and other income paid in respect of the Properties, net of allowance for doubtful debts, if any.

##### **13.2.1.2 Rental Revenue**

Rental revenue consists of base rental revenue and turnover rent. The base rental revenue is based on the rents payable by the tenants under their tenancies (based on the Net Lettable Area). The payment of turnover rent is in addition to base rental revenue and only certain tenants have provision in their tenancy agreements for the payment of turnover rent.

### **13.2.1.3 Service Charge**

The service charge is a contribution paid by tenants (based on the net lettable area) towards the maintenance of the Starhill Property and Lot 10 Property common area and for the provision of certain services and facilities. See Section 5 headed "*The Properties*" for a detailed list of service charges payable.

### **13.2.1.4 Car Park Income**

Car park income is revenue received from car park operations net of car park operating cost during the relevant period. The car park operating cost comprises equipment maintenance cost, car park stationeries, license fee, staff cost and any other costs directly related to car park operation.

### **13.2.1.5 Other Income**

Other income relates mainly to income from tenants for utility charges, repair and maintenance and property manager's costs in liaising with tenants on renovations.

## **13.2.2 Total Property Operating Expenses**

### **13.2.2.1 Property Costs**

Property costs consist of (a) assessments, (b) quit rent, (c) insurance and (d) property maintenance costs.

Assessment is a rate imposed by the local authority on land. Quit rent is a rent imposed by the state authority on alienated land located within the jurisdiction of such state authority. The assessment is payable on a semi-annual basis and quit rent amount is payable on an annual basis.

The insurance policies have been taken out in respect of the Retail Properties by YTL Land, in its capacity as owner of the Properties. The Hotel Operator will be responsible for payment of the insurance premiums relating to the Hotel Property.

### **13.2.2.2 Operating Costs**

Operating Costs comprise the following:

(a) Utilities Expenses;

Utilities expenses refers to charges for supply of water, gas, electricity, and disposal of sewerage and all other utility services supplied to or consumed under each of the common area of Retail Properties.

(b) Contractual Maintenance Expenses;

Contractual maintenance expenses refer to cost of engaging contractors for the provision of maintenance of air-conditioning, building automated system, lift, escalator, generator set, public address system and cleaning for each the Properties.

(c) Repair and Maintenance Expenses;

Repair and maintenance expenses refer to the normal cost of repairing and maintaining the air-conditioning, fire fighting system, sanitary, lighting, lifts, escalators, public address system, building automated system, generators, roller shutters, closed circuit television, and any other systems installed to each of the Properties.

(d) Other Direct Expenses; and

Other direct expenses refer to the cost of repairing and maintaining each of the properties other than classified above.

(e) Staff Expenses

Staff expenses refer to personnel costs and benefits directly attributable to the operation of each of the Properties such as leasing and marketing, technical and security.

In arriving at the operating cost under the proforma income statement, rental revenue and other income generated from the Lot 10 Common Property were used to defray the abovementioned operating cost, to reflect actual operating cost for Lot 10 Property.

### 13.3 RECENT DEVELOPMENTS

#### 13.3.1 Occupancy Trends

The table below sets out information on the average occupancy rates of the Lot 10 Property and the Starhill Property for FY2002, FY2003, FY2004 and FY2005:

	Lot 10 Property Average Occupancy Rate	Starhill Property Average Occupancy Rate
FY2002.....	94%	83%
FY2003.....	93%	91% <sup>(1)</sup> /90% <sup>(2)</sup>
FY2004.....	94%	82% <sup>(1)</sup> / 89% <sup>(2)</sup>
FY2005.....	96%	77% <sup>(1)</sup> / 93% <sup>(2)</sup>

Notes:

<sup>(1)</sup> Including the Tangs Area previously leased to Tangs from April 2003 to March 2004 that was vacant during the relevant period.

<sup>(2)</sup> Excluding the Tangs Area which was being renovated and not available for occupation.

The average occupancy rate for the Lot 10 Property remained stable from FY2002 to FY2005, despite the global economic slowdown, acts of terrorism and the outbreak of severe acute respiratory syndrome ("SARS") during this period.

The average occupancy for the Starhill Property improved from FY2002 to FY2003. In FY2004 there was a decrease in the average occupancy rate because the tenancy of the main tenant, Tangs, expired in March 2004, which resulted in a decrease in the average occupancy rate to 82% for FY2004. The occupancy rate excluding the Tangs's Area remained relatively stable within a range of 83% to 93% from FY2002 to FY2005.

#### 13.3.2 Starhill Re-branding and Re-positioning

Since Tangs vacated the Tangs Area in April 2004, YTL Land commenced the physical transformation of Starhill Property to become a leading expression of taste and style in food, fashion, living beauty and art in Kuala Lumpur. The renovation works which have been designed by international architect David Rockwell of New York were completed in July 2005.

Starhill Property was officially launched on 30 July 2005 as "Starhill Gallery".



## **13.4 COMPARISON OF FY2005 WITH FY2004**

### **13.4.1 Revenue**

#### **13.4.1.1 Net Revenue**

Net Revenue increased by 11.67% to RM73.697 million for FY2005 from RM65.994 million for FY2004.

#### **13.4.1.2 Rental Revenue**

Rental revenue increased by 14.26% to RM65.239 million for FY2005 from RM57.098 million for FY2004.

##### Lot 10 Property:

Rental revenue increased by 4.86% to RM22.277 million for FY2005 from RM21.244 million for FY2004.

The increase in rental revenue was mainly attributable to the conversion of the trade mix of certain floors and this has resulted an increase in occupancy rates as well as rental rates. Further, rental rates of the office block have been revised upwards during the year.

During FY2005, a total of 39 tenancies with net lettable area of 70,055 sq. ft. expired, of which 36% of the tenancies or 61% of net lettable area were renewed at an average rental rate of RM7.09 from RM5.11 per square foot. Tenancies which expired and not renewed were subsequently replaced by new tenants with an average rental rate of RM12.43 from RM11.88 per square foot.

The average rental rates per sq. ft. of Lot 10 Property for FY2005 and FY2004 were RM10.67 and RM10.17 respectively, an increase of 4.92%.

##### Starhill Property:

Rental revenue increased by 16.11% to RM25.037 million for FY2005 from RM21.563 million for FY2004.

The increase was mainly attributable to Autodome's agreement to rent a substantial area vacated by Tangs.

During FY2005, a total of 45 tenancies with net lettable area of 113,720 sq. ft. expired, of which 24% of the tenancies or 30% of net lettable area were renewed at an average rental rate of RM8.57 from RM6.04 per square foot. Tenancies which expired and not renewed were subsequently replaced by new tenants with an average rental rate of RM7.74 from RM4.65 per square foot.

The average rental rates per sq. ft. of Starhill Property for FY2005 and FY2004 were RM8.71 and RM7.23 respectively, an increase of 20.47%.

##### Hotel Property:

Rental revenue increased by 25.43% to RM17.925 million for FY2005 from RM14.291 million for FY2004.

The increase was due to the increase in lease rental which commenced in December 2004.

#### **13.4.1.3 Service Charge**

Service charge decreased by 7.24% to RM4.687 million for FY2005 from RM5.053 million for FY2004.

Lot 10 Property:

Service charge increased by 10.38% to RM2.883 million for FY2005 from RM2.612 million for FY2004.

Starhill Property:

Service charge decreased by 26.10% to RM1.804 million for FY2005 from RM2.441 million for FY2004.

The decrease was mainly attributable to a waiver of service charges for a period of eight months since July 2004 for all tenants of Starhill Property during the period where renovation was undertaken to reposition the Starhill Property.

**13.4.1.4 Car Park Income**

Car park income decreased by 4.44% to RM3.225 million for FY2005 from RM3.375 million for FY2004.

Lot 10 Property:

Car park income decreased by 3.25% to RM1.724 million for FY2005 from RM1.782 million for FY2004.

This decrease was a result of reduced shopping traffic.

Starhill Property:

Car park income decreased by 5.78% to RM1.501 million for FY2005 from RM1.593 million for FY2004.

This decrease resulted from reduced shopping traffic (including car park activity) resulting from major renovations that was undertaken on Starhill Property following the closure of the Tangs Area for renovation.

**13.4.1.5 Other Income**

Other income increased by 16.67% to RM0.546 million for FY2005 from RM0.468 million for FY2004.

Lot 10 Property:

Other income increased by 32.10% to RM0.321 million for FY2005 from RM0.243 million for FY2004.

This increase was mainly attributable to higher repair and maintenance work done by tenants.

Starhill Property:

Other income remained unchanged at RM0.225 million for both FY2005 and FY2004.

**13.4.2 Total Property Operating Expenses**

**13.4.2.1. Property Costs**

Property Costs comprised three main components:

(a) Assessment

Assessment costs remained the same at RM4.522 million for both FY2005 and FY2004.

(b) Quit Rent

The quit rent cost remained the same at RM0.079 million for both FY2005 and FY2004.

(c) Insurance

The Insurance cost for Retail Properties increased by 9.63% to RM0.353 million for FY2005 from RM0.322 million for FY2004.

**13.4.2.2 Operating Costs**

Operating costs include utilities, contractual maintenance, repair & maintenance, other direct expenses and staff expenses.

Operating costs decreased by 0.19% to RM9.705 million for FY2005 from RM9.723 million for FY2004.

The operating costs remained relatively unchanged.

**13.4.3 Net Property Income**

As a result of the above factors, YTL Land's Net Property Income increased by 14.98% to RM59.038 million in FY2005 from RM51.348 million in FY2004.

**13.5 COMPARISON OF FY2004 WITH FY2003**

**13.5.1 Revenue**

**13.5.1.1 Net Revenue**

Net revenue increased by 9.90% to RM65.994 million for FY2004 from RM60.050 million for FY2003.

**13.5.1.2 Rental Revenue**

Rental revenue increased by 16.03% to RM57.098 million for FY2004 from RM49.209 million for FY2003.

Lot 10 Property:

Rental revenue increased by 3.25% to RM21.244 million for FY2004 from RM20.575 million for FY2003.

This increase was attributable to various rental renewals and new tenancies that commenced in FY2003 and FY2004 which increased the average rental rates payable for FY2004, even though occupancy rates remained stable. During FY2004, a total of 22 tenancies with net lettable area of 30,767 sq. ft. expired, of which 36% of the tenancies or 66% of net lettable area were renewed at average rental rate of RM13.17 from RM13.02 per square foot. Tenancies which had expired and not renewed were subsequently replaced by new tenants with average rental rate of RM12.50 from RM14.04 per square foot.

The average rental rate for Lot 10 Property for FY2004 and FY2003 were RM10.17 and RM9.85 respectively, an increase of 3.25%.

Starhill Property:

Rental revenue increased by 24.33% to RM21.563 million for FY2004 from RM17.343 million for FY2003.

This increase was due to the acquisition by YTL Land of Tangs Area which was completed on 31 March 2003. Simultaneous with the completion of the aforesaid acquisition, Tangs then entered into a tenancy agreement with YTL Land for a tenancy of the Tangs Area for a tenure of one year which commenced on 1st April 2003 at a fixed rental for the same area Tangs disposed to YTL Land. For FY2003, it recorded a rental income for 3 months in respect of the Tangs Area, whereas 9 months rental income was recorded for FY2004, accounting for a substantial part of the increase in rental revenue for FY2004.

Apart from the expiry of the tenancy for the Tangs Area in April 2004, a total of 30 tenancies with net lettable area of 30,674 sq. ft. expired, of which 27% of the tenancies or 36% of net lettable area were renewed at average rental rate of RM10.19 from RM9.37 per square foot. Tenancies which expired and not renewed were subsequently leased at an average rental rate of RM6.13 from RM3.11 per square foot.

The average rental rate for Starhill Property, excluding area occupied by Tangs for FY2004 and FY2003 were RM7.23 and RM7.07 respectively, an increase of 2.25%.

Hotel Property:

Rental revenue increased by 26.57% to RM14.291 million for FY2004 from RM11.291 million for FY2003.

The increase was due to the increase in lease rental which commenced in July 2003 after the refurbishment of 32 hotel rooms on the top four floors, which were structurally completed but remained unfurnished by the previous owner.

**13.5.1.3 Service Charge**

Service charge decreased by 23.54% to RM5.053 million for FY2004 from RM6.609 million for FY2003.

Lot 10 Property:

Services charge decreased by 2.36% to RM2.612 million for FY2004 from RM2.675 million for FY2003.

This decrease was attributable primarily to a small number of units becoming untenanted resulting in lower service charge being received.

Starhill Property:

Services charge decreased by 37.95% to RM2.441 million for FY2004 from RM3.934 million for FY2003.

This decrease is attributable primarily to the completion of the acquisition of the Tangs Area on 31 March 2003, where the service charge of RM1.00 per sq. ft previously imposed on Tangs prior to the acquisition was no longer imposed. As a consequence of this acquisition, Starhill Property received 9 months of service charge from Tangs in FY2003 whereas no service charges were received in FY2004 in respect of the Tangs Area.

**13.5.1.4 Car Park Income**

Car park income decreased by 6.64% to RM3.375 million for FY2004 from RM3.615 million for FY2003.

#### Lot 10 Property:

Car park income decreased by 5.11% to RM1.782 million for FY2004 from RM1.878 million for FY2003. This decrease resulted from a decrease in car park utilisation and also the introduction of a flat rate charge during weekends and public holidays and after certain hours of a weekday. Prior to the revised car park flat charge, the car park rate was charged on an hourly basis at all times.

#### Starhill Property:

Car park income decreased by 8.29% to RM1.593 million for FY2004 from RM1.737 million for FY2003.

This decrease resulted from reduced shopping traffic (including car park activity) resulting from major renovations taking place to the Starhill Property following the closure of the Tangs Area for renovation.

### **13.5.1.5 Other Income**

Other income decreased by 24.15% to RM0.468 million for FY2004 from RM0.617 million for FY2003.

#### Lot 10 Property:

Other income decreased by 10.99% to RM0.243 million for FY2004 from RM0.273 million for FY2003.

This decrease is substantially due to lower number of tenancies which had expired in FY2004 i.e. 22 tenancies as opposed to 77 tenancies in FY2003, resulting in lower renovation charges generated.

#### Starhill Property:

Other income decreased by 34.59% to RM0.225 million for FY2004 from RM0.344 million for FY2003.

The decrease is substantially due to lower consumption of utilities by tenants and lower provision of repair and maintenance work to tenants' premises.

## **13.5.2 Total Property Operating Expenses**

### **13.5.2.1 Property Costs**

As described above, property costs are composed of three main components: assessments, quit rent and insurance costs.

#### **(a) Assessment**

Assessment costs increased by 5.83% to RM4.522 million for FY2004 from RM4.273 million for FY2003.

This increase in assessments was a result of the acquisition by YTL Land of the Tangs Area in 2002, which account for the increase in the estimated rateable annual value for FY2004 and, as a consequence, the increased assessment in respect of the Starhill Property.

#### **(b) Quit Rent**

Quit rent increased by 5.33% to RM0.079 million for FY2004 from RM0.075 million for FY2003.

The increase is due to the acquisition of Tangs Area by YTL Land, in respect of which quit rent was paid in FY2004.

(c) **Insurance**

Insurance costs referred to insurance premium paid for the Retail Properties, it decreased by 26.32% to RM0.322 million for FY2004 from RM0.437 million for FY2003.

This decrease was due primarily to a change of insurance cover for all retail properties in May 2003. Following an analysis of insurance requirements, YTL Land decided not to insure for foundation and basement structures of the Retail Properties and insured the Retail Properties based on replacement cost of the Retail Properties, which accounted for the decrease in the insurance cost.

**13.5.2.2 Operating Costs**

Operating costs decreased by 0.5% to RM9.723 million in FY2004 from RM9.772 million in FY2003.

**13.5.3 Net Property Income**

As a result of the above factors, YTL Land's Net Property Income increased by 12.87% to RM51.348 million in FY2004 from RM45.493 million in FY2003.

**13.6 COMPARISON OF FY2003 WITH FY2002**

**13.6.1 Revenue**

**13.6.1.1 Net Revenue**

Net revenue increased by 13.80% to RM60.050 million for FY2003 from RM52.770 million for FY2002.

**13.6.1.2 Rental Revenue**

Rental revenue increased by 13.10% to RM49.209 million for FY2003 from RM43.510 million for FY2002.

Lot 10 Property:

Rental revenue increased by 6.12% to RM20.575 million for FY2003 from RM19.389 million for FY2002.

This increase is attributable to substantial rental renewals early FY2003 which increased the average rental rates payable for FY2003. During FY2003, a total of 77 tenancies with net lettable area of 92,390 sq. ft. expired, of which 56% of the tenancies or 61% of net lettable area were renewed at average rental rate of RM12.01 per square foot from RM11.81 per square foot for FY2002. The tenancies which expired and were not renewed were subsequently replaced by new tenants at average rental rate of RM15.23 from RM13.32 per square foot.

The average rental rate of Lot 10 Property for FY2003 and FY2002 were RM9.85 and RM9.34 respectively, an increase of 5.46%.

Starhill Property:

Rental revenue increased by 35.18% to RM17.343 million for FY2003 from RM12.830 million for FY2002.

This increase was primarily due to two factors. Firstly, YTL Land acquired the Tangs Area on 31 March 2003 and leased the same to Tangs immediately. As a result, for FY2003, 3 months rent was received from Tangs, whereas no rent was received in respect of the Tangs Area for FY2002. This accounted for approximately 15% of the increase in the rental revenue. Secondly, when the

Starhill Property was acquired by YTL Land in FY1999 many of the tenancies provided for relatively low rental rates. Many of these leases were renewed at higher rates from the FY2002 to FY2003. As a result, these higher rental rates contributed relatively more to rental revenue for FY2003 than for FY2002.

In FY2003, a total of 37 number of tenancies with total net lettable area of 72,934 sq. ft. expired, of which 54% of the tenancies or 62% of net lettable area were renewed at average rental rates of RM7.71 per square foot from RM6.95 per square foot for FY2002. The tenancies which had expired and were not renewed were subsequently replaced by new tenants at average rental rate of RM6.38 from RM6.09 per square foot.

The average rental rate for Starhill Property for FY2003 and FY2002 were RM7.07 and RM5.73 respectively, an increase of 23.34%.

Hotel Property:

The rental revenue for the hotel property was fixed at RM11.291 million as a result of which the rental revenue of the Hotel Property had no impact on the overall increase in rental revenue.

**13.6.1.3 Service Charge**

Service charge increased by 14.54% to RM6.609 million for FY2003 from RM5.770 million for FY2002.

Lot 10 Property:

Service charge receivable increased by 16.35% to RM2.675 million for FY2003 from RM2.299 million for FY2002.

This increase was attributable primarily to an increase in the rate of the service charge in March 2002 to RM2.00 per square foot from RM1.50 per square foot generally. Because this increase became effective from March 2002, it was collected only for 3 months of FY2002 compared to the full 12 months for FY2003.

Starhill Property:

Service charge increased by 13.34% to RM3.934 million for FY2003 from RM3.471 million for FY2002.

This increase was attributable primarily to an increase in the rate of the Tenant Service Charge Receivable fee in March 2002 to RM 2.00 per square foot from RM 1.50 per square foot generally. Because this increase became effective from March 2002, it was collected for 3 months of FY2002 compared to the full 12 months of FY2003.

The increase mentioned above was partially set off by the acquisition of the Tangs Area by YTL Land on 31 March 2003 where upon Tangs entered into a fixed rent tenancy agreement with YTL Land and service charge previously imposed on Tangs prior to the acquisition was not imposed.

**13.6.1.4 Car Park Income**

Car park income increased by 15.68% to RM3.615 million for FY2003 from RM3.125 million for FY2002.

Lot 10 Property:

Car park income increased by 11.79% to RM1.878 million for FY2003 from RM1.680 million for FY2002.

This increase resulted from a strengthening in the retail business in FY2003 following a slowdown in the retail industry caused in part by the New York terrorist attacks of 11 September 2001.

Starhill Property:

Revenue from car park income increased by 20.21% to RM1.737 million for FY2003 from RM1.445 million for FY2002.

This increase is attributable to increased car park utilisation resulting from:

- (a) the conversion of retail space into meeting rooms, which resulted in increased traffic to the Starhill Property;
- (b) a general increase in hotel occupancy after the terrorist attacks in New York on 11 September 2001 which had the effect of causing more Asians to travel within Asia; and
- (c) the success of retail sales campaigns organised by Tourism Malaysia, a campaign organized by the Government following the terrorist attacks in New York on 11 September 2001.

**13.6.1.5 Other Income**

Other income increased by 69.04% to RM0.617 million for FY2003 from RM0.365 million for FY2002.

Lot 10 Property:

Other income increased by 66.46% to RM0.273 million for FY2003 from RM0.164 million for FY2002.

This increase is mainly due to the revision of tenants utilities charges at the end of FY2002 and the substantial number of new tenancies which commenced in FY2003 resulting in higher tenant renovation charges. The increase in tenant's utilities charges reflected the increase in utilities rate by the local authorities.

Starhill Property:

Other income increased by 71.14 % to RM0.344 million for FY2003 from RM0.201 million for FY2002.

This increase is mainly due to revision of tenant's utilities charges at the end of FY2002. The increase in tenant's utilities charges is with accordance to increase in utilities rate by local authority.

**13.6.2 Total Property Operating Expenses**

**13.6.2.1. Property Costs**

Property Costs are composed of three main components:

(a) Assessment

Assessment costs increased by 1.2% to RM4.273 million for FY2003 from RM4.222 million for FY2002.

(b) Quit Rent

The quit rent cost increased by 1.35% to RM0.075 million for FY2003 from RM0.074 million for FY2002.



This is a fixed cost charged by the State of Wilayah Persekutuan Kuala Lumpur.

(c) Insurance

The insurance cost for the Retail Properties decreased by 9.71% to RM0.437 million for FY2003 from RM0.484 million for FY2002.

Since the change of insurance cover took place in May 2003, it reflected only 2 months reduction in FY2003.

**13.6.2.2 Operating Costs**

Operating costs include utilities, contractual maintenance, repair & maintenance, other direct expenses and staff expenses.

Operating costs increased by 4.74% to RM9.772 million in FY2003 from RM9.330 million in FY2002.

The increase in operating cost is substantially due to the increase in electricity consumption.

**13.6.3 Net Property Income**

As a result of the above factors, YTL Land's Net Property Income increased by 17.67% to RM45.493 million in FY2003 from RM38.660 million in FY2002.

**13.7 COMPARISON OF FY2002 WITH FY2001**

**13.7.1 Revenue**

**13.7.1.1 Net Revenue**

Net revenue increased by 14.12% to RM52.770 million for FY2002 from RM46.240 million for FY2001.

**13.7.1.2 Rental Revenue**

Rental revenue increased by 15.17% to RM43.510 million for FY2002 from RM37.778 million for FY2001.

Lot 10 Property:

Rental revenue increased by 14.40% to RM19.389 million for FY2002 from RM16.949 million for FY2001.

During FY2002, a total of 19 tenancies with net lettable area of 34,736 sq. ft. expired, of which 58% of the tenancies or 77% of net lettable area were renewed at average rental rate of RM6.40 from RM5.17 per square foot. Tenancies which expired and not renewed were subsequently replaced by new tenants with an average rental rate of RM13.80 from RM9.30 per square foot.

The average rental rate per square foot for Lot 10 Property for FY2002 and FY2001 were RM9.34 and RM8.18 respectively, an increase of 14.18%.

Starhill Property:

Rental revenue increased by 30.25% to RM12.830 million for FY2002 from RM9.850 million for FY2001.

During FY2002, a total of 33 tenancies with a net lettable area of 45,701 sq. ft. expired, of which 15% of the tenancies or 21% of net lettable area were renewed at average rental rate of RM11.31 from RM7.12 per square foot. Tenancies which expired and not renewed were subsequently leased at average rental rates of RM11.15 from RM6.29 per square foot.

The average rental rate per square foot for Starhill Property for FY2002 and FY2001 were RM5.73 and RM4.22 respectively, an increase of 35.78%.

Hotel Property:

Rental revenue increased by 2.84% to RM11.291 million for FY2002 from RM10.979 million for FY2001.

Included in the rental income for FY2001 of RM10.979 million was a set off of rental of RM0.312 million being over billing to the hotel operator for FY2000. Therefore, the actual revenue for FY2001 was RM11.291 million resulting in no increase in revenue when comparing FY2002 with FY2001.

**13.7.1.3 Service Charge**

Service charge increased by 13.36% to RM5.770 million for FY2002 from RM5.090 million for FY2001.

Lot 10 Property:

Service charge increased by 13.20% to RM2.299 million for FY2002 from RM2.031 million for FY2001.

This increase was attributable primarily to an increase in the service charge in March 2002 to RM2.00 per square foot from RM1.50 per square foot.

Starhill Property:

Service charge increased by 13.47% to RM3.471 million for FY2002 from RM3.059 million for FY2001.

This increase was attributable primarily to an increase in the service charge in March 2002 to RM2.00 per square foot from RM1.50 per square foot.

**13.7.1.4 Car Park Income**

Car park income increased by 5.75% to RM3.125 million for FY2002 from RM2.955 million for FY2001.

Lot 10 Property:

Car park income decreased by 6.93% to RM1.680 million for FY2002 from RM1.805 million for FY2001.

Prior to FY2001, the management of car park was outsourced to a third party operator on a fixed cost arrangement. YTL Land took over the management of car park operations in July 2001 and it undertook measures which resulted in the reduction of car park operating costs. However, the low utilisation of car park offset the savings in operating cost thus resulted in a decrease in car park income.

Starhill Property:

Car park income increased by 25.65% to RM1.445 million for FY2002 from RM1.150 million for FY2001.

This increase was attributable to the conversion of retail space into meeting rooms, which resulted in increased traffic to the Starhill Property. In addition, YTL Land took over the management of the car park in Nov 2000 and undertook measures which resulted in the reduction of car park operating cost. Prior to this, the management of car park operators was outsourced to a third party on a fixed cost arrangement.

#### **13.7.1.5 Other Income**

Other income decreased by 12.47% to RM0.365 million for FY2002 from RM0.417 million for FY2001.

##### Lot 10 Property:

Other Income decreased by 7.34% to RM0.164 million for FY2002 from RM0.177 million for FY2001.

##### Starhill Property:

Other income decreased by 16.25% to RM0.201 million for FY2002 from RM0.240 million for FY2003.

The decrease is substantially due to lower consumption of utilities by tenants.

### **13.7.2 Total Property Operating Expenses**

#### **13.7.2.1 Property Costs**

As described above, property costs comprised three main components: assessments, quit rent and insurance costs.

##### **(a) Assessment**

Assessment increased by 3.63% to RM4.222 million for FY2002 from RM4.074 million for FY2001.

Lower assessment cost was reported in FY2001 due to the delay in allocating the apportioned assessment cost to the previous owner in respect of Hotel Property which should have been allocated in FY1999 instead of FY2001. Thus, as a result of the allocation in FY2001, the assessment cost decreased.

##### **(b) Quit Rent**

Quit rent has remained stable at RM0.074 million in FY2002 and FY2001 respectively.

##### **(c) Insurance**

Insurance costs referred to insurance premium paid for the Retail Properties, it decreased by 2.62% to RM0.484 million for FY2002 from RM0.497 million for FY2001.

The insurance expense has been relatively stable.

#### **13.7.2.2 Operating Costs**

Operating costs decreased by 1.56% to RM9.330 million in FY2002 from RM9.478 million in FY2001.

The operating costs remained relatively constant.

### **13.7.3 Net Property Income**

As a result of the above factors, YTL Land's Net Property Income increased by 20.37% to RM38.660 million in FY2002 from RM32.117 million in FY2001.

## **13.8 LIQUIDITY AND CAPITAL RESOURCES, INDEBTEDNESS AND CAPITAL EXPENDITURE**

### **13.8.1 Liquidity and Capital Resources**

Funding for improvement works for the Properties has historically been from cash flow from operations as well as parent company advances.

For funding of distributions, servicing of interest on the loan, payment of non-property expenses and other future capital expenditure, the primary source will be from net cash from operations.

The Manager is of the opinion that Starhill REIT's working capital would be sufficient for its present requirements as rental income is received in advance and generally, tenants are required to provide a deposit of four months of the monthly rental payable.

Starhill REIT is expected to distribute 100% of its DI for the period from Listing Date to 30 June 2007. Thereafter, Starhill REIT is expected to distribute at least 90% of its DI available for distributions. Consequentially, Starhill REIT will not be able to meet all its obligations to repay the principal of its debt obligations from its cash flow generated from operations. As such, Starhill REIT will be required to refinance the principal of its debt obligations on maturity in the market or repay from equity financing or both. There can be no assurance that such financing will be available on terms similar to its present debt obligations.

### **13.8.2 Indebtedness**

A Debt Facility of RM180 million with a fixed rate of 4.8% per annum for a term of five (5) years would be made available to Starhill REIT to part finance the purchase consideration of the Properties. The aforesaid Debt Facility is expected to be drawn on Completion Date.

As the Debt Facility carries a fixed interest rate of 4.8% per annum, Starhill REIT's financing costs will not be subject to fluctuations in the interest rate in the financial markets. Starhill REIT will be required to pay a one-off arrangement fee, calculated on the principal amount of the Debt Facility in the amount of RM180 million. A first fixed charge over the Properties will be created for the benefit of the Lender as security for the Debt Facility.

### **13.8.3 Capital Expenditure**

As the strata titles for the individual parcels within the Lot 10 Shopping Centre (including the Lot 10 Property) have been issued, the Lot 10 MC (which comprises all the individual parcel proprietors of the Lot 10 Shopping Centre) has come into existence. The responsibility for the repair, maintenance and operation of the Lot 10 Common Property, including replacement and upgrading of plant and equipment will rest with the Lot 10 MC. The individual parcel proprietors are required to pay maintenance contributions to the Lot 10 MC (or such other person authorised by the Lot 10 MC) based on their respective share units to fund these capital expenditures.

Accordingly, the parcel proprietors of Lot 10 Shopping Centre are responsible only for the upkeep and repair of fixtures and fittings within their individual parcels and will pay a service charge to the Lot 10 MC (or such person authorised by Lot 10 MC) as contribution for the costs of maintenance of the Lot 10 Common Property. Lot 10 MC has appointed YTL Land to manage the Lot 10 Common Property for a period from 18 November 2005 until 31 December 2006 and has authorised YTL Land to collect service charges at the rate of RM1.00 per sq ft and subject to the agreement of Starhill REIT, Lot 10 MC and YTL Land, this arrangements is expected to continue for a further period mutually agreed upon.

For Starhill Property, the capital expenditures will be borne by Starhill REIT and will entail repair, maintenance, upgrading of plant and equipment. As Starhill Property was only completed in September 1995, the Manager does not anticipate major capital expenditure in the forecast and projection period/years.

Under the Hotel Lease Agreement for the Hotel Property, the repair and maintenance of the property rests with the Hotel Operator. As this property was only completed in July 1997, the Manager does not anticipate major capital expenditure in the forecast and projection period/years.

### 13.9 ACCOUNTING POLICIES

The following accounting policies will be adopted by Starhill REIT.

**(a) Basis of accounting**

The financial statements of the REIT will be prepared in compliance with the provisions of applicable approved accounting standards in Malaysia, applicable provisions of the Deed and the REIT Guidelines.

**(b) Investment properties**

Investment properties consist of leasehold and freehold land and buildings held for their investment potential and rental income. Investment properties are accounted for as non-current assets and are stated at valuation. Valuations are performed annually.

Any increase or decrease in valuation on revaluation is credited or charged directly to the income statement as a net appreciation or depreciation in the value of the investment properties.

When an investment property is disposed of, the resulting gain or loss recognised in the income statement is the difference between net disposal proceeds and the carrying amount of the property.

**(c) Plant and equipment**

Investment properties are not depreciated. Other plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy for recognition and measurement of impairment losses is in accordance with paragraph (g).

Plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

***Depreciation***

The straight line method is used to write off the cost of plant and equipment over the term of their estimated useful lives at the principal annual rates of 10%.

**(d) Trade and other receivables**

Trade and other receivables are stated at cost less allowance for doubtful debts.

**(e) Liabilities**

Borrowings and trade and other payables are stated at cost.

**(f) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

**(g) Impairment**

The carrying amount of assets, other than deferred tax assets and financial assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement.

**(h) Unit issue costs**

Unit issue costs represent expenses incurred in connection with the initial public offering of Starhill REIT on the Main Board of the Bursa Securities. All such expenses are deducted directly against Unitholders' funds.

**(i) Income tax**

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

**(j) Revenue**

**i) Rental income**

Rental income is recognised in the income statement as it accrues over the period of the rental and such revenue include services charges and other maintenance income on general maintenance services rendered to the tenants.

**ii) Carpark income**

Carpark income is recognised in the income statement on accrued basis.

**iii) Interest income**

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

**(k) Financing costs**

All interest and other costs incurred in connection with borrowings, are expensed as incurred.

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## 14. DISTRIBUTION POLICY

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The Manager's current policy is to distribute to Unitholders at least 90% of the DI for each Financial Year. The Manager may amend its distribution policy at any time by giving notice to Unitholders.

Barring any unforeseen circumstances, the Manager will distribute an amount equal to 100% of the Starhill REIT's DI for the period from the Completion Date to 30 June 2007, and intends to distribute at least 90% of DI for each financial year thereafter. Distributions will be declared and paid to Unitholders in Ringgit Malaysia.

The Manager intends to make distributions to Unitholders on a semi-annual basis but the Manager may in its discretion change the frequency of any distributions to Unitholders, and the Manager anticipates that the interim and final distributions will be paid within 60 days from the book closure date. The Starhill REIT's first distribution after the Listing Date, however, will be for the period from the Completion Date to 30 June 2006.

For these purposes, and under the terms of the Deed, DI will be:

- (a) the interim unaudited net income after tax of the Starhill REIT in regards to interim distributions; or
- (b) the audited net income after tax of the Starhill REIT, less the interim distributions, in regards to final distributions

for the relevant period adjusted to eliminate the effects of certain Adjustments (as defined below) which have been recorded in the income statement for the relevant financial period.

Adjustments means the effects of: (i) realised gains on disposal of properties / assets; (ii) fair value gains on financial instruments; (iii) deferred tax charges / credits in respect of property valuation movements; and (iv) other non-cash gains, in each case as recorded in the income statement for the relevant distribution period.

In addition, the Manager has the discretion to distribute additional amounts including the equivalent of any realised property gains and realised gains on financial instruments and any amounts previously not distributed (referred to as "Additional DI").

In any case, the total distribution, comprising DI and Additional DI, to be distributed shall be subjected to the following:

- (a) the availability of funds in providing for the amount of total distribution; and
- (b) compliance with the gearing level prescribed by the REIT Guidelines and any applicable borrowing covenants.

Any moneys payable to a Unitholder pursuant to its entitlement of the Starhill REIT's distribution which remain unclaimed after a period of 1 year shall be accumulated in a special account and lodged with the Registrar of Unclaimed Moneys by the Manager or the Trustee. The Trustee shall maintain a record of all unclaimed moneys at its principal place of business in accordance with the provisions of the Unclaimed Moneys Act, 1965.

The above distribution policy is based on current accounting policies applicable to Starhill REIT. In the event of any change in accounting policy, the Manager will review the distribution policy and may make any change to the distribution policy.

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## **15. PURCHASE CONSIDERATION, SALE AND PURCHASE AGREEMENT AND DEBT FACILITY**

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### **15.1 SALE AND PURCHASE**

The Properties are to be acquired by Starhill REIT pursuant to a conditional Sale and Purchase Agreement entered into between the Vendor and the Trustee on behalf of Starhill REIT on 18 November 2005.

### **15.2 PURCHASE CONSIDERATION**

The Purchase Consideration for the Properties is RM1,150 million and comprises the Cash Consideration and the Consideration Units. The Purchase Consideration will be satisfied on the Completion Date.

### **15.3 DESCRIPTION OF SALE AND PURCHASE AGREEMENT**

The principal terms of the Sale and Purchase Agreement are summarised as follows:

- the Properties will be sold subject to and with the benefit of the existing tenancies and licence agreements (including the Hotel Lease Agreement which will be novated to the Trustee pursuant to a deed of novation) as from the Completion Date;
- the Trustee shall satisfy the Purchase Consideration by procuring the issue and allotment of the Consideration Units to the Vendor by the Listing Date and the payment of the Cash Consideration to the Vendor not later than seven (7) business days after all the conditions precedent stated in the Sale and Purchase Agreement have been met ("Unconditional Date") or such other date agreed upon between the Vendor and the Trustee. The titles to the Properties together with the transfer instrument to effect the transfer of the Properties in favour of the Trustee shall be presented for registration at relevant land office on the Unconditional Date (or such earlier date permitted by the Vendor subject to the satisfaction of certain conditions).

Provided that the Consideration Units have been listed on the Listing Date, the date of receipt by the Vendor of the full Cash Consideration shall be the Completion Date.

- on completion the security deposits held by the Vendor will be transferred to such person as the Manager may direct or to the Trustee and the Trustee shall become entitled to all of the Vendor's rights, interest and benefits under the tenancy agreements subsisting on Completion. Further, a Deed of Novation between the Vendor, the Hotel Operator and the Trustee shall be executed to novate the Hotel Lease Agreement to the Trustee;
- certain limited representations and warranties are made by the Vendor including in respect of the following:
  - (a) its capacity as Vendor;
  - (b) the Properties (including that there are no encumbrances on the Properties other than the tenancies and Hotel Lease Agreement and a lease over part of the land on which the Retail Properties are located in favour of Tenaga Nasional Berhad for a sub station expiring 15 June 2025);
  - (c) its ownership of the Properties; and
  - (d) the tenancies and leases affecting the Properties and the documents relating to such tenancies and leases;
- completion of the sale and purchase of the Properties is conditional upon certain approvals and consents of the relevant Authorities including, inter alia, unconditional approval in principle for the listing of and quotation for the Units, approval from shareholders of YTL and confirmation of receipt of the proceeds raised from the Offering by the Issuing House appointed by the Manager, being not less than the minimum sum of RM461,600,000; and



- the sale and purchase of the Properties is not divisible and there will not be a partial sale of the Properties unless the Vendor and the Trustee agree on terms and conditions for such a partial sale.

#### **15.4 DEBT FACILITY**

The Debt Facility with the Lender, Great Eastern Life Assurance (Malaysia) Berhad, has been arranged by ECM Libra Capital Sdn Bhd. ECM Libra Capital Sdn Bhd will act as facility agent in respect of the Debt Facility.

The Debt Facility is a five-year term loan facility of RM180 million at a fixed interest rate of 4.8% per annum available for a period of six (6) months from the date of the loan agreement for the Debt Facility which will be used to part finance the acquisition of the Properties.

The Debt Facility will have a maturity of five (5) years from the date of the first drawdown under the Debt Facility provided that the Lender may at the request of the Trustee on behalf of Starhill REIT extend the tenure for a further two (2) year period.

Interest on the Debt Facility is payable monthly and the principal is due to be repaid on the final maturity date or the extended maturity date. Prepayments of the Debt Facility at the option of Starhill REIT are permitted subject to certain conditions.

The Debt Facility is secured by a first fixed charge over the Properties (subject to the Hotel Lease Agreement in the case of the Hotel Property) and by an assignment of certain insurance policies relating to the Properties.

Starhill REIT is obliged by the terms of the Debt Facility to comply with certain restrictive covenants including:

- (a) not to sell the Properties at below 80% of their open market value without the consent of the Lender;
- (b) maintain a ratio of the market value of Properties to amount outstanding under the Debt Facility of at least 2:1;
- (c) not to amend the Deed unless required for regulatory purposes without the consent of the facility agent;
- (d) not to make any material property acquisitions or material investments without the consent of the facility agent; and
- (e) not to carry on any other business activities other than property rental and sale in relation to the Properties and its related business and any activities permitted under the Deed, without the consent of the facility agent.

## 16. PROPOSED UTILISATION OF GROSS PROCEEDS

The total proceeds raised from the Offering is estimated to be RM523,387,020, based on the Retail Offer Price of RM0.98 per Unit and illustrative Institutional Offer Price of RM1.03 per Unit.

The following table sets out the intended application of the total proceeds from the Offering of RM523,387,020.

	<b>Application of proceeds</b>
	<i>(RM'000)</i>
Part finance the Purchase Consideration for the acquisition of the Properties <sup>(1)</sup> .....	439,600
Repayment of bank borrowing/working capital <sup>(2)</sup> .....	61,787
Estimated listing expenses .....	22,000
<b>Total</b> .....	<b>523,387</b>

Notes:

- <sup>(1)</sup> The balance of the Purchase Consideration for the Properties will be settled by the issuance of Consideration Units and proceeds raised from the Debt Facility.
- <sup>(2)</sup> The utilisation of proceeds for repayment of bank borrowing/working capital purposes will be adjusted accordingly depending on the actual proceeds raised from the Offering and actual expenses incurred for the Listing.

The proceeds raised from the Offering for satisfying the Purchase Consideration are proposed to be utilised within 5 Market Days of the Listing Date.

The proceeds raised from the Offering for satisfying estimated listing expenses are expected to be utilised within 12 months of the Listing Date.

	<i>(RM'000)</i>
Underwriting fees, brokerage fees and commission <sup>(1)</sup> .....	13,500
Professional fees <sup>(2)</sup> .....	3,700
Regulatory fees .....	100
Incidental cost for the acquisition of the Properties <sup>(3)</sup> .....	1,800
Advertising and printing expenses <sup>(4)</sup> .....	2,800
Miscellaneous / Contingencies <sup>(3)</sup> .....	100
<b>Total estimated expenses of the Offering</b> .....	<b>22,000</b>

The issue costs will be charged against Unitholders' funds.

Notes:

- (1) Such commissions represent a maximum of approximately 2.55% and 1.5% of the value of the proceeds from the Institutional Offer and the Retail Offer respectively and brokerage fee of 1% payable to the Issuing House.
- (2) Includes financial advisory fees, solicitors' fees and fees for the Reporting Accountants, the Tax Consultant and other professionals' fees.
- (3) Includes legal fees, stamp duty and arranger's fee in relation to the Debt Facility.
- (4) Includes cost of Prospectus production, road show expenses and certain other expenses incurred or in connection with the Offering.

## 17. PROFORMA BALANCE SHEET

The following table sets forth the proforma balance sheet of Starhill REIT on the assumption that Starhill REIT is in existence on the Listing Date and after application of the total proceeds from the Offering using an assumed price of RM0.98 per Unit for Retail Offer and RM1.03 for Institutional Offer. The information in this table should be read in conjunction with "Reporting Accountants' Letter on Proforma Balance Sheet" as set out in Appendix 5 of this Prospectus.

### Proforma balance sheet of Starhill REIT

	Note	As at Listing Date RM'000
<b>Non-current Assets</b>		
Investment Properties.....	1	1,150,000
<b>Current Asset</b>		
Cash in bank.....		61,788
<b>Non-current liability</b>		
Borrowing .....	2	(180,000)
<b>Net assets</b>		<u>1,031,788</u>
<b>Unitholders' funds</b>		
Units in issue .....	3	1,053,788
Estimated listing expenses .....	4	(22,000)
		<u>1,031,788</u>
Number of Units in issue .....		1,040,000,000
NAV per Unit (RM) .....		0.99
Gearing (Borrowing/Gross Asset Value).....		14.85%

### Notes to the proforma balance sheet of Starhill REIT

- Investment properties are stated at purchase consideration which is apportioned as follows:
  - Lot 10 Property – RM341 million;
  - Starhill Property – RM480 million; and
  - Hotel Property – RM329 million;
- The borrowing is a five-year term loan facility at a fixed interest rate of 4.8% p.a. which will be used to part finance the acquisition of the Properties.
- The Units in issue consist of:

	<u>Number of Units</u>	<u>Price per Unit</u> (RM)	<u>Value</u> (RM)
Promoter Units.....	1,000	1.00	1,000
Retail Offer Units .....	29,999,000	0.98	29,399,020
Institutional Offer Units .....	479,600,000	1.03	493,988,000
Consideration Units .....	530,400,000	1.00	530,400,000
	<u>1,040,000,000</u>		<u>1,053,788,020</u>

4. The estimated listing expenses includes the underwriting and selling commission, professional and other fees as well as all other incidental expenses in relation to the Offering, which will be borne by Starhill REIT. A breakdown of these estimated expenses is set out in Section 16 headed "*Proposed Utilisation of Gross Proceeds*".

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**18. THE UNITS**

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**18.1 OWNERSHIP OF UNITS****18.1.1 How to transfer ownership of Units**

A Unitholder may transfer some or all of his/her Units in Starhill REIT to another investor through the CDS by placing his/her orders through Authorised Depository Agents as listed in Appendix 8. All transfers of Units must be effected in accordance with the Central Depositories Act, the business rules of the Bursa Depository including the procedure manual referred to in the rules.

**18.2 CLASS OF UNITS**

There is only one class of Units in the Starhill REIT. The Units will rank *pari passu* in all respects with the other existing Units issued, including voting rights and rights to all distributions that may be declared subsequent to the date of allotment of such Units.

**18.3 OTHER INFORMATION****18.3.1 Mode of distribution to Unitholders**

Unitholders will receive distributions paid in respect of the Units by a non-negotiable cheque sent to the Unitholder's address.

**Unclaimed money**

For cheques which are left uncashed by Unitholders upon lapse of the six (6) months' cheque validity period, the Manager may reinvest the amount of the cheque in Units. For other cases, unclaimed monies shall be paid to a special account and the Manager will comply with the Unclaimed Monies Act 1965.

**18.3.2 Means by which Unitholders can keep track abreast of developments of fund**

Unitholders can keep track of developments of Starhill REIT through annual reports, interim reports and announcements made to Bursa Securities.

**18.3.3 Means by which Unitholder can keep track of the market price per Unit/NAV per Unit**

Unitholders are able to keep track of the market price per Unit through the website of Bursa Securities and the daily Malaysian newspapers (in English and Bahasa Malaysia). Starhill REIT will also be providing the Unitholders with an annual report and interim report each year on its performance which will also include information on the NAV per Unit.

Starhill REIT's annual report and interim report will be issued to Unitholders within 2 months of the end of each Financial Year and the period it covers.

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## 19. SALIENT TERMS OF DEED AND RIGHTS AND LIABILITIES OF THE UNITHOLDERS

*The following information is a summary of the provisions of the Deed. A copy of the Deed, together with all relevant exemptions and waivers by the SC or Bursa Securities, as the case may be, can be inspected at the registered office of the Manager during normal business hours. The provisions of the Securities Commission Act, the REIT Guidelines, the Unit Trust Guidelines and the Central Depositories Act, the business rules of the Bursa Depository and the Securities Industry (Central Depositories) (Foreign Ownership) Regulations while the Units are deposited with the Bursa Depository pursuant to the Central Depositories Act and the Listing Requirements while the Units are listed on Bursa Securities, as amended from time to time, except to the extent of any express written exemption or waiver (together, the "REIT Regulatory Regime"), affect the terms of the Deed and the rights and obligations of the Trustee, the Manager and the Unitholders.*

*Units which are listed on Bursa Securities will be deposited with the Bursa Depository or any other computerised or electronic system of transfer or registration in accordance with the provisions of the Central Depositories Act. For so long as the Units have been prescribed as a **prescribed security** and are deposited with the Bursa Depository pursuant to the Central Depositories Act, a depositor whose name appears in the record of depositors maintained by the Bursa Depository shall be deemed to be a Unitholder and shall, subject to the Central Depositories Act and regulations thereunder, be entitled to the number of Units stated in the record of depositors and all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Units.*

*The Deed is a complex document and investors should refer to the Deed and the REIT Regulatory Regime themselves for a detailed understanding of Starhill REIT.*

### 19.1 THE TRUST

The Deed establishing the Starhill REIT was entered into on 18 November 2005 between Pintar Projek Sdn Bhd as the manager of Starhill REIT and Mayban Trustees Berhad as the trustee of Starhill REIT and the Deed took effect on 18 November 2005 upon registration with the SC.

The terms and conditions of the Deed and any supplemental deed are binding on each Unitholder (and persons claiming through or under such Unitholder) as if such Unitholder had been a party to and had executed the Deed and any supplemental deed and had thereby covenanted for such Unitholder and for all such persons to observe and be bound by the provisions of the Deed and had thereby authorised and required the Trustee and the Manager, respectively, to do all such acts and things as the Deed may require or authorise the Manager and the Trustee, respectively, to do.

The Deed is governed by the laws of Malaysia.

Starhill REIT is a real estate investment trust. Each asset of Starhill REIT is vested in, and held by or on behalf of, the Trustee on trust in accordance with the terms of the Deed. The rights of the Unitholders under the Deed are divided into Units.

A Unitholder has no equitable or proprietary interest in any underlying asset of Starhill REIT and is not entitled to the transfer to it of any asset (or part thereof) of Starhill REIT and has no rights, powers or entitlements in respect of any asset of Starhill REIT. A Unitholder's rights are limited to the right to require due administration of Starhill REIT in accordance with the provisions of the Deed. A Unitholder is not entitled to interfere with the powers, authorities or discretions conferred on the Manager or the Trustee by the Deed.

### 19.2 RIGHTS OF UNITHOLDERS

Subject to the terms of the Deed, the rights of Unitholders include the right to:

- receive income and other distributions attributable to Units held;
- transfer Units;
- receive the annual report and interim fund reports;
- convene, attend and vote at meetings of Unitholders; and
- participate in the winding up of Starhill REIT.

### **19.3 LIABILITY OF UNITHOLDERS**

The Deed contains provisions which are designed to limit the liability of a Unitholder up to the amount of the Unitholder's investment in Starhill REIT. Accordingly, and provided that the Issue Price of relevant Units has been fully paid, no Unitholder, by reason alone of being a Unitholder, will be personally liable to indemnify the Trustee or the Manager or any creditor of either or both of them in the event that the liabilities of the Starhill REIT exceed the assets of Starhill REIT.

### **19.4 TRUSTEE'S LIEN FOR AMOUNTS OWING**

The Trustee has a lien for all amounts owing to the Trustee or the Manager in respect of Units registered in the name of a Unitholder and for amounts the Manager or Trustee may be called upon by law to pay and has paid in respect of such Units. The lien extends to distributions from time to time declared in respect of Units.

### **19.5 CREATION OF UNITS**

A person who wishes to apply for Units must complete and lodge with the Manager a completed application for Units and the application money. The Manager may, in its absolute discretion, accept or refuse, in whole or in part, any application for Units and if it accepts an application, the application money must be paid to the Trustee.

A Unit is regarded as issued or granted to the person entitled to it if and when the person's name is recorded in the register of Unitholders maintained by the Manager. For so long as the Units have been prescribed as a prescribed security and are deposited with the Bursa Depository pursuant to the Central Depositories Act, a depositor whose name appears in the record of depositors maintained by Bursa Depository shall be deemed to be a Unitholder. No rights whatsoever attach to a Unit until it is issued. If it is not contrary to the REITS Regulatory Regime, the Manager may determine not to issue a certificate for a Unit.

### **19.6 ISSUE OF UNITS**

The following is a summary of the provisions of the Deed relating to the issue of the Units.

An initial 1,000 Units have been issued to the Manager for the purpose of establishing the Starhill REIT. The Manager will hold the initial Promoter Units only until the Listing Date and these Units shall be disposed of, the Market Day immediately following the Listing Date.

The Manager has the exclusive right to issue Units for the account of Starhill REIT. The offer of Units for the purpose of the Offering shall be at the Retail Offer Price and the Institutional Offer Price to be determined by the Manager on the Price Determination Date as set out in Section 24 headed "*Structure of the Offering*".

In relation to the initial issue of Units by Starhill REIT, the Manager is not bound to accept an initial application for less than one Unit. No fraction of a Unit shall be issued and the Manager shall in respect of each Unitholder's entitlement to Units round down to the nearest whole Unit and any balance arising from such rounding down shall be retained as part of the Assets.

The Manager may issue further Units by any method permitted under the REIT Guidelines and upon such terms as determined by the Manager, in accordance with the provisions of the SCA, the REIT Guidelines, the Listing Requirements and any other applicable regulatory requirements. Subject to the provisions of the REIT Guidelines, the SCA and any applicable laws, the Manager shall determine the Issue Price for new Units on market-based principles, taking into account the best interests of Starhill REIT and the Unitholders.

Units, when listed on the Bursa Securities, may be traded on the Bursa Securities and settled through the Bursa Depository system.

## **19.7 REDEMPTION OF UNITS**

Unitholders have no right to request the Manager to repurchase or redeem their Units while the Units are listed on Bursa Securities. It is intended that Unitholders may only deal in their listed Units through trading on the Bursa Securities. However, under the Deed, the Manager may decide to make any offer to redeem Units (in which case the redemption price shall be the Market Price or an amount greater or less than the Market Price as determined by the Manager, in each case "Market Price" being the Market Price on the Market Day prior to the day the redemption offer is announced by the Manager). In the event, the Manager decides to make such an offer, the redemption must comply with the REIT Guidelines and the listing requirements of Bursa Securities. Any offer of redemption shall be offered on a pro rata basis to all Unitholders.

## **19.8 THE MANAGER**

The Manager must carry on and conduct its business in a proper, diligent and efficient manner and ensure that Starhill REIT is carried on and conducted in a proper, diligent and efficient manner and in accordance with acceptable and efficacious business practices in the real estate investment trust industry in Malaysia.

Subject to the provisions of the Deed, the Manager is responsible for managing Starhill REIT. The Manager has full and complete powers of management and must manage the Starhill REIT (including all assets, and liabilities of Starhill REIT) for the benefit of the holders of Units.

## **19.9 MANAGEMENT OF THE TRUST**

The Manager must cause all assets of Starhill REIT of an insurable nature and which in the opinion of the Manager are in the normal course of business usually insured to be adequately insured.

A Unitholder may not:

- interfere or seek to interfere with or question the rights, powers, authority or discretion of the Manager or the Trustee;
- claim or exercise any right in respect of any asset or lodge any caveat or other notice affecting any asset; and
- require that any asset be transferred to a Unitholder.

## **19.10 INVESTMENT BY THE TRUST**

Subject to the requirements of the REIT Guidelines, the Manager has absolute discretion as to the entering into and performance of any transaction or contract, the investment of any part of the assets of Starhill REIT (including without limitation, whether to reinvest or distribute the proceeds arising from any disposal of Assets, the purchase, design, construction, repair, maintenance, financing, yielding up, commissioning, building, ownership, leasing, planning, carrying out of works, sale, transfer, exchange, alteration, surrender, abandonment, operation or utilisation of any of the Assets and the procurement of any of those things. Except to the extent that the Manager and the Trustee otherwise agree in respect of the investment in or sale of Assets other than real estate and unlisted companies whose principal assets comprise real estate, the Manager must submit any investment proposal to the Trustee.

Subject to compliance with the requirements of the REIT Guidelines (if any) and the provisions of the Deed, the Trustee must exercise its powers in accordance with proposals of the Manager, except where there are insufficient Assets to give effect to the Manager's proposal.

Under the REIT Guidelines, any material change in investment objectives of Starhill REIT must be approved by a resolution of not less than two-thirds of all Unitholders voting at a Unitholders' meeting duly held and convened in accordance with the Deed.



Under the REIT Guidelines, the Trustee and the Manager must ensure that the total borrowings and liabilities under any financial accommodation (other than for fees and expenses) of Starhill REIT do not exceed 35% of the total Gross Asset Value of Starhill REIT at the time the borrowings are incurred.

#### **19.11 VALUATION OF INVESTMENTS**

The Trustee may and must upon the request of the Manager, cause the valuation of any real estate by a qualified valuer. Further, the Trustee must cause and the Manager must direct the Trustee to cause an independent valuation of any real estate of Starhill REIT if the Trustee, the Manager or the Auditor reasonably believes there has been a significant change in the value of that real estate.

Subject to the REIT Guidelines, Assets are to be valued at market value, except where the Manager certifies to the Trustee that there is either no market for the relevant Assets or the market value does not represent fair value. In these circumstances, the method of valuation to be adopted is to be determined by the Manager. Any valuer is to be appointed by the Trustee.

#### **19.12 THE TRUSTEE**

Subject to the Deed, the Trustee has all the powers of a natural person acting in his or her personal capacity. Subject to the REIT Guidelines, the Trustee may, with the consent of the Manager, appoint a person who is not an associate of the Manager as its agent, custodian or other person to acquire, hold title to, dispose of or otherwise deal with any asset on behalf of the Trustee and perform any incidental or ancillary action.

#### **19.13 TRUSTEE'S AND MANAGER'S RESPONSIBILITIES AND INDEMNITIES**

The Trustee, the Manager and each director and officer of the Trustee and the Manager are not personally liable to a Unitholder or any other person in connection with their office except for their own fraud, negligence, breach of duty or breach of trust or their contravention of any provision of the Securities Commission Act.

Otherwise, each of the Trustee and Manager is not liable to any Unitholder beyond the extent to which it is entitled to be and is in fact reimbursed out of the assets of Starhill REIT actually vested in the Trustee.

Unless otherwise provided by the REIT Guidelines, the Manager or an officer or employee or associate of Manager (including any related corporation (as defined in the Securities Commission Act) or associate (as defined in the Securities Industries Act 1983)) may:

- deal with any related party;
- have an interest in or enter into a contract or transaction with any other person (including one whose shares or other securities form an Asset or any Unitholder) or;
- hold or deal in or have any other interest in an asset

and may retain and is not required to account for any benefit derived by doing so. The doing of any act or acting in any such capacity is not a breach of any of the obligations arising out of the fiduciary relationships between the Trustee, the Manager and the Unitholders.

Subject to the Deed, a related corporation (as defined in the Securities Commission Act) or associate (as defined in the Securities Industries Act 1983) of the Manager or an officer or employee of the Manager may be a Unitholder.

Without prejudice to any indemnity given by law to the Trustee or the Manager but subject to the Deed:

- the Trustee and Manager are each reimbursed out of the assets of the Starhill REIT against any amount incurred in prosecuting or defending any action, suit, arbitration or other dispute resolution procedure in respect of the Starhill REIT except to the extent that such expense or liability arises out of its contravention of any provision of the Securities Commission Act or its own fraud, negligence, breach of duty or breach of trust;

- neither the Trustee nor the Manager is responsible for:
  - any amount incurred by any contravention of the Securities Commission Act or any fraud, negligence, breach of duty or breach of obligation under this deed by the other or any agent or delegate of the other;
  - any amount incurred by relying on any notice, resolution, information, documents, forms or lists unless it reasonably believes such item not to be genuine or not to have been passed, executed or signed by the proper parties;
  - any amounts if a person fails to carry out an agreement with the Trustee or Manager (except where that person is a delegate of the Trustee or the Manager, in which case the Trustee or Manager, as the case may be, will be responsible for such amount); or
  - any amounts by reason of any matter or thing done or suffered or omitted to be done in good faith, and acting reasonably;

except to the extent that such loss is attributable to its own contravention of the Securities Commission Act or its own fraud, negligence, breach of duty or breach of trust;
- each of the Trustee and the Manager is entitled to rely on each other or any third party as to the validity and due authorisation of a document or communication except to the extent of its own contravention of the Securities Commission Act or its own fraud, negligence, breach of duty or breach of trust;
- neither the Trustee nor the Manager will be liable to anyone in respect of any failure to perform or do any act or thing which by reason of:
  - any provision of any law or statute of Malaysia; or
  - of any decree, order or judgement of any competent court,

either the Trustee or the Manager is prevented, forbidden or hindered from doing or performing.

Each of the Trustee and the Manager may take and act upon the opinion or advice of counsel or solicitors and the opinion or information from any persons consulted by the Trustee or the Manager who are believed in good faith to be expert and they will not be liable for any reliance in good faith on such opinion, advice or information.

#### **19.14 RETIREMENT OF TRUSTEE**

The Trustee may retire as trustee of Starhill REIT immediately upon the expiry of 3 months' written notice (or any shorter period agreed by the Manager) given by the Trustee to the Manager, provided that the Trustee may not retire until a new trustee has been duly appointed.

On its retirement the Trustee is released from all obligations in relation to Starhill REIT which arise after its retirement. The Trustee must vest the Assets in the new trustee, and give the new trustee all books, documents, records and any other property held by or on behalf of the Trustee relating to Starhill REIT. The new trustee will from the date of its appointment be bound by the acts of the retired trustee.

#### **19.15 REGISTER AND TRANSFERS**

The Manager will keep and maintain an up to date register in accordance with the SCA and other applicable regulations.

While the Units are prescribed securities (as defined in the rules of Bursa Depository), Bursa Depository or its nominee company will be registered as the sole Unitholder. A Unitholder whose name appears in the record of Depositors maintained by Bursa Depository will be deemed to be and treated as the absolute owner of the relevant Units as if it were a person included in the register instead of Bursa Depository (or its nominee company) in whose name the Units are registered. A copy of record of Depositors must be provided by the Manager within 5 Market Days or such other

reasonable period of time of a request to the Trustee.

While the Units are prescribed securities, any transfer of the Units will be in accordance with the rules of Bursa Depository.

#### **19.16 AMENDMENT OF THE DEED**

Save where an amendment to the Deed has been approved by a resolution of not less than two-thirds of all Unitholders present and validly voting at the relevant Meeting (as defined below), no amendment may be made to the provisions of the Deed unless:

- (a) the Trustee and the Manager reasonably consider that such amendment does not materially prejudice the interests of Unitholders taken as a whole and will not operate to release the Trustee or the Manager from any responsibility to the Unitholders;
- (b) the amendment or replacement:
  - (i) is necessary in order to comply with applicable fiscal, statutory or official requirements (whether or not having the force of law);
  - (ii) is necessary to correct a manifest error or a proven error;
  - (iii) removes or amends a provision or covenant required by the SCA, the REIT Guidelines or the Unit Trust Guidelines where that provision or covenant is altered or deleted by the Securities Commission or if the SCA, the REIT Guidelines or the Unit Trust Guidelines is amended; or
  - (iv) removes or amends a provision required by statute or any relevant Authority where such a provision is no longer required by statute or the relevant Authority, including without limitation any provision specified in the REIT Guidelines or the Unit Trust Guidelines.

#### **19.17 MEETINGS OF UNITHOLDERS**

The Trustee or the Manager on behalf of the Trustee may at any time convene a meeting of Unitholders ("Meeting"). The Manager must, within 21 days after an application is delivered to the Manager at its registered office, being an application made by not fewer than 50 Unitholders or one-tenth in number of the Unitholders, whichever is less, convene a meeting of Unitholders.

The Manager may not exercise the voting rights in respect of the Units it or its nominees hold in any Meeting, regardless of the party who requested the Meeting and the matter or matters that are laid before the Meeting. Any related corporation (as defined in the SCA) of the Manager may not exercise the voting rights in respect of the Units it holds in any Meeting.

#### **19.18 TERM OF STARHILL REIT**

The term of Starhill REIT ends on the earlier of:

- (a) the expiration of a period of twenty-one (21) years after the death of the last survivor of the issue now living of his majesty, the current Yang di Pertuan Agung of Malaysia or until such further period as the law may permit;
- (b) the date on which Starhill REIT is terminated under the Deed or by law; and
- (c) the date on which Starhill REIT is terminated by the Manager as provided below.

Starhill REIT may be terminated by the Manager in its absolute discretion by giving notice to all Unitholders and the Trustee not less than 3 months in advance in any of the following circumstances:

- (a) if any law is passed which renders it illegal to continue Starhill REIT; or

- (b) if, the Manager, after consulting the Trustee, is of the opinion that it is impracticable or inadvisable to continue Starhill REIT, taking into account factors such as changes in economic climate or taxation law which have caused or are likely to cause Unitholders to be detrimentally affected, and the Manager requests the Trustee to convene a Meeting and in that Meeting, the Manager sets out the action they recommend and a resolution of Unitholders by a majority not less than 75% of the votes cast by Unitholders present and validly voting at the Meeting ("Special Resolution") is passed to terminate Starhill REIT.

If at any time after the Listing Date, the Units are unconditionally suspended from the Official List of Bursa Securities and not readmitted for a continuous period of 90 Market Days after such suspension, Starhill REIT will, notwithstanding any rights, powers or duties of the Manager or the Trustee and directions given by or resolutions of Unitholders, immediately determine and its winding up will immediately commence upon the end of such 90 Market Days.

If at any time Starhill REIT is removed from the Official List of Bursa Securities, Starhill REIT will, notwithstanding any rights, powers or duties of the Manager or the Trustee and any directions given by or resolutions of Unitholders, immediately determine and its winding up will immediately commence upon such removal.

If any exemption granted by the SC in respect of repurchase of Units is varied or revoked and the Manager determines that the likelihood of the Manager's obligation to satisfy a repurchase request is increased, Starhill REIT will, notwithstanding any rights, powers or duties of the Manager or the Trustee and any directions given by or resolutions of Unitholders, immediately determine and its winding up will immediately commence.

#### **19.19 PROCEDURE ON WINDING UP OF STARHILL REIT**

In winding up Starhill REIT in circumstances described in Section 19.18 above, the Trustee must:

- (1) send a notice to the Unitholders and if deemed appropriate by the Manager, publish an advertisement in a national language newspaper published daily and circulating generally throughout Malaysia giving notice of the commencement of the winding up;
- (2) realise all realisable Assets;
- (3) pay any amount due to it and the Manager under the Deed;
- (4) pay all costs of the Trustee in its capacity as Trustee of Starhill REIT including, but not limited to, liabilities owed to any Unitholder who is a creditor of Starhill REIT; and
- (5) subject to any special rights or restrictions attached to any Unit or the direction in writing of all Unitholders, distribute the net proceeds of realisation among the Unitholders pro rata in accordance with the number of Units held by each Unitholder.

The Trustee must not distribute an Asset to a Unitholder in specie.

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## 20. THE MANAGER

### 20.1 BACKGROUND INFORMATION

The Manager, Pintar Projek Sdn Bhd, is incorporated in Malaysia under the Act on 1 September, 1994. The Manager has 2 shareholders, namely YTL Land and Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir. YTL Land owns 70% and Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir owns 30%, of the shares in the Manager. As at the Latest Practicable Date, the paid-up capital of the Manager is RM1,500,000 and its registered office is at 11th Floor, Yeoh Tiong Lay Plaza, 55 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia.

### 20.2 FUNCTIONS, DUTIES AND RESPONSIBILITIES

The general functions, duties and responsibilities of the Manager include, but are not limited to, 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 the activities in relation to the assets of such Starhill REIT in accordance with the provisions of the Deed;
- (d) to set the strategic direction of Starhill REIT and submit proposals to the Trustee on the acquisition, divestment or enhancement of assets of Starhill REIT;
- (e) to issue an annual report and interim report of Starhill REIT to Unitholders within 2 months of Starhill REIT's financial year end and the end of the period it covers, respectively; and
- (f) to ensure that Starhill REIT is managed within the ambit of the Deed, the Securities Commission Act, the other securities laws, the Listing Requirements, the REIT Guidelines and other applicable laws.

The Manager may appoint a person, including an associate of the Manager, as its delegate, attorney, agent or sub-agent to exercise its powers and perform its obligations in accordance with the REIT Guidelines and the Deed.

Prior to any proposed delegation of a function by the Manager, the Manager must obtain any approval of the SC and/or the Trustee required under the REIT Guidelines.

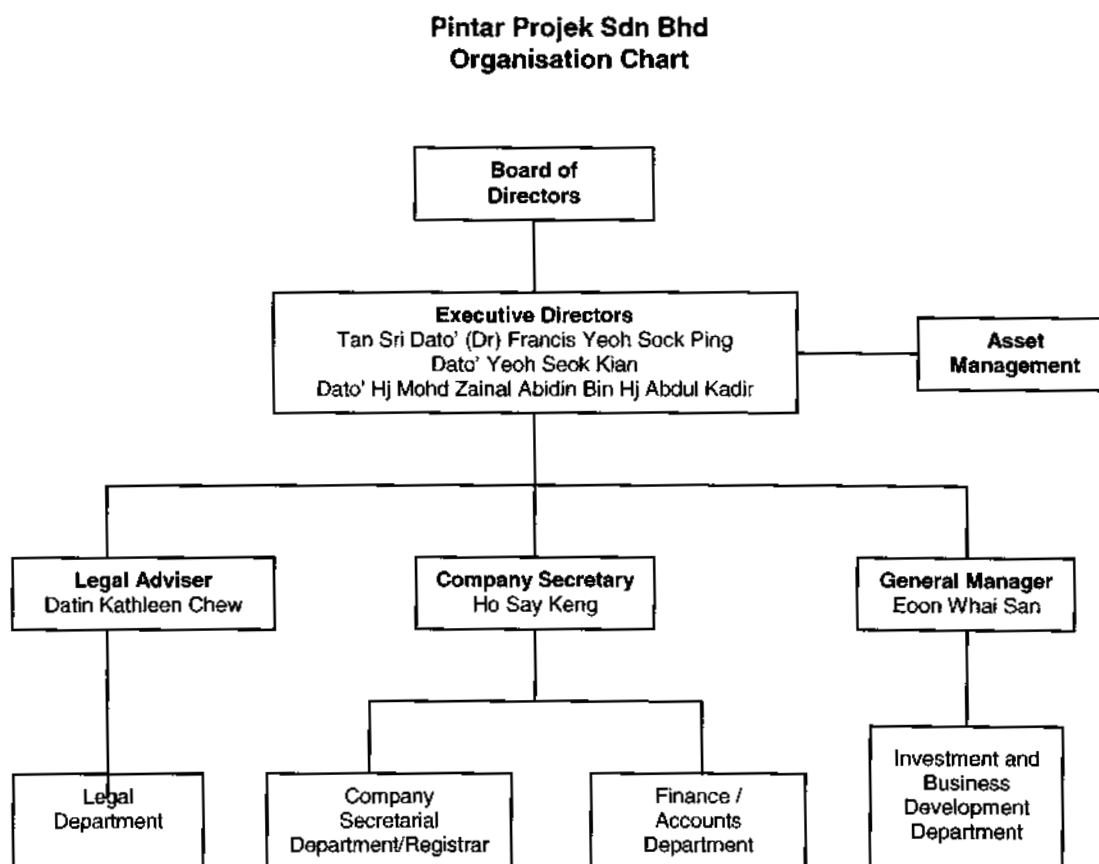
### 20.3 ORGANISATIONAL STRUCTURE OF THE MANAGER

The following table summarise the shareholding structure of the Manager.

<b>Name of Shareholders</b>	<b>Percentage Shareholding (as at Latest Practicable Date)</b>
YTL Land .....	70%
YBhg Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir* .....	30%
<b>Total</b> .....	<u>100%</u>

\*Y Bhg Dato' Hj Mohd Zainal Abidin bin Hj Abdul Kadir is a Bumiputera

The following diagram sets out the operational structure of the Manager:



## 20.4 FINANCIAL INFORMATION OF THE MANAGER

The following is a summary of the past performance of the Manager based on audited financial statements of the last five (5) financial years ended 30 June 2005:

	2001	2002	2003	2004	2005
	<i>(RM)</i>	<i>(RM)</i>	<i>(RM)</i>	<i>(RM)</i>	<i>(RM)</i>
Issued and paid-up capital .....	10,000	10,000	10,000	10,000	1,500,000
Shareholders' funds .....	3,487	2,373	1,072	(301)	1,488,584
Turnover.....	-	-	-	-	-
Pretax loss .....	(491)	(1,114)	(1,301)	(1,373)	(1,115)
After tax loss .....	(491)	(1,114)	(1,301)	(1,373)	(1,115)

The Manager incurred loss for the past five (5) financial years ended 30 June 2005 mainly due to the Manager still being a dormant company.

## 20.5 MANAGER'S FEES, COSTS AND EXPENSES

The Manager is entitled to the Base Fee and Performance Fee.

The fees of the Manager shall be payable monthly in arrears and accrue daily.

The Manager is further entitled to be reimbursed all costs and expenses incurred in managing Starhill REIT, subject to the provisions of the Deed, as highlighted in Section 3.7 headed "Fees, Charges and Expenses."

In addition, the Manager will be entitled to the following fees:

- (a) an acquisition fee of 1.0% of the acquisition price of any asset (other than the Properties) being real estate or any unlisted company whose principal assets are real estate purchased by the Trustee for Starhill REIT (pro rated if applicable to the proportion of the interest of Starhill REIT in the asset acquired); and
- (b) a divestment fee of 0.5% of the sale price of any Asset being real estate or any unlisted company whose principal assets are real estate sold or divested by the Trustee (pro rated if applicable to the proportion of the interest of Starhill REIT in the asset sold).

The Manager may charge a Unitholder fees for performing any service or undertaking any task at the request of the Unitholder where no obligation to perform that service or undertake that task is expressly provided for in the Deed, the Securities Commission Act, the REIT Guidelines or the Unit Trust Guidelines.

## **20.6 RETIREMENT OR REMOVAL OF THE MANAGER**

The Manager may retire as manager of Starhill REIT at any time after giving 3 months' written notice (or any shorter period agreed by the Trustee) to the Trustee.

If the Manager;

- (a) is not eligible to be appointed or to act as manager of the Starhill REIT under the SCA;
- (b) fails or refuses to act as manager of the Starhill REIT in accordance with the provisions or covenants of the Deed or the provisions of the SCA;
- (c) has ceased to exist;
- (d) is not validly appointed;
- (e) is required to be removed by the Unitholders by way of a Special Resolution passed at a meeting of Unitholders convened for that purpose on the grounds that the Manager is in material breach of its obligations under the Deed and the Manager has failed to remedy such material breach within such time period as shall have been specified by the Trustee and the Trustee has determined that such failure to remedy the breach has a material adverse effect on Starhill REIT; or
- (f) has a receiver appointed over the whole or a substantial part of its assets or undertaking and such event materially and adversely affects the ability of the Manager to discharge its obligations under the Deed, or a petition is presented for the winding up of the Manager (other than for the purpose of and followed by a reconstruction, unless during or following such reconstruction the Manager becomes or is declared to be insolvent),

the Trustee may as soon as practicable after becoming aware of any of the above events take all reasonable steps to have the Manager removed from office.

In addition, the Manager may be removed from office pursuant to the SCA or the REIT Guidelines.

## 20.7 BOARD OF DIRECTORS

The Directors are entrusted with the responsibility for the overall management of the Manager. The following table sets forth information regarding the directors of the Manager:

<b>Name</b>	<b>Age</b>	<b>Address</b>	<b>Position</b>
Y Bhg Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	51	No. 3 Lorong 16/7B 46350 Petaling Jaya, Selangor	Chief Executive Officer
Y Bhg Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir	65	No. 1 Jalan 14/28 46100 Petaling Jaya, Selangor	Executive Director
Y Bhg Dato' Yeoh Seok Kian	48	No. 3 Lorong 16/7B 46350 Petaling Jaya, Selangor	Executive Director
Y Bhg Dato' (Dr) Yahya Bin Ismail	77	No. 3, Jalan Laksamana 12/1 40000 Shah Alam Selangor Darul Ehsan	Independent Non-executive Director
Eu Peng Meng @ Leslie Eu	70	No. 13 Jalan Pakat Ukay Heights 68000 Ampang, Selangor	Independent Non-executive Director

Further information on the directors is set out below:

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

Y Bhg Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Malaysian, aged 51, was appointed to the board of the Manager on 10 March 2005 as the Chief Executive Officer. Y Bhg Tan Sri Dato' (Dr) Francis Yeoh had his secondary education in Victoria Institution, Malaysia in which he was the Head Boy. He obtained his Bachelor of Science (Hons) Degree in Civil Engineering from Kingston University, United Kingdom in 1978. Y Bhg Tan Sri Francis Yeoh was appointed to the board of YTL on 6 April 1984 as an Executive Director and has been the Managing Director of YTL since April 1988. He currently serves as a Member of the Malaysian Pacific Basin Economic Council (PBEC), Commonwealth Partnership for Technology Management (CPTM), The Capital Markets Advisory Council, The Nature Conservancy Asia Pacific Council and the Asia Business Council. He is also the Trustee of the Asia Society. He is also a board Member of SEI for Advanced Studies in Management – Wharton School, the Council Member of INSEAD and a Member of the Asia Regional Advisory Board of London Business School. On 13 February 2004, he was conferred the degree of Honorary Doctorate of Engineering by Kingston University, United Kingdom. He was appointed to the board of YTL Power International Berhad on 18 October 1996 and has been the Group Managing Director of that company since then. On 19 March 1992 and 10 May 2001, he was appointed to the board of YTL Cement Berhad and YTL Land & Development Berhad respectively. He also serves on the board of YTL Industries Berhad, YTL e-Solutions Berhad, YTL Foundation, Wessex Water Limited and Wessex Water Services Limited.

### **Y Bhg Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir**

Y Bhg Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir, Malaysian, aged 65, was appointed to the board of the Manager on 10 March 2005 as a non-independent executive director. He was in the teaching profession from 1964 to 1981 prior to entering into business arena as a property developer in May 1981. Y Bhg Dato' Hj Mohd Zainal Abidin was appointed to the board of YTL Cement Berhad on 3 February 1987 as a Non-Independent Non-Executive Director. He also sits on the board of several private limited companies including Pakatan Perakbina Sdn Bhd, Seri Yakin Sdn Bhd and Syarikat Pelanchongan Pangkor Laut Sdn Bhd. Since 1981, he has been actively involved in the business of property development via Pakatan Perakbina Sdn Bhd.



### **Y Bhg Dato' Yeoh Seok Kian**

Y Bhg Dato' Yeoh Seok Kian, Malaysian, aged 48, was appointed to the board of the Manager on 10 March 2005 as a non-independent executive director. Y Bhg Dato' Yeoh Seok Kian graduated from Heriot-Watt University, Edinburgh, United Kingdom in 1981 with a Bachelor of Science (Hons) Degree in Building and is a graduate of the Advance Management Programme conducted by Wharton Business School, University of Pennsylvania in 1984. Y Bhg Dato' Yeoh Seok Kian is a fellow of the Faculty of Building, United Kingdom as well as a member of the Chartered Institute of Building (UK). He is the current President of the Council of Bukit Bintang Shopping Centres. He was appointed to the board of YTL on 24 June 1984 as an Executive Director and he is currently the Deputy Managing Director of YTL. He is also a director of YTL Power International Berhad since 21 October 1996. On 3 February 1987 and 10 May 2001, he was appointed to the board of YTL Cement Berhad and YTL Land & Development Berhad respectively. He also serves on the board of YTL Industries Berhad, YTL Vacation Club Berhad, The Kuala Lumpur Performing Arts Centre and Wessex Water Limited.

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

YBhg Dato' (Dr) Yahya Bin Ismail, Malaysian, aged 77, was appointed to the board of the Manager on 18 May 2005 as an independent non-executive director.

YBhg Dato' (Dr) Yahya Bin Ismail holds a Bachelor of Veterinary Science degree from University of Sydney, Australia which he obtained in 1957 and a diploma in Tropical Veterinary Medicine from Edinburgh University, United Kingdom which he obtained in 1963. 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 Chairman since 1986.

YBhg Dato' (Dr) Yahya Bin Ismail was also a Director of YTL Corp and YTL Power International Berhad since 6 April 1984 and 31 October 1996 respectively. He also sits on the board of several companies including YTL Industries Berhad since 27 August 1990, Shell Refining Company (FOM) Berhad since 1978, Killinghall Malaysia Berhad since 15 July 1978, Southern Bank Berhad since 1983 and Metroplex Berhad since 1993.

### **Eu Peng Meng @ Leslie Eu**

Eu Peng Meng @ Leslie Eu, Malaysian, aged 70, was appointed to the board of the Manager on 10 March 2005 as a non-executive independent director. 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. Mr Eu 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. He was appointed by the United Nations Conference on Trade and Development as one of the 13 experts to assist the developing nations to establish their maritime fleets. Mr Leslie Eu presently serves on the board of Malaysian Bulk Carriers Berhad, Global Maritime Ventures Berhad, Lloyds Register of Shipping (M) Bhd, YTL, YTL Land & Development Berhad, YTL Cement Berhad and few other local companies.

## **20.8 KEY PERSONNEL**

Save for the following personnel, the Manager has no other employees as at the Latest Practicable Date. However, the Manager intends to procure staff for its operations upon Listing.

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

Y Bhg Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, aged 51, is the Chief Executive Officer of Pintar Projek Sdn Bhd. He will also be responsible for the strategic acquisitions of Starhill REIT.

Pursuant to the REIT Guidelines, the Chief Executive Officer of a management company shall be a full-time officer. In this respect, a waiver has been sought from the SC to allow Y Bhg Tan Sri Dato' (Dr) Francis Yeoh Sock Ping to assume the position as the Chief Executive Officer of the Manager even though he is holding executive positions in several companies within the YTL Group. The waiver sought is currently pending decision from the SC.

### **Datin Kathleen Chew Wai Lin**

Datin Kathleen Chew Wai Lin, Malaysian, aged 46, is the Legal Advisor of the Manager as well as the Group Legal Advisor for YTL Group. She holds a LL.B (Hons) Degree from the University of Birmingham and was called to the English Bar at Gray's Inn, London in 1982 and joined YTL in 1988. Prior to joining YTL, she was a partner in the law firm of Abdul Aziz Ong & Co in Kuala Lumpur.

### **Ho Say Keng**

Ho Say Keng, Malaysian, aged 47, is the Company Secretary of the Manager as well as the Company Secretary/Accountant of the YTL Group. She is a fellow of the Chartered Association of Certified Accountants and is also a registered member of the Malaysian Institute of Accountants. She obtained her Diploma of Commerce (Financial Accounting) from Kolej Tuanku Abdul Rahman in 1981. She joined YTL in May 1986 and her responsibilities include co-ordination of the YTL Group's treasury, banking, corporate finance and company secretarial matters.

### **Eoon Whai San**

Eoon Whai San, Malaysian, aged 49, is the General Manager of both the Manager and YTL Land. He holds an ABE Diploma in Business Administration P1 from TL Management Centre. Prior to joining the YTL Group in 1987, he was a general manager of Transmotel Sdn Bhd and an area sales manager of Panduan Telefon (M) Sdn Bhd.

The Manager believes that there is no immediate need to appoint an executive officer at this stage to oversee the management of the Starhill REIT's investment in real estate-related assets and non-real estate assets given that the current focus of Starhill REIT is on real estate assets. However, should there be a change in the focus of investment of the Starhill REIT, a suitable officer shall be appointed to oversee the management of such investments. The officer shall be duly appointed by the Manager, approved by the Trustee and licensed under the Securities Industry Act, 1983. The said appointment shall in any case comply with the REIT Guidelines.

## **20.9 INDEMNITY TO THE MANAGER**

In accordance with and subject to the provisions of the Deed, the Manager is entitled to be reimbursed from the Assets against liabilities incurred in actions relating to the Deed or Starhill REIT save where such liabilities arise from its negligence, fraud, breach of duty or breach of trust.

## **20.10 CORPORATE GOVERNANCE**

The following is a statement on corporate governance practices to be adopted by the Manager.

### **Introduction**

The Directors are firmly committed to ensuring that the Manager implements and operates good corporate governance practices. In developing its system of corporate governance, the Directors have been guided by the measures recommended by the REIT Guidelines and the Listing Requirements. The board has also ensured its full compliance with the REIT Guidelines.

### **The Board**

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

## **Board Balance**

The board currently has five (5) directors comprising three (3) executive members and two (2) 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 and fiduciary duties of executive and non-executive directors are clearly delineated. 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.

Although all Directors have an equal responsibility for the Manager's operations, the role of the independent non-executive directors is particularly important in 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 and no individual or group of individuals dominates the board's decision-making.

## **Board Meetings**

Board meetings will be scheduled at least four (4) times per annum to review the operations of Starhill REIT and to approve the interim and annual financial statements of Starhill REIT. Additional meetings are held as and when urgent issues and important decisions need to be taken between the scheduled meetings.

## **Access to and Supply of Information and Advice**

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.

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. The Directors may, if they consider necessary, obtain independent professional advice from external consultants, at the Manager's expense.

## **Appointments to the Board**

There is a transparent procedure for the appointment of new Directors to the board. The chief executive officer makes recommendations on the suitability of candidates nominated for appointment to the board and 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. The board reviews annually the required mix of skills and experience and other qualities, including core competencies which non-executive directors should bring to the board.

## **Directors' Remuneration**

A transparent procedure for determining executive remuneration and for fixing the remuneration packages of individual directors has been established. The Manager has adopted the objective recommended by the REIT Guidelines to determine the remuneration for directors so as to attract and retain directors of the calibre needed to successfully carry on the Manager's operations.

In general, the component parts of remuneration are structured so as to link rewards to corporate and individual 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.

## **Financial Reporting**

The Directors are responsible for ensuring that financial statements are drawn up in accordance with the provisions of the Act and applicable approved accounting standards in Malaysia. In presenting the financial statements, the Manager has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also strive to ensure that financial reporting presents a fair and understandable assessment of the position and prospects of Starhill REIT. Interim financial statements must be 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 to members of the board on their findings which are included as part of Starhill REIT's financial reports with respect to each year's audit on the statutory financial statements. From time to time, the auditors highlight matters that require attention to the board.

## **20.11 CONFLICTS OF INTERESTS**

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

Any transaction carried out on behalf of Starhill REIT shall be executed on terms which are the best available for Starhill REIT and which are no less favourable to Starhill REIT than an arm's length transaction between independent parties.

Cash or other liquid assets of Starhill REIT may only be placed in a current or deposit account with any party related to the Manager or the Trustee or any delegate of either of them 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.

The Manager must not, without the prior approval of the Trustee, invest any moneys 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.

## **20.12 RELATED PARTY TRANSACTIONS**

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; and
- (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; and
  - (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. The announcement must provide full details of at least the following:

- (a) the proposed transaction;
- (b) the value of the real estate as assessed by an approved valuer;
- (c) whether the consent of the Trustee and the SC, where applicable, has been obtained; and
- (d) the acquisition or disposal price.

Where the transaction is conditional upon the approval of Unitholders, the Unitholders' approval must be sought prior to completion of the transaction.

The Trustee must ensure that the prior approval of the 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).

At the meeting held to determine the transaction, the Manager and its related parties must not vote on the resolution.

The appointment or renewal of appointment of any delegate who is a related party must:

- (a) be made on terms which are the best available to Starhill REIT and which are no less favourable to the Starhill REIT than an arm's length transaction between independent parties; and
- (b) be approved by the independent directors of the Manager.

Save as disclosed in this Prospectus, the Trustee has not entered into any other transaction with the Manager or any related party of the Manager in connection with the setting up of Starhill REIT.

The following are related parties of the Manager who have entered or will enter into arrangements with Starhill REIT:

- (a) the Vendor pursuant to the Sale and Purchase Agreement;
- (b) the Hotel Operator pursuant to the Hotel Lease Agreement;
- (c) tenants in the Retail Properties including the subsidiaries of YTL, namely Autodome, YTL L&D, Syarikat Pembinaan Yeoh Tiong Lay Sdn Bhd and YTL e-Solutions Berhad; and
- (d) YTL Land, the car park operator pursuant to the Car Park Agreement.

**20.13 THE MANAGER'S POLICY WITH RESPECT TO DEALING WITH CONFLICT OF INTEREST SITUATION**

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 an arm's length transactions between independent parties.

To deal with conflict of interest situations, the Manager will be a dedicated manager to Starhill REIT and will not manage any other real estate investment trust or be involved in any other real property business.

**20.14 MANAGER VOTING**

Under the REIT Guidelines, the Manager and its related parties are prohibited from voting their Units at any meeting of Unitholders convened unless an exemption is obtained from the SC.

**20.15 POWERS OF THE MANAGER TO REMOVE AND REPLACE THE TRUSTEE**

The Trustee may be removed from office by the Manager if a resolution that the Trustee should be removed is passed at a meeting of Unitholders by way of Special Resolution.

Additionally, the Manager may take steps to remove and replace the Trustee in accordance with the provisions of the SCA and the REIT Guidelines.

The Manager, subject to any approval required by the Securities Commission Act, the Act or by law, must by deed appoint a new trustee on the removal of the Trustee.

**20.16 RELATIONSHIP BETWEEN THE MANAGER AND THE VENDOR OF REAL ESTATE PURCHASED OR TO BE PURCHASED BY STARHILL REIT**

The Vendor of the Properties is YTL Land, a shareholder of the Manager with a 70% shareholding.

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## 21. THE TRUSTEE

### 21.1 BACKGROUND INFORMATION

The Trustee of Starhill REIT is Mayban Trustees Berhad (5004-P), a company incorporated in Malaysia and registered as a trust company under the Trust Companies Act 1949 and having its registered office at 34th Floor, Menara Maybank, 100 Jalan Tun Perak, 50050 Kuala Lumpur, Malaysia. The Trustee is qualified to act as a trustee for collective investment schemes approved under the Securities Commission Act pursuant to the REIT Guidelines. As at the Latest Practicable Date, the Trustee had a paid-up share capital of RM500,000.

### 21.2 FUNCTIONS, DUTIES AND RESPONSIBILITIES

The Trustee's functions, duties and responsibilities are set out in the Deed. The general function, duties and responsibility of the Trustee include, but are not limited to, the followings:

- (a) acting as trustee of Starhill REIT and, therefore, safeguarding the rights and interests of the Unitholders;
- (b) holding the Assets of Starhill REIT on the Deed for the benefit of the Unitholders; and
- (c) exercising all the powers of a trustee and the powers that are incidental to the ownership of the Assets of Starhill REIT.

The Trustee has covenanted in the Deed that it will exercise all due diligence and vigilance in carrying out its functions and duties, and in safeguarding the rights and interests of Unitholders.

### 21.3 GENERAL INFORMATION ON THE TRUSTEE

As at the Latest Practicable Date, the Trustee employs 14 executives and 9 non-executives. The Trustee's employees have been employed by the Trustee for an average of 7 years. The element of continuous employment reflects an intrinsic characteristic of the provisions of trust services. The work done in respect of each client is under supervision of a trust officer who reports to his/her immediate supervisor who in turn reports to the Chief Executive Officer of the Trustee. The Trustee has a compliance officer who reports to the Maybank Group Compliance Officer, whose responsibilities includes ensuring that the Trustee's business is carried on in accordance with the relevant laws, regulations and rules and the standards of good corporate governance.

The Trustee has been engaged in trust business and the administration of unit trusts funds for more than 14 years and as at the Latest Practicable Date, the Trustee acts as trustee for 37 unit trusts in Malaysia. The Trustee is also the existing trustee to another Malaysian REIT.

### 21.4 FINANCIAL INFORMATION OF THE TRUSTEE

The following is a summary of the past performance of the Trustee based on audited financial statement for the past 4 financial years ended 30 June:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
	<i>(RM'000)</i>	<i>(RM'000)</i>	<i>(RM'000)</i>	<i>(RM'000)</i>
Paid up share capital.....	500.0	500.0	500.0	500.0
Shareholders' fund.....	9,201.5	10,034.9	10,338.8	12,372.7
Turnover.....	5,131.0	5,533.3	6,581.7	7,002.7
Pre tax profit/loss.....	3,730.4	3,929.4	4,743.9	5,731.0
Taxation.....	1,043.0	1,116.0	1,290.0	1,537.1
After tax profit/loss.....	2,687.3	2,813.4	3,453.9	4,193.9
Net dividends paid/payable.....	1,980.0	3,150.0	2,160.0	-
	<i>(RM)</i>	<i>(RM)</i>	<i>(RM)</i>	<i>(RM)</i>
Net earnings per share.....	26.87	28.13	34.54	41.94
Net dividends per share.....	19.80	31.50	21.60	-

## 21.5 DIRECTORS AND MANAGEMENT

The following table sets forth information regarding the board of directors of the Trustee as of the Latest Practicable Date:

<b>Name</b>	<b>Designation</b>
YB Dato' Richard Ho Ung Hun	Independent Director & Chairman
Mr Teh Soon Poh	Independent Director
En Mohd Zulkifli Itam	Non-Independent Director
Mr Tong Hon Keong	Non-Independent Director

As at the Latest Practicable Date, the Trustee has employed 23 members of staff comprising 14 executives and 9 non-executives. The Chief Executive Officer is Ms Surindar Kaur A/P Gian Singh. She is supported by Pn Maziah Yong (Head of Unit Trust and Retail), Ms Quek Yen Leng (Head of Accounts and Administration), Ms Geeta Manocha (Head of Business Development) and Pn Safiah Begum Ashedoff (Head of Corporate Trusts and Clubs).

## 21.6 TRUSTEE'S FEE

Starhill REIT will pay the Trustee an annual trustee fee that accrues daily at a rate of 0.03% per annum of the Gross Asset Value and is payable semi-annually in arrears.

## 21.7 TRUSTEE'S STATEMENT OF RESPONSIBILITY

The Trustee has given its willingness to assume (a) the position as trustee of the Trust and (b) all the obligations in accordance with the Deed and all relevant laws, regulations and rules, and also its willingness to provide an indemnity to the Manager for the benefit of the Unitholders for any loss incurred as a result of any non-performance of the Trustee.

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## 22. THE PROPERTY MANAGER

### 22.1 THE PROPERTY MANAGER

The Property Manager is Azmi & Co Building Services Sdn Bhd incorporated in Malaysia under the Act on 8 January 1999. As at Latest Practicable Date, it has a paid-up capital of RM150,000 and its registered office is at Suite 1603, 16<sup>th</sup> Floor Wisma Lim Foo Yong No. 86, Jalan Raja Chulan, 50200 Kuala Lumpur.

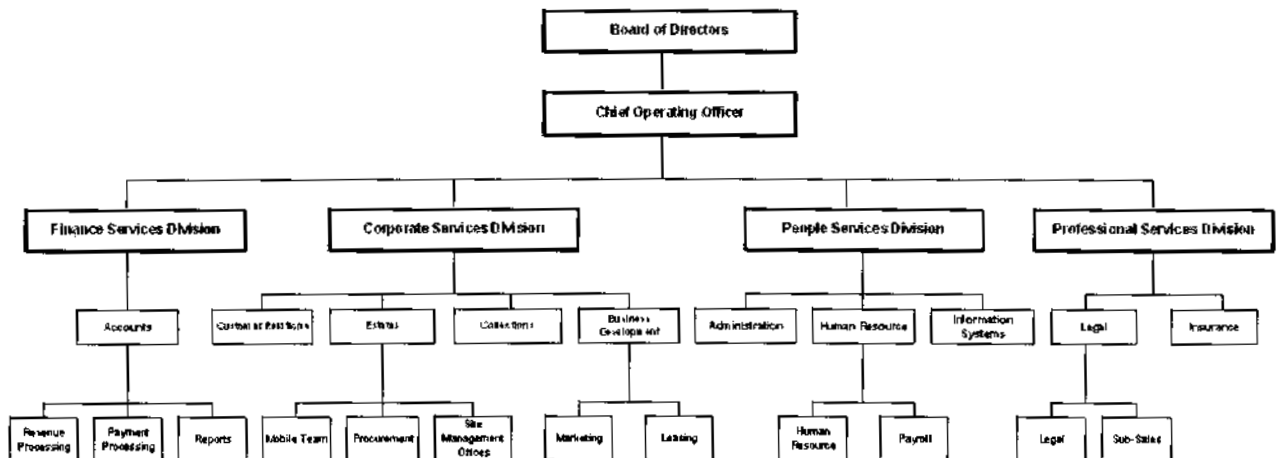
The Property Manager is registered with the Board of Valuers, Appraisers & Estate Agents, Malaysia (firm registration No. PM(1) 0004) and with Ministry of Finance, Malaysia (firm registration no. 465-00010050).

The Property Manager is principally engaged in the business of property management and has managed a portfolio of properties which extend from residential properties (flats, apartments and condominiums) to purpose-built commercial complexes (offices and shopping complexes) in the Klang Valley and the States of Johor and Penang. The Property Manager has 6 years of experience in the business of property management while its principals have been involved in the business of property management for 27 years.

The Property Manager has approximately 0.60 million sq ft and 0.57 million sq ft of Net Lettable Area of retail space and office space respectively under its management as at 1 June 2005. As at the same date, the Property Manager's portfolio also includes a total of 7,390 units of flats/apartments/condominiums.

### 22.2 ORGANISATIONAL STRUCTURE OF THE PROPERTY MANAGER

The following diagram sets out the organizational structure of the Property Manager:



### 22.3 KEY PERSONNEL OF THE PROPERTY MANAGER

As of the Latest Practicable Date, the Property Manager employed 86 members of staff.

The profiles of the key personnel of the Property Manager are as follows:

**Mohd. Azmi Ariffin**, aged 65, is the Chairman and Managing Director of Azmi & Co Building Services Sdn Bhd ("ACBS"), and the Azmi Group of Companies. He obtained the Professional Diploma of the Royal Institution of Chartered Surveyors ("RICS") in Valuation Surveying from the College of Estate Management, London, United Kingdom in 1965. He is a Fellow of the RICS, a Fellow of the Institution of Surveyors, Malaysia, and a Registered Valuer (V 011) and a Registered Estate Agent (E 67) with the Board of Valuers, Appraisers and Estate Agents, Malaysia. Prior to, and since, the establishment of ACBS in 1999, Azmi has acquired the depth of knowledge, experience and skills in all aspects of property management functions whilst personally involved in the management of the Company's portfolio of properties, which extend from residential properties (flats, apartments and condominiums) to purpose-built commercial complexes (offices and shopping centres). He was also in Government service from July 1965 to October 1973, initially as a Valuation Officer with the Treasury Valuation Division (now the Valuation and Property Services Department,

Ministry of Finance, Malaysia), and subsequently, its Regional Director of Valuation in the States of Negeri Sembilan/Melaka, and Selangor. In November 1973, Azmi joined University of Technology, Malaysia as an Associate Professor, and holding the post of Head of Department, Valuation and Property Management, in the Faculty of Surveying during which time (until December 1983) he established, and developed, the degree course leading to the Bachelor of Surveying (Property Management).

**S. Gopala Krishnan**, aged 72, is the Executive Director of Azmi & Co. Building Services Sdn. Bhd. (ACBS) and the Azmi Group of Companies. He first obtained the Professional Diploma of the Chartered Auctioneers and Estate Agents Institute, London, United Kingdom in 1964 and, in 1967, he obtained the Professional Diploma of the Royal Institution of Chartered Surveyors, in Valuation Surveying from the College of Estate Management, London, United Kingdom. He is a Fellow of the Royal Institution of Chartered Surveyors, a Fellow of the Institution of Surveyors Malaysia, and a Registered Valuer (V054) and a Registered Estate Agent (E68) with the Board of Valuers, Appraisers and Estate Agents, Malaysia. Prior to his joining Azmi & Co. in 1988, he had served the Malaysian Government, firstly as an Assessor with the Department of Inland Revenue (1954 – 1958) and, subsequently, in the Treasury Valuation Division (now known as Valuation and Property Services Department, Ministry of Finance, Malaysia) as Regional Director of Valuation in the various states of Malaysia. He retired as the Assistant Director-General of Valuation in 1988. During his time with the Government, and since joining Azmi & Co, he has acquired an in-depth knowledge and vast experience and skill in the various fields of valuation and property management.

**Feisal Mohd. Azmi**, aged 39, is the Chief Operating Officer of Azmi & Co Building Services Sdn Bhd (ACBS) and has 14 years of experience as a property professional. Having obtained his degree in Bachelor of Land Economy (Hons) from the University of Aberdeen, Scotland in 1989, he then went on to work at King & Co, a London-based professional firm of Chartered Surveyors which specialises in Rating and Rent-Reviews where he qualified as a Professional Member of the Royal Institution of Chartered Surveyors (RICS) in 1992. On returning to Kuala Lumpur, Malaysia in the same year, he took up the position of Graduate Valuer in Azmi & Co Sdn Bhd and worked his way up to the post of Valuation Manager, widening the scope of his experience in the valuation, land acquisition and research fields. He was appointed Deputy Chief Operating Officer of ACBS in July 2004, and since July 2005, holds the post of Chief Operating Officer. During his tenure with ACBS, he has been responsible for the various aspects of property management functions in relation to the ACBS's portfolio of properties, which extend from residential properties (flats, apartments and condominiums) to purpose-built commercial complexes (offices and shopping centres).

**Faiza Saleh**, aged 37, is currently the Corporate Services Manager for Azmi & Co Building Services Sdn Bhd (ACBS). She holds a Bachelor Degree in Electronic Engineering and a Higher Diploma in Business Administration and possesses twelve (12) years of working experience in various fields including holding the post of Engineer with Tele Dynamic Sdn Bhd and Dataprep Holding Bhd, and Head of Department, Human Resource and Administration, in Jupiter Air Services and Medical Online Sdn Bhd. As the Corporate Services Manager for ACBS, Faiza reports directly to the Chief Operating Officer and personally oversees various aspects of property management functions in relation to the ACBS's portfolio of properties. Her other responsibilities also include overseeing the Procurement and Customer Services Departments.

**Shamila Bashir Abdul Kariem Bashir**, aged 30, is the Legal and Insurance Manager for Azmi & Co Building Services Sdn Bhd since May 2004. She holds a Bachelor of Laws (LLB) from Bond University of Australia and completed Level 1 of Fellow, Life Management Institute – Insurance and Financial Services Industry. She possesses more than seven years of working experience in the insurance and legal profession wherein she has worked with Beckett & Mackereth of Australia, Bashir & Co of Malacca and subsequently with Allianz Life Insurance Malaysia Bhd. As the Legal and Insurance Manager for Azmi & Co Building Services Sdn Bhd, Shamila is responsible for advising and executing all legal matters that arise in respect of ACBS and its portfolio of properties, especially as regards to tenancy and various service agreements. In addition, she is also responsible for advising on insurance matters that arise in respect of ACBS and the properties under its management, more specifically, the placement or renewal of all relevant insurance policies and supervising the submission of claims to insurers.

**Abdul Muthalib Syed Aboo Tahir**, aged 46, is the Accounts Assistant Manager of Azmi & Co Building Services Sdn Bhd. He holds a London Chamber of Commerce Higher Group Diploma in Accounting (LCCI Higher) and possesses twenty-five years of working experience in the Accounting field. He has worked as an Accounts Officer for REGNIS (M) Sdn Bhd (Singer, USA) and SB Development Sdn Bhd. Subsequently, he worked as an Accounts Manager for Mint Hotel of Kuala Lumpur. As the Accounts Assistant Manager for ACBS, he oversees the accounts department of the company and the properties under its management.

The directors of the Property Manager and their respective designations as at the Latest Practicable Date are as follows:

<u>Name</u>	<u>Designation</u>
Mohd Azmi Ariffin	Chairman / Managing Director
S. Gopala Krishnan	Executive Director

## **22.4 PROPERTY MANAGEMENT AGREEMENT**

The Managed Properties will be managed by the Property Manager pursuant to the Property Management Agreement.

The Property Management Agreement was entered into on 18 November 2005 by the Trustee, the Manager and the Property Manager pursuant to which the Property Manager was appointed to operate, maintain, manage and market the Managed Properties, subject to the overall management of the Manager.

Subject to the rights of termination under the Property Management Agreement, the initial term of the Property Management Agreement is 5 years from the Completion Date. The Property Manager may request to extend its appointment on terms and fees payable to be then agreed by the Manager and the Property Manager, subject to the approval of the Trustee.

## **22.5 PROPERTY MANAGER'S SERVICES**

The services provided by the Property Manager for the Managed Properties under its management include the following:

- property management services, including co-ordinating tenants' fitting-out requirements, provision of property maintenance services, arranging for adequate insurances;
- lease management services, including administration of rental collection, initiating lease renewals and negotiation of terms; and
- marketing and marketing co-ordination services.

## **22.6 FEES**

Under the Property Management Agreement, the Property Manager is entitled to the following fees for managing the Managed Properties:

- (a) in respect of the first RM30,000 of the annual Gross Receipts relating to the Managed Properties, 5% per annum of such Gross Receipts;
- (b) in respect of the next RM30,001 to RM100,000 of the annual Gross Receipts relating to the Managed Properties, 3% per annum of such Gross Receipts; and
- (c) in respect of amounts above RM100,000 of the annual Gross Receipts relating to the Managed Properties, 2% per annum of such Gross Receipts.

The Property Manager will be paid its fees monthly in arrears.

## **22.7 FIXED OPERATING COSTS**

Under the Property Management Agreement, the Property Manager is to be paid Fixed Operating Costs of RM450,000 per month payable on a monthly basis in advance in respect of the Starhill Property.

The Fixed Operating Costs cover the following categories of expenses in respect of the Managed Properties:

- (a) charges for supply of water, gas, electricity, telephone, disposal of sewerage and all other utility services supplied to or consumed in the relevant Property (including usage charges) other than those the sole responsibility of and directly payable by the tenants/licensees or other occupants of the relevant Property to the relevant authorities under the tenancies;
- (b) the normal cost of operating, maintaining, testing and repairing the sanitary, security, sprinklers or other fire protection equipment, lighting, heating, cooling, air conditioning or ventilation equipment, lifts, escalators, signs, public address and sound systems, building automated system, generators, roller shutters, closed circuit television, and any other security systems installed, or supplied on, in or to the relevant Property from time to time;
- (c) the costs of maintaining any landscaping forming part of the relevant Property;
- (d) the costs of cleaning the relevant Property, the disposal of garbage, waste and refuse from the relevant Property and the control and prevention of pests within the Property;
- (e) the costs of provision of security services for the relevant Property; and
- (f) all costs of engaging contractors for the provision of maintenance, security, cleaning, protection and other services referred to in sub paragraphs (b), (c), (d) and (e) above for the relevant Property from time to time,

and exclude expenses falling under Property Costs.

## **22.8 PROPERTY COSTS**

The Manager will reimburse the Property Manager for the Property Costs that have been incurred to the extent they have not been satisfied from Gross Receipts.

## **22.9 PROPERTY MANAGER'S OFFICE PREMISES**

A suitable vacant office space as designated by the Manager will be provided to the Property Manager in either of the Retail Property free of charge for use by the Property Manager's personnel.

## **22.10 TERMINATION**

The Manager may terminate the appointment of the Property Manager in relation to all the Managed Properties on the occurrence of certain specified events, which include the liquidation or insolvency of the Property Manager.

The Manager may also terminate the appointment of the Property Manager specifically in relation to a Managed Property under its management in the event of the sale of such Managed Property, but the Property Management Agreement will continue to apply with respect to the other Managed Property managed by the Property Manager under the terms of the Property Management Agreement.

In addition, if the Manager or the Property Manager within 30 days of receipt of written notice fails to remedy any material breach (which is capable of remedy) of its obligations in relation to the Property Management Agreement, the other party may terminate the Property Management Agreement.

Additionally, either the Manager or the Property Manager shall be entitled to terminate the appointment of the Property Management Agreement by giving not less than three (3) months written notice.

The Manager or the Property Manger may immediately terminate the Property Management Agreement on the occurrence of certain specified insolvency events, which include the liquidation or insolvency of the other party.

#### **22.11 ASSIGNMENT**

The Property Manager is not entitled to assign, transfer or novate its rights, benefits and obligations under the Property Management Agreement except with the prior written consent of the Manager and the Trustee.

#### **22.12 EXCLUSION OF LIABILITY**

In addition, the Trustee (in its capacity as trustee of Starhill REIT) and the Manager shall indemnify the Property Manager against all claims and liabilities it may suffer on providing the services in accordance with the Property Management Agreement save to the extent arising by the negligence or default by the Property Manager.

#### **22.13 NO RESTRICTION ON PROPERTY MANAGER**

The Property Manager may provide services similar to those covered under the Property Management Agreement to other parties operating in the same or similar business as Starhill REIT, or in other businesses.

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## 23. TAXATION

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*The following statements are by way of a general guide to investors only and do not constitute tax advice. Investors are therefore advised to consult their professional advisers concerning possible taxation or other consequences of purchase, holding, selling or otherwise disposing of the Units under the laws of their country of incorporation, establishment, citizenship, residence or domicile.*

Investors should note that the following statements on taxation are based on advice received by the Manager regarding the law and practice in force at the date of this Prospectus. As is the case with any investment, there can be no guarantee that the tax position prevailing at the time an investment is made in Starhill REIT will continue indefinitely.

### 23.1 TAXATION OF STARHILL REIT

#### 23.1.1 Income Tax

Rental income received by Starhill REIT from properties in Malaysia will be subject to Malaysian income tax at 28%.

Interest income, if any, received by Starhill REIT is subject to Malaysian income tax at 28%. However, pursuant to paragraph 35 of Schedule 6 of the ITA, interest received by Starhill REIT from:

- (a) securities or bonds issued or guaranteed by the Government; or
- (b) debentures, other than convertible loan stocks, approved by the Securities Commission; or
- (c) Bon Simpanan Malaysia issued by the Central Bank of Malaysia,

is exempt from tax.

Paragraph 35A of Schedule 6 of the ITA also exempts income of a unit trust in respect of interest derived from Malaysia and paid or credited by any bank or financial institution licensed under the Banking and Financial Institution Act, 1989, or the Islamic Banking Act, 1983.

Where, however, the income of Starhill REIT subject to tax is distributed to the Unitholder in a basis period (which is generally the financial year) for a year of assessment, Starhill REIT shall be exempt from income tax in respect of the amount distributed pursuant to Section 61A(1) of the ITA. In order for the amount distributed to qualify for tax exemption, the distribution must be made not later than two months after the close of the financial year which forms the basis period for a year of assessment of Starhill REIT.

The gross rental income of Starhill REIT shall be treated as gross income from a source consisting of a business. As such all expenses wholly and exclusively incurred in the production of the gross rental income shall be deductible against the gross rental income. Capital expenditure incurred by Starhill REIT in plant and machinery shall be eligible for capital allowances (tax depreciation) under Schedule 3 of the ITA. Where capital expenditure has been incurred on the construction or purchase of a building which qualifies as an industrial building (e.g. factory or hotel), Starhill REIT shall also be eligible to claim industrial building allowance.

Where the amount of the allowable deductions exceeds the gross rental income of Starhill REIT for a year of assessment, the excess shall be disregarded and is not available to be carried forward to the following year or subsequent years of assessment.

Where by reason of an absence or insufficiency of adjusted income from rent (i.e. gross rental income less allowable expenses) for a year of assessment and effect cannot be given or be given in full to the capital allowance for that year of assessment, the unabsorbed capital allowance is not available to be carried forward for set-off against the adjusted income of any subsequent years of assessment.

### 23.1.2 Real Property Gains Tax ("RPGT")

Gains realised from the sale of properties by Starhill REIT will not be subject to income tax but will be subject to RPGT where applicable. The rates of RPGT applicable on such gains are as follows:-

Category of disposals	Rate of RPGT
Disposal within two years after the date of acquisition	30%
Disposal in the third year after the date of acquisition	20%
Disposal in the fourth year after the date of acquisition	15%
Disposal in the fifth year after the date of acquisition	5%
Disposal in the sixth year after the date of acquisition	NIL

### 23.1.3 Stamp Duty

Where Starhill REIT acquires real property, Starhill REIT will be exempt from stamp duty in respect of all instruments of transfer of the real property to Starhill REIT under the Stamp Duty (Exemption) (No.4) Order 2004.

## 23.2 TAXATION OF UNIT HOLDERS

### 23.2.1 Income Tax

Where the income distributed by Starhill REIT comprises "DI" (as defined in Section 3.9), the Unitholders will be taxed on their respective share of the income distributed by Starhill REIT that has been exempted from income tax pursuant to Section 61A(1) of the ITA. Resident individual Unitholders will be taxed at scale rates ranging from 0% to 28% while companies and non-resident Unitholders will be taxed at 28%.

Where Starhill REIT distributes income comprising "DI" to a non-resident Unitholder, Starhill REIT shall upon distributing their respective share of the income that has been exempted from income tax pursuant to Section 61A(1) of the ITA, deduct therefrom income tax at the rate of 28% and shall within one month after distributing such income pay the amount of the tax so deducted to the Director General of Inland Revenue Board. The non-resident Unitholder will, therefore, not be subject to any further Malaysian tax, in addition to the income tax deducted at source upon distribution.

Where the income distributed by Starhill REIT comprises "Additional DI" (as defined in Section 3.9) which is non-taxable income to Starhill REIT, such income will continue to be non-taxable at the Unitholder level. The Unitholders, whether resident or non-resident, will not be subject to tax on this income. Starhill REIT will not be required to deduct any withholding tax upon distributing the "Additional DI" to non-resident Unitholders.

Non-resident Unitholders may also be subject to taxes in their respective tax jurisdictions depending on the provisions of the relevant tax legislation and any existing double taxation arrangements with Malaysia and should consult their own tax advisors if they are in any doubt about their own position.

### 23.2.2 RPGT

Any gains realised by resident Unitholders (other than dealers in securities, insurance companies or financial institutions) on the transfer or sale of the Units are treated as capital gains and will not be subject to Malaysian taxes including RPGT. Non-resident Unitholders will also not be liable to Malaysian taxes on such gains realised.

### **23.2.3 Stamp Duty**

The transfer of units of a unit trust is exempt from stamp duty pursuant to First Schedule, Item 32 Exemption Para (C) of the Stamp Act 1949.

### **23.2.4 Estate Duty**

There is no Malaysian estate duty payable in respect of the Units passing on death of individual Unitholders as estate duty was abolished with effect from 1 November 1991.

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## **24. STRUCTURE OF THE OFFERING**

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### **24.1 THE OFFERING**

The Offering comprises the Retail Offer and the Institutional Offer. A total of 509,599,000 Units will initially be made available under the Offering. A total of 479,600,000 Units will initially be available to Malaysian and foreign investors under the Institutional Offer and the remaining 29,999,000 Units will initially be offered to the Malaysian Public under the Retail Offer (subject, in each case, to reallocation on the basis described below under the section headed "*Clawback and Reallocation*").

Investors may apply for Units under the Retail Offer or indicate an interest for Units under the Institutional Offer, but not under both. Investors may only receive Units under either the Institutional Offer or the Retail Offer, but not under both. The Retail Offer is open to Malaysian Public. The Institutional Offer will involve the selective marketing of Units to Malaysian and foreign institutional and selected investors and other investors anticipated to have a sizeable demand for such Units. Selected investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares, units and other securities, and corporate entities which regularly invest in shares, units and other securities.

As part of the Institutional Offer process, prospective professional, institutional and other selected investors will be required to specify the number of Units they would be prepared to acquire under the Institutional Offer either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about, 1 December 2005.

Allocation of the Institutional Offer Units pursuant to the Institutional Offer will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investors are likely to buy further, and/or hold or sell, its Institutional Offer Units after the listing of the Units on the Bursa Securities. Such allocation is intended to result in a distribution of the Institutional Offer on a basis which would lead to the establishment of a solid Unitholder base to the benefit of Starhill REIT and the Unitholders as a whole.

Allocation of Retail Offer Units to applicants under the Retail Offer will be based solely on the level of valid applications received under the Retail Offer. In the event of an over-subscription, acceptance of Applications by Malaysian Public shall be subject to ballot to be conducted in a manner as approved by directors of the Manager. Due consideration will be given to the desirability of distributing the Retail Offer Units to a reasonable number of applicants with a view to broadening the investor base and establishing an adequate market in the Units.

The completion of the Retail Offer and Institutional Offer are inter-conditional and subject to the minimum total proceeds of RM461.6 million to be raised from the Offering. The minimum total proceeds has been determined based on the minimum estimated level of funds to be raised to part finance the acquisition of the Properties and listing expenses in relation to the Offering.

If the Units are not allotted pursuant to the Offering, monies paid in respect of any application for the Units will be returned in full without interest and thereafter, Starhill REIT will be terminated in accordance with the Deed.

### **24.2 PURPOSE OF THE OFFERING**

The purpose of the Offering is as follows:

- (i) to part finance the acquisition of the Properties;
- (ii) to provide an opportunity for the Malaysian Public to participate in the Starhill REIT;
- (iii) to provide Starhill REIT access to the capital market to raise funds for future acquisition and growth of Starhill REIT;
- (iv) to provide additional funds to meet the present and future working capital requirements of Starhill REIT; and

- (v) to obtain a listing of and quotation for the entire Units of Starhill REIT on the Main Board of Bursa Securities.

#### **24.3 PRICE PAYABLE ON APPLICATION**

Applicants for Retail Offer Units are required to pay, on application, the Retail Offer Price of RM0.98 per Retail Offer Unit, amounting to a total of RM98.00 per board lot of 100 Units.

If the Final Retail Price, as finally determined in the manner described below, is lower than the Retail Offer Price, appropriate refund payments will be made to applicants, without interest.

#### **24.4 BASIS OF ARRIVING AT THE FINAL RETAIL PRICE AND THE REFUND MECHANISM**

The Institutional Offer Price is expected to be determined by agreement between the Joint Bookrunners and the Manager on the Price Determination Date, when market demand for the Units will be determined. The Price Determination Date is expected to be on 1 December 2005.

The Final Retail Price will be the lower of the Retail Offer Price or 95% of the Institutional Offer Price in each case rounded up to the nearest sen determined on the Price Determination Date unless otherwise announced, as further explained below, at any time prior to the morning of the last day for lodging applications under the Retail Offer. The Joint Managing Underwriters together with the Joint Bookrunners, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of the Manager, reduce the Retail Offer Price below that stated in this Prospectus at any time prior to the morning of the last day for lodging applications under the Retail Offer. In such a case, notices of the reduction will be published in a local daily newspaper in English and in Bahasa Malaysia not later than the morning of the day which is the last day for lodging applications under the Retail Offer. Upon issue of such a notice, the revised Retail Offer Price will be final and conclusive and the Retail Offer Price, if agreed upon by the Joint Managing Underwriters and the Manager, will be fixed at such revised Retail Offer Price. Such notice will also include confirmation or revision, as appropriate, of any other financial information which may change as a result of such reduction. If applications for Retail Offer Units have been submitted prior to the day which is the last day for lodging applications under the Retail Offer, then if the Retail Offer Price is so reduced, such applications cannot be subsequently withdrawn. In the absence of any notice being published in a local daily newspaper (in English and in Bahasa Malaysia) of a reduction in the Retail Offer Price stated in this Prospectus on or before the morning of the last day for lodging applications under the Retail Offer, the Retail Offer Price, if agreed upon by the Joint Managing Underwriters and the Manager, will under no circumstances be greater than the Retail Offer Price as stated in this Prospectus.

If an application is successful and the Final Retail Price is lower than the Retail Offer Price, a refund of the difference will be made without interest and despatched by ordinary mail to the investors within ten (10) Market Days of the final ballot at the investors' risk. In addition, investors will also be given a written notice of the Final Retail Price and the Institutional Price together with the notice of allotment.

If the Joint Bookrunners and the Manager are unable to reach an agreement on the Institutional Offer Price, the Offering will not become unconditional and will lapse.

#### **24.5 CONDITIONS OF THE RETAIL OFFER**

The obligations of the Joint Managing Underwriters under this Agreement are subject to the fulfillment of the following conditions precedent to the satisfaction of the Joint Managing Underwriters on or before a date falling on the third (3) Business Day after the last date of receipt of the application for the Retail Offer Units, which date must not be later than a date falling three (3) months from the date of the Retail Underwriting Agreement or such other later date as the Manager and the Joint Managing Underwriters may agree upon ("Closing Date"):

- (a) Bursa Securities agreeing in principle on or prior to the Closing Date to the admission of Starhill REIT to the Official List of Bursa Securities;
- (b) the execution of the Specified Documents (as defined therein);

- (c) all the conditions precedents to the Sale and Purchase Agreement and Debt Facility Agreement have been fulfilled or otherwise waived save and except for those conditions precedent which can only be fulfilled after the Closing Date;
- (d) the registration of the Prospectus with the SC in accordance with the requirements of the SCA; and
- (e) all other necessary approvals and consents required in relation to the Offering save and except for the final approval of Bursa Securities having been obtained and are in full force and effect until Closing Date.

#### **24.6 CONDITIONS FOR THE INSTITUTIONAL OFFER**

The obligations of the Institutional Underwriters to subscribe for the Institutional Offer Units under the Institutional Underwriting Agreement are conditional upon certain conditions being satisfied which are expected to include the following

- (a) the delivery to the Joint Bookrunners and the Senior Co-Lead Manager of certain required documents in form and substance satisfactory to the Joint Bookrunners and the Senior Co-Lead Manager on or before 3 Business Days following the date of execution of the Institutional Underwriting Agreement (or by such later time prior to the Listing Date as may be, or may have been, agreed by the Joint Bookrunners and the Senior Co-Lead Manager);
- (b) the obligations of the Joint Managing Underwriters under the Retail Underwriting Agreement having become and remaining unconditional in accordance with its terms (including if relevant as a result of the waiver of any conditions by the Joint Managing Underwriters), save for the condition therein relating to the obligations of the Joint Bookrunners and the Senior Co-Lead Manager under the Institutional Underwriting Agreement, and the Retail Underwriting Agreement not having been terminated in accordance with its terms or otherwise;
- (c) the Sale and Purchase Agreement having become and remaining unconditional in accordance with its terms (and not having been varied, or the subject of any waiver, other than with prior written approval of the Joint Bookrunners and the Senior Co-Lead Manager), save for any condition therein relating to the confirmation of receipt of proceeds from the Offering having been met or waived;
- (d) the Debt Facility having been unconditionally made available to be drawn down in an amount of not less than RM180,000,000 save for any condition therein relating to the confirmation of receipt of proceeds from the Offering and the allotment of 530,400,000 Units or its nominee having been met or waived; and
- (e) Admission being granted for the listing of the Units on Bursa Securities and not subsequently being revoked.

The consummation of each of the Institutional Offer and the Retail Offer is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Offering will lapse and the Bursa Securities will be notified immediately. Notice of the lapse of the Offering will be caused to be published by the Manager in a local daily newspaper (in English and in Bahasa Malaysia) on the Market Day next following such lapse.

In the above situation, all application monies will be returned to applicants, without interest by ordinary mail within 10 Market Days of the closing date. In the meantime, all application monies will be held in a separate bank account or separate bank accounts with a receiving banker or other bank(s) licensed under the Banking and Financial Institutions Act 1989.

## **24.7 THE RETAIL OFFER**

The Retail Offer is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions described in the section above headed "*Conditions of the Retail Offer*") for the subscription in Malaysia of, initially, 29,999,000 Retail Offer Units (representing approximately 6% of the total number of Units initially available under the Offering at the Retail Offer Price).

Each applicant under the Retail Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Institutional Offer Units under the Institutional Offer, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The Final Retail Price will be published in a local newspaper (in English and in Bahasa Malaysia) following the Price Determination Date.

## **24.8 THE INSTITUTIONAL OFFER**

A total of 479,600,000 Institutional Offer Units will initially be available to investors under the Institutional Offer. These 479,600,000 Institutional Offer Units represent approximately 94% of the Units available under the Offering. Pursuant to the Institutional Offer, the Institutional Offer Units will be offered to institutional, professional and other investors by the Joint Bookrunners or through selling agents appointed by them. Institutional Offer Units will be offered to and placed with professional and institutional investors and other selected investors anticipated to have a sizeable demand for the Institutional Offer Units in Malaysia, Hong Kong, Singapore and the United Kingdom and other jurisdictions outside the United States.

The Units have not been and will not be registered under the United States Securities Act of 1933 as amended and, subject to certain exceptions, may not be offered or sold within the United States or to, or for account of, U.S. persons (as defined in Regulation S).

## **24.9 CLAWBACK AND RE-ALLOCATION**

The allocation of Units between the Retail Offer and the Institutional Offer is subject to adjustment by the Joint Managing Underwriters and the Joint Bookrunners.

In the event the Retail Offer is over-subscribed and there is a corresponding under-subscription in the Institutional Offer, Units may be clawed back from the Institutional Offer and reallocated to the Retail Offer. In the event the Institutional Offer is over-subscribed and there is a corresponding under-subscription in the Retail Offer, Units may be clawed back from the Retail Offer and reallocated to the Institutional Offer.

## **24.10 LOCK-UP ARRANGEMENTS**

Subject to the exceptions described in the following paragraph, the Vendor will irrevocably and unconditionally agree with the Underwriters that it shall not (and shall procure that its nominee, namely YTL and/or YTL's subsidiaries shall not), amongst others, directly or indirectly, offer, lend, charge, pledge, assign, sell or contract to sell, grant any option to purchase, create any encumbrances or otherwise transfer or dispose of any part of its Consideration Units (which amounts to an effective interest in 51% of the enlarged units size of Starhill REIT) conditionally or unconditionally, during the period commencing from the Listing Date and ending on the date falling 180 days after the Listing Date.

The restriction also applies to any transaction or arrangement (including a swap or derivative transaction) with a similar economic effect to any of the foregoing and any publicly announced intention of the Vendor of entering into such arrangements.

The Vendor's lock-up undertaking as described in the preceding paragraph does not apply to the transfer of Consideration Units by the Vendor to YTL and/or its subsidiaries, provided that, each such transferee or nominee have agreed to a lock-up in respect of their respective Consideration Units or, as the case may be, their effective interest in the Consideration Units for the foregoing 180-days period. In addition, any Units acquired by the Vendor or YTL and/or any of its subsidiaries in the open market will not be subject to lock-up agreement.

In addition, each of the Manager and the Trustee will agree with the Underwriters that it will not (and will not cause or permit Starhill REIT to), directly or indirectly, without the prior written consent of each of the Underwriters, offer, issue, sell, contract to sell, hedge, grant any option or right to subscribe or purchase over or in respect of, or otherwise dispose of any new Units or any instruments exchangeable / convertible into Units or carry the rights for subscription or purchase of Units in addition to the Units to be issued under the Offering and the Consideration Units to be issued to the Vendor, for a period of 90 days from and including the Listing Date.

#### **24.11 BROKERAGE AND UNDERWRITING COMMISSION**

The Joint Managing Underwriters have agreed to underwrite the Retail Offer Units to be issued to the Malaysian Public. A managing underwriting commission is payable by Starhill REIT at the rate of 1.5% of the total underwritten Retail Offer Units of 29,999,000 at the Final Retail Price per Unit to the respective Joint Managing Underwriters.

Brokerage is payable by the Starhill REIT in respect of the Retail Offer Units made available for application by the Malaysian Public at the rate of 1% of the Final Retail Price per Unit in respect of successful applications which bear the stamp of AmMerchant Bank, member companies of the Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or issuing house.

The Starhill REIT shall bear the underwriting and selling commission payable to the Joint Bookrunners and the Senior Co-Lead Manager at the rate of up to 2.55% of the Institutional Offer Price for the Institutional Offering.

In addition, the Joint Bookrunners and the Senior Co-Lead Manager may charge subscribers to the Institutional Offer Units, brokerage or other similar fees of up to 1% of the Institutional Offer Price which they may retain for their own account.

#### **24.12 SALIENT TERMS OF THE RETAIL UNDERWRITING AGREEMENT FOR THE RETAIL OFFER**

Pursuant to the Retail Underwriting Agreement, the Joint Managing Underwriters have agreed to severally but not jointly underwrite up to 29,999,000 Units under the Retail Offer subject to clawback and allocation, for an underwriting commission of 1.5% of the Final Retail Price multiplied by 29,999,000 Units underwritten.

The obligations of the Joint Managing Underwriters under the Retail Underwriting Agreement are conditional on the conditions precedent referred to in Section 24.5 above. If such conditions are not satisfied, the Joint Managing Underwriters may terminate the Retail Underwriting Agreement.

The other salient terms of the Retail Underwriting Agreement are as follows:-

The Joint Managing Underwriters, as the case may be, may at any time, before the Remittance Date (as defined therein) by notice in writing to the Manager terminate its obligations under the Retail Underwriting Agreement if:-

- (a) there is any material breach by the Manager, the Trustee and/or YTL of the warranties, representations, undertakings or obligations herein contained, which is not being capable of remedy or, if capable of remedy, is not remedied by the Manager, the Trustee and/or YTL as the case may be within thirty (30) days of written notice of such breach being given to the Manager, the Trustee and/or YTL as the case may be or where the period between the date when the said written notice is given to the Manager, the Trustee and/or YTL as the case may be, and the Remittance Date is shorter than thirty (30) days, is not remedied within such shorter period;
- (b) any breach of any of the obligations of any party under the Specified Documents (other than the Joint Managing Underwriter to the Retail Underwriting Agreement), which has a Material

Adverse Effect (as defined therein) and if the breach is capable of remedy, is not remedied within the timeframe specified in the Specified Documents;

- (c) the termination of any of the Specified Documents;
- (d) in the reasonable opinion of the Joint Managing Underwriters, after prior consultation with the Manager to the extent that is practicable, any of the following shall have occurred:-
  - (i) any event beyond the reasonable control of the Joint Managing Underwriters (including without limitation, acts of government, war (whether war declared or not), acts of warfare, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy, civil war, hijacking, terrorism, riot, uprising against constituted authority, civil commotion, disorder, rebellion, organized armed resistance to the government, insurrection, revolt, military or usurped power, sabotage, strikes, lockouts, natural catastrophe including but not limited to earthquakes, fire, explosion, floods, storm, lightning tempest, accident, or other Acts of God), which interfere with the Properties and/or has or is likely to have the effect of rendering any material part of the Retail Underwriting Agreement incapable of performance or which would have or can be reasonably expected to materially and adversely affect the success of the Proposed Offering (as defined therein) and the distribution or sale of the Units;
  - (ii) any change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates that would have or can be reasonably expected to materially and adversely affect the success of the Proposed Offering and the distribution or sale of the Units;
  - (iii) any change in law or regulation in any relevant jurisdiction which in the reasonable opinion of the Joint Managing Underwriter, would have or can be reasonably expected to materially and adversely affect the success of the Proposed Offering and the distribution or sale of the Units;
  - (iv) any government acquisition of any of the Properties, which would have or can be reasonably expected to materially and adversely affect the success of the Proposed Offering and the distribution or sale of the Units;
  - (v) any imposition of moratorium, suspension or material restriction on trading of securities on Bursa Securities due to exceptional financial circumstances or otherwise, which would have or can be reasonably expected to materially and adversely affect the success of the Proposed Offering and the distribution or sale of the Units;
  - (vi) any material adverse change, or any development involving a prospective material adverse change, in the condition (financial or otherwise) or in the earnings, business, operations or trading position or prospects of the Starhill REIT, which would have or can be reasonably expected to materially and adversely affect the success of the Proposed Offering and the distribution or sale of the Units; or
  - (vii) any of the tax rulings on stamp duty or other tax matters obtained by the Starhill REIT or the Manager, the Trustee or YTL in connection with the Proposed Offering is revoked or varied, which would have or can be reasonably expected to materially and adversely affect the success of the Proposed Offering and the distribution or sale of the Units; or
  - (viii) any tax law or other change or development involving a change or prospective change in taxation which would have or can be reasonably expected to materially and adversely affect the success of the Proposed Offering and the distribution or sale of the Units on the Retail Offer and/or the Proposed Offering, the Starhill REIT or the Units (or the transfer of any Units) or an investment in the Units

For the avoidance of doubt and notwithstanding the prior consultation with the Manager, the Joint Managing Underwriters' right of termination under item (d) above shall not be affected by the prior consultation with the Manager for any reason whatsoever;

- (e) the approval of Bursa Securities for the admission of the Starhill REIT to the official list of the Main Board of the Bursa Securities or for the listing of and quotation for the Units on the Main Board of the Bursa Securities is withdrawn or procured but subject to the conditions not reasonably acceptable to the Joint Managing Underwriters; or
- (f) the listing of and quotation for the Units do not take place within three (3) months from the date of the Prospectus or such extended date as may be agreed by the Joint Managing Underwriters acting reasonably for any reason whatsoever.

#### **24.13 INSTITUTIONAL UNDERWRITING AGREEMENT FOR THE INSTITUTIONAL OFFER**

Due to the nature of the bookbuilding exercise and that the Institutional Offer Price can only be determined after the completion of the bookbuilding exercise, the Institutional Underwriting Agreement would only be entered into after the completion of the bookbuilding exercise and the Price Determination Date.

In this regard, a waiver was sought and granted by the SC from having to comply with Clause 8.03(1) of the REIT Guidelines.

See Section 25 headed "*Approvals/Conditions and Exemptions/Variations Granted by the SC*" in this Prospectus for further details about the abovesaid waiver.

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**25. APPROVALS/CONDITIONS AND EXEMPTIONS/VARIATIONS GRANTED BY THE SC**

**25.1 APPROVALS/CONDITIONS**

The SC vide its letter dated 26 August 2005 and 29 September 2005 approved the establishment and flotation of Starhill REIT on the Main Board of Bursa Securities. The conditions imposed by the SC and status of compliance are as follows:

	<b>Conditions Imposed</b>	<b>Status of Compliance</b>																					
<p><b>1. Terms</b></p> <p>i. Acquisitions of the following real estates by Starhill REIT:</p>	<table border="1"> <thead> <tr> <th data-bbox="347 584 448 741"><b>Real Estate</b></th> <th data-bbox="453 584 528 741"><b>Vendor</b></th> <th data-bbox="533 584 639 741"><b>Purchase consideration (RM)</b></th> <th data-bbox="644 584 783 741"><b>Number of Units issued at RM1.00 each as consideration</b></th> <th data-bbox="788 584 895 741"><b>Amount of cash paid of consideration (RM)</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="347 786 448 853">Lot 10 Property</td> <td data-bbox="453 786 528 853">YTL Land</td> <td data-bbox="533 786 639 853">341,000,000</td> <td data-bbox="644 786 783 853" rowspan="3">} 530,400,000</td> <td data-bbox="788 786 895 853" rowspan="3">} 619,600,000</td> </tr> <tr> <td data-bbox="347 898 448 965">Starhill Property</td> <td data-bbox="453 898 528 965"></td> <td data-bbox="533 898 639 965">480,000,000</td> </tr> <tr> <td data-bbox="347 1010 448 1077">Hotel Property</td> <td data-bbox="453 1010 528 1077"></td> <td data-bbox="533 1010 639 1077">329,000,000</td> </tr> <tr> <td colspan="2"></td> <td data-bbox="533 1189 639 1256"><b>1,150,000,000</b></td> <td data-bbox="644 1189 783 1256"><b>530,400,000</b></td> <td data-bbox="788 1189 895 1256"><b>619,600,000</b></td> </tr> </tbody> </table>	<b>Real Estate</b>	<b>Vendor</b>	<b>Purchase consideration (RM)</b>	<b>Number of Units issued at RM1.00 each as consideration</b>	<b>Amount of cash paid of consideration (RM)</b>	Lot 10 Property	YTL Land	341,000,000	} 530,400,000	} 619,600,000	Starhill Property		480,000,000	Hotel Property		329,000,000			<b>1,150,000,000</b>	<b>530,400,000</b>	<b>619,600,000</b>	<p>Complied</p>
	<b>Real Estate</b>	<b>Vendor</b>	<b>Purchase consideration (RM)</b>	<b>Number of Units issued at RM1.00 each as consideration</b>	<b>Amount of cash paid of consideration (RM)</b>																		
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Starhill Property		480,000,000																					
Hotel Property		329,000,000																					
		<b>1,150,000,000</b>	<b>530,400,000</b>	<b>619,600,000</b>																			
<p>ii. 509,599,000 Units to be offered for subscription via a public offering to be allocated as follows:-</p>	<p>Complied</p>																						
<table border="1"> <thead> <tr> <th data-bbox="347 1391 847 1424"></th> <th data-bbox="852 1391 1166 1424"><b>Number Of Units</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="347 1458 847 1491"><b>Places</b></td> <td></td> </tr> <tr> <td data-bbox="347 1514 847 1603">Reserved for private placement via book building to potential local and foreign investors (who are deemed public).</td> <td data-bbox="852 1514 1166 1547">479,600,000</td> </tr> <tr> <td data-bbox="347 1637 847 1671"><b>Malaysian Public</b></td> <td></td> </tr> <tr> <td data-bbox="347 1693 847 1861">Available for applications by Malaysian citizens, companies, societies, co-operative and institutions of which at least 30% is set aside for Bumiputera citizens, companies, societies, co-operative and institutions.</td> <td data-bbox="852 1693 1166 1727">29,999,000</td> </tr> </tbody> </table>		<b>Number Of Units</b>	<b>Places</b>		Reserved for private placement via book building to potential local and foreign investors (who are deemed public).	479,600,000	<b>Malaysian Public</b>		Available for applications by Malaysian citizens, companies, societies, co-operative and institutions of which at least 30% is set aside for Bumiputera citizens, companies, societies, co-operative and institutions.	29,999,000	<p>Complied</p>												
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<p>iii. issuance of 1,000 units in Starhill REIT at RM1.00 per unit to the Manager as Promoter's Units; and</p>	<p>Complied</p>																						



	Conditions Imposed	Status of Compliance
	iv. Listing of and quotation for the entire 1,040,000,000 Units on the Main Board of Bursa Securities.	To be complied
<b>2.</b>	<b>Conditions</b>	
	i. The Manager or its adviser to provide satisfactory evidence of compliance with Clause 4.02(4) of the REIT Guidelines before the listing of Starhill REIT on Bursa Securities;	Complied
	ii. The Manager must maintain 30% Bumiputera equity at all times;	Noted
	iii. The Manager or its adviser must inform SC upon completion of the proposals;	To be complied
	iv. SC's approval for the proposed candidates for the Chief Executive Officer and members of the Board of Directors is subject to there being no adverse findings from the vetting process conducted on all the candidates. The Manager or its adviser must inform the SC the date of appointment of the Chief Executive Officer and the Board of Directors of the Manager within 2 weeks after the appointment is made effective;	Complied
	v. The Manager or its adviser to submit the draft Offering Circular and deed of Starhill REIT at least 30 days before the date of the Offering Circular and deed;	Complied
	vi. The Manager or its adviser to inform the SC the listing date of Starhill REIT prior to the listing of the fund;	To be complied
	vii. The listing of Starhill REIT must be completed within six (6) months from the date of approval. SC's approval is deemed to lapse if the Manager fails to do so within the stipulated timeframe;	To be complied
	viii. The Manager and Trustee to submit an operational audit report to the SC, six (6) months after Starhill REIT is listed. The appointment and scope of work is subject to the SC's clearance; and	To be complied
	ix. The Manager, Trustee and Starhill REIT to fully comply with all the relevant requirements in the REIT Guidelines, SCA and any notices that is issued from time to time (where relevant).	Noted

## 25.2 EXEMPTIONS/VARIATIONS GRANTED

The SC had on 26 August 2005 and 29 September 2005 approved the following exemptions/variations from the REIT Guidelines:

**25.2.1** Variation from Clause 7.03(1) of the REIT Guidelines which will allow DBS Bank Limited and the Hongkong and Shanghai Banking Corporation Limited to act as the Joint Bookrunners together with ECM Libra for the offering of the Units to the foreign investors.

**25.2.2** Variation from Clause 12.01(2) of the REIT Guidelines which will allow for the calculation of the Management Fees and Trustee Fees to be based on the Gross Asset Value of Starhill REIT.

**25.2.3** Variation from Clause 10.01(1) of the REIT Guidelines, which will allow Starhill REIT to invest in the following instruments:

- (a) debt securities issued by, or fully guaranteed by the Government of Malaysia;

(b) commercial paper or other debt securities issued by companies or institutions with a credit rating of not less than:-

- (i) A/P1 : by Rating Agency Malaysia Berhad and
- (ii) A/MARC-1 : by Malaysian Rating Corporation Berhad.

**25.2.4** Exemption from Clause 15.02(1) of the REIT Guidelines, which will allow the Manager and Trustee to impose reasonable charges to the Unitholders for copies of the following documents:

- (a) the deed and the supplementary deed of the fund (if any);
- (b) the current Offering Circular and the supplementary Offering Circular of the fund (if any);
- (c) the latest annual report and the interim reports of the fund (if any);
- (d) each material contract or document referred to in the Offering Circular;
- (e) all reports, letters or other documents, valuations and statements by any expert, any part of which is extracted or referred to in the Offering Circular;
- (f) the audited accounts of the management company and the fund for the last five financial years or from the date of incorporation/commencement (if less than five years) preceding the date of Offering Circular;
- (g) latest audited accounts of the management company and the fund for the current financial year (where applicable); and
- (h) any consent given by experts or persons named in the Offering Circular as having made a statement that is included in the Offering Circular or on which a statement made in the Offering Circular is based, for inspection by investors and the unit holders at all times during the ordinary business hours of the management company and the trustee.

**25.2.5** Variation from Clause 4.05(9) of the REIT Guidelines, which will allow the appointment of Dato' (Dr) Yahya Bin Ismail as the Independent Director of the Manager notwithstanding that Dato' (Dr) Yahya Bin Ismail is also a Director of another unit trust fund.

**25.2.6** Variation from Clause 10.08(3) of the REIT Guidelines, which will allow the Manager to pledge the Properties to the Lender, pursuant to the Debt Facility, above the permitted level.

**25.2.7** Exemption from compliance with Clause 8.03(1) of the REIT Guidelines, which will allow for the underwriting of the Institutional Offer Units to be executed after the issuance of the Offering Circular.

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## **26. GENERAL INFORMATION**

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### **26.1 CONSENTS**

The written consent of the Reporting Accountants to the inclusion in this Prospectus of its names and letters relating to Section 11 headed "*Profit Forecast and Projections*" and Section 12 headed "*Proforma Historical Financial Information*" in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of the Independent Property Valuer and Property Market Consultant to the inclusion in this Prospectus of its name, valuation certificate and report in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of the Tax Consultant to the inclusion in this Prospectus of its name and letter in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of each of the Joint Managing Underwriters, the Joint Bookrunners, Malaysian solicitors to the Manager and Malaysian solicitors to the Joint Managing Underwriters and the Joint Bookrunners in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

### **26.2 DIRECTORS' DECLARATION**

This Prospectus has been seen and approved by the Directors of the Manager and they collectively and individually accept full responsibility for the accuracy of all information contained herein and confirm that, having made all enquiries which are reasonable in the circumstances, that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

The information pertaining to the Trustee was provided by the management and/or directors of the Trustee. The responsibility of the Directors of the Manager is therefore restricted to the accurate reproduction of such relevant information as included in this Prospectus.

### **26.3 DOCUMENTS FOR INSPECTION**

Copies of the following documents may be inspected at the registered office of the Manager and/or the Trustee during normal business hours for a period of twelve (12) months from the date of this Prospectus:

- (a) the Deed;
- (b) the Independent Valuer's valuation report for the Properties;
- (c) the Reporting Accountants' letter relating to the profit forecast for the financial period ending 30 June 2006 and the profit projection for financial years 2007 and 2008 as included herein;
- (d) the Reporting Accountants' letter relating to the proforma historical financial statements for the past five financial years ended 30 June 2005 as included herein;
- (e) the Reporting Accountants' letter relating to the proforma balance sheet;
- (f) the Tax Consultant's letter on taxation of the Starhill REIT and Unitholders;
- (g) the audited financial statements of the Manager for the last five financial years ended 30 June 2005; and
- (h) the letters of consent referred to in Section 26.1 headed "*Consents*" of this Prospectus.

- (i) the material contracts referred to in Section 26.4 headed "*Material Contracts*" of this Prospectus.

#### **26.4 MATERIAL CONTRACTS**

Save as referred to above under Section 26.3 headed "*Documents for Inspection*" and the following agreements:

- (a) the Sale and Purchase Agreement;
- (b) the Property Management Agreement;
- (c) the Car Park Agreement;
- (d) the Debt Facility Agreement; and
- (e) the Retail Underwriting Agreement,

there are no other material contracts (including contracts not reduced into writing), not being contracts entered into in the ordinary course of business which have been entered into by Starhill REIT.

#### **26.5 REAL ESTATE PURCHASED OR TO BE PURCHASED OUT OF THE PROCEEDS OF THE OFFERING**

Other than acquisition of the Properties, there is no transaction, directly or indirectly, relating to any real estate purchased or to be purchased out of proceeds of the Offering.

#### **26.6 MATERIAL LITIGATION AND ARBITRATION**

As at the Latest Practicable Date, the Manager is not engaged in any material litigation and arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Manager and the Directors do not know of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Manager.

As at the Latest Practicable Date, the Trustee is not engaged in any material litigation and arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Trustee and the board of directors of the Trustee do not know of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Trustee.

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**1. APPENDIX – VALUATION CERTIFICATE**



**MOHD AZMI ARIFFIN**  
ERICS PISM Dip. P.A. (M)  
Registered Valuer

**S. GOPALA KRISHNAN SMS PJK**  
ERICS PISM ARVA  
Registered Valuer

B9 Jalan Ampang Utama 2/2  
One Ampang Avenue, 68000 Ampang  
Selangor Darul Ehsan, Malaysia

Telephone : 03-4256 6666  
Facsimile : 03-4252 5252

Website : [www.azmigroup.com.my](http://www.azmigroup.com.my)  
E-Mail : [azmico@azmigroup.com.my](mailto:azmico@azmigroup.com.my)

SC 0035/05/MAA/SGK & SC 0036/05/MAA/SGK

Our Reference :

Your Reference :

**18 NOV 2005**

The Board of Directors  
YTL Land Sdn. Bhd.  
11th Floor, Yeoh Tiong Lay Plaza  
55 Jalan Bukit Bintang  
55100 KUALA LUMPUR

Dear Sirs,

**VALUATION CERTIFICATE**

- 1. PART OF LOT 10 SHOPPING CENTRE :**  
**LOT 10 PROPERTY - NO. 50 JALAN SULTAN ISMAIL, 50250 KUALA LUMPUR**
- 2. STARHILL CENTRE :**  
**2.1 STARHILL PROPERTY - NO. 181 JALAN BUKIT BINTANG, 55100 KUALA LUMPUR**  
**2.2 HOTEL PROPERTY - NO. 183 JALAN BUKIT BINTANG, 55100 KUALA LUMPUR**  
*(Hereinafter referred to as "the Subject Properties")*

**Instructions**

We have been instructed by YTL Land Sdn. Bhd. ("YTL Land") to ascertain the Market Value (as defined herein) in the leasehold interest (for Lot 10 Property) and freehold interest (for Starhill Centre) of the Subject Properties for the purpose of the proposed disposal of the Subject Properties by YTL Land into Starhill Real Estate Investment Trust ("Starhill REIT") to be established and listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Proposed Disposal").

We are pleased to certify that we have conducted two formal Report & Valuations and valued the legal interests in the Subject Properties as at the date of valuation on 1 March 2005 for each individual property.

This Certificate has been prepared for inclusion in the Prospectus of Starhill REIT to be dated **22 NOV 2005** in conjunction with the admission of Starhill REIT to the Official List of the Main Board of Bursa Securities and listing of and quotation for 1,040,000,000 units comprising 530,400,000 units to be issued to YTL Land and/or its nominees pursuant to the Proposed Disposal, 509,599,000 units to be issued pursuant to the public offering and 1,000 units to be issued as promoter units.

## **BASIS OF VALUATION**

All the Report & Valuation has been prepared based on the *Guidelines on Asset Valuations* issued by the Securities Commission, and professional standards prescribed by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

The basis of valuation for the purpose of the Report & Valuation is Market Value as defined in the *Malaysian Valuation Standards* issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

By Market Value is meant in STANDARD 1 – Market Value Basis of Valuation as *the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.*

All the necessary title searches have been conducted at the Registry of Titles, Wilayah Persekutuan Kuala Lumpur. All the Report & Valuation has been prepared with reference to all the records of tenancies, records of Income Statement, and relevant information as provided by YTL Land as at 1 March 2005, being the cut-off date. All data and information thus obtained from the said sources are deemed correct for the purpose of these valuations.

## **RELIANCE OF THIS LETTER**

For the purpose of this Prospectus, we have prepared this letter which summarises our reports and outlines key factors which have been considered in arriving at our opinion of the respective Market Value. This letter does contain all the necessary data and support information included in our reports. For further information to that contained, herein, reference should be made to the said reports.

We have provided YTL Land with two comprehensive formal Report & Valuation of the Subject Properties. The valuations and market information are not guarantees or predictions and must be read in consideration of the following:-

- The reports contain conclusions of the estimated values based on factual information and estimates regarding the Subject Properties as provided by YTL Land and furnished in the reports. Whilst we have endeavoured to ensure the accuracy of the factual information, it has not independently verified all information provided by YTL Land. We believe that every investor, before making an investment in Starhill REIT, should review the reports to understand the complexity of the methodologies and the variables involved.
- We have adopted the Income (or Investment) and Comparison Approaches in assessing the Market Value of the Subject Properties.

The reports were undertaken based upon information available as at 1 March 2005. We accept no responsibility for subsequent changes in information as to tenancy details, income, expenses or market conditions.

**SUBJECT PROPERTIES**

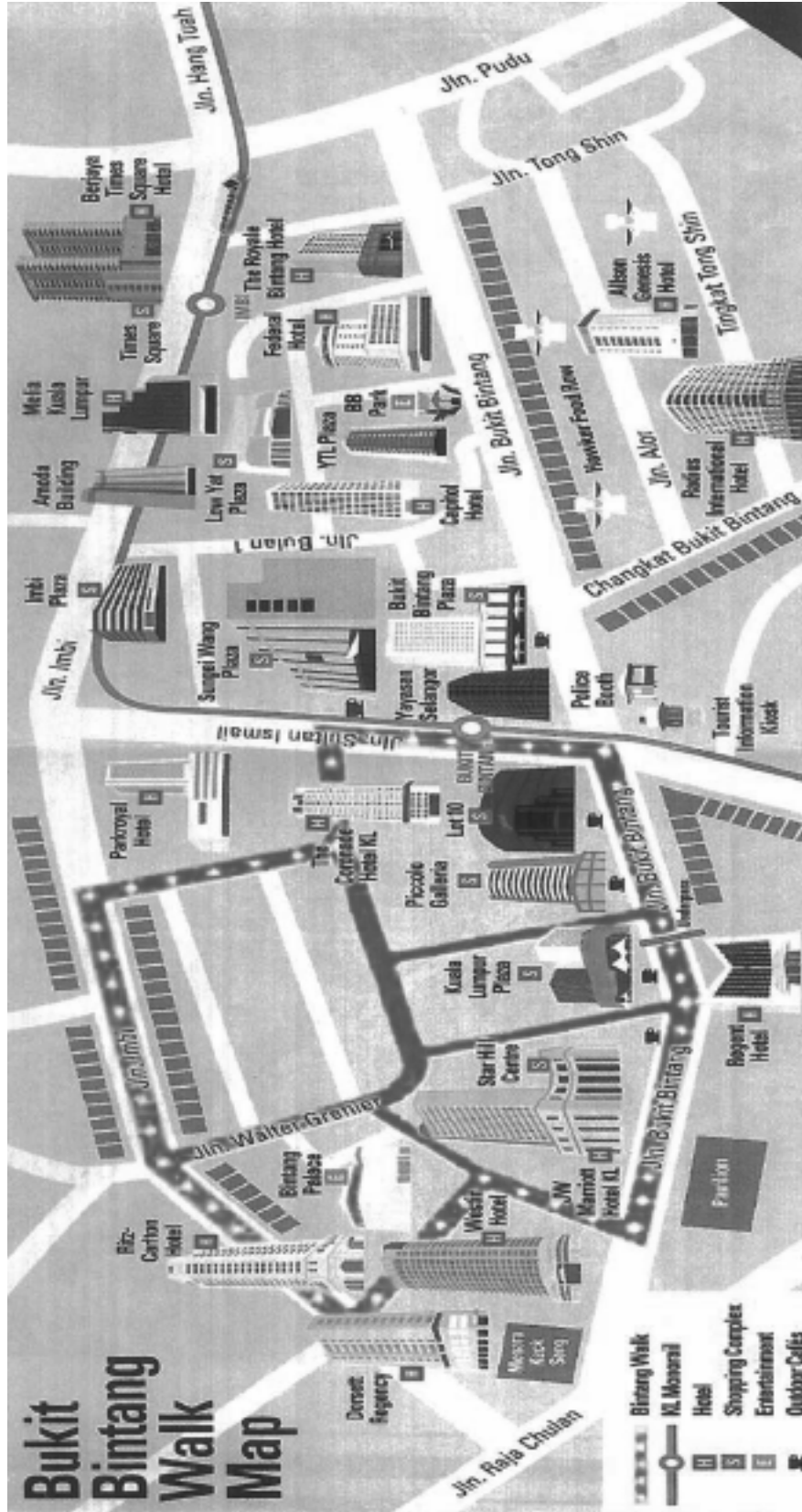
The Subject Properties comprise two (2) purpose-built commercial buildings located in Section 67, Town, and District, of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur. The respective buildings are described as Part of Lot 10 Shopping Centre and Starhill Centre. Further details are tabulated as below:

Reference No.	Subject Properties	Land Area	Area as at 28.02.05	Type of Properties
SC 0035/05/MAA/SGK	LOT 10 PROPERTY	Not applicable	<p>Strata Titled Area of building – 559,551 sq. ft.</p> <p>Strata Titled Area of subject parcels – 430,384 sq. ft.</p> <p>(which excludes Parcel 1, in area 11,947 sq. m. or 128,596 sq. ft., owned by Isetan of Japan Sdn. Bhd., and Parcel 89, in area 48 sq. m. or 571 sq. ft., to be retained by YTL Land)</p>	<p>One hundred and thirty-seven (137) Parcels, and two (2) Accessory Parcels of retail, office, storage and other spaces, each held under a separate document of strata title, forming part only of a sub-divided purpose-built commercial (retail) building comprising one (1) Basement, a Lower Ground Floor, and an 8-storey Block, together with a 7-storey Annexe Block with a Lower Ground Floor, known as LOT 10 SHOPPING CENTRE.</p>

Reference No.	Subject Properties	Land Area	Area as at 28.02.05	Type of Properties
SC 0036/05/MAA/SGK	STARHILL CENTRE	12,338 sq. m. (132,805 sq. ft.)	<p><b>STARHILL PROPERTY</b></p> <p>Gross Floor Area - sq ft</p> <p><b>STARHILL SHOPPING CENTRE</b>                      504,571</p> <p><b>CAR PARK</b></p> <p>- Podium Block                              281,542</p> <p>- Annexe Building                         <u>208,701</u></p> <p>   994,814</p> <p><b>HOTEL PROPERTY</b>                      493,358</p>	<p>A mixed purpose-built commercial complex comprising a 31-storey Main Building, and a 12-level Annexe Building providing for:</p> <p>(i) a seven-level shopping centre together with five (5) Basements located on the Podium Block of the Main Building, and a 12-level Annexe Building with three (3) Basements, collectively known as STARHILL SHOPPING CENTRE ("Starhill Property"), and</p> <p>(ii) a Hotel Block occupied by a 561-room 5-star hotel known as J.W. MARRIOTT HOTEL KUALA LUMPUR located on part of the Podium Block, and the whole of the 24-level Tower Block, of the Main Building ("Hotel Property").</p>



Location map indicating the approximate sites of the respective buildings are provided as follows:



Brief details of the Subject Properties are as follows:

SC 0035/05/MAA/SGK – LOT 10 PROPERTY	
Property	One hundred and thirty-seven (137) Parcels, and two (2) Accessory Parcels, each issued with a separate document of strata title bearing Strata Title Registration Nos. PN 11008/M1/B2/2 – PN11008/M1/3/88 (consists of 87 parcels) <sup>(1)</sup> and PN11008/M1/3/90 - PN 11008/M1/7/139 (consists of 50 parcels and 2 accessory parcels) <sup>(2)</sup> and forming part of a sub-divided building known as Lot 10 Shopping Centre which is erected on the land held under Master Title Pajakan Negeri 11008 for Lot No. 1247 Section 67, Town, and District, of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Net Lettable Area	174,018 square feet
Tenure	A 99-year leasehold interest expiring on 29 July 2076.
Registered Owner	YTL Land
Category of Land Use	Building
Express Condition	<p>i) Tanah yang dipajakkan ini hendaklah digunakan hanya atau lain-lain Pihak Berkuasa. untuk kompleks perdagangan/ kediaman; dan</p> <p>ii) Tuan tanah hendaklah membayar, menyelesaikan segala cukai, bayaran-bayaran, taksiran-taksiran dan sebarang apa juga bayaran yang mungkin dikenakan dari semasa ke semasa ke atas tanah yang telah dipajakkan ini atau sebahagian daripadanya atau apa-apa bangunan di atasnya, samada yang dikenakan oleh Dewan Bandaraya Kuala Lumpur.</p>
Restriction in Interest	Nil
Encumbrances	Nil
Description	<p>The subject property comprises one (1) Basement, a Lower Ground Floor, and an 8-storey Block, together with a 7-storey Annexe Block with a Lower Ground Floor, of retail, office, storage and car park spaces forming part only of the sub-divided building known as Lot 10 Shopping Centre, and bearing postal address No. 50 Jalan Sultan Ismail, 50250 Kuala Lumpur. It is issued with a Certificate of Fitness for Occupation by the Dewan Bandaraya Kuala Lumpur on 14 November 1992 (Main Block) and on 11 January 1994 (Annexe Block).</p> <p>It is strategically located at the junction of Jalan Sultan Ismail and Jalan Bukit Bintang, and within the area more popularly known as Bintang Walk, which is considered as Asia's answer to the Champs Elysees in Paris, and Knightsbridge in London. Bintang Walk, which was designed, financed and implemented by the YTL Group group some 5 years ago at the cost of RM10.226 million, and approved and encouraged by City Hall, and the Ministry of Tourism, Malaysia, is now internationally recognised as an icon for Kuala Lumpur. It has, as expected, brought life back into this 100-year old historical retail street, with an improved pedestrian walkway, trendy alfresco cafes and restaurants.</p> <p>Prominent landmarks within the immediate vicinity would include the premises of The Regent of Kuala Lumpur, Wisma KLIH, Wisma Peladang, KL Plaza/Menara Berjaya, Starhill Shopping Centre/J.W. Marriott Hotel, The Westin Kuala Lumpur, Grand Plaza Park Royal Hotel, Bangunan Yayasan Selangor, Sungei Wang Plaza, Bukit Bintang Plaza, Wisma SPS, Imbi Plaza, Low Yat Plaza, Bangunan Amoda, Melia Hotel, Plaza Berjaya and Berjaya Times Square.</p> <p>The site comprises a parcel of commercial ("Building") land, irregular in shape, and contains a land area of 10,138 sq. m. (109,125 sq. ft.).</p> <p>The subject property, which commenced business operations on 10 October 1990, is now approximately 15 years in age and is well-maintained, and in excellent state of decorative repairs. It is attractively designed and meets accepted international standards of a one-stop shopping centre. It incorporates newer, better and more contemporary designs with wide pedestrian frontages and large atriums. In addition, with completion of a refurbishment and renovation programme in October 1996, the bold green exterior has been retained but the provision of a state-of-the-art bubble lift that brings the dynamic outdoors to the heart of the shopping centre is added. The interior design now boasts of organic and stainless steel mouldings, clear glass and intricate brass decorative elements together with new artistic light fittings and flooring. Lot 10 Property also has all that to ensure shoppers' comfort and convenience. Equipped to the full with lifts, escalators, state-of-the-art security and alarm systems, it offers shoppers the best environment to shop and dine. In addition, Lot 10 Property is also conveniently linked via an overhead bridge above Jalan Sultan Ismail to Sungei Wang Plaza.</p> <p>To ensure the convenience of parking and smoother traffic flows, Lot 10 Property offers excellent parking facilities on four (4) levels of car parks (5th – 7th Floor, and Roof Level) with 693 car parking bays. In addition, there are also 17 VVIP surface parking bays, and 20 loading bays in the Basement.</p>

Notes:

- (1) Comprises of strata titles bearing Strata Title Registration Nos. PN 11008/M1/B2/2 – PN 11008/M1/B2/11, PN 11008/M1/B1/12 – PN 11008/M1/B1/14, PN 11008/M1/1/15 – PN 11008/M1/1/37, PN11008/M1/2/38 - PN11008/M1/2/64, PN11008/M1/3/65 - PN11008/M1/3/88
- (2) Comprises of strata titles bearing Strata Title Registration Nos. PN11008/M1/3/90 - PN11008/M1/3/93, PN11008/M1/4/94 - PN11008/M1/4/114, PN11008/M1/5/115 – PN11008/M1/5/134, PN11008/M1/6/135 - PN11008/M1/6/137 and PN11008/M1/7/138 - PN 11008/M1/7/139. There is no separate strata title for the two accessory parcels.

<b>SC 0036/05/MAA/SGK – STARHILL CENTRE</b>	
Property	Grant No. 28678 for Lot No. 1267 Section 67, Town, and District, of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Net Lettable Area	280,005 square feet
Tenure	Freehold
Registered Owner	YTL Land
Category of Land Use	Not stated
Express Condition	Subject to the conditions and agreements expressed or implied in Selangor Land Grant No. 1900 and to such restrictions in interest expressed therein and shown by memorial hereon, and to such registered interests as are shown by memorial hereon.
Restriction in Interest	Nil
Encumbrances	Nil
Description	<p>Starhill Centre is a mixed purpose-built commercial complex comprising a 31-level Main Building, and a 12-level Annexe Building providing for a seven-level shopping centre, together with five (5) Basements, located on the Podium Block of the Main Building, and a 12-level Annexe Building with three (3) Basements, collectively known as Starhill Shopping Centre, and a Hotel Block occupied by a 561-room 5-star hotel known as J.W. Marriott Hotel Kuala Lumpur located on part of the Podium Block, and the whole of the 24-level Tower Block, of the Main Building. The whole Starhill Centre development is issued with a Certificate of Fitness for Occupation by the Dewan Bandaraya Kuala Lumpur on 18 September 2002.</p> <p>It is strategically located on Jalan Bukit Bintang, and within the area more popularly known as Bintang Walk, which is considered as Asia's answer to the Champs Elysees in Paris, and Knightsbridge in London. Bintang Walk, which was designed, financed and implemented by the YTL Group some 5 years ago at the cost of RM10.226 million, and approved and encouraged by City Hall, and the Ministry of Tourism, Malaysia, is now internationally recognised as an icon for Kuala Lumpur. It has, as expected, brought life back into this 100-year old historical retail street, with an improved pedestrian walkway, trendy alfresco cafes and restaurants.</p> <p>Prominent landmarks within the immediate vicinity include the premises of The Regent of Kuala Lumpur, Wisma KLIH, Wisma Peladang, KL Plaza/Menara Berjaya, The Westin Kuala Lumpur, Grand Plaza Park Royal Hotel, Bangunan Yayasan Selangor, Sungei Wang Plaza, Bukit Bintang Plaza, Wisma SPS, Imbi Plaza, Low Yat Plaza, Bangunan Amoda, Melia Hotel, Plaza Berjaya and Berjaya Times Square.</p> <p>The site comprises a parcel of commercial ("Building") land, near-regular in shape, and contains a land area of 12,338 sq. m. (132,805 sq. ft.).</p> <p>Starhill Centre offers excellent parking facilities on five (5) Basement levels of the Main Building with 562 parking bays, and the whole of the Annexe Building with 600 parking bays.</p> <p>Brief details on each component of Starhill Centre follows :</p> <p><b>STARHILL PROPERTY</b></p> <p>The subject property, which commenced business operations in September 1995, comprises a seven (7)- level shopping centre together with five (5) Basements located on the Podium Block of the Main Building, and a 12-level Annexe Building with three (3) Basements, collectively known as Starhill Shopping Centre and bearing postal address No. 181 Jalan Bukit Bintang, 55100 Kuala Lumpur.</p> <p>The subject property is approximately 10 years in age and is well-maintained, and in excellent state of decorative repairs. It is attractively designed and meets accepted international standards of a comprehensive shopping and entertainment centre. The architecture is regal, with a rotunda that signifies its formality and which draws focus to its classical overtones. The warm colour of the building complements the cool tranquility set by green glass windows and geodesic dome.</p>

	<p>As of date of valuation, YTL Land is embarking on plans to launch a brand new experience at the Starhill Centre that will bring Malaysia one step closer to establishing itself as the retail icon of Malaysia. The new Starhill Centre, when completed, will re-emerge with a cosmetic and identity change, housed in a cutting-edge environment that will celebrate the latest and best in fashion, art, food, beauty, and living – making Kuala Lumpur a retail destination of choice. Iconic designer David Rockwell of New York has created a whole new shopping environment like no other. The design theme, inspired by the elegance of nature, captures the spirit of wellness. Pillars that intersperse the centre become sculptural forms, combining nature and art in a unique way. The exterior elevation of the building makes a definitive retail statement with flagship stores and glass store fronts washing the interior with the freshness of natural light through atriums, while the spectacular glass entrance makes a statement that will be visible from the corner of Bukit Bintang.</p> <p>In addition, YTL Group also has capitalised on the synergies that existed between the J.W. Marriott Hotel And Starhill Shopping Centre by removing barriers (walls and glass partitions) between the two, offering an integrated and seamless shopping experience for the local and international travellers and shoppers alike. Hotel guests can access the shopping centre just next door, and shoppers can enjoy a 5-star deluxe experience a quick step away. And, YTL Group did not stop there. Not only did they create all those amazing facilities, YTL Group went one step further and connected them as well. Earlier, in July 2004, YTL Group completed the sky bridge that connects Starhill Centre with The Ritz-Carlton Hotel, and The Residences of The Ritz-Carlton, the latter being only one of its kind in Asia and a new landmark of residential luxury that allows those who seek an exclusive lifestyle to call The Residences home.</p>
<p>Description</p>	<p><b>HOTEL PROPERTY</b></p> <p>The Hotel Property was the first Marriott property in Malaysia, opening on 12 July, 1997. The Hotel Property is situated in the heart of the Golden Triangle, Kuala Lumpur's prime business and shopping district, adjacent to the Starhill Property, and anchoring Bintang Walk, a popular shopping strip with a range of restaurants and entertainment outlets. The Hotel Property is approximately an hour's drive from the Kuala Lumpur International Airport at Sepang.</p> <p>The Hotel Property commenced operations since 12 July 1997 and in order to ensure hotel guests continue to receive the ultimate in comfort, service and facilities, refurbishment works were undertaken on 15 July 2002 and duly completed on 30 October 2003 at a total cost of RM17.25 million.</p> <p>The Hotel Property comprises part of the 8-level Podium Block and a twenty four (24)-level Tower Block of the Main Building with five hundred and sixty one (561) rooms. Guest rooms are located over the top 24 levels of the building, with hotel facilities and offices occupying the lower 9 levels.</p> <p>The Hotel Property is targeted mainly towards business travellers and comprises 561 guest rooms, including 70 suites, most of which are equipped with broadband facilities, multi-line telephone with voice-mail, facsimile and computer modem capabilities and television with international satellite.</p> <p>Recreational facilities comprise a 245-square metre gymnasium with aerobics room, sauna, whirlpool and steam room, as well as swimming pool, tennis court, jogging track and health spa.</p> <p>Other facilities include conference and meeting rooms, which comprise one grand ballroom and 22 meeting rooms targeted for business meetings, creative events and social occasions with the capacity to cater to up to 1,200 people, as well as a fully-equipped business centre.</p>

### Income

The investment policy adopted by YTL Land, which also manages the Subject Properties, is to hold the investment and to let out all commercial space. Following this policy, rental income, therefore, accounts for most of the income derived from the Subject Properties. In addition, there is also significant non-rental income from other sources within the Subject Properties. The table below highlights income sources for financial year ended 30 June ("FY") 2002, 2003, 2004 and the period for 8 months from 1 July 2004 up to 28 February 2005:

	FY 2002 (RM'000)			FY 2003 (RM'000)			FY 2004 (RM'000)			8 months ended 28.02.2005 (RM'000)			
	LOT 10 Property	STARHILL Property	Hotel Property	LOT 10 Property	STARHILL Property	Hotel Property	LOT 10 Property	STARHILL Property	Hotel Property	LOT 10 Property	STARHILL Property	Hotel Property	
	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	
Rental income	19,389	12,830	11,291	20,575	17,343	11,291	21,244	21,563	14,291	14,840	14,858	11,085	40,583
Service charges	2,299	3,471	5,770	2,675	3,934	6,609	2,612	2,441	-	1,861	-	-	1,861
Car park operations	1,680	1,445	-	1,878	1,737	-	1,782	1,593	-	1,145	971	-	2,116
Other maintenance income	164	201	365	273	344	617	243	225	468	222	144	-	366
	23,532	17,947	11,291	25,401	23,358	11,291	25,861	25,822	14,291	17,868	15,973	11,085	44,926

### Property Operating Expenses

The property operating expenses consist of (i) Property Cost, being for the costs of assessment, quit rent, insurance, and property maintenance borne by YTL Land as the "Landlord" or "Owner", and (ii) Operating Cost, being for the costs of operations and maintenance of the common areas of the Subject Properties, and borne by the tenants in the form of service charges paid monthly together with the rent. The table below sets out the breakdown of property operating expenses:

	FY 2002 (RM'000)			FY 2003 (RM'000)			FY 2004 (RM'000)			8 months ended 28.02.2005 (RM'000)			
	LOT 10 Property	STARHILL Property	Hotel Property	LOT 10 Property	STARHILL Property	Hotel Property	LOT 10 Property	STARHILL Property	Hotel Property	LOT 10 Property	STARHILL Property	Hotel Property	
	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	
Property Cost	1,677	1,594	1,509	1,622	1,648	1,515	1,492	1,919	1,512	1,012	1,409	883	3,304
Operating cost	3,217	6,099	14	2,873	6,799	-	3,017	6,706	-	1,905	4,446	-	6,351
Total operating expenses	4,894	7,693	1,523	4,495	8,447	1,515	4,509	8,625	1,512	2,917	5,855	883	9,655

### *Tenancy Details*

The tenancies at the Lot 10 Property and Starhill Property are, generally, for a term of not more than three (3) years, with an option to renew for a similar or lesser term. In line with normal commercial practice, tenancy renewals are generally on the same terms and conditions as the original tenancies except for the rental rate, which generally will be revised to prevailing market rent. At the Hotel Property, however, it is let out on a long lease for a period of 19 years and 1 month, commencing 1 December 2004 and expiring on 31 December 2023, with rent reviews after the expiry of 3 years from 1 December 2004 and, thereafter, at every 5-yearly intervals.

The rent reserved in each tenancy in Lot 10 Property and Starhill Property is exclusive of service charges, the latter being payment of the tenant's contribution to all outgoing, costs and expenses of the Landlord paid or payable by the Landlord for management, repair and maintenance of common areas in the Subject Properties and the provision of services and facilities therein. Both are payable monthly in advance. In the event of increased outgoing (quit rent, assessment, rates, property taxes, etc.), the Landlord shall be entitled to increase the rent, such increase to be calculated on the basis of the area of the demised premises which bears to the total built-up area of the Subject Properties. Similarly, if any of the outgoing, costs and expenses within the definition of service charges is increased, the Landlord shall be entitled to increase the service charges by such amount as the additional costs shall be properly attributable to the demised premises as determined by the Landlord. At the Hotel Property, there is, however, no provision for payment of service charges by Star Hill Hotel Sdn Bhd as the Lessee, who shall be responsible to keep the interior including walls, flooring and the ceiling and the Landlord's fixtures and fittings therein in clean and tenantable repair and condition.

A number of tenancies, however, have provisions in their tenancy agreements for the payment of turnover rent. This turnover rent is determined and calculated based on a specified percentage of the monthly gross sale receipts of the tenant, and is payable in addition to or in lieu of base rental value or such other combinations provided for in the tenancy agreements. As at 28 February 2005, only about 9 tenancy agreements in Starhill Property, and 7 in Lot 10 Property, contain provisions for the payment of turnover rent.

A brief summary of the tenancies as at 28 February 2005 is as follows:

Subject Property	Occupancy (%)	Monthly Rental (RM – p.s.f.)	Monthly Service Charge (RM – p.s.f.)	Major and Notable Tenants	% of total NLA	% of total monthly rental income (%)
LOT 10 PROPERTY	98	Lower Ground Floor: 3.53 – 10.00	0.77 – 2.00	<u>Major Tenants</u>	14.8	5.0
				Autodome Sdn Bhd	1.5	4.2
		Ground Floor: 18.00 – 35.00	2.00	Esprit De Corp (Malaysia) Sdn Bhd	1.5	3.4
		First Floor: 6.00 – 27.00	2.00	F.J. Benjamin Fashions Sdn Bhd		
		Second Floor: 5.00 – 20.00	1.50 - 2.00	<u>Notable Tenants</u>		
		Third Floor: 4.00 – 18.00	2.00	Armani Exchange, The Body Shop, Guess, Hour Glass, Marlboro Classic, Nike, Renoma, Timberland, Toni & Guy and Swatch.		
		Fourth Floor (Prestige): 4.00 – 11.00	2.00			
		Basement (Storage Space): 2.20 – 3.50	0.00	Eateries such as Delifrance, Dome Café, San Francisco Café and Societe Café.		
		Annexe Block – Retail: 4.50 – 6.33	1.00			
		Annexe Block – Office: 6.00	1.00			
		<u>Total Gross Monthly Rental</u> - RM1,915,692.05				
STARHILL CENTRE	100	STARHILL PROPERTY:		<u>Major Tenants</u>	76.0	67.4
		Lower Ground Floor: 6.00 – 10.00	1.50	Autodome Sdn Bhd	2.4	6.3
		Ground Floor: 4.00 – 36.00	2.00 – 2.50	Cortina Watch Sdn Bhd	1.0	1.8
		Upper Ground Floor: 6.00 – 28.00	2.00	Apcot PP (M) Sdn Bhd		
		First Floor: 3.75 – 20.00	2.00 – 2.50	<u>Notable Tenants</u>		
		Second Floor: 5.00 – 9.00	2.00	Alfred Dunhill, Audemars Piguet, Celine, Chopard, Polo Ralph Lauren, Christian Dior, Davidoff, DKNY, Fendi, Versace, Givenchy, Gucci, Kenzo, Salvatore Ferragamo and Louis Vuitton.		
		Third Floor: 3.00 – 5.00	1.50			
		Fourth Floor: 3.00 – 5.00	1.50 – 2.00			
		Storage: 1.10 – 2.20	0.00	Eateries such as Shock! And Sentidos Tapas.		
		Annexe Building: 2.00 – 3.00	0.00			
		<u>Total Gross Monthly Rental</u> - RM2,659,638.00				
STARHILL CENTRE	Not Applicable	HOTEL PROPERTY: <u>Rental per month</u> -RM1,710,000	Nil	Star Hill Hotel Sdn. Bhd. (as Lessee)	Not Applicable	Not Applicable

### **Valuation Rationale**

In arriving at the Market Value of the Subject Properties, we have considered the underlying factors as likely to affect property values (the state, and trend, of the national and local economy, property market condition, and others), and more importantly, the competitive strengths of the individual features of the Subject Properties :

- Strategic and prime location

The Subject Properties are "landmark" properties strategically located in the Jalan Bukit Bintang area, forming part of the "Golden Triangle" area of Kuala Lumpur and within the area more popularly known as "Bintang Walk", a popular shopping strip with a range of restaurants and entertainment outlets.

Both the Lot 10 Property and the Starhill Property ("Retail Properties") are easily accessible by roads and are well-served by public transport facilities. Furthermore, accessibility to the Retail Properties have been enhanced with the introduction with the KL Monorail in 2003 (the Bukit Bintang Station of the KL Monorail is sited near the side entrance of the Lot 10 Property).

- Proximity to numerous tourists and business travellers

The Subject Properties are located in an area close to numerous hotels, thereby accessible to tourists and business travellers.

Lot 10 Property is linked to an overhead bridge to Sungei Wang Plaza, which is one of the more popular shopping malls in Malaysia, and which attracts a large number of shoppers.

Jalan Bukit Bintang, where the Subject Properties are located, is one of Kuala Lumpur's tourist hubs, and as a result, the Subject Properties attract a large number of tourists – local and foreign.

In addition, the area near the Subject Properties also includes a large number of executives and office workers from and nearby buildings.

- High profile of Retail Properties

The Retail Properties enjoy a high profile as a result of the YTL Group's marketing efforts to date. Due to the high profile, the Retail Properties are a recognized and desired address for retail tenants.

- Bintang Walk, the entertainment hub of Kuala Lumpur

Bintang Walk, which is located in the heart of Kuala Lumpur on Jalan Bukit Bintang, is designed as a new entertainment hangout in the city and attracts a high volume of human traffic – by day, and by night. The Subject Properties are located within Bintang Walk.

The popularity of Jalan Bukit Bintang has already spilled over to the Jalan Imbi area, and an improving public transportation network in the form of the recently introduced monorail system will make access even easier, thereby increasing the number of visitors to the area.

- High occupancy levels

High occupancy levels reflect the quality and demand for space in the Lot 10 Property. As at 30 June, 2004, the occupancy rate of the Lot 10 Property was 95% (compared with the market occupancy rate of 75% in the Jalan Bukit Bintang area). During the same period, the occupancy of Starhill Property was 86% (excluding the space formerly occupied by Tangs Department Store). The occupancy rate, as at the material date of valuation, is 98%, and 100%, for the Lot 10 Property and the Starhill Property, respectively.



- Quality tenant base

The major tenants of the Retail Properties, are mainly foreign brand names and prominent local stores. These quality tenants enhance the stability of the Retail Properties' rental income as they generally have significant long-term space requirements in Kuala Lumpur.

- Anchor tenant

The anchor tenant is the key to the success of a shopping centre. It contributes enormously to the centre's cumulative attraction potential and is the generative source of retail activity. It also sets the stage for retail compatibility. Because the anchor is the most important component of a shopping centre, this tenant is usually able to extract favourable rental rates and tenancy terms. However, in the case of the Subject Properties, the Starhill Property has no anchor tenant, whilst in the Lot 10 Property, the anchor tenant, ISETAN of JAPAN, operates on its **own** premises in Parcel 1 of the sub-divided building. This is an added advantage to the Retail Properties for, unlike other shopping centres, the Retail Properties are in a position to extract full rental value for the whole of their properties available for lettings. Granting preferential (low) rent rates, as in the case of most other shopping centres, would only mean averaging down the overall rental yields, and hence, their capitalized value.

### ***Valuation Methodology***

In determining the Market Value of the Subject Properties, we have adopted the Income (or Investment), and Comparison, Approaches to value. The Income Approach is considered of primary importance in ascertaining the value of income-producing properties, such as the Subject Properties, since value may be defined as "the present worth of future rights to income, or utility". Thus, in the present report, the Income Approach is expected to provide the most reliable index of value.

The value estimate under the Income Approach is derived by ascertaining the economic rent of the property (i.e. that income which is ascribable to the property under its highest and best use), deducting all reasonable operating expenses (as would be expected to be experienced under typical management), and then capitalizing the resultant net income by an appropriate rate of capitalization to obtain the present value of the forecasted income stream.

As a secondary method of valuation, we have also assessed the Market Value of the Subject Properties by cross-checking the Market Value obtained by the Income Approach with the Comparison Approach to value. Under this Comparison Approach, an estimate of value is derived by comparing the Subject Properties with other "bench mark" properties of similar size, quality and location that have been transacted or valued in recent times.

Below are some of the salient valuation assumptions adopted in determining the Market Value of the Subject Properties :

Subject properties	Total Lettable Area <sup>(a)</sup>	Occupancy <sup>(a)</sup>	Yield	PV <sup>(b)</sup>
	<i>square feet.</i>	<i>%</i>	<i>%</i>	<i>%</i>
Lot 10 Property	174,018	98.00	<b>Rental Revenue and Service Charge</b> 7.00 (Term) 7.50 (Reversion) 3.00 (ASF)	7.50
			<b>Car Park</b> 8.00 (Term) 8.50 (Reversion) 3.00 (ASF)	8.50
			<b>Other Maintenance Income</b> 8.50 (Term) 9.00 (Reversion) 3.00 (ASF)	9.00
Starhill Property	280,005	100.00	<b>Rental Revenue and Service Charge</b> 6.50 (Term), 7.00 (Reversion)	7.00
			<b>Car Park</b> 7.50 (Term) 8.00 (Reversion)	8.00
			<b>Other Maintenance Income</b> 8.00 (Term) 8.50 (Reversion)	8.50
Hotel Property	Not applicable	Not applicable	6.50 (Term) 7.00 (Reversion)	7.00

**Notes:**

- (a) Based on the record of tenancies as at 28 February 2005, being the cut-off date, as provided by YTL Land
- (b) Rate adopted to discount capitalised value of future income flow to present level.
- (c) ASF or Annual Sinking Fund, being applicable to Lot 10 Property only, which is of leasehold interest. The said sum is set aside annually from the income flow and is invested at the stated accumulative rate of interest with the view of recouping the capital invested in the property at the end of the leasehold interest.

**Other assumptions :**

- All vacant lots are assumed to be let out at current Rental Value and are valued to the end of the lease period or in perpetuity, as the case may be.
- All month-to-month tenancies are assumed to be let out and valued to the end of the lease period or in perpetuity, as the case may be, at current Rental Value.
- Service Charge shall remain constant during the Term, and Reversion, periods.
- Tenancies on turnover rent are considered minimal, and where turnover data is available, an estimated income above base rent is determined and capitalised for the remaining term of the existing tenancy. It is assumed, however, that, on reversion, the tenancy will be on current Rental Value.

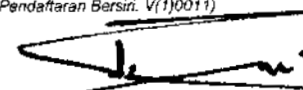
5. For estimating Car Park/Other Maintenance Income, reliance is based on actual income received, with an allowance for an increase on reversion at the end of Financial Year 2005.
6. The value attributable to Owner-Occupied Areas is ignored. It is assumed that the such areas would continue to be owner-occupied, for which no rental income is receivable.

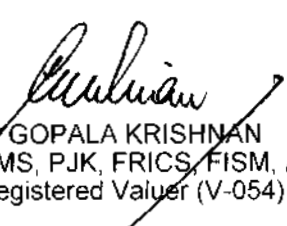
### Conclusion

Taking into consideration all relevant factors, it is our opinion that the Subject Properties can command an aggregate Market Value of **RM1,150 million** as at 1 March 2005, as tabulated below :

Subject Properties	Type of Properties	Market Value (RM)
LOT 10 PROPERTY	One hundred and thirty-seven (137) Parcels, and two (2) Accessory Parcels of retail, office, storage and other spaces, each held under a separate document of strata title, forming part only of a sub-divided purpose-built commercial (retail) building comprising one (1) Basement, a Lower Ground Floor, and an 8-storey Block, together with a 7-storey Annexe Block with a Lower Ground Floor, known as Lot 10 Shopping Centre.	341 million
STARHILL CENTRE	<p><u>STARHILL PROPERTY</u></p> <p>A seven(7)-level shopping centre together with five (5) Basements located on the Podium Block of the Main Building, and a twelve (12)-level Annexe Building with three (3) Basements, collectively known as Starhill Shopping Centre.</p> <p><u>HOTEL PROPERTY</u></p> <p>A Hotel Block occupied by a 561-room 5-star hotel known as J.W. Marriott Hotel Kuala Lumpur located on part of the Podium Block, and the whole of the 24-level Tower Block, of the Main Building.</p>	480 million
	<b>TOTAL</b>	<b>1,150 million</b>

Yours faithfully  
 AZMI & CO SDN. BHD. (77155-D)  
 (No. Pendaftaran Bersiti. V(1)0011)

  
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FMA/nsc

REPORT AND VALUATION  
ON

MARKET STUDY  
ON  
RETAIL, OFFICE, AND  
HOTEL PROPERTY SECTORS  
IN  
KUALA LUMPUR

PREPARED FOR  
YTL LAND SDN. BHD.

\*\*\*\*\*

# **PRELIMINARIES**

## **1.0 PRELIMINARIES**

### **1.1 Introduction**

YTL LAND SDN. BHD. had in March 2005 commissioned AZMI & CO SDN. BHD. to conduct a market study pertaining to the retail, office and hotel property sectors in Kuala Lumpur in conjunction with the proposed disposal of the Properties by YTL Land Sdn. Bhd. into the Real Estate Investment Trust to be established and listed on the Main Board of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad).

### **1.2 Objectives**

The purpose of the market study is to ascertain the future scenario of the property market in relation to the retail, office and hotel sectors, after investigating the existing property market conditions and review of the economy and other related indicators affecting the property market.

### **1.3 Study Approach and Methodology**

- Visits have been undertaken to the subject site, surrounding areas and competing developments
- Enquiries have been made, as necessary, to identify major developments in the study area and relevant details pertaining thereto

- Enquiries have been made to check on existing developments in and around the study area to establish matters such as type(s) of development, take-up rates, rental rates achieved and other relevant information
- Enquiries have been made, whenever deemed necessary, to seek information to establish future supply and demand probabilities in the study area
- References have been made to relevant publications, periodicals and news articles including:
  - Property Market Reports
  - Economic Reports
  - Bank Negara Reports
  - Eighth Malaysian Plan
  - Statistics Reports
  - Tourism Reports
  - KL Structure Plan 2020

Additionally, recourse has been made to our own in-house data, itself gathered from numerous and disparate sources.

#### **1.4 Limitations to Study**

So far as has been reasonably possible, information given to us by third-parties has been verified to our satisfaction. Whilst we believe all such information contained within this Report to have been correct at the time of its gathering, we accept no liability or responsibility for any inaccuracy arising therefrom.

This Market Study has been prepared on the basis of current market conditions and on the assumption that there will be no material changes thereof within the foreseeable future. It is prepared upon the instructions of YTL LAND SDN. BHD. and is confidential to such client and its professional advisers. No liability or responsibility to any party or person(s) other than the aforesaid Client is recognised or accepted by us or by any associated company or representative.



**ECONOMIC FACTORS  
&  
PROPERTY MARKET OVERVIEW**

## 2.0 ECONOMIC FACTORS & PROPERTY MARKET OVERVIEW

### 2.1 The National Economy

#### 1995 – 2000

For most of the early 90's, Gross Domestic Product (GDP) grew at an average of over 8.6% per annum. In the mid-nineties, the performance of the Malaysian economy was even more robust. The manufacturing and construction sector had enjoyed double-digit growths between 1995 until 1998, when recession caused both these sectors to register double-digit negative growths. Growth in the construction sector in the early 90's was supported not only by 'traditional' property developments but also by implementation of ongoing and new infrastructure projects. During this period, the impetus to growth was the manufacturing sector, which accounted for 33% of the nation's GDP. However, in 1999, the manufacturing sector's share of the GDP fell to 30% whilst the services sector accounted for a substantial 54% of the GDP up from 44% in 1995.

The country's sustained economic success caused a surge in direct investments by foreign multi-nationals competing for a share in the booming Malaysian domestic consumer market, while Malaysian companies aware of their own relatively small home base sought overseas expansion. In 1995, foreign investments was at RM9,143 million which by 1996 almost doubled to RM17,056 million. In 1999, however, investments fell to only RM12,274 million, a reflection of global economic uncertainties especially in the US. Annual per capita income rose from RM10,068 in 1995 to RM12,305 in 1999 or an average growth of 5.0% per annum.

2000 – 2005

The slow-down of the global economy and attacks on the US had a substantial impact on the nation's economy in 2001. The Government's quick intervention with pre-emptive packages to stimulate domestic demand, introduced in 2001, helped prevent a prolonged and deeper economic slowdown in Malaysia. Since 2002, the nation has been enjoying strong growths of the GDP of between 4.1% and 7.0%.

**GDP in Constant Price (1987 = 100)**

Year	RM (Million)	%Growth	% Share of GDP	
			Manufacturing	Services
1995	166,625	9.8%	33.1%	44.3%
1996	183,292	10.0%	34.2%	44.7%
1997	196,714	7.3%	35.7%	44.8%
1998	182,237	-7.4%	27.9%	55.5%
1999	193,422	6.1%	29.4%	55.0%
2000	210,557	8.9%	31.9%	53.9%
2001	211,227	0.3%	30.0%	56.9%
2002	219,988	4.1%	29.9%	58.1%
2003	231,675	5.3%	30.8%	57.6%
2004	248,040	7.1%	31.6%	57.4%
2005 (f)	262,922	6%	32.2%	56.9%

(Source: Bank Negara Malaysia)

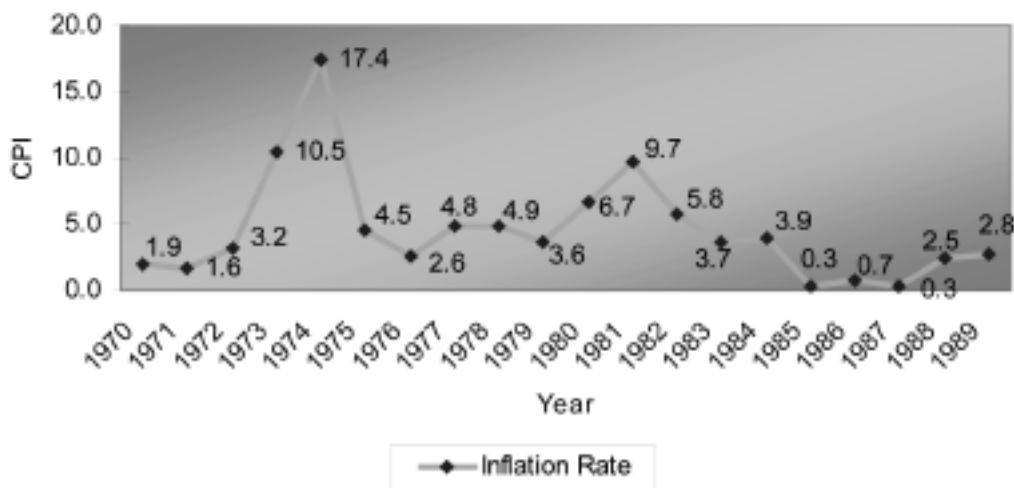
The manufacturing sector's contribution to the GDP in 2004 is now at 32% whilst the services sector contributes about 57% to the GDP. This shows that the services sector, which includes retail, hotel trade and the finance, insurance, real estate sub-sectors now accounts for a major share of the Malaysian economy. **The services sector has been growing at an average rate of 7% per annum since 1995.**

**2.1.1 Inflation**

1996 – 2006

The rate of inflation as measured by the Consumer Price Index showed significant incremental in 1998 following the depreciation of the Ringgit since mid-1997. The slowdown of the economy also caused the employment situation to deteriorate, which saw unemployment rates increased to 3% in 1998 from 2.6% in 1997. Before the financial crisis, the CPI has been on a downward trend since 1996 but the onset of the financial crisis saw inflation rise to 5.3% in 1998, the highest rate since 1982.

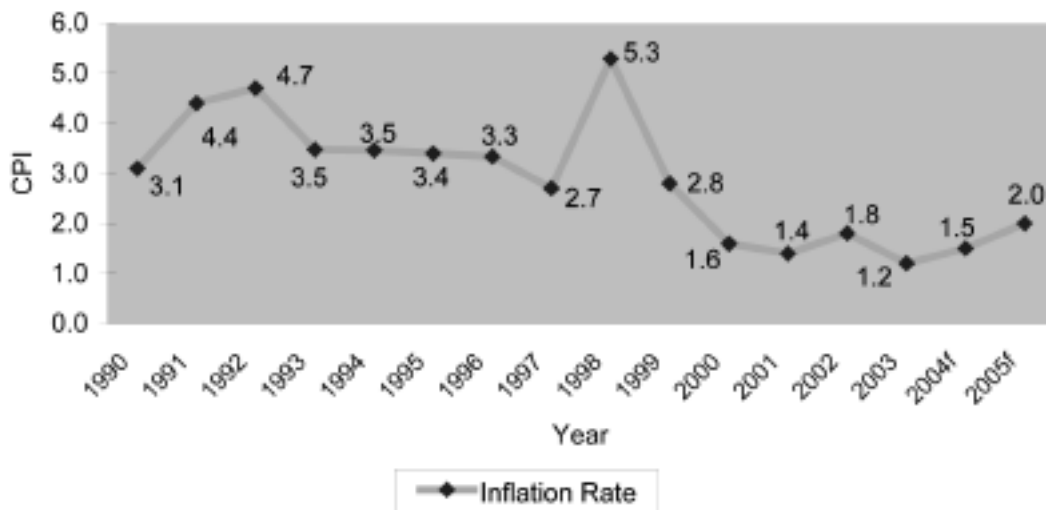
**Inflation Rate in Malaysia  
1970-1989**



(Source: Economic Reports, Bank Negara Malaysia)

Between 2000 and 2004, however, inflation has been kept low to between 1.2% and 1.8% given the weak external environment of the early 2000's. However, the pick-up in economy of advanced countries in 2004 and 2005 will put pressure on inflation and it is projected inflation to be around 2.0% in 2005 and 2.5% in 2006. **This inflation rate is still very much below the historical 10-year rates of 1970's, 1980's and most of the 1990's.**

**Inflation Rate in Malaysia  
1990-2005 (f)**



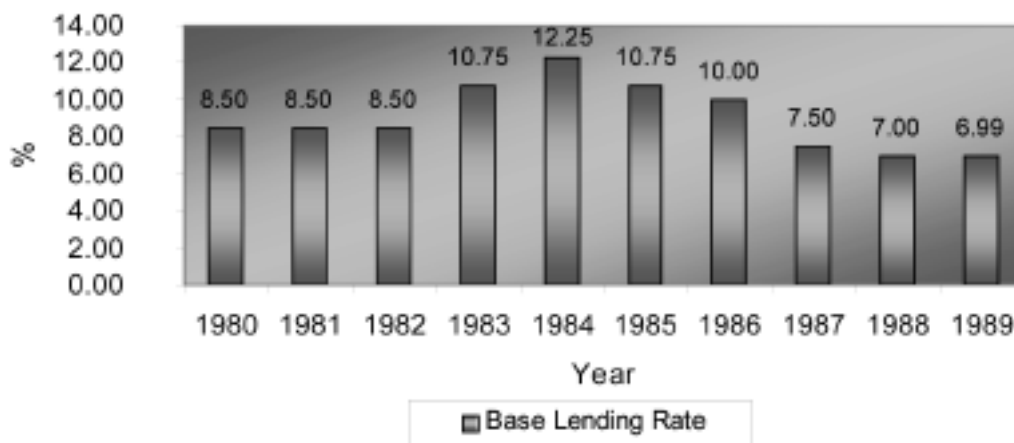
(Source: Economic Reports, Bank Negara Malaysia)

## 2.1.2 Base Lending Rate (BLR)

### 1980 - 2004

From the high 12.25% in 1984, the BLR at 5.98% in 2004 is at the lowest rate since the last 24 years. In 1999, the BLR was at 6.79%, down by 16% from the previous year and consequently in that year, loans to the residential property sector increased by 71% from RM29,891 million (1998) to RM51,123 million in 1999.

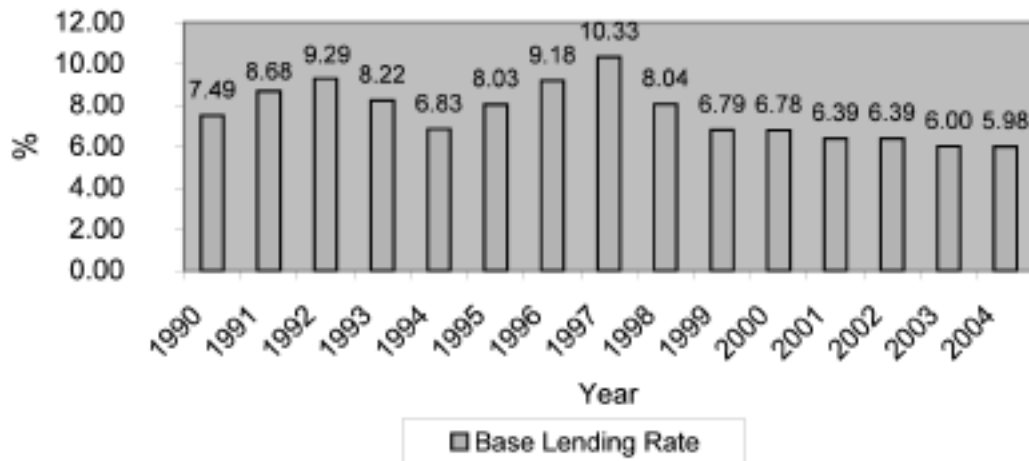
### Base Lending Rate (BLR) 1980 - 1989



(Source: Economic Reports, Bank Negara Malaysia)

Since 2000, commercial banks have extended loans to the residential sector at a growth rate of 6% per annum over the last 4 years until 2004.

**Base Lending Rate (BLR)  
1990 - 2004**



(Source: Economic Reports, Bank Negara Malaysia)

**Housing Loan by Commercial Banks  
2000 - 2004**

Year	Housing Loans (RM Million)	% Growth
2000	61,773	20.8
2001	73,925	19.7
2002	87,094	17.8
2003	68,840	21.0
2004	78,158	13.5
<b>2000 - 2004</b>		<b>6.0%</b>

(Source: Bank Negara Malaysia)

The low interest rates will provide the stimulus to steady growth in the next year and this will contribute to the sustained performance of the property market.

## 2.2 Property Market Overview

The overall property market continued to perform well in the first half of 2004. The Budget 2004 reaffirmed the Government's position as the driver of the property industry. A total of RM13.80 billion was allocated to the economic, infrastructure, and industrial sectors.

On the investment front, ample liquidity and prevailing low interest rates effectively supported the financing needs of the private sector. Loan disbursements increased further by 2.9% during the second quarter to RM492.77 billion, consisting of RM197.39 billion (40%) to the property sector and 295.38 billion (60%) to the non-property sector, registering 2.5% and 3.1% increases, respectively, from the first quarter. The higher loan disbursements to business remain broad based, mainly to the manufacturing sector, the wholesale and retail trade, restaurants and hotel sector, and the finance, insurance and business services sector. Lendings to the property sector increased across the board – for purchases of residential property (2.5%), non-residential property (2.4%) and construction work (1.7%). Lendings to construction work noted a 1.7% decrease for the construction of industrial buildings and factories, although units that started construction during the period recorded a 5.7% increase (406 units) in volume from the second half of 2003 (384 units).

The property sector was bullish, due to the stronger Malaysian economic performance, accommodative financial policy and supportive Government policies and measures. Against the first half of 2003, all sub-sectors registered growths of between 14.0%-38.6% in the volume and 29.9%-77.9% in the value of transactions. The residential property sub-



sector recorded growths of 15.9% and 29.9%, in the volume and value of transactions, respectively, while other sub-sectors grew as follows: commercial property by 31.7% and 64.7%, agricultural by 28.5% and 77.9% and development land by 38.6% and 42.4%.

Market activities continued to improve when compared to the second half of 2003 at 4.8% and 19.2% in the volume, and value, of transactions, respectively. The expansion was driven by the agricultural and development land sub-sectors, which recorded increases of 13.1% and 19.1%, respectively, in the volume of transactions and increases of 50.9% and 40.8%, respectively, in the value of transactions. Commercial and residential sub-sectors increased by 6.9% and 1.8%, respectively, in the volume of transactions and 26.9% and 7.1%, respectively, in the value of transactions. The industrial sub-sector performed moderately as showed by a slight increase of 1.7% in the volume of transactions but grew substantially by 19.8% in the value.

Analysis by State showed that all States recorded positive growths in the volume of transactions, with major States of Kuala Lumpur and Selangor registering 28.7% and 0.6% growths, respectively (Source: JPPH – Property Market Report, First Half 2004).

## **RETAIL MARKET OVERVIEW**

### **3.0 RETAIL MARKET OVERVIEW**

The overview of the retail market will commence with a look at the performance of the retail indicators, which influence upon the retail market. This is followed by the overview of the retail property sector.

#### **3.1 Retail Indicators**

##### **3.1.1 Retail Sales**

###### 1995 – 1999

Between 1994 and 1997, growth of retail sales in Malaysia has been high from 7% to 10% annual growth, with the total value of retail sales peaking to RM46.5 billion in 1997. The recession of 1998 led to the poor performance of the Malaysia retail trade, which contracted to a -20% in that year. However the following year, retail sales made a very strong recovery and registered a 7% growth and witnessed retail sales of RM39.9 billion from RM37.2 billion the previous year.

## Retail Sales Malaysia

1994 – 2005 (e)

Year	Retail Sales Growth Rate (%)	Retail Sales (RM in Billion)
1994	8.0	36.1
1995	10.1	39.7
1996	9.4	43.4
1997	7.0	46.5
1998	-20.0	37.2
1999	7.4	39.9
2000	10.4	44.1
2001	1.7	44.8
2002	3.0	46.2
2003	3.6	47.8
2004	8.0	51.7
2005 (e)	7.0	55.3

Note: (e)=estimate

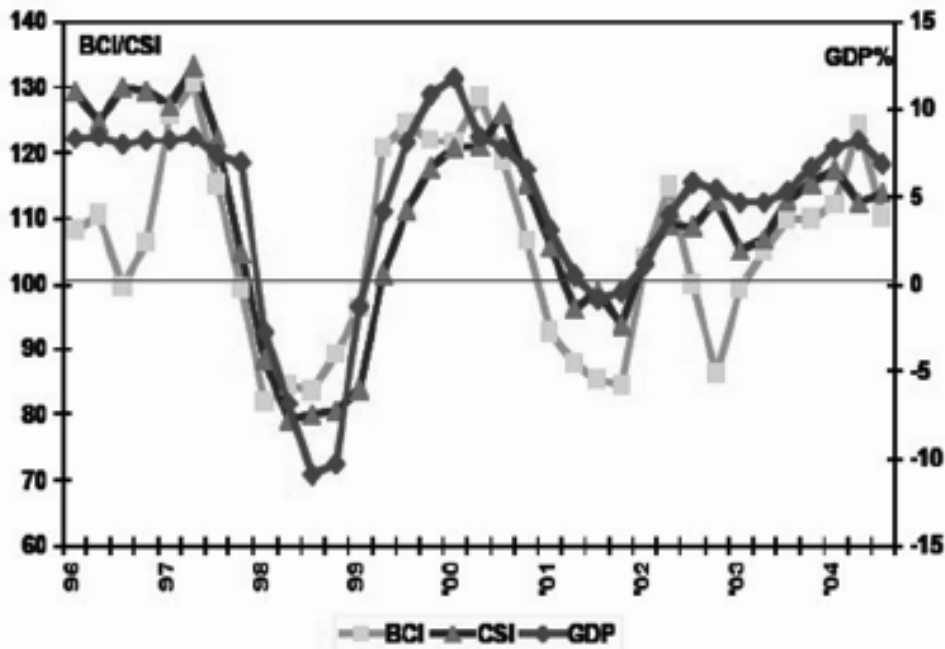
(Source: Retail Group Malaysia)

#### 2000 – 2004

In 2003, the total value of retail sales was at RM47.8 billion. The retail industry suffered set-backs in 2003 from a weak economy, the outbreak of SARS, the Iraq war and threats to security. In spite of these, the retail sales achieved its highest since 1994.

In 2004, the performance of the retail trade continued to be robust due to rising disposable income, changing preferences of consumers, higher tourist arrivals and strong performance of the Malaysian economy. Between 2000 and 2005, the retail sales growth averaged 5% per annum. **Over a longer period of 1994 to 2005, the retail sales growth averaged 4% per annum.**

## BCI, CSI & GDP Growth



(Source: MIER)

### 3.1.2 Tourist Arrivals and Expenditure

#### 1995 – 1999

Tourist arrivals during this period increased by only 6% due to the recession of 1998. Tourism receipts rose by 34% from RM9,175 million in 1995 to RM12,321 million in 1999 or an average of 8% per annum. Tourist spending on food and shopping accounted for between 38% and 41%, whilst shopping alone accounted for between 20% and 23%. Tourist receipts from shopping alone amounted to RM2,800 million in 1999 or an average of RM400 per person.

**Tourist Arrivals and Receipts**  
**1995 – 2004**

Year	Tourist Arrivals	Growth	Receipts from Tourism (RM Million)	Growth
1995	7,468,749	4%	9,175	11%
1996	7,138,452	-4%	10,354	13%
1997	6,210,921	-13%	9,670	-7%
1998	5,550,748	-11%	8,580	-11%
1999	7,931,149	43%	12,321	44%
2000	10,221,582	29%	17,355	41%
2001	12,775,073	25%	24,222	40%
2002	13,292,010	4%	25,781	6%
2003	10,576,915	-20%	21,291	-17%
2004	15,703,406	48%	30,000 (e)	41% (e)

Note: (e)=estimate  
(Source: MIHR, Tourism Malaysia)

**2000 – 2004**

Tourist arrivals soared 54% from 10.221 million in 2000 to 15.703 million in 2004. The estimate for 2004 for tourism receipts is expected to be around RM30,000 million which translates to a 73% incremental from RM17,335 million in 2000. Even though tourist arrivals fell by 20% in 2003 due to SARS and the Iraq war, arrivals recovered the following year. **Since 2000, the average growth of tourist arrivals is at 10.5% per annum, whilst tourism receipts are at an estimated 15% per annum.**

**Tourist Expenditure**  
**1995 - 2004**

Year	Total Revenue (RM Million)	Growth	Shopping	Growth	Food & Beverage	Growth
1995	9,175	20%	21%	2%	18%	1%
1996	10,354	4%	20%	1%	18%	0%
1997	9,670	-1%	22%	2%	19%	1%
1998	8,580	0%	23%	1%	17%	-2%
1999	12,321	44%	23%	0%	18%	1%
2000	17,355	41%	23%	0%	20%	2%
2001	24,222	2%	21%	-2%	17%	-3%
2002	25,781	2%	21%	0%	19%	2%
2003	21,291	3%	21%	0%	16%	-3%
2004	30,000 (e)	41%	23%	2%	18%	2%

Note: (e)=estimate

(Source: MIHR, Tourism Malaysia)

Tourist spending on shopping is between 21% and 23%, whilst spending on both shopping and food accounts for between 37% and 43%. In 2000, tourism receipts from shopping was RM4,000 million or RM390 per person. It is forecasted that in 2004, tourism receipts from shopping will almost double to RM6,900 million or RM440 per person. This means that since 2000, tourist receipts from shopping have been increasing at about 3% per annum. **Over the last 9 years from 1995, the annual growth of tourists is at 8.5%, whilst tourism receipts have grown at an average of 14% per annum.**

### 3.1.3 Economic Performance and Consumer Sentiments

#### 1995 – 1999

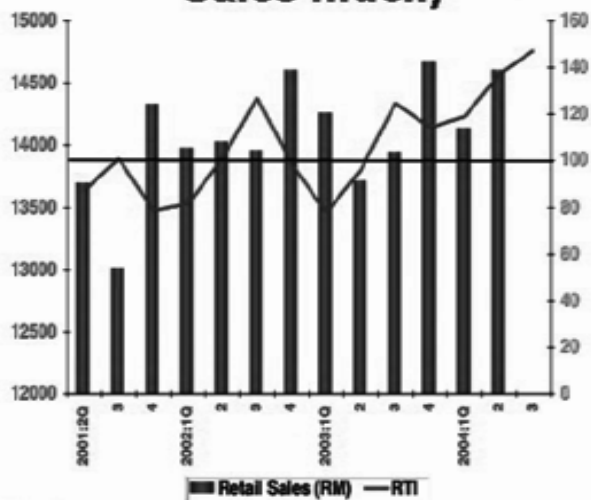
The economic performance affects the retail industry where significant growth of the economy gives rise to higher disposable income and stronger consumer sentiments. The same holds for the reverse. Between 1995 and 1997 when GDP was at a high of 9.8% - 10% to 7.3% (in 1997), the Consumer Sentiment Index (CSI) peaked to above 130 points. In 1998, when the economy was at a recession and GDP was -7.4%, the CSI correspondingly fell to -80 points.

#### 2000 – 2004

The strong economic recovery in 2000 saw GDP surged to 8.9%, which also witnessed the CSI rebound from negative sentiments in 1998 and 1999 to above 120 points. This, however, did not hold beyond the year. The GDP growth of 0.3% in 2001 saw the CSI dip again to a -50 points. The performance of the economy has, therefore, a direct impact on consumer sentiments and ultimately the retail industry.



### Retail Sales & RTI (Retail Sales Index)



(Source: MIER)

For the year 2004, the third quarter registered a strong CSI of 113 points against a robust GDP growth forecast of 7.1%. The moderate GDP growth forecasted for 2005 and 2006 is likely to reflect the moderate growth for the retail industry during these years. **Retail Malaysia Association forecasted that retail sales growth in 2005 is likely to be around 7% slightly below 8% growth in 2004, in tandem with the slower economic growth forecasted for this year.**

#### 3.1.4 Population and Employment in Kuala Lumpur

The economic catchment of Kuala Lumpur encompasses the whole country not only because it is the capital city but is also an international business centre and is located in the most industrialised and fastest growing region in the country.

1991 – 2000

Kuala Lumpur achieved a commendable GDP growth rate of 4.2% p.a. between 1995 and 2000 compared to the national GDP growth rate of 4.7% p.a. during that period. The per capita GDP for Kuala Lumpur registered a growth rate of 6.1%, increasing from RM22,799 to RM30,727 during the same period. In comparison to Malaysia, the per capita GDP for Kuala Lumpur is more than twice that of the national average. The rate of growth of the Kuala Lumpur GDP per capita at 6.1% between 1995 and 2000 is almost at the same growth rate of the national's per capita GDP, which was at 6.3% for that period.

**Gross Domestic Product (GDP)  
1995 – 2000**

Area	GDP (RM Million)		Average Annual Growth Rate (%)
	1995	2000	
Kuala Lumpur	21,157	25,968	4.2
Malaysia	166,625	209,269	4.7

(Source: Eighth Malaysia Plan)

In 1991, the city centre's population was 1,262,000 and based on the Kuala Lumpur Structure Plan 2020, the population in 2000 was estimated at 1,423,900, which is a 13% incremental over 9 years or a 2% growth per annum.

**Per Capita Gross Domestic Product (GDP)  
1995 – 2000**

Area	Per Capita GDP (in RM million)		Average Annual Growth Rate (%)	Ratio of Per Capita GDP to Malaysia Average	
	1995	2000		1995	2000
Kuala Lumpur	22,799	30,727	6.1	2.12	2.11
Malaysia	10,756	14,584	6.3	1.00	1.00

(Source: Eighth Malaysia Plan)

Against this, the employment in 2000 is estimated at 838,400. **The average growth rate of the population in the city centre between 2000 and 2020 is projected to be at 2.2% per annum whilst the employment growth is projected to grow at 2.6% per annum.** City Hall targets that by 2020 the city centre will have a population of 2,198,400 with an employment base of 1,419,600. The employment to population ratio for Kuala Lumpur in 2000 is 59%. The Kuala Lumpur Structure Plan 2020 projects that between 2000 and 2020, new employment created will be 581,200 persons. By 2020, the ratio of employment to the city's population is estimated to be at 64%.

**Kuala Lumpur Population and Employment  
2000 – 2020**

Socio-Economic Parameter	2000	2020	Average Annual Growth Rate 2000 – 2020
Population	1,423,990	2,198,400	2.2%
Employment	838,400	1,419,600	2.6%
Employment / Population Ratio	59%	64%	

*(Source: Department of Statistics)*

The distribution of employment in the city who are employed in the "fibre" (finance, business, insurance, real estate) sub-sector, which are the major users of purpose-built office space, is at 24% of the city's total employment. In 2000, the employment in the "fibre" sub-sector was 202,800. **By 2020, based on a projected employment of 1,419,600, the "fibre" sub-sector is estimated to have an employment of 340,700 (24% of total employment) in the city.** The next largest employment sector for Kuala Lumpur in year 2000 is the wholesale, retail, hotel and restaurant sub-sector, which employs 17% of the city's employees at 144,400. By 2020, it is estimated that this sub-sector will have an employment of 241,000, which reflects a growth rate of 3% per annum.

**Distribution of Employment by Major Sectors in Kuala Lumpur**

Sectors	Kuala Lumpur	
	('000)	%
<b>Primary</b>	<b>9.0</b>	<b>1.1</b>
<b>Secondary</b>	<b>131.3</b>	<b>15.7</b>
Manufacturing	88.1	10.5
Construction	43.2	5.2
<b>Tertiary</b>	<b>698.1</b>	<b>83.3</b>
Utilities	24.1	2.9
Wholesale & retail trade, restaurant & hotel	144.4	17.2
Transport, storage and communications	66.5	7.9
Finance, insurance, real estate and business services	202.8	24.2
Personal services	125.7	15.0
Government services	134.6	16.1
<b>Total Employment</b>	<b>838.4</b>	<b>100</b>
Population	1,423,900	
Employment/Population Ratio	0.59	

*(Source: Eighth Malaysia Plan)*

**3.2 Retail Property Market**

**3.2.1 Retail Property Location**

Retail supply from shopping centres in Kuala Lumpur can be divided into 3 different locations i.e. the GT (Golden Triangle), CBD (Central Business District) and DA (Decentralised Areas). GT area is bounded by Jalan Sultan Ismail, Jalan Raja Chulan and part of Jalan Ampang. CBD area represents the old part of the city which includes China Town, Jalan Tuanku Abdul Rahman, Jalan Raja Laut, Jalan Pudu and Jalan Pahang, whilst DA covers suburban of Kuala Lumpur includes Damansara, Petaling Jaya, Subang Jaya, Shah Alam and Putrajaya.

### 3.2.2 Retail Property Stock

1995 - 2005

For purposes of this discussion and further analysis, shopping centres in Malaysia are classified into 4 categories according to their size, catchment area, estimated travelling time of catchment population to the centres and minimum population to support the shopping centre. The following table shows the classification of shopping centres:

**Classification of Shopping Centres**

Type of Centre	Minimum Population Support Needed	Square Footage	Driving Time
Super Regional	800,000 or more	900,000 or more	Up to 1 hour
Regional	200,000 to 800,000	350,000 to 900,000	Up to 30 minutes
Community	50,000 to 200,000	150,000 to 350,000	5 to 15 minutes
Neighbourhood	Up to 50,000	Up to 150,000	About 5 minutes

*(Source: Henry Butcher Malaysia)*

Currently, there are some 115 existing shopping centres serving Kuala Lumpur and the DA locations. Out of 115 existing shopping centres, 53 centres are contained within what we define as neighbourhood centres, 34 are community shopping centres, 23 are regional centres and 4 are super regional centres, with 1 that is festival retail i.e. the Central Market.



*Starhill Shopping Centre, a premier retail venue along Jln Bukit Bintang*

Currently, the existing stock of retail/shopping centres is at 32.2 million sq. ft. covering all the 4 main retail locations which includes Petaling Jaya, Subang Jaya, Shah Alam and Putrajaya.



*Lot 10 at Jln Bukit Bintang, a strategically well-located shopping centre in Bukit Bintang*

**Kuala Lumpur Retail Stock (sq. ft.)  
1995 - 2005**

Year	Cumulative Stock	GT	CBD	DA
1995	15,337,311	3,261,743	3,033,832	9,041,736
1996	16,692,252	3,261,743	3,158,832	10,271,677
1997	20,371,247	3,261,743	3,158,832	13,950,672
1998	22,520,066	4,311,743	3,653,832	14,554,491
1999	24,464,326	4,811,743	5,098,092	14,554,491
2000	24,785,926	4,811,743	5,098,092	14,876,091
2001	24,985,926	4,811,743	5,098,092	15,076,091
2002	27,076,753	6,558,573	5,098,092	15,420,088
2003	28,951,753	6,558,573	5,338,092	17,055,088
2004	31,505,253	6,558,573	5,338,092	19,608,588
2005	32,165,253	6,918,573	5,338,092	19,908,588
Future	38,158,405	8,346,573	7,853,244	21,958,588

*(Source: Henry Butcher Malaysia)*

In the GT, there are some 21 existing shopping centres whilst the CBD have 25 shopping centres. The DA location has 69 shopping centres where 75% are neighbourhood and community shopping centres. The GT has a larger number of mega size malls with some 33% being regional and super regional malls. The main shopping street for shopping centres is the Bukit Bintang area, where the subject property (Lot 10 and Starhill Shopping Centre) is located. This location (Bukit Bintang) including Jalan Imbi and Jalan Raja Chulan, accounts for 35% of the shopping centres in the city location or 4,285,373 sq. ft. out of 12,256,665 sq. ft. (2005) in the GT and CBD areas.



*BB Plaza at Jln Bukit Bintang*

### **3.2.3 Kuala Lumpur Retail Future Supply**

Kuala Lumpur will have some more 20 new shopping centres as currently they are now under construction. The bulk of this future supply is concentrated in the DA location where some 13 shopping centres are actively under construction. However, 12 of these are neighbourhood and community shopping centres with 1 being a regional mall (Sunway Pyramid extension).

In the CBD, there are 5 shopping centres under construction, of which Berjaya Central Park and CapSquare at Jalan Ampang are the nearest to the Bukit Bintang area. These are small malls of 135,000 sq. ft. and 180,000 sq. ft. and can be considered as neighbourhood malls servicing mostly a local catchment.



In the GT, there are 2 malls under construction near to the subject property. These are Nas Pavilion, which is part of an integrated commercial development (with service apartments) and the Pavilion across the road from Starhill Shopping Centre. The Pavilion is a super regional shopping centre of 1,300,000 sq. ft. This will be the second largest mall in this area after Berjaya Times Square with 1,746,830 sq. ft. in area. The total future supply from shopping centres currently under construction is estimated at 7,169,444 sq. ft. The GT accounts for 20% of this future supply with the remaining almost evenly divided between the CBD and the DA locations.

**New Supply Shopping Centres  
2005 – 2007**

GT Location

Shopping Centre	Location	NLA (sq. ft.)	Year of Completion	Status
Nas Pavilion (prev. CN Gallery)	Jln Imbi	128,000	NA	U/Construction
Pavilion	Jln Bukit Bintang	1,300,000	NA	U/Construction

CBD Location

Shopping Centre	Location	NLA (sq. ft.)	Year of Completion	Status
UDA PUDU	Jln Pudu	200,000	NA	Planning
Berjaya Central Park	Jln Ampang	135,152	NA	U/Construction
CapSquare	Jln Ampang	180,000	NA	U/Construction
Lot G. KL Sentral	Jln Brickfields	1,200,000	NA	Planning
Mid-Valley City (Garden Mall) Phase 2	Jln Syed Putra	800,000	NA	Planning

DA Location

Shopping Centre	Location	NLA (sq. ft.)	Year of Completion	Status
D'Sara	Damansara Heights	240,000	2005/06	Planning
Dijaya Mall	Damansara Utama	300,000	2005/06	U/Construction
Season Square	Damansara Damai	150,000	2005/06	U/Construction
Plaza Damas	Sri Hartamas	300,000	2005	NA
Cineleisure Damansara	Damansara	200,000	2005/06	U/Construction
Sunway Pyramid (Phase 2)	Subang/Sunway	660,000	2006/07	Planning
Tesco-Kajang	Kajang	187,292	2005	U/Construction
Tesco-Shah Alam	Shah Alam	150,000	2005	U/Construction
Galaxy Ampang	Ampang	279,000	2005	NA
Hartamas Shopping Centre	Sri Hartamas	260,000	2005	NA
Giant Kajang	Kajang	150,000	2005	U/Construction
Carrefour Kepong	Kepong	150,000	2006/2007	Planning
Jaya Jusco Balakong	Balakong/Cheras	200,000	2006	U/Construction

(Source: Henry Butcher Malaysia)

### 3.2.4 Retail Demand and Occupancy

#### 1995 – 2004

Generally, the occupancies of shopping centres are affected by the economic conditions prevalent during that time, the consumer sentiments as well as the new supply. During the time of recession, downscaling by retailers as well as closures of outlets affected the occupancy levels of many shopping centres.

In 1998, with the economy in recession, average occupancies dropped from 90% the previous year to 80% and take-up rate for the year was at negative 318,000 sq. ft. In spite of improvements in the GDP in 1999, the take-up rates was still negative at -402,000 sq. ft. whilst supply increased by a further 1,944,000 sq. ft. Between 1999 and 2001, new supply of shopping centres slowed down tremendously and by 2002 take-up rates improved substantially to register 2,173,000 sq. ft.

In 2003 and 2004, although substantial new supply entered the market buoyed by the strong performance of the economy in 2004, shopping centres in Kuala Lumpur managed to sustain healthy levels of absorption at 2,936,000 sq. ft. for that year.

**Average Occupancies and Absorption Rates of Shopping Centres  
in Kuala Lumpur  
1995 – 2005**

Year	GDP	Cumulative Supply (‘000) sq. ft.	Occupancy Rate	Take-up (‘000) sq. ft.
1995	9.4	15,337	96%	-
1996	10.0	16,692	83%	-870
1997	7.3	20,371	90%	4,480
1998	-7.4	22,520	80%	-318
1999	6.1	24,464	72%	-402
2000	8.3	24,786	81%	2,463
2001	0.3	24,986	78%	-588
2002	4.1	27,077	80%	2,173
2003	5.3	28,952	78%	921
2004	7.0	31,505	81%	2,936
2005 (e)	6.0	32,165	-	-

(Source: JPPH, Property Market Reports, Henry Butcher Malaysia)

**The absorption rate between 1995 and 2004 is estimated to be at 1,199,000 sq. ft. per annum over the last 9 years.**

For the Bukit Bintang area in particular, the average occupancies since 1998 have been about the Kuala Lumpur average, except in 2004 because of the Berjaya's massive Times Square development, which have pulled down the occupancies in this particular location. The higher than average occupancy scenario for Bukit Bintang area proves the high popularity and recognition of this area as a popular shopping destination. The Bintang Walk master plan, which was designed and financed by YTL as part of their effort to brand this street, has reinforced the popularity of Bukit Bintang as a retail area as well as a tourism icon for Kuala Lumpur. The Bintang Walk street branding, which is perpetually high on the minds of both locals and tourists alike is a powerful marketing tool for the retail outlets and shopping complexes particularly for YTL shopping centres i.e. Lot 10 and Starhill Shopping Centre as well as its JW Marriott, Ritz Carlton and the Residences, which are all integrated via the Bintang Walk.

**Average Occupancies and Absorption Rates in Bukit Bintang Area**

Bukit Bintang Shopping Centres				Kuala Lumpur Average Occupancy	Lot 10	Starhill Shopping Centre
Year	Retail Space (sq. ft.)	Occupied Space (sq. ft.)	Occupancy (%)			
1998	2,379,954	2,237,157	94%	80%	-	-
1999	2,536,451	2,282,806	90%	72%	-	-
2000	2,865,417	2,550,221	89%	81%	93%	76%
2001	2,865,417	2,550,221	89%	78%	92%	71%
2002	2,865,417	2,492,912	87%	80%	94%	88%
2003	4,612,249	3,782,044	82%	78%	96%	95%
2004	4,612,249	3,459,187	75%	81%	95%	*86% (excludes Tangs)
Feb 2005	4,612,249	3,459,187	75% (e)	81% (e)	98%	100%

\* CK Tang inoperational in 2004

(e) Estimates

(Source: JPPH, Property Market Reports, YTL Land Sdn. Bhd.)

Lot 10

For Lot 10, the table above shows that its average occupancies since 2000 have consistently been above the average occupancy of not only Bukit Bintang shopping centres but also Kuala Lumpur shopping centres. Since 2000, Lot 10 has been achieving average occupancies above the market by between 4% and 20% as compared to the Bukit Bintang and Kuala Lumpur Shopping Centres and in the year of 2003 and 2004, it has registered average occupancies, which are above the market by 14% and 20% as shown in the following table:

<b>Differential in Average Occupancies Lot 10 Compared To:</b>		
	<b>Bukit Bintang Shopping Centres</b>	<b>Kuala Lumpur Shopping Centres</b>
2000	+ 4%	+ 12%
2001	+ 3%	+ 14%
2002	+ 7%	+ 14%
2003	+ 14%	+ 18%
2004	+ 20%	+ 14%

*(Source: JPPH, Property Market Reports, YTL Land Sdn. Bhd.)*

Lot 10, which is targeting more for the middle market have proven to be successful with its consistent above than average occupancy rates. Its strategic location coupled with the anchor operator, the Isetan Group, has successfully drawn in the right crowd to this Centre.

#### Starhill Shopping Centre

For Starhill Shopping Centre, except in 2000 and 2001, year 2002 and 2004 (and the latest records of 2005) shows that, like Lot 10, this shopping centre has also achieved higher average occupancies compared to other shopping centres in Bukit Bintang and also in Kuala Lumpur generally. In 2000 and 2001, the lower occupancies achieved could be attributable to the shopping centre changing ownership to YTL from the previous owner and the lower occupancy was thus inherited. Also in 2001, the economic growth was only at 0.3%, which led to negative consumer confidence and lower retail sales and thus affected many upmarket retailers.

Starhill Shopping Centre has, since 2003, registered an occupancy rate of between 5% and 17% above the average. YTL's efforts to convince the Government to waive/reduce duties for branded goods to stimulate retail and tourism economic activities, gave an important impetus and milestone to bring growth and sustainability to compete in this sector especially against the saturated and matured market like Singapore. With the refurbishment and re-branding exercise, this shopping centre will have achieved 100% occupancy, which thus means that it will be achieving average occupancies of between 19% and 25% above the other shopping centres in Bukit Bintang and Kuala Lumpur as shown in the following table:

<b>Differential in Average Occupancies Starhill Shopping Centre Compared To:</b>		
	<b>Bukit Bintang Shopping Centres</b>	<b>Kuala Lumpur Shopping Centres</b>
2000	- 13%	- 5%
2001	- 18%	- 7%
2002	+ 1%	+ 8%
2003	+ 13%	+ 17%
2004	+ 11%	* + 5%
2005	25%	19%

\* Excludes C.K. Tang

(Source: JPPH, Property Market Reports, YTL Land Sdn. Bhd.)

Again, the decision to acquire CK Tang was a strategic move to improve rentals as well as provide better synergy to this upmarket shopping centre. As Starhill Shopping Centre is clearly targeting the niche market, YTL strategies for this Centre are all set to focus and enhance this Centre to cater to the needs of its high net worth customers. The positioning and branding for this centre have proven to be effective as most of the luxury and branded

item retailers are exclusive only situated at Starhill Shopping Centre, such as the LVMH Group of Louis Vuiton, Christian Dior, Fendi, Givenchy, Loewe, Kenzo, Celine and others, namely Jim Thompson and Brioni.

### **3.2.5 Average Rental Rates**

Average rental rates of Lot 10 and Starhill Shopping Centre are compared to selected shopping centres in Kuala Lumpur.

The selected shopping centres were Suria KLCC in the GT and Sungei Wang Plaza and Bukit Bintang Plaza in the Bukit Bintang area.

In the Decentralised Areas (DA), where Mid-Valley Megamall is located, rental rates were also analysed.

From the table on rental trends of shopping centres, it is noted that since 2000 (based on the latest figures from JPPH), Lot 10's rental rates are generally much higher than Suria KLCC. For example, in 2004, the commencement rent for Lot 10 was at RM32.00 psf for the ground floor whilst Suria KLCC adopted RM17.00 psf (for the lower ground being more prime than ground). Lot 10's starting rent for the ground, 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> floors are higher than Suria KLCC's.

Lot 10's average rents are the highest in the market, out performing all the shopping centres in Bukit Bintang, Kuala Lumpur and even prime shopping centres in the DA.



Starhill Shopping Centre's rents, compared to other shopping centres in the GT and Bukit Bintang area, may have a lower starting rent for the upper floors, but the upper ground and ground floors are higher than Suria KLCC's 2004 rent levels. For 2004, based on JPPH's Property Market Report, Suria KLCC's rent are stable or at the same level as 2003. This means that Starhill Shopping Centre's latest rents (for upper ground and ground) are higher than Suria's current rent.

In 2003, when most shopping centres reported stable rent over 2002, Lot 10 and Starhill Shopping Centre reported rent incrementals of between 7% and 14% (except for – 11% for level 3 of Starhill Shopping Centre). For 2004 (Lot 10) and 2005 (Starhill Shopping Centre), rents in these shopping centres have been increasing especially at the prime levels.

An important point to note is YTL's unique strategy in enhancing its investment yields. Both YTL's shopping centres do not carry the burden of low rental rates normally applicable to large tenants i.e. anchors and mini anchor tenants, which would average down the overall rentals and yields for the centres. This is possible as the area occupied by Isetan is not owned by YTL, hence YTL does not have to offer low rentals to attract any other anchor tenants to be in this centre. For Starhill Shopping Centre as mentioned earlier, YTL has strategically bought over CK Tang, the anchor tenant to improve the Centre's synergy and draw the right crowd.

Unlike other shopping centres especially mega centres such as Suria KLCC, Mid Valley Mega Mall and 1Utama which strongly rely on several anchors and mini anchor tenants to fill up their retail space to draw the shopping crowd, both YTL shopping centres being at the size of a community centre but supported by regional population and tourists catchment have adopted a different approach to its ownership structure to improve its rentals and yields.

	Trends in Retail lots sq. ft.	Rental Rates 2000 RM psf pm	2001 RM psf pm	2002 RM psf pm	2003 RM psf pm	2004 RM psf pm
Suria KLCC	LG 400 - 1200	20.00 - 28.00	17.00 - 35.00	17.00 - 35.00	17.00 - 35.00	17.00 - 35.00
	G 400 - 1200	15.00 - 26.00	14.00 - 30.00	14.00 - 30.00	14.00 - 30.00	14.00 - 30.00
	1 400 - 1200	14.50 - 24.00	15.00 - 24.00	15.00 - 24.00	15.00 - 24.00	15.00 - 24.00
	2 400 - 1200	12.00 - 20.00	11.00 - 24.00	11.00 - 24.00	11.00 - 24.00	11.00 - 24.00
Sungei Wang Plaza	3 400 - 1200	10.00 - 17.00	10.00 - 18.00	10.00 - 18.00	10.00 - 18.00	10.00 - 18.00
	4 400 - 1200	6.00 - 10.00	6.00 - 12.00	6.00 - 12.00	6.00 - 12.00	6.00 - 12.00
	LG 312 - 624	11.60 - 23.20	12.00 - 23.20	13.30 - 21.40	13.30 - 21.40	13.00 - 21.00
	G 312 - 624	10.00 - 26.00	10.00 - 26.00	12.20 - 23.20	12.20 - 23.20	12.00 - 23.00
Bukit Bintang Plaza	1 312 - 624	6.50 - 17.60	6.50 - 17.60	10.00 - 14.00	10.00 - 14.00	10.00 - 14.00
	2 312 - 624	3.50 - 9.50	3.70 - 10.00	5.50 - 10.20	5.50 - 10.20	6.00 - 10.00
	LG 508 - 646	13.00 - 15.00	12.00 - 15.00	11.00 - 14.90	11.00 - 14.90	11.00 - 15.00
	G 280 - 495	21.00 - 25.00	20.00 - 25.00	20.40 - 23.70	20.40 - 23.70	20.00 - 24.00
Berjaya Times Square	1 301 - 688	7.20 - 11.00	7.00 - 12.00	6.50 - 12.00	6.50 - 12.00	6.50 - 12.00
	2 290 - 750	5.30 - 8.00	5.00 - 7.40	5.00 - 7.40	5.00 - 7.40	5.00 - 7.40
Lot 10	G 540 - 3680	26.50 - 27.50	26.50 - 27.50	28.00 - 32.00	25.00 - 30.00	32.00 - 35.00
	1 540 - 3350	19.50 - 21.50	19.50 - 21.50	22.00 - 27.00	22.00 - 27.00	21.00 - 25.00
	2 270 - 3120	13.50 - 15.50	13.50 - 15.50	11.00 - 20.00	9.00 - 18.00	12.00 - 18.00
	3 320 - 3280	10.50 - 15.50	10.50 - 15.50	16.00 - 17.00	5.00 - 16.00	14.00 - 18.00
Starhill Shopping Centre Shopping Centre	4			11.00	5.00 - 9.00	6.00 - 10.00
						(also 4.00 - 5.00)
Mid-Valley	UG 516 - 990	9.50 - 26.50	9.50 - 26.50	18.00 - 28.00	26.00 - 28.00	2004 / 2005 18.00 - 27.00
	G 355 - 732	16.50 - 29.50	16.50 - 29.50	20.00 - 36.00	22.00 - 24.00	(one each at 10.00 & 14.00) 15.00 - 25.00
	1 355 - 882	9.50 - 13.50	9.50 - 13.50	14.00 - 15.00	17.00	(one at 11.00 - split to 3 levels) 12.00 - 19.00
	2 247 - 925	9.50 - 13.50	9.50 - 13.50	(also 10.00)	(also 12.00)	5.00
Starhill Shopping Centre Shopping Centre	3 376 - 850	5.00 - 8.50	5.00 - 8.50	9.00	5.20	5.00
	4			2.70	3.00	5.00
					2.00	3.00 - 5.00
Mid-Valley	LG 280 - 990	7.40 - 20.00	7.40 - 20.00	14.50 - 30.00	16.00 - 30.50	17.00 - 37.00
	G 340 - 970	10.00 - 22.30	10.00 - 22.30	16.00 - 30.00	13.50 - 38.50	15.00 - 39.00
	1 215 - 990	8.00 - 16.00	8.00 - 16.00	9.00 - 25.00	7.15 - 27.00	7.00 - 27.00
	2 400 - 990	5.60 - 10.00	5.60 - 10.00	8.00 - 14.00	6.00 - 18.50	6.00 - 19.00
Starhill Shopping Centre Shopping Centre	3 350 - 770	7.40 - 8.00	7.40 - 8.00	7.50 - 7.50	6.00 - 10.50	7.00 - 15.00

Note: Rent of Lot 10 and Starhill Shopping Centre for years 2002, 2003, 2004 / 2005 are extracted from tenancy schedule provided higher or all per Suria KLCC (Lot 10) Market Reports. All other rental data from JPPH Property Market Reports. For Starhill Shopping Centre the low rent charged are turn over rent. These are the rent shown in brackets ( ).

M/S: C-173688/ARAK/STUD/ANAZ

### 3.3 Key Retail Properties in the Golden Triangle

#### 3.3.1 Lot 10 Shopping Centre

Lot 10 commenced operations on 10 October 1990. This some 180,000 sq. ft. complex takes the form of one basement, a lower ground floor and an 8-storey block together with a 7-storey annexe block with a lower ground floor.

##### Location

This prime shopping centre is strategically situated at the junction of Jalan Sultan Ismail and Jalan Bukit Bintang, fronting the trendy Bintang Walk. Bintang Walk and Bintang Steps, which cost RM10.226 million, were conceived some 5 years ago. They have brought life back to this 100-year-old historical retail street and is the most popular street in Kuala Lumpur for visitors and shopping destination. As mentioned earlier, Bintang Walk has successfully drawn the day and night population catchment of both locals and tourists with higher than average disposable income.



*The trendy Bintang Walk along Jalan Bukit Bintang*

Within the vicinity of Lot 10 are 5-star hotels such as Regent of Kuala Lumpur, Westin Kuala Lumpur, Park Royal Hotel, Istana Hotel, Ritz-Carlton Hotel & Ritz-Carlton Residence and the JW Marriott Hotel. There is also a mix of shopping centres of different categories from the upmarket Starhill Shopping Centre to malls serving a lower-end crowd such as Bukit Bintang Plaza, Sungei Wang Plaza, Imbi Plaza, Low Yat Plaza, Plaza Berjaya, KL Plaza and Berjaya Times Square.

This area is also facilitated by the recently-introduced monorail system. The nearest stops are at Raja Chulan, Bukit Bintang and Imbi. Transportation to this location is, therefore, very good. In short, this location is the best retail street in Kuala Lumpur because it has not only a wide array of shopping complexes, it also has a number of 5-star hotels and is conveniently served by the monorail and other public transportation.

#### Rental Rates and Occupancies

The rentals achieved from 2001 to 2004 are shown in the table below. Over a period of 2 years from 2002 to 2004, this shopping centre has registered incrementals ranging from a low of 14% to a high of 42% for the retail component. This table was provided by the client.

### Rental Movement for Lot 10 01-02 to 03-04

Floor	Rental rate per sq. ft.		% change
	Tenancy 01-02	Tenancy 03-04	
Lower Ground Floor	8.89	10.11	14%
Ground Floor	22.72	29.88	32%
1 <sup>st</sup> Floor	17.08	21.67	27%
2 <sup>nd</sup> Floor	11.17	14.33	28%
3 <sup>rd</sup> Floor	9.59	12.19	27%
4 <sup>th</sup> (Prestige) Floor	5.86	7.61	30%
Annexe Block Retail	3.75	5.33	42%
Annexe Block Office	0.50	6.00	1093%
<b>Total Average</b>	<b>12.90</b>	<b>15.96</b>	<b>24%</b>

(Source: YTL Land Sdn. Bhd.)

Further analysis of the tenancy list provided showing the rental movements commencing from February 1999 to February 2005 are also tabulated to show the incrementals achieved over a 5-year period.

The proposed year on year rental projections over the next 3 years for Lot 10 appears to be fair compared to the changes, which have occurred over 5 years as tabulated in the following page.

**Lot 10 Shopping Centre Historical Rent (Average)**

**1999 - 2005**

Floor	Rental Rate RM Per Sq. Ft.								% change (2005 vs. 1 <sup>st</sup> Tenancy)	% change over 5/6 years
	Tenancy Feb 99 - 00	Tenancy 01 - 02	% change	sq. ft.	Tenancy 03 - 04	% change	Tenancy 02 - 05	% change		
Lower Ground	2.29	8.89	289%	31,040	10.11	14%	10.44	3%	130%	22%
Ground Floor	21.99	22.72	3%	18,744	29.88	32%	30.12	1%	39%	6%
First Floor	14.15	17.08	21%	22,419	21.67	27%	21.84	1%	72%	13%
Second Floor	9.55	11.17	17	22,662	14.33	28%	14.48	1%	49%	8%
Third Floor	7.11	9.59	35%	23,841	12.19	27%	11.63	-5%	151%	25%
Prestige Floor	6.18	5.88	-5%	19,316	7.61	30%	7.28	-4%	84%	14%

Refer to Appendix 1 for details

(Source: YTL Land Sdn. Bhd.)

**Rental Projection from FY 2006 - 2008**

Floor	2006	2007	2008
Lower Ground Floor	15%	15%	20%
Ground Floor	30%	30%	30%
1 <sup>st</sup> Floor	20%	20%	20%
2 <sup>nd</sup> Floor	10%	10%	15%
3 <sup>rd</sup> Floor	15%	15%	20%
4 <sup>th</sup> (Prestige) Floor	10%	10%	10%
Annexe Block Retail	15%	20%	30%
Annexe Block Office	30%	30%	35%

(Source: YTL Land Sdn. Bhd.)

The occupancy rate for Lot 10 over a 5-year period has been excellent, and currently, it is almost at full occupancy. In spite of the slow down in 2001 when GDP was at only 0.3%, the occupancy rate for Lot 10 was not adversely affected compared to many other shopping centres in Kuala Lumpur.

**Lot 10 Shopping Centre Historical and Current Occupancy Rate**

Floor	Financial Year					As at Feb 2005
	2000	2001	2002	2003	2004	
Walk	100%	100%	100%	100%	100%	N/A
Store	100%	69%	52%	69%	70%	63%
Lower Ground	100%	100%	100%	100%	100%	100%
Ground	100%	100%	100%	100%	100%	100%
First	100%	100%	100%	100%	97%	95%
Second	93%	99%	94%	90%	100%	100%
Third	96%	100%	100%	100%	90%	100%
Prestige	92%	100%	82%	82%	78%	100%
Annexe (F & B)	48%	28%	84%	100%	100%	100%
Annexe (Office)	100%	100%	100%	100%	100%	100%
Car Park	N/a	N/a	100%	100%	100%	100%
<b>Total</b>	<b>93%</b>	<b>92%</b>	<b>94%</b>	<b>96%</b>	<b>95%</b>	<b>98%</b>

(Source: YTL Land Sdn. Bhd.)



### 3.3.2 Starhill Shopping Centre

This premier shopping centre commenced business operations in September 1995. It basically comprises the shopping mall area and the common areas such as the amusement area, food court and the crescent atrium and contains 280,005 sq. ft. of lettable floor space located on various floors (Terrace Steps and Lower Ground Floor – 4<sup>th</sup> Floor) of the Podium Block.

The retail space formerly occupied by Tangs Department Store has been acquired and now a total design make-over together with a branding exercise is being undertaken for the whole shopping centre.

The new Starhill Shopping Centre is expected to place it in a better comparison amongst regional destination malls for retailing of specific luxury category goods and the investments going in currently is expected to ensure a very competitive environment to attract and retain quality brand retailers.

#### Location

This shopping centre is located down the road from Lot 10 along Jalan Bukit Bintang and in the centre of Bintang Walk and Bintang Steps.

Starhill Shopping Centre is adjacent to the 5-star JW Marriott and is the most upmarket/premier shopping centre in Bukit Bintang. It is connected by a linkway to Ritz-Carlton Hotel and Ritz-Carlton Residence.

Starhill Shopping Centre is opposite the Pavilion, a mega-mall of 1,300,000 sq. ft. which is currently under construction and part of a mixed-commercial development with offices, service apartments, shopping and hotel. This future development will complement the existing developments and create an even more vibrant Bukit Bintang once it is completed. Transportation linkages here are very good as the area is served by public transportations i.e. buses, taxis and the monorail.

#### Rental Rates and Occupancies

The efforts by YTL in attracting selective tenants have been very encouraging. Currently, Starhill Shopping Centre is 100% let out at very competitive rents. Data on historical occupancy and rentals for Financial Year ended 30 June 2000 – 2004, as at 28 February 2005 are tabulated in the tables below. The table on rental movements as provided by the client shows that between 2002 and 2004, rentals have increased to as high 84% to a low -27%.

**The rental growth projected for Starhill Shopping Centre is higher than the growth of rental rates achieved over the last 5 years. However, as there is a major refurbishment exercise undertaken on the shopping centre, the new rents will have to reflect this and will very much depend on the tenants the owner manages to procure. To-date, Starhill Shopping Centre has notably attracted exclusive tenants, some of who are only available in this Centre. With the refurbishment exercise, we believe that this Centre will be able to maintain and attract more exclusive brand retailers.**

It must be noted that Kuala Lumpur is grossly under retailed in the luxury brand category compared to regional destinations such as the neighbouring Singapore and Hong Kong. Again YTL group is instrumental in taking this type of retailing to greater heights in Malaysia with its effort to convince the Government to waive/reduce duties for branded goods. As such when comparing the rental of Starhill Shopping Centre to other malls in the region for instance the Paragon in Singapore and Landmark in Hong Kong, which also concentrate on branded and luxury brands retailing, the rental in Starhill Shopping Centre is termed as "crisis rent" and is not reflective of the trading nature in the GT.

**Historical Rent  
2002 – 2004**

Floor	Rental rate per sq. ft.		% change
	Tenancy 01-02	Tenancy 03-04	
Lower Ground Floor	5	9.2	84%
Ground Floor	9.87	11.42	16%
Upper Ground Floor	11.47	16.5	44%
1 <sup>st</sup> Floor	10.03	12.12	21%
2 <sup>nd</sup> Floor	6.89	5	-27%
3 <sup>rd</sup> Floor	4.01	4.02	0%
4 <sup>th</sup> Floor	2.92	5.17	77%

*(Source: YTL Land Sdn. Bhd.)*

**Rental Projection for Starhill Shopping Centre from 2006 - 2008**

	2006	2007	2008
Lower Ground Floor	15%	15%	20%
Ground Floor	5%	10%	20%
Upper Ground Floor	15%	15%	20%
1 <sup>st</sup> Floor	20%	20%	30%
2 <sup>nd</sup> Floor	25%	20%	25%
3 <sup>rd</sup> Floor	15%	15%	15%
4 <sup>th</sup> Floor	10%	10%	10%

*(Source: YTL Land Sdn. Bhd.)*

**Starhill Shopping Centre Historical Rent Average**

**1999 - 2005**

Floor	Rental Rate Per Sq. Ft.						% change (05 vs. 1 <sup>st</sup> Tenancy)	% change over 5/6 years	
	Tenancy Feb 99- 00	Tenancy 01-02	% change	Tenancy 03-04	% change	Tenancy 02-05			% change
Lower Ground	1.5	5	233%	9.2	84%	9.20	0%	513%	86%
Ground Floor	12.09	9.87	-18%	11.42	16%	14.74	29%	33%	6%
Upper Ground Floor	9.15	11.47	25%	16.5	44%	18.56	12%	155%	26%
First Floor	6.63	10.03	51%	12.12	21%	12.44	3%	92%	15%
Second Floor	6.54	6.89	5%	5	-27%	5	0%	9%	2%
Third Floor	3.83	4.01	5%	4.02	0%	4.65	16%	46%	8%
Fourth Floor	2.3	2.9	26%	5.2	77%	4.3	-18%	131%	22%

Refer to Appendix 2 for details

(Source: YTL Land Sdn. Bhd.)

The occupancy rate for Starhill Shopping Centre since 2000 has hovered from a low 71% to currently at 100%. The low occupancies of 2000 and 2001 at 76% and 71%, respectively, were due mainly to the lack of tenants on the 4<sup>th</sup> floor. From 2002 onwards, however, this floor has been fully occupied (98% - 100%).

Available data on average occupancy rate for the past 4 years indicates as follows:

### Starhill Shopping Centre

#### Historical and Current Occupancy Rates

Floor	Financial Year						As at Feb 2005
	2000	2001	2002	2003	2004 (including Tangs)	2004 (excluding Tangs)	
Lower Ground	100%	94%	94%	94%	91%	91%	100%
Ground	94%	94%	100%	98%	98%	90%	100%
Upper Ground	100%	97%	97%	100%	100%	100%	100%
First	92%	74%	71%	92%	69%	69%	100%
Second	99%	74%	68%	60%	45%	45%	100%
Third	80%	72%	66%	78%	69%	69%	100%
Fourth	15%	28%	98%	100%	98%	98%	100%
Annexe	100%	100%	100%	100%	100%	100%	100%
Tangs Dept Store	N/a	N/a	N/a	100%	0%	N/a	N/a
Bintang Steps	100%	92%	96%	91%	93%	93%	N/a
Storage	100%	100%	100%	86%	86%	86%	100%
<b>Total</b>	<b>76%</b>	<b>71%</b>	<b>88%</b>	<b>95%</b>	<b>49%</b>	<b>86%</b>	<b>100%</b>

(Source: YTL Land Sdn. Bhd.)

### 3.4 New Trends in Retail Accommodations

The retailing sector comprises a myriad of operating formats. According to the Malaysia Retailers Association (MRA), one of the major challenges in the Malaysian retail industry is the abundant supply of retail space. There are currently 20 shopping centres under construction, which will add a further 7,169,444 sq. ft. of retail space to the existing 32,165,253 sq. ft.

Over the past 10 years (1995 – 2005(e)), we noted that the retail stock has doubled up from 15.3 million sq. ft. in 1995 to a projected 32 million sq. ft. in 2005(e). Nevertheless, in terms of the segregation by location, the trend remains the same i.e. DA housing most of the retailers with some 59% of the total stock recorded for this area and rising to 62% currently represented by 69 malls. The retail outlets in neighbourhood areas are becoming larger especially in the more affluent neighbourhoods such as Bandar Utama. The rising number of townships aiming to be “self contained” townships also accelerates the number of neighbourhood shopping centres and also hypermarkets in the DA.

GT has the second largest retail stock of 3.3 million sq. ft. (21%) in 1995 and maintained its 22% market share with a projected 6.9 million sq. ft. of retail space in 2005 (e). GT, which provides most of the city centre shopping experience, is very popular amongst locals and foreigners. The 400 metres stretch of Bintang Walk, which was designed to bring life back to the city and the city back to life, has successfully become the leading entertainment spot in the city centre. This tourism icon for Kuala Lumpur has given value added to malls and hotels along the Bintang Walk, particularly to Lot 10 and Starhill Shopping Centre and hotels such as the stylish JW Marriott Hotel, Ritz-Carlton Hotel and the new Ritz-Carlton Residence. Suria KLCC located within the impressive 100-acre Kuala Lumpur City Centre (KLCC) development, is also another popular shopping destination in the heart of the City.

With keen competition facing the retailers, al fresco dining, coffee culture and innovative shopping complexes are seen in the changing facade of the local retail scene. On the other hand, chain hypermarkets offering wide variety of day to day kind of products have

also established their positions in the country. In the scene of competitive market, retailers have no choice but to alter their business tactics to keep up. Nevertheless, these chain hypermarkets are hardly in competition with the city centre shopping malls, which are amongst others carry more of the "special occasion" offerings, which are not available in the suburban malls and retail outlets.

### Shopping Centres

The main form of retail accommodation for retailers is the shopping centres. Thriving shopping centres are normally well-planned tenant mix centres and will usually be under one-single ownership. Being under one-ownership, these shopping centres will be able to face new challenges and change quickly to respond to changes in trends and social events.

The opening of new shopping centres, both in the city centre and the suburbs such as Berjaya Time Square in Jalan Imbi and suburban's 1 Utama (Second Phase) and The Curve, have raised the ante on the older shopping centres. As a result, the proliferation of new shopping centres has made the older shopping centres to also undergo refurbishment or re-branding exercise to cater to the changing shopper's habits and lifestyle.

In the GT itself, the Starhill Shopping Centre, for instance, will be relaunched soon after its RM100mil refurbishment. As part of Starhill Shopping Centre's re-branding exercise, it has formed a service team to boost retail sales. UDA's Bukit Bintang Plaza is also undergoing a RM15 million refurbishment, which would include redesigning its physical structure and putting in place better public amenities for its flagship retail and office building.



The YTL group, having own a number of prime properties in Bukit Bintang, all within walking distance to one another, is able to do more than what other property owners could to their properties. With a walkway linking four of the five properties YTL owns in Bintang Walk, the Group is able to add seamless connectivity to retail, hotel and food and beverages (F & B) services, health and beauty in Bukit Bintang.

New shopping centres that opened their doors for the past 2 years are also becoming more varied in format, reflecting the needs to cater to consumer's growing expectations. Among the latest is the Curve in Mutiara Damansara, which promotes pedestrian shopping mall concept. The Curve's open mall houses popular retail names from within the country and abroad.

#### Power Centres

The opening of Ikano Power centre marked another new era in the Malaysian retail scene. Situated in the heart of Mutiara Damansara and next to Ikea Store, this mammoth concept-mall houses 11 anchor-tenants, taking up 80% of its 39,018 sq. m. retail space. A power centre is where a few anchor tenants are clustered under one roof. Ikano's store spaces range from 1,394 sq. m. to 6,503 sq. m. in size, giving shoppers more than enough room to browse.

#### Hypermarkets

Hypermarket is currently where the action is. According to the official definition by the Ministry of Domestic Trade and Consumer Affairs, hypermarket is a self service distribution store with sales area of 5,000 sq. m. (about 54,000 sq. ft.) or more, selling a

very wide variety of mainly consumer goods comprising of a mix of food and non-food products, in a range of transaction sizes or quantities and in different form of packaging.

The three major players in this sector are Dairy Farm International (Giant Hypermarket), Tesco Stores and Carrefour.

Dairy Farm International, which acquired a local hypermarket operation in 1999, has managed to open 13 hypermarkets in Malaysia whilst Tesco, a British retail chain together with its local partners, has reportedly the intention to invest some RM1.2 billion with a targeted 15 hypermarkets all over Malaysia. Tesco has successfully opened up 7 hypermarkets in Malaysia so far with another 2 outlets under construction. Despite the intense competition in the market place for greater market, Carrefour, which has currently 6 outlets, has announced its plan to open more hypermarkets.

While hypermarkets are gaining popularity in Malaysia, the Government is currently imposing a development freeze of such retail formats in the Klang Valley, Johor Bahru and Penang starting from 1<sup>st</sup> January 2004 to protect the traditional convenience stores and small traders. This freeze will remain effective until end-2009. This coupled with the new Guidelines on Foreign Participation in the Distributive Trade Services, may eventually result in the slowdown of the expansion plans by foreign players especially Dairy Farm International.

### Al fresco Dining Concept

Inspired by the success of Bintang Walk, many shopping centres are opening up to include outdoor al fresco dining concepts. As the Malaysian economy continues to grow, this has, in turn improve consumer's disposable income and change in lifestyle.

We noted that whilst al fresco dining concept is becoming a standard feature for many shopping complexes, there are a few operators such as Secret Recipe, Coffee Bean, etc. a common feature in shopping complexes who choose to locate themselves also in traditional shop/offices within busy shopping areas such as Ampang Point rather than in shopping centres. By locating outside the centre, these operators are able to operate outside the trading hours of shopping complexes.

### Free standing & drive-through fast food centres

In line with the growing trend of eating out, fast food outlets are growing in numbers and changing formats to capture bigger market share. Teaming up with petrol stations and in some locations with Giant Supermarket, this is seen to be one of the growing trends. In bigger catchment areas, fast food outlets such as Kentucky Fried Chicken, Pizza Hut and McDonalds, are currently having their own free-standing buildings.

### 3.5 Market Prospects

The market prospects for the retail market in the city for 2005 and 2006 is still good considering the commendable GDP growth forecasted for these 2 years. Retail sales forecast for 2005 at 7% is likely to be maintained around this level in 2006. Retail sales growth for the last 5 years since 2000 has averaged some 5% per annum.

In the Bukit Bintang area, all the shopping centres here (the exception being Berjaya Times Square) since 1998 have registered occupancies above the Kuala Lumpur average. Occupancies in this location will maintain at high levels as this is Kuala Lumpur's premier shopping street. The recent announcement by the Government to turn Jalan Berangan, off Jalan Bukit Bintang into an "Arab Street" to attract more West Asian visitors and also the entry of the Pavilion in this area will enhance this location even further as it will attract more shoppers (locals and foreigners) to this area. This location provides the widest array of shopping centres for visitors to shop in Kuala Lumpur.

## **OFFICE MARKET OVERVIEW**

## **4.0 OFFICE MARKET OVERVIEW**

The overview of the office sector will commence with a look at the indicators, which have an influence on the office property market. This is followed by the overview of the office property sector.

### **4.1 Office Indicators**

#### **4.1.1 Services Sector Performance**

##### 1995 - 1999

The years 1995-1996 were a period of rapid expansion of the Malaysian economy buoyed by double-digit growths of the manufacturing and construction sectors, strong external demand and increased per capita national income. The services sector expanded by 9.4% and 9.7%, respectively, during these years.

In 1997, the GDP registered moderate growth due to a slower pace of economic activity in the second half of the year as the region was adversely affected by the financial crisis. 1998 saw all sectors of the economy suffering severely, leading to a recession with GDP at -7.5%. The services sector contracted by -0.8% but the manufacturing and construction sector suffered the most with a decline of -13.7% and -23.0% respectively.

### Services Sector Performance in Constant 1987 Prices

Sector	Share of GDP (%)									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004 (e)
Electricity, gas, and water	2.3	2.4	2.5	3.4	4	3.8	4.2	4.1	4.1	4.2
Transport, storage and communications	7.4	7.4	7.5	8.2	8.1	8.0	8.7	8.6	8.6	8.7
Wholesale and retail trade, hotel and restaurants	12.3	12.4	12.3	15.7	15.2	14.8	15.1	14.9	14.3	14.3
Finance, insurance, real estate and business services	10.8	11.3	11.5	12.6	12.3	12.5	13.6	15.1	15.1	15.0
(% Change Fibre sub-sector)	10.5%	14.6%	9.5%	-4.3%	1.7%	5.1%	9.5%	8.2%	5.4%	6.3%
Government Services	9.5	9.1	9	7.3	7.4	6.9	7.2	7.2	7.4	7.1
Other Services	2.1	2.1	2.0	8.4	7.9	7.5	7.7	7.7	8.0	7.9
<b>TOTAL</b>	<b>44.3</b>	<b>44.8</b>	<b>45.0</b>	<b>55.6</b>	<b>54.3</b>	<b>53.4</b>	<b>56.4</b>	<b>57.6</b>	<b>57.6</b>	<b>57.1</b>
% Change services sector	9.4%*	9.7%*	8%*	-0.8%*	3.3%	4.8%	5.7%	5.3%	4.4%	6.0%

Note: (\*) based on 1978 prices; (e) estimate  
(Source: Economic Report)

In 1999, the economy rebounded, underpinned by measures adopted including the expansionary fiscal policy, easing of monetary policy and adoption of exchange controls, which helped insulate the Malaysian economy and restored stability and revived economic activities. All sectors of the economy in 1999 recovered except for the construction (-5.6%) and mining sectors whilst the services sector showed a positive 3.3% growth in that year over the previous year's negative growth (-0.8%).

#### 2000 – 2004

The recovery of the economy in 2000 at 8.3% was shorter than expected due to the slow down of global economic activity especially in the USA and Japan and the September 11 attack. The main source of growth to GDP, given the slow down of the manufacturing sector was the services sector, which expanded by 4.4% in 2001.

The services sector contributes the highest share to GDP at 53.4% in 2000 to 57.0% (estimate) in 2004. The growth of the services sector over the last 5 years has ranged between 4.8% in 2000 to 7.0% (estimate) for 2004.

The forecast for 2005 for the services sector is at a modest 5% against a GDP forecast of 6% for the year. The finance, insurance, business and real estate of the services sector contribute as the main generators of demand for office space in Kuala Lumpur.

#### **4.1.2 Fibre (finance, insurance, business, real estate) Sub-Sector**

##### 1995 - 1999

The "fibre" sub-sector of the services sector between 1995 and 1999 grew by only 12% from 374,400 to 420,000 employees. The government sector, which was under budgeting restraint, capped employment growth in the public sector had resulted in only a 2.2% growth during this period.



## 2000 – 2004

The period between 2000 and 2004 saw a more robust growth of 33% for the “fibre” sub-sector from 508,700 to 677,100 employees. Whilst the “fibre” sub-sectors employment constitutes only 6.4% of total employment in 2004, its contribution to the GDP is high at 15.0% (estimate) in 2004.

From 1995 to 2004, the share of the “fibre” sub-sector to GDP has increased from 10.8% to currently 15.0%.

**Employment by Sector in Malaysia**

Sector	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Finance Insurance Real estate, Business services (‘000)	378.5	391.8	428.9	417.8	420	508.7	574.6	607.2	651.8	677.1
% change	7.4	5.1	9.5	-2.6	0.5	7.3	13.0	5.7	7.3	3.9
Government services (‘000)	869.5	871.3	873.0	874.8	877.0	981.0	979.5	994.5	1026.1	1037.4
% change	0.2	0.2	0.2	0.2	0.3	2.1	-0.2	1.5	3.2	1.1
% of GDP (fibre sub-sector)	10.8	11.3	11.5	12.6	12.9	12.7	13.9	15.1	15.1	15.0

(Source: Economic Report)

## **4.2 Kuala Lumpur Office Location**

The major concentration of purpose-built offices in Kuala Lumpur is in three main locations, which are the GT (Golden Triangle), the CBD (Central Business District) and the DA (Decentralised Areas).

The GT is areas bounded by Jalan Sultan Ismail, Jalan Raja Chulan and parts of Jalan Ampang and Jalan Tun Razak.

The CBD represents the older part of the city, which includes China Town, Jalan Tuanku Abdul Rahman, Jalan Raja Laut, Jalan Pudu and Chow Kit area.



*Bangunan Yayasan Selangor, a purpose-built office  
at the junction of Jalan Bukit Bintang and Jalan Sultan Ismail*

The DA represents suburban Kuala Lumpur including Petaling Jaya, Subang Jaya, Damansara, Shah Alam and Putrajaya.

### 4.3 Kuala Lumpur Office Stock

#### 1995 - 2004

Currently, the existing stock of purpose-built offices is at 60.5 million sq. ft. covering all 3 main office locations.



*Wisma Peladang / Piccolo Galleria, a purpose-built office and retail complex along Jalan Bukit Bintang*

The distribution of office space currently shows the GT accounts for 36% of Kuala Lumpur's purpose-built offices with the DA at a close 34%. Currently, the CBD accounts for 30% of the purpose-built offices in Kuala Lumpur.



*YTL Plaza, a purpose-built office  
along the prime shopping street of Bukit Bintang*

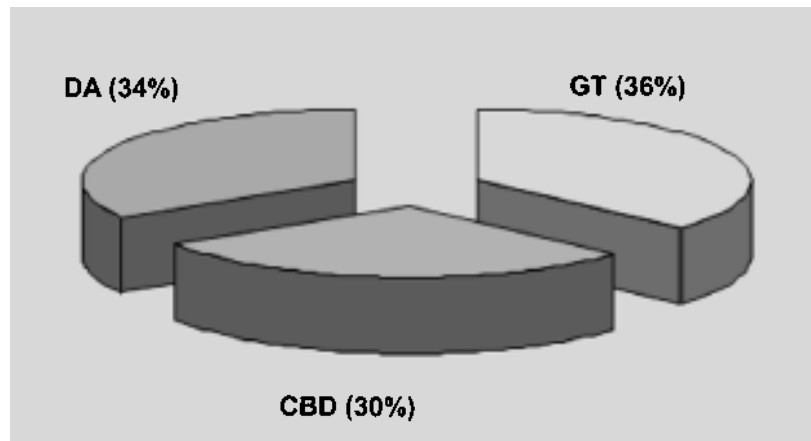
It can be expected that with more availability of lands outside the city centre and with better road networks and highway linkages to various population centres, the DA future supply will change but this may take quite awhile as the city centre is still favoured over a suburban address.

**Kuala Lumpur Office Stock  
1995 – 2004**

Year	Cumulative Stock (sq. ft.)	GT	CBD	DA
1995	35,907,953	14,272,135	14,190,337	7,445,481
1996	38,575,201	16,034,198	14,671,522	7,869,481
1997	46,191,102	18,847,198	16,041,667	11,302,237
1998	50,055,769	20,507,575	16,207,903	13,340,291
1999	53,241,390	20,635,575	16,413,447	16,192,368
2000	54,745,972	21,045,572	16,995,977	16,704,423
2001	56,778,858	21,209,657	17,386,445	18,182,756
2002	58,328,718	21,209,657	17,752,790	19,366,271
2003	60,371,409	22,292,979	18,054,355	20,024,075
2004	60,521,824	22,292,979	18,054,355	20,174,490

(Source: Henry Butcher Malaysia)

**Distribution of Purpose-Built Offices in Kuala Lumpur  
2004**



(Source: Henry Butcher Malaysia)

#### 4.4 Kuala Lumpur Future Supply

##### 1999 - 2008

The supply of new office space in the city (GT and CBD areas) was substantial between the year 1995 and 1999 amounting to 10,930,774 sq. ft. or an average of 2,186,000 sq. ft. per annum.

New supply of office space in the GT between 1999 and 2005 has, however, been slow at only 2,062,000 sq. ft. whilst the CBD registered some 1,996,452 sq. ft. during the same period. In total, over the last 6 years since 1999, only 4,059,376 sq. ft. was completed in the city (GT and CBD areas). This averages to only 677,000 sq. ft. per annum of purpose-built offices.

The future supply of purpose-built offices is currently in the CBD and DA locations. Three buildings currently are under construction are OCBC Building in Jalan Tun Perak (150,000 sq. ft.), Menara Commerce (630,000 sq. ft.) and Sentral Lot N in KL Sentral (351,000 sq. ft.). The OCBC Building is scheduled for completion this year whilst Menara Commerce is to be completed in 2008/2009 and Sentral (Lot N) in 2007/2008.

**New Supply in GT  
1999 – 2005**

<b>Buildings</b>	<b>Location</b>	<b>NLA (sq. ft.)</b>
<b>1999</b> Pacific Bank	Jln Sultan Ismail	128,000
<b>2000</b> Menara HLA (Wisma Kia Peng)	Jln Kia Peng	409,997
<b>2001</b> Menara Prudential	Jln Sultan Ismail	164,085
<b>2003</b> Menara Maju Perdana TH Perdana Bgn Yayasan Tun Razak	Jln Sultan Ismail Jln Sultan Ismail Jln Tun Razak	370,633 389,104 323,585
<b>2005</b> Wisma See Hoy Chan	Jln Tun Razak	277,520
<b>TOTAL NEW SUPPLY 1999-2005</b>		<b>2,062,924</b>

<b>Abandoned/Deferred/Stop work :</b>		
CN Gallery	Jln Sultan Ismail	160,065
Worldwide Tower	Jln Bukit Bintang	309,018

**New Supply in CBD  
1999 – 2005**

<b>Buildings</b>	<b>Location</b>	<b>NLA (sq. ft.)</b>
<b>1999</b> Vision City Tower 1 (Bank Industry)	Jln Raja Abdullah	205,544
<b>2000</b> AIA Tower 1 Wisma MBSSB (Primaland (CCB/Phileo) Vision City Tower 2(DBKL)	Jln Ampang Lebuh Ampang Jln Raja Abdullah	204,988 120,000 257,542
<b>2001</b> Straits Trading Building Wisma Havela Thakardas Vision City Tower 3(MARA)	Lebuh Pasar Besar Off Jln Raja Laut Jln Raja Abdullah	86,004 85,595 218,869
<b>2002</b> Maju Junction (Plaza Potential)	Jln Sultan Ismail	366,345
<b>2003</b> Menara Percon	Jln Raja Laut	301,565
<b>2005</b> OCBC Building	Jln Tun Perak	150,000
<b>TOTAL NEW SUPPLY 1999-2005</b>		<b>1,996,452</b>

<b>Abandoned/Deferred/Stop work:</b>		
Capital Square Tower 2	Jln Munshi Abdullah	697,546
2000 Menara Titiwangsa	Jln Pahang	340,000
Plaza Rakyat	Jln Pudu	705,251
Renuka Towers	Jln TAR	69,000
Treasure Tower	Jln Pudu	169,980

<b>Future Supply:</b>		
<b>2008/2009</b> Menara Commerce	Jln Raja Laut	629,990

**New Supply in DA  
1999 – 2005**

<b>Buildings</b>	<b>Location</b>	<b>NLA (sq. ft.)</b>
<b>1999</b>		
Menara SPPK, Setia 1	Jln Dungun	143,847
Menara SPPK, Setia 2	Jln Dungun	120,768
Menara Perkeso	Jln Ampang	219,730
Menara Summit	Subang Jaya	149,632
Menara Millenium (Damansara City)	Jln Damansara	570,000
Kelana Entreprenurea Park	Kelana Jaya	420,000
Plaza Pantai (3 blocks A,B,C)	Jln Pantai	495,000
Mutiara PJ Majestic Square	Jln Othman/PJ	155,000
Tenaga National Berhad	Jln Kepong	89,000
Mutiara Bangsar	Jln N Liku, Bangsar	132,000
Selbourne Square Block A	Shah Alam	200,000
Subang Square Corporate Tower	Subang	157,100
<b>2000</b>		
Sri Utara	Jln Ipoh	98,854
Menara IGB (Mid-Valley)	Jln Syed Putra	213,201
Selbourne Square Blk B (Gov)	Shah Alam	200,000
<b>2001</b>		
Selbourn	Jln Tun Razak	279,174
Menara Kumia Insurance	Petaling Jaya	220,003
Bangunan SPPS	Petaling Jaya	99,519
B Perwira Affin Bank	Shah Alam	81,031
Wisma Telekom	Semarak	282,003
KL Sentral – Blk 3A	Jln Tun Sambanthan	153,827
KL Sentral – Blk 3B	Jln Tun Sambanthan	212,781
KL Sentral – Blk 4 (Tabung Haji)	Jln Tun Sambanthan	149,995
Selbourne	Jln Tun Razak	279,174
<b>2002</b>		
Menara Telekom	Jln Pantai Baru	1,183,515
<b>2003</b>		
Menara Great Eastern	Jln Ampang	406,574
Menara Naza	Jln Raja Muda Abdul Aziz	251,230
<b>2004</b>		
Menara Axis	Jln Barat PJ	150,415
<b>TOTAL NEW SUPPLY 1999-2005</b>		<b>7,122,860</b>

<b>Abandoned/Deferred/Stop work:</b>		
Subang Twin Business Centre	Subang Jaya	440,100
Menara Jalinan	Jln Taman Seputih	73,973
Menara Marinara	Jln Tun Razak	294,873
Shencourt Business Tower	Jln Dagang	240,000
Naga City	Jln Kepong	250,000
Plaza Cygal	Jln Pantai	182,018

<b>Future Supply:</b>		
<b>2007/2008</b>		
Sentral (Lot N)	KL Sentral	351,000

(Source: Henry Butcher Malaysia)



Deferred or stalled building projects located within the GT include the CN Gallery in Jalan Sultan Ismail and Worldwide (next to Bangunan Yayasan Tun Razak) in Jalan Bukit Bintang. Record shows that there is no new supply coming up in 2006, some 351,000 sq. ft. in 2007/2008 and 630,000 sq. ft. in 2008/2009. **This shows that future supply between 2006 and 2009 is estimated only 283,000 sq. ft. per annum, which is substantially below the 10-year historical annual new supply of 1,500,000 sq. ft.**

#### 4.5 Office Demand and Occupancy

##### 1995 - 2004

Since the recession of 1998, the office sector has suffered from serious oversupply, poor occupancies and falling rent.

##### Average Occupancy by Location

1995 - 2004

Location	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
GT	99%	96%	96%*	81%*	83%	85%	87%	84%	84%	86%
CBD	99%	99%	99%*	85%*	92%	89%	84%	81%	84%	87%
DA	73%	72%	98%*	76%*	78%	83%	88%	83%	83%	86%

(Source: *The Edge*, (\*) JPPH, *Property Market Reports*)

In the mid-nineties, the Kuala Lumpur office sector had enjoyed almost full occupancies of between 96% and 99% for the GT and CBD areas. Rentals of prime office space ranged from RM5.30 psf and RM5.60 psf and capital values were about RM600 psf. In 1996, the take-up rate was at 2,014,771 sq. ft. and reached the highest ever at 10,935,351 sq. ft. in 1997.

**Average Occupancy by Grade  
1999 - 2004**

Grade	Location	1999	2000	2001	2002	2003	2004
A+	GT	79%	84%	91%	88%	87%	89%
A	GT	88%	89%	88%	87%	87%	89%
B	GT	66%	67%	67%	56%	52%	62%
B	CBD	93%	92%	90%	87%	85%	87%
C	CBD	90%	82%	76%	73%	81%	88%
B	DA	77%	78%	79%	79%	80%	88%
C	DA	78%	85%	92%	85%	84%	86%

(Source: The Edge)

**Average Occupancies and Absorption Rate  
Of Purpose-built Office in Kuala Lumpur**

Year	Cumulative Stock (sq. ft.)	Occupancy Rate (%)	Take-up (sq. ft.)
1995	35,907,953	90	-
1996	38,575,201	89	2,014,771
1997	46,191,102	98	10,935,351
1998	50,055,769	81	-4,722,107
1999	53,241,390	84	4,177,595
2000	54,745,972	86	2,358,768
2001	56,778,858	86	1,748,282
2002	58,328,718	83	-416,982
2003	60,371,409	84	2,299,148
2004	60,521,824	86	1,336,785

(Source: Henry Butcher Malaysia)

Average occupancies dropped from almost full occupancies in the mid-nineties to 76% - 85% in 1998 for the 3 main office locations, which was a drastic fall of 14% - 22% against rising new supply of the nineties. The absorption rate of purpose-built office space hit the lowest point at a negative 4,722,107 sq. ft. Following this period, the purpose-built office

sector experienced positive movements both in terms of rent as well as occupancies in 2004. The take-up rates have been improved since, with a slight drop in 2002. In 2004, the absorption rate was at a healthy 1,336,785 sq. ft.

The average occupancy for the 3 office locations of the GT, CBD and DA in the fourth quarter of 2004 is now at a healthy 88% and given the positive activities is likely to improve further.

**Average Occupancy by Location  
2003 – 2004 (Quarterly)**

LOCATION	2003				2004			
	MAR	JUN	SEPT	DEC	MAR	JUN	SEPT	DEC
GT	83%	83%	84%	84%	85%	86%	87%	87%
CBD	81%	84%	85%	85%	84%	88%	88%	89%
DA	81%	82%	84%	84%	85%	86%	85%	89%
<b>Overall</b>	<b>82%</b>	<b>83%</b>	<b>84%</b>	<b>84%</b>	<b>85%</b>	<b>87%</b>	<b>87%</b>	<b>88%</b>

(Source: The Edge)

**Average Occupancy by Grade  
2003 – 2004 (Quarterly)**

GRADE	LOCATION	2003				2004			
		MAR	JUN	SEPT	DEC	MAR	JUN	SEPT	DEC
A+	GT	86%	86%	87%	88%	89%	89%	90%	89%
A	GT	87%	87%	88%	87%	88%	89%	89%	91%
B	GT	52%	52%	52%	53%	56%	67%	66%	59%
B	CBD	86%	86%	85%	84%	84%	88%	88%	89%
C	CBD	73%	81%	84%	86%	85%	87%	89%	89%
B	DA	78%	78%	82%	82%	82%	86%	89%	95%
C	DA	83%	84%	85%	84%	86%	87%	83%	86%

(Source: The Edge)

In the last quarter of 2004, amongst the 3 main office locations, the GT stands at 87%, the CBD at 89% and the DA is also at 89%. Whilst the average GT occupancies are lower than the CBD and DA, the class "A" buildings have actually achieved an average occupancy of 91%. This indicates that the better buildings in prime locations are in demand and may likely be insufficient to meet future demand.

These are indications that the purpose-built office sector is on the road to recovery.

**4.6 Average Rent and the Office Index**

1995 - 2004

The Edge Office Index is an index to measure the rental performance of the purpose-built offices from 1995 to current. The index, with a base point of 100 points in 1995, peaked to 108 points in 1996, and in that year, rents of purpose-built offices within GT averaged about RM5.24 psf whilst CBD at RM4.19 psf and the DA at RM3.78 psf.

**Average Rental Rate By Location (RM psf)**

**1994 - 2004**

LOCATION	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
GT	5.26	5.24	5.04	4.46	3.74	3.75	3.53	3.65	3.77	3.93
CBD	3.73	4.19	4.13	4.05	3.48	3.21	3.10	2.95	2.84	2.83
DA	3.58	3.78	3.78	3.60	3.01	2.95	2.91	2.86	2.77	2.84

*(Source: The Edge)*

In 1999 (one year after the recession of 1998), rent in the GT retreated by 29% to RM3.74 psf whilst the CBD retreated by 17% to RM3.48 psf and the DA by 20% to RM3.01 psf.

**Rental Rate By Grade (RM psf)  
1995 - 2004**

GRADE	LOCATION	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
A+	GT	5.29	5.66	5.63	5.13	4.28	4.39	4.51	4.42	4.29	4.36
A	GT	4.83	5.13	4.87	4.51	3.88	3.89	3.85	3.53	3.95	4.08
B	GT	4.46	4.94	4.63	3.74	3.05	2.97	2.22	3.00	3.08	3.37
B	CBD	4.40	4.68	4.78	4.58	3.91	3.56	3.40	3.23	3.12	3.11
C	CBD	3.41	3.69	3.47	3.51	3.05	2.86	2.80	2.66	2.56	2.55
B	DA	3.15	3.90	4.11	3.79	3.27	3.11	3.01	2.93	2.90	3.02
C	DA	3.57	3.65	3.44	3.41	2.75	2.79	2.82	2.79	2.65	2.66

(Source: The Edge)

Between 1999 and 2004, average rents in the GT improved by 5%, the CBD recorded a fall of almost 19% whilst the DA suffered a smaller 6% retraction in rent. The analysis shows that the GT average rent is now (Q4 2004) at RM3.99 psf.

**Average Rental By Location (RM psf)  
2003-2004 Quarterly**

LOCATION	2003				2004			
	MAR	JUN	SEPT	DEC	MAR	JUN	SEPT	DEC
GT	3.76	3.74	3.74	3.84	3.86	3.98	3.91	3.99
CBD	2.84	2.87	2.83	2.82	2.80	2.81	2.86	2.86
DA	2.79	2.75	2.75	2.81	2.83	2.81	2.85	2.88

(Source: The Edge)

The average CBD rent is currently at RM2.86 psf and the average rent of the DA currently is at RM2.88 psf.

**Rental Rate By Grade (RM psf)  
2003-2004 Quarterly**

GRADE	LOCATION	2003				2004			
		MAR	JUN	SEPT	DEC	MAR	JUN	SEPT	DEC
A+	GT	4.32	4.28	4.28	4.28	4.28	4.37	4.37	4.40
A	GT	3.95	3.95	3.95	3.94	4.00	4.23	4.02	4.08
B	GT	3.00	3.00	3.00	3.30	3.30	3.33	3.35	3.48
B	CBD	3.12	3.17	3.12	3.07	3.07	3.10	3.13	3.13
C	CBD	2.56	2.56	2.53	2.57	2.52	2.52	2.58	2.58
B	DA	2.88	2.88	2.88	2.94	2.99	2.99	3.03	3.07
C	DA	2.69	2.61	2.61	2.67	2.67	2.63	2.66	2.68

(Source: The Edge)

Amongst the 3 main purpose-built office locations, it appears that the CBD has suffered the worst decline compared to the GT and DA locations. This is attributed to the quality of buildings being not maintained/upgraded compared to the prime GT location and the newer buildings in DA locations.

#### 4.7 Purpose-built office Transactions and Capital Values

##### 1995 - 2005

Capital value for prime purpose-built offices is currently between RM450 psf and RM500 psf. Transactions of office space have been unprecedented in 2004 in its number, compared to the early years after recession.

Whilst values, like occupancies and rents, have yet to reach previous levels, the values are slowly ascending as demand for enblock purchases have increased. The interest in REITS is expected to further boost market activity in this sector.

In 2004, some RM1.9213 billion worth of office space was transacted, comprising some 14 buildings. Capital values ranged from a high range of RM400 psf and RM595 psf to a lower range of RM280 psf and RM350 psf. Total office space transacted amounted to 4,689,933 sq. ft. On this basis, the average value of purpose-built office transacted in 2004 was at RM410 psf. As a comparison, previous high level of capital values achieved was between RM500 psf to RM650 psf. It appears that the potential to reach this level of values is not improbable.

## Property Transactions

1996 – 2005

Buildings	Location	NLA (sq. ft.)	Value (RM Mill)	Value Psf (RM)
<b>1996</b>				
Vision City - Tower 1	Jln Sultan Ismail	202,906	118.7	585
Wisma Muisan	Jln Raja Laut	60,665	36	593
SPPK	Jln Damansara	210,000	63	300
<b>1997</b>				
Bangunan Bank Industry	Jln Sultan Ismail	99,605	65	653
Wisma Idris	Jln Sultan Ismail	175,227	105	599
Vision City	Jln Sultan Ismail	260,000	160	614
Plaza Pekeliling	Jln Kampar	140,429	49	349
<b>1998</b>				
Wisma PJD	Jln Raja Chulan	200,752	100	498
Pernas Int'l	Jln Sultan Ismail	278,643	107.4	385
Menara Lion 98	Jln Ampang	754,625	361	480
<b>2000</b>				
Menara Phileo	Jln Tun Razak	300,000	92.6	309
<b>2002</b>				
Wisma Time	Jln Tun Razak	171,611	62.05	362
Menara Sunway	Sunway	275,172	125	454
Menara MRCB	Shah Alam	216,542	55	254
<b>2004</b>				
Menara Weld	Jln Raja Chulan	409,702	150	366
Menara Dayabumi	Off Jln Sultan Hishamuddin	675,000	270	400
Menara CAHB	Jln Raja Laut	629,995	375	595
Menara Millenium	Jln Damanlela	573,175	255	445
KL Sentral	KL Sentral	351,000	161.5	460
MUI Plaza	Jln P. Ramlee	345,833	166	480
Wisma KFC	Jln Sultan Ismail	175,292	90	513
Wisma Cyclecarri	Jln Raja Laut	397,942	140	352
Oriental Bank Building	Jln Hang Lekiu	122,429	35	286
Wisma Sime UEP	Persiaran Perpaduan USJ 10	89,285	35	392
Wisma Nusantara	Lorong P. Ramlee	95,260	26	273
Bangunan Sime Bank	Jln Sultan Sulaiman	385,839	114	295
Wisma Semantan (HP Tower)	Jln Semantan	346,078	103.8	300
THB Satu	Damansara Endah	93,103	32.4	348
<b>2005</b>				
Tower 3 Bandar Wawasan	Jln Raja Abdullah	218,869	105	480
Plaza Cygal	Jln Pantai	188,122	65.8	350
Vision City Tower 3 (Bandar Wawasan)	Jln Raja Abdullah	218,869	105	480
<b>TOTAL</b>		<b>8,661,970</b>	<b>3,729</b>	<b>431</b>

(Source: Newspapers Articles)



#### 4.8 New Office Trends

SoHo – an acronym widely used to describe Small Offices, Home Offices – is a trend widely accepted all over the world. This American-born method of doing business is set to change in the future, with Singapore leading the way by implementing a Government policy aimed at recognising and even encouraging the set-up of more SoHos in the island Republic.

The “Home Office” concept allows the home to be used as an office where business are run from the home and do not involve more than two people and the business do not disturb the peace and quiet of the residential community. Fleadgeling businesses such as professionals striking out on their own are drawn to SoHo because of the overheads they would save. Once they are established, they are more prepared to set up a proper office.

In Kuala Lumpur, the SoHo concept is a new concept, which a few developers have experimented with. In the city, Seri Bukit Ceylon developed this concept where each unit is a duplex unit ranging from 960 sq. ft. to 1,944 sq. ft. Only 26 units were developed but the concept did not seem to attract buyers, probably due to the pricing as well as location of the units within the complex. The next developer to hit the market with SoHo is Tan and Tan’s North Point at Mid-Valley. This development was a success in which initially the developer intended to launch only one block. However, as the response was so good, the second block’s launch has been brought forward.

North Point’s SoHo comprises 204 units with 1,400 sq. ft. to 1,900 sq. ft. They have individually controlled air-conditioning and utility meters, pantry and restrooms. We believe the success of this SoHo concept is its prime location, in the midst of Mid-Valley, a thriving

retail, business, hotel development served by a direct highway access and the KTM commuter.

Another developer, Negara Properties, has launched Melawati Urban 2, a mix-use development having a Home Office concept. At the moment, they are launching the retail component first comprising of shop/offices whilst the SoHo will be announced at a later date.

This SoHo concept is still considered new, in the sense that not many developers have embarked on this concept. Because the unit sizes are small and they are targeted at one-man operations, SoHo concept will not jeopardize the purpose-built office sector.

#### **4.9 Market Prospects**

The market prospect for office, especially purpose-built office in the city and in particular the GT area, is starting to look promising. Since 1998, average occupancies have improved, albeit at a slow pace, but rental rates are still below peak levels of 1996. Transactions of purpose-built offices surged in 2004 and have registered unprecedented volume at 4.689 million sq. ft. Against this, supply of purpose-built offices in the city centre has been extremely tight and way below the 10-year average of 1,500,000 sq. ft. per annum and currently is at an estimated 280,000 sq. ft. (2007 to 2009) based on buildings now under construction.

The market prospects for the purpose-built office space for the next 2 years is expected to be good with at least 3% - 5% per annum growth in occupancies and coupled with improved rental rates (1% - 2% per annum) because of the limited new supply.

# **HOTEL MARKET OVERVIEW**

## **5.0 HOTEL MARKET OVERVIEW**

For the purpose of this study, only the 4-star and 5-star hotels in Kuala Lumpur will be included in this report. All information relating to hotels, therefore, is confined to the 4-star and 5-star hotels only.

### **5.1 4-Star and 5-Star Hotels Location**

In the city centre, the 4-star and 5-star hotels are generally located in the GT locations, along major roads such as Jalan Sultan Ismail, Jalan Bukit Bintang, Jalan Ampang and Jalan Raja Chulan. However, there are 4-star & 5-star hotels which are located in the DA location, specifically KL Sentral (Hilton & Le Meridien) and the Lake Gardens area (Seri Carcosa). These are, however, very limited in numbers.

The GT location is still considered the best location in Kuala Lumpur especially around and near to KLCC and major shopping belts such as the Bukit Bintang area.

## 5.2 Existing Stock of 4-Star and 5-Star Hotels

### 1995 – 1999

Our analysis shows that between year 1995 and 1999, there were 30 4-star and 5-star hotels in the city centre. As at 1999, these 30 hotels contributed to a total of 12,967 rooms or an average of 400 rooms per hotel. The supply of 4-star and 5-star hotel rooms doubled from 6,295 to 12,967 rooms, which was a 19% growth per annum over the 4 years. Except for the Westin Hotel, all the 4-star and 5-star hotels in the Bukit Bintang area had commenced operations before 1999. Up to 1999, the 4-star and 5-star hotels in Bukit Bintang area accounted for 2,404 rooms or 19% market share of the existing supply.

### **Newly Launched 4-Star & 5-Star Hotel in Kuala Lumpur**

**2003 - 2004**

Year	Hotel	Rooms	Location	Rating
2003	Westin	288 (for the first launch)	Jln Bukit Bintang	5-star
2004	Hilton KL Sentral	510	KL Sentral	5-star
2004	Le Meridien	422	KL Sentral	5-star

*(Source: Henry Butcher Malaysia)*

**Number of Hotel and Rooms for 4-Star & 5-Star Hotel  
In Kuala Lumpur 1994 - 2005**

Year	Number of Hotel	Number of Rooms
1994	12	5,466
1995	14	6,295
1996	20	8,816
1997	26	11,070
1998	30	12,920
1999	30	12,967
2000	29	12,921
2001	29	12,968
2002	28	12,396
2003	30	13,329
2004	32	14,366
2005(*)	32	13,722

Note: (\*) January and February 2005  
(Source: MIHR, Tourism Malaysia)

**2000 – 2005**

New supply of 4-star and 5-star hotels almost stopped during these years except for 3 new hotels, which were the Westin (opened in 2003), the Hilton Sentral and Le Meridien (opened 2004). The Westin Hotel was opened at the end of 2003 and has 424 rooms. It is located adjacent to the JW Marriott Hotel.

New supply over these years totalled 1,318 rooms only or an average of 260 rooms per annum over 5 years. This is below the 10-year historical average of 740 rooms per annum.

### 5.3 Future Supply of 4-Star and 5-Star Hotels

Our investigations show that in the city centre, about 3 hotels have stopped construction and they are located in the heart of the GT, namely Grand Duta, Novotel and Wawasan Hotel.

#### Under Construction/ Deferred Hotel Projects in Kuala Lumpur

Hotel	Location	Rating	Rooms	Status	Expected Year of Completion
Trader Hotel (Shangri-la Hotel & Resort Group' second brand)	Kuala Lumpur Convention Centre, KLCC	4-star	NA	Under Construction	NA
Holiday on the Park/Impiana Hotel	Jln Pinang	3-star	NA	Under Refurbishment (sold in 2002 to Petronas Retirement Benefit Fund)	2006 (with extension)
Boulevard Hotel	Mid-Valley City	4-star	395	Under Construction	2005
Berjaya Central Park	Jln Sultan Ismail/ Jln Ampang	5-star	814	Under Construction	2006/2007
Four Seasons	Jln Ampang	5-star	NA	Under Planning	2008
Grand Duta	Jln Ampang	5-star	NA	Stopped	
Novotel	Jln Kia Peng	4/5-star	NA	Stopped	
Wawasan Hotel	Jln Conlay	4/5-star	NA	Stopped	

(Source: Henry Butcher Malaysia)

Currently, some 4 hotels are under construction and would be completed by 2007. We estimate that these 4 hotels could contribute some 2,000 rooms into the city centre and the DA location (Mid-Valley). On this basis, new supply in the year 2005 and 2007 is about 700 rooms per annum.

**4-Star & 5-Star Hotel Transactions in Kuala Lumpur  
2004**

Year	Hotel	Purchaser	Price
2004	Sheraton Imperial Kuala Lumpur	NA	RM225 million
2004	Eastin Hotel	Tanigra Sdn Bhd	RM195 million
2004	Putrajaya Marriott (IOI Corp)	IOI Properties Bhd	NA
2004	Palm Garden (IOI Corp)	IOI Properties Bhd	
2004	Mutiara KL	International Hotel Group (Renamed to Crowne Plaza KL)	NA

*(Source: Newspapers Articles)*

#### 5.4 Average Room Rates and Occupancy

##### 1995 – 1999

Average room rates for 4-star and 5-star hotels have always been low at below RM200 per room per night. From a high of RM196 in 1996, average room rates of 4-star and 5-star hotels decreased by 28% to RM142 per room per night in 1999. The average occupancies during this time were at a high 78% pre-recession time but post recession dropped to only 52% in 1999.



**Average Occupancy Rate and Room Rates of 4-Star & 5-Star Hotels  
in Kuala Lumpur 1994 - 2005**

Year	Number of Rooms	Average Occupancy Rates	Kuala Lumpur Average Room Rates	Bukit Bintang Average Room Rates
1994	5,466	78%	195	-
1995	6,295	79%	195	-
1996	8,816	75%	196	-
1997	11,070	68%	192	-
1998	12,920	52%	166	-
1999	12,967	56%	142	-
2000	12,921	61%	160	188
2001	12,968	61%	158	186
2002	12,396	63%	164	196
2003	13,329	65%	179	193
2004	14,366	72%	185	226
2005	13,722	61%	192	228

*(Source: MIHR, Tourism Malaysia)*

**2000 – 2005**

The average room rates between these years have not fared well and have not yet achieved previous heights of 1995/1996. In 2004, the average room rates hovered around RM185 per room per night only for 4-star and 5-star hotels in Kuala Lumpur. The hotels in the Bukit Bintang area, however, fared much better overall, from RM188 in 2000 to as high as RM228 in 2004. In 2004, the average room rates for hotels in Bukit Bintang were 19% higher than the Kuala Lumpur average for that year. Between 2000 and 2005, average room rates for 4-star and 5-star hotels in Bukit Bintang were 18%-22% higher than the Kuala Lumpur average (except in 2003 when it was only 8% higher). These hotels have registered an average growth of 4% per annum (2000 – 2005) comparable to the 4-star & 5-star hotels in Kuala Lumpur, which also averaged 4% growth (2000 – 2005).

During this period, hotel occupancies improved in tandem with improved tourist arrivals. From a low of 67% in 2000, current figures show occupancies are now at 72%.

In the Bukit Bintang area, the 4-star and 5-star hotels have mirrored the overall performance in the city. In 2004, the average occupancy in this location was 71%. In the first 2 months of 2005, these hotels have registered a commendable 62%.

**5.5 New Trends**

Service apartments are not new in Kuala Lumpur, but in the last 2 years, there has been an influx of new service apartment developments in, as well as outside, the city.

Service apartments are a threat to the hotel sector as they provide affordable, spacious living for visitors with families who are on extended stay. To combat this, many hotels have provided service apartments within their development. Amongst them are:

<b>KL City Centre and City Fringe</b>	<b>No. of Units</b>	<b>Managed by</b>
Mandarin Oriental	51	Mandarin Oriental
Westin Hotel	68	Westin Hotel
Prince Hotel	160	Prince Hotel
Dorsett/Sri Jati	25	Dorsett Regency
Legend Hotel	147	Metroplex
Ritz-Carlton Residence(*)	114	YTL

*(\*) Most probably would be service apartments, currently uncertain of the type of development.  
(Source: Henry Butcher Malaysia)*

Service apartment developments in the city centre accounts some 11 projects comprising of about 4,000 units. Currently, the city centre has a stock of 3,300 units of existing service apartments. Upon completion of these new service apartment developments, the stock would increase by 2-folds. Hoteliers are bracing themselves to this challenge. Prime hotels in locations, such as the ever-popular Bukit Bintang area, however, will still be able to command good occupancies, but invariably at competitive rates. The average room rates for Kuala Lumpur's 4-star and 5-star hotels since 2000 have grown at a modest 4% per annum only, which also reflects the growth in Bukit Bintang.

### **5.6 The JW Marriott Hotel**

JW Marriott commenced its business in mid-1997. This prime 5-star hotel sits on a 10 level Podium Block (B5, B4, B3, B1, Lower GF – 4<sup>th</sup>A Floor) and the whole of the Tower Block (5<sup>th</sup> – 32<sup>nd</sup> Floor). This 29-storey hotel is the first Marriott property in Malaysia and currently has 561 rooms equipped with luxurious 5-star facilities and amenities. JW Marriott is operated by Starhill Shopping Centre Hotel Sdn Bhd and is being managed by Marriott International Hotels, Inc.

#### Location

JW Marriott Hotel Kuala Lumpur is conveniently situated in Jalan Bukit Bintang, within the Central Business District of Kuala Lumpur. It is part of the new Starhill Shopping Centre and fronts onto Bintang Walk, a popular-trendy shopping street with a wide range of restaurants, shops and entertainment outlets. This 5-star deluxe hotel is located nearby of major shopping venues such as Starhill Shopping Centre, Lot 10, Sungei Wang Plaza, Bukit Bintang Plaza, Imbi Plaza and Low Yat Plaza.



*JW Marriott Hotel and Starhill Shopping Centre*

#### Rental Rates and Occupancies

The rental rates and occupancies of the JW Marriott are as shown below. According to YTL source, since the taking over by YTL in March 1999, the highest average occupancy this hotel has achieved is a commendable 76.51% in the year of between July 2004 and March 2005, which is above the Kuala Lumpur average of 72% (in 2004). Consistently, since July 2000, this hotel has managed to register average occupancy of about or above the Kuala Lumpur average. According to YTL, in terms of average room rates, too, since 2000, the hotel's rates are 9% - 56% above the Kuala Lumpur's average. For 2005, the average room rates recorded for JW Marriott is 41% above the Kuala Lumpur average. The growth per annum for average room rates is at an average of 8% between 2000 and 2005 or 10% since 1999.

**JW Marriott Hotel, Kuala Lumpur**  
**Average Occupancy Rate ("AOR") and Average Room Rate ("ARR")**

Period	AOR (%)	ARR (RM)
March 1999* - June 1999	47.78	186.98
July 1999 – June 2000	62.19	174.35
July 2000 – June 2001	73.54	201.92
July 2001 – June 2002	70.09	255.34
July 2002 – June 2003	67.49	246.09
July 2003 – June 2004	72.59	262.86
July 2004 – March 2005	76.51	270.38

\* YTL took over the operation of JW Marriott in March 1999

**Room Rates by Type of Rooms**

Type of Rooms	No. of Unit	RM
Deluxe Kings	318	500++
Deluxe Twins	173	500++
Studio Suites	21	800++
Junior Suites	34	800++
One-bedroom Suites	8	1,200++
Two-bedroom Suites	3	1,200++
VIP Suites	2	4,000++
Chairman's Suites	1	6,000++
Presidential Suites	1	8,000++

(Source: YTL Land Sdn. Bhd.)

Comparing the average room rates of selected hotels within the Bukit Bintang vicinity shows that JW Marriott's average room rates is the third highest after Ritz Carlton and Regent within the period 2000 – 2002 and in forth place within 2003 – 2005 (March) with the completion of the Westin in 2003.

**Average Room Rates of Selected Hotels within Bukit Bintang vicinity**

Name of Hotels	Year						
	2000 (RM)	2001 (RM)	2002 (RM)	2003 (RM)	2004 (RM)	2005 (Mac) (RM)	
Westin	-	-	-	291	284	308	
Ritz Carlton	269	272	248	332	324	313	
Regent	226	225	252	256	250	243	
Grand Plaza Parkroyal	145	137	138	148	182	184	
JW Marriott	200	213	238	254	265	258	
Istana Hotel	153	147	158	157	154	163	
Dorsett Regency	152	130	125	134	135	136	

*(Source: MHR Consulting Sdn Bhd)*

It is interesting to note that the room rates achieved in Kuala Lumpur are very much lower compared to room rates achieved by other JW Marriott in the other parts of the world even in South East Asia. This shows that there is still room for appreciation/improvements for these rates. This is clearly shown in the following table:-

#### Marriott Hotel, Comparison of Room Rates Offered

Type of Rooms	JW Marriott, Kuala Lumpur, Malaysia	JW Marriott Hotel, Bangkok, Thailand	JW Marriott, Jakarta, Indonesia	JW Marriott Hotel, Hong Kong
Quality Room	RM320++	USD 149 – 235 (RM566 – 893) 70%	USD110-180 (RM418 – 684) 23%	HKD2050 (RM999) (200%)
Executive Level Room		USD172 – 218 (RM653 – 828)	USD145-215 (RM551 – 817)	HKD2750 (RM1340)
Suite	RM500++	USD249 - 258 <sup>(1)</sup> (RM946 – 980) 89%	USD220 –270 (RM836 – 1,026) 67%	HKD3750 (RM1828)

Source: [www.Marriott.com](http://www.Marriott.com)

Note:

Rates for the above hotels were selected based on room rates on a weekday in May 2005. There may be differences in terms of the packages provided (e.g. with or without breakfast, service tax, etc.).

(1) One bedroom suite

Based on the above, the rates offered in Malaysia are at very affordable levels with the nearest to Kuala Lumpur rates being the ones available in Jakarta. Even the Quality Rooms in Jakarta is pegged at some 20% higher than those in Kuala Lumpur. The 5-star JW Marriott Hotel, Hong Kong being the Group's flagship property in Asia-Pacific and located in the heart of Hong Kong's city centre is pegged at triple (for Quality Room) the rates of Kuala Lumpur's.

The same "infancy" rates is observed for YTL's other flagship hotel i.e. the Ritz Carlton where the rates currently pegged for the rooms in Kuala Lumpur is very much lower compared to its counterpart in other parts of the world, including our neighbouring countries. The table below shows the Kuala Lumpur Ritz Carlton's current room rates in comparison to selected Ritz Carlton Hotels in the Asian region.

**Ritz Carlton, Comparison of Current Room Rates Offered**

Type of Rooms	Ritz Carlton, Kuala Lumpur, Malaysia	Ritz Carlton, Millenia Singapore	Ritz Carlton, Jakarta, Indonesia	Ritz Carlton, Hong Kong
Quality Room	RM350-700	SGD320 – 340 (RM741 – 787)	USD158 (RM600)	HKD2680 (RM1,306)
Deluxe Room	RM450 - 780 <sup>(1)</sup>	SGD350-370 <sup>(2)</sup> (RM810 – 856)	USD248 <sup>(3)</sup> (RM942)	
Club Level Room		SGD 565 (RM1,308)	USD198 (RM752)	HKD3080 – 3780 (RM1,501 – 1,843)
Premier Room		SGD698 (RM1,616)		
Suite - Executive	RM880-1199	SGD888-1488 (RM2,056 – 3445)	USD418 (RM1,588)	HKD4680-5240 (RM2292 – RM2555)
Suite	RM1299			
Ritz Carlton Suite	RM8000			

Source: [www.ritzcarlton.com](http://www.ritzcarlton.com)

Note:

Rates for the above hotels were selected based on room rates on a weekday in May 2005. There may be differences in terms of the packages provided (e.g. with or without breakfast, service tax, etc.).

- (1) Deluxe Executive Level
- (2) With Marina View & Terrace
- (3) Deluxe Club Room



## 5.7 Market Prospects

The market prospects for hotels in Bukit Bintang area is good given the high occupancies and average room rates this location has been able to command. Hotels in Bukit Bintang area are achieving room rates 23% above the average with annual growth rates of 4% per annum (2000 – 2005). We expect, for the next 2 years, room rates would continue to improve between 3% and 4% per annum, backed by increased tourist arrivals and consumer sentiments prevailing at around the current levels.

Since 2000, the JW Marriott has consistently been performing well in the market (for 4-star and 5-star hotels) both in terms of average room rates as well as average occupancies, not only for Kuala Lumpur but also in the Bukit Bintang area. With the Bukit Bintang area poised to continue its reign as a thriving, bustling entertainment and retail centre, the JW Marriott will undoubtedly be one of the fortunate beneficiaries.

The future prospects for this hotel in the next 2 years should still remain good given its prime location and strong track record.

**BENCHMARKING ANALYSIS  
FOR  
LOT 10 AND STARHILL SHOPPING CENTRE**

## **6.0 BENCHMARKING ANALYSIS FOR LOT 10 AND STARHILL SHOPPING CENTRE**

### **6.1 Analysis of the Competing Shopping Centres**

This analysis investigates several key elements of YTL's shopping centre i.e. Starhill Shopping Centre and Lot 10 and benchmarked the retail areas against major local malls to see how both Starhill Shopping Centre and Lot 10 compare with them.

The identified local malls are as follows:-

1. Suria KLCC (GT)
2. Mid-Valley Megamall (CBD)
3. 1 Utama Shopping Centre (DA)

The shopping centres identified above are existing premier shopping complexes in the Klang Valley in their own categories, each with their own strengths and opportunities. As can be seen, we have not limited the exercise to centres which are located within the same locality as the subject properties (e.g. Golden Triangle except for Suria KLCC) as we believe that the two other centres which are not city-shopping centres are also competitive to the subject properties (particularly Lot 10, which is targeting the medium market) in view of their vast array of retailers and products.

We have not taken Berjaya Times Square into consideration under this heading as we consider the development is still new in the market and not in the same league with those established shopping centres selected. Sungei Wang Plaza and Bukit Bintang Plaza are two retail centres fetching relatively high capital and rental values, located within the

neighbourhood. Nevertheless, we have excluded the two in our analysis as their target markets are mainly for lower to middle-income groups; thus not comparative to Lot 10 and Starhill Shopping Centre in terms of their catchment market aspect.

#### Location

Jalan Bukit Bintang, where both Lot 10 and Starhill Shopping Centre are located, is Klang Valley's traditional popular shopping venue and the area remains popular to-date. This area is unique as it caters to all market segments: Sungei Wang Plaza for the teenagers, Lot 10 for the middle and middle-upper and Starhill Shopping Centre for elegance and thus the really niche market. These shopping centres are all within walking distance of each other. The popularity of Jalan Bukit Bintang is also enhanced by the Bintang Walk and Bintang Steps, all adding the experience of seamless connectivity between retail, hotel and F & B services, health and beauty.

Being located at the crossroads of Jalan Sultan Ismail and Jalan Bukit Bintang and at the door step of the KL monorail station, Lot 10 is centrally and strategically located. This is evidenced with the heavy volume of both pedestrian traffic and motor vehicles in the area.

Starhill Shopping Centre on the other hand, which is solely aiming for the upper market shoppers who do not depend on public transport at all, preserves its privacy and exclusivity to the Centre via being at a distance from the monorail. This shopping centre has also the advantage of being within close proximity to Kuala Lumpur luxury hotels i.e. The Ritz Carlton and Residence, The J.W Marriott, The Westin and Regent Hotel, not

mentioning several other hotels along Jalan Imbi, Jalan Sultan Ismail, Jalan Raja Chulan, which represent more than 50% of the 3-star to 5-star hotels in Kuala Lumpur.

Suria KLCC, one of Malaysia's premier shopping destinations, is located within the prestigious 100-acre Kuala Lumpur City Centre (KLCC) development. The centre anchors the world's tallest building, the Petronas Twin Towers. Suria KLCC is surrounded by hotels, office buildings and a scenic 50-acre park. So far, only one of its immediate neighbour is retail in nature, i.e. the newly opened Avenue K. Both centres are targeting for the medium to high-income groups.

1 Utama is located in Bandar Utama, one of the most sought after residential areas in the Klang Valley. It lies along the busy Jalan Damansara, which is the main artery access that either runs past or through four prestigious residential neighbourhoods of Bandar Utama, Taman Tun Dr Ismail, Bangsar and Damansara Heights. The nearest shopping centres in the vicinity and mainly located in the neighbouring development are Mutiara Damansara and Damansara Perdana, but not within walking distance.

Mid-Valley Megamall along Lingkaran Syed Putra is located between Kuala Lumpur and Petaling Jaya. Mid-Valley is not located within either a residential address nor in the heart of the Kuala Lumpur city. The Megamall is, however, located in an integrated project called Midvalley City which includes Signature Offices, office tower, Cititel Hotel and the Boulevard, a 400m pedestrian boulevard with lush landscaping and sidewalk cafes.

In general, we observe that all the other three shopping centres i.e. Suria KLCC, Midvalley and 1 Utama, are mammoth shopping centres on their own right, aiming to provide a one-stop shopping experience to the shoppers. Whilst these centres with their own properly planned tenant mix are able to successfully draw the shopping crowd, Bukit Bintang area is unique in a sense, as the area in totality, is able to offer a unique shopping experience with a variety of retail formats from retailers located on the ground floor, malls, departmental stores and exclusive malls like Starhill Shopping Centre and also is within walking distance.

#### Catchment Market

Lot 10, Starhill Shopping Centre and Suria KLCC, being located in the GT area, have one thing in common i.e. high concentration of both locals and tourists (both locals and foreign). Whilst the former 2 shopping centres, as described earlier, are located in the unique Jalan Bukit Bintang area which not only houses retailers in various retail formats, the area and the immediate neighbouring areas also accommodates many top class hotels such as JW Marriott, Westin Hotel, The Ritz-Carlton Kuala Lumpur and Ritz-Carlton Residence, The Regent, Parkroyal Kuala Lumpur, Istana Hotel and Mutiara Hotel. Jalan Sultan Ismail is also housing most of Kuala Lumpur's prestigious office buildings, hence providing high immediate catchment market especially during weekdays i.e. the office crowds and also on weekends where entertainment and relaxation are offered.

Suria KLCC, which is located below the world's tallest twin structure, Petronas Twin Tower, has to a lesser extent, in comparison to Bukit Bintang/Sultan Ismail vicinity with some top class hotels in the area, notably the Mandarin Oriental and NIKKO Hotel.

Besides the Twin Tower, other attractions and added boost for Suria KLCC include the nearby 20-hectare park and the upcoming convention center, which will also house an aquarium, the biggest in the region. Being the icon of Malaysia, this development has very high traffic of both locals and foreign tourists.

Mid-Valley Megamall and 1 Utama have successfully become premier suburban shopping centres, but the traffic is mainly locals by virtue of their location. The location of both centres has made both centres mostly sought after but mainly by the locals and outstation visitors.

#### Accessibility/Public Transport.

Lot 10 and Starhill Shopping Centre are well served by public buses and taxis. In addition, the Bukit Bintang Monorail Station is just at the door step of Lot 10.



Nevertheless, by road, the area is mainly accessible via Jalan Bukit Bintang and Jalan Sultan Ismail (via Jalan Imbi). Jalan Bukit Bintang is usually heavy with traffic, especially during peak hours (after office hours) due to the high concentration of commercial space of all nature i.e. retail, office and hotels within the vicinity and also weekends (night-time) as the area offers attractions and entertainments for locals and tourists.

Suria KLCC, being a well-planned mammoth development, has been planned so that the development is well connected from all parts of the city centre. The whole development of Kuala Lumpur City Centre (KLCC) has easy access from Jalan Kuching, Jalan Ampang, Jalan Sultan Ismail, Jalan Tun Razak and Jalan Ipoh. One can also easily reach KLCC by

numerous public transportations such as Putra LRT (Light-Rail Transit) and KL Monorail in no time. It is also well served by taxis and public buses.

1 Utama is easily accessible by road from the Federal Highway through Section 16 and Section 17 Petaling Jaya, Jalan Damansara and the New Klang Valley Expressway. In terms of public transportation, 1 Utama is served by taxis and public buses but is not connected by rail.

Mid-Valley Megamall is presently serviced by public transportation via the KTM commuter and public buses and trains. There are also feeder buses to and fro the Megamall from the University LRT Station and Bangsar LRT Station.

#### Tenant Mix/Net Lettable Area

As Starhill Shopping Centre and Lot 10 net lettable areas (NLA) are both about or just under 300,000 sq. ft., the tenant mix is naturally more focused in comparison to the other 3 mega malls, which are over 1,000,000 sq. ft. of NLA.

We noted, however, that Starhill Shopping Centre is aiming to be the hallmark of exclusivity and privacy since it was launched in 1995, which is reflected in its high concentration of luxury products and services.

Lot 10 is, however, more mixed, although the main concentration is still in fashion and apparels for the middle to middle-upper income group. In terms of representation/array of products offered in Lot 10, the centre is competitive and offer comparable choices available at Isetan and others. The tenant mix of the benchmarked shopping centres i.e Suria KLCC, Mid-Valley Megamall and 1 Utama Shopping Centre and the subject properties are shown in the following table:



TYPE OF TENANTS	Lot 10	Starhill Shopping Centre	Suria KLCC	Mid-Valley Megamall	1 Utama
Departmental Stores	1		3	2	2
Hypermarket	0		0	1	0
Supermarket	1		2	1	2
Junior Anchors				11	
Accessories	10		18	16	8
Apparel	44	26 <sup>(1)</sup>	86	86	160
Discounters	0		0	2	0
Entertainment	0		3	4	3
Exhibition	0	1 <sup>(2)</sup>	1	2	0
Food	7	6	49	71	109
Foodcourt/ Dedicated food floor	1 centre	<sup>(3)</sup>	2 centres	3 centres	1 centre
Health /Personal Care	2	1	6	24	45
Hotel	0		0	1	0
Houseware & Furnishings	4	4	12	31	19
Information Technology	5		9	13	11
Leisure	3	9	32	37	65
Luggage	1		8	4	2
Shoes	1	2	14	16	16
Sporting Goods		1	3	14	13
Sundry & Services	17	4	39	39	51
Tailoring	0		1	2	2
Textile	0		1	2	0
Watches, Pens & Jewellery	7	12	23	16	22
Others					8

**Note**

(1) Apparel includes leather goods & fashion

(2) Starhill Conference Centre

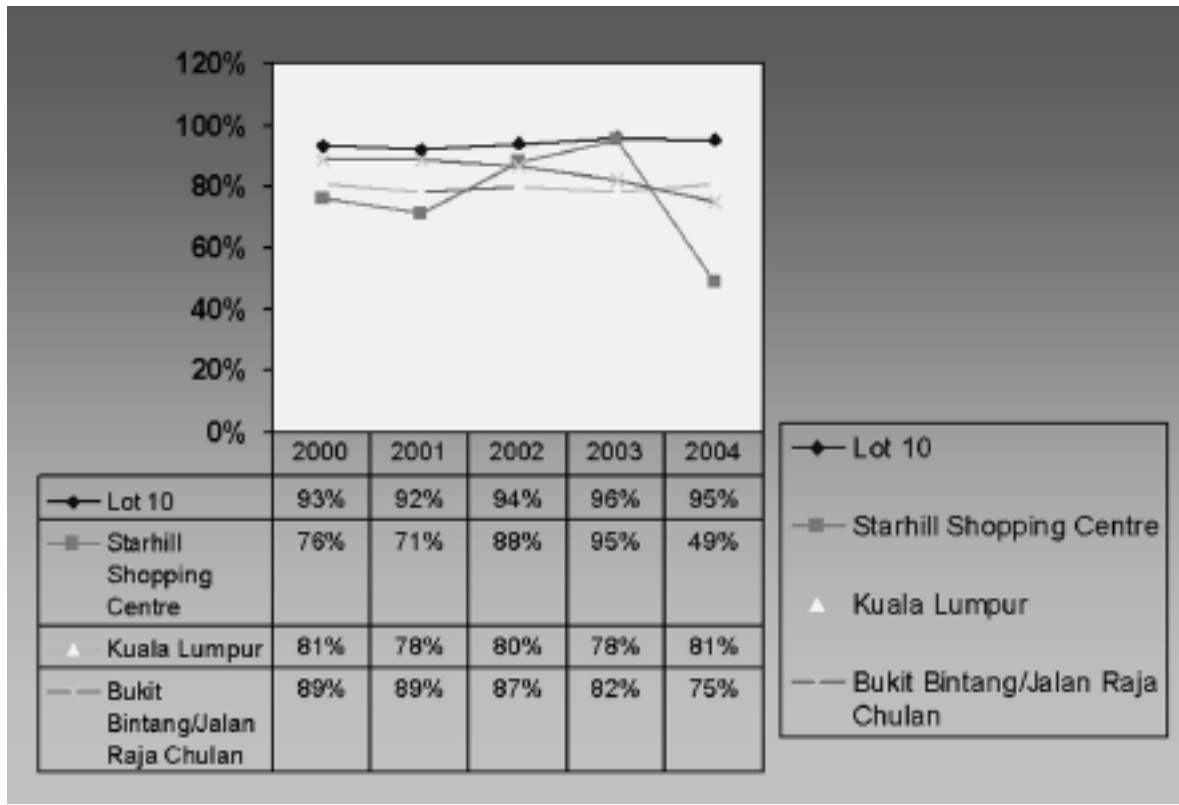
(3) For Starhill Shopping Centre, there is no food court but a dedicated floor for fine dining/lounge.

(Source: Henry Butcher Malaysia)

All the other 3 mega malls are drawing the crowds with choices on both products and services. All 3 malls are aiming to provide everything under one roof but the target market is not clearly defined and mixed. Suria KLCC for instance, has a wide array of tenants mix thus attracted a wide range of shoppers and therefore, it lacks exclusivity and privacy for those shoppers who are looking for luxury branded products.

Shoppers in Bukit Bintang, as a whole, are also spoilt with choice, as the different shopping centres in the area are targeting at different target markets. By having the different shopping malls all lined up within the same street but under different roofs, the crowd in the different malls are distinctly different as the malls are offering/targeting different levels of retail goods. The shopping experience in Bukit Bintang as a whole is however, complete with the wide array of retail outlets.

Occupancy



(Source: JPPH, Property Market Reports, YTL Land Sdn. Bhd.)

In view of lack of official data on the occupancy trends of the other selected shopping centres, we have benchmarked the occupancy levels of the subject properties to the official data released by the JPPH for the selected areas i.e. Bukit Bintang/Jalan Bukit Bintang in particular, and Kuala Lumpur in general.

As can be seen from the above chart, Lot 10 has been achieving above 90% occupancy since 2000. This is seen to be consistently above the average occupancy achieved by shopping centres in Bukit Bintang/Raja Chulan area and Kuala Lumpur in general. This shows that Lot 10 continued to be one of the premier shopping centres in the locality.

Being located at the further end of Jalan Bukit Bintang, Starhill Shopping Centre is, however, experiencing lower occupancy with only above 70% in 2000 – 2001 period which is much below the average occupancy achieved by shopping centres in Jalan Bukit Bintang/Raja Chulan of 89% for both years. Its performance improved dramatically within 2002 – 2003 period but the closure of its anchor tenant Tangs in 2004 resulted in the sudden drop in occupancy for the whole shopping centre to 49%. Nevertheless, should the area occupied by Tangs was to be excluded from the occupancy analysis, the shopping centre is still achieving a respectable 86% occupancy.

For 2005, the occupancy for Starhill Shopping Centre is estimated to be 100% (including the former Tangs) and this is due largely to its refurbishment and re-branding exercise, which promises to recreate Starhill Shopping Centre as a unique shopping haven.

#### Rental Rates

Analysis of rental rates at Lot 10 shows that this shopping centre, when benchmarked against Suria KLCC, has achieved significantly higher rents compared to Suria KLCC for most years and for most of the floors. Amongst all the shopping centres, Lot 10's rents are recorded to be above the market rents.

As for Starhill Shopping Centre, which provides a different type of shopping experience, the rental rates are still commendable and is not far below Lot 10's rental levels (except for the upper floors which cater to a different type of retail activity). The latest rent shows that for the prime floors (ground and upper ground), Starhill Shopping Centre's rents are better compared to Suria KLCC's.

Based on the description above, we have summarised in the table below, the key elements of the competitive developments and comparing them with Starhill Shopping Centre Shopping Centre and Lot 10. In the following table, we have weighted the key elements in a rating system to enable us to rate the two shopping centres in relation to the other premier shopping centres.

Shopping Centre	NLA (sq. ft.)	Developer/ Owner	Description	Strengths and Weaknesses vs Subject Property
Suria KLCC	1 mill	Suria KLCC Sdn. Bhd.	<p>Located below the world tallest twin structure Petronas Twin Towers. The KLCC development is a massive and prestigious mixed development. Hence, it attracts prestigious occupiers from its other components such as the office components.</p> <p>Properties along Jalan Ampang, Jalan Pinang and Jalan Yap Kwan Seng, to name a few, are also benefiting positively by virtue of being near the icon.</p>	<p>Being located within the icon development, Suria naturally enjoys high traffic of locals, outstation visitors and foreign tourists.</p> <p>In terms of access, Suria is also more accessible by road and public transport (especially the rail).</p> <p>The extensive tenant mix within Suria will be able to attract shoppers who are interested to find all goods and services under one roof. However, Suria could not offer the same privacy and exclusivity that Starhill Shopping Centre Shopping Centre will be able to.</p> <p>The strength of both subject properties, however, is being located in Bukit Bintang, amidst the benchmarked Bintang Walk of which its popularity is growing more than ever.</p>

Shopping Centre	NLA (sq. ft.)	Developer/ Owner	Description	Strengths and Weaknesses vs Subject Property
Mid-Valley Megamall.	1.4 mill	IGB	Mid-Valley Megamall, is between Kuala Lumpur and Petaling Jaya. The Megamall is, however, located in an integrated project called Mid-Valley City which includes Signature Offices, office tower, Cititel Hotel and the Boulevard, a 400m pedestrian boulevard with lush landscaping and sidewalk cafes.	<p>Main strength of the Megamall lies in its extensive tenant mix. With such a mix bag ranging from anchor tenants which include a hypermarket to a few junior anchors, this mall attracts the locals and middle market.</p> <p>Access to the mall is poor with perpetual traffic jams. The nearest rail serving the mall i.e. the KTM commuter is also not as regular and punctual as the LRTs or monorail.</p>
1 Utama	2 mill	See Hoy Chan	Located within one of the affluent neighbourhood in Klang Valley and along the busy Jalan Damansara which is the main artery that either runs past or through four prestigious residential neighbourhoods Bandar Utama, Taman Tun Dr Ismail, Bangsar and Damansara Heights.	<p>This mall is considered one of the top malls within a residential area. Unlike more neighbourhood malls which are housing the "day to day" needs, this mall is also catering to the more glamorous needs with some of its upmarket tenants. With the extension, 1 Utama has an extensive tenant mix.</p> <p>Being a suburban shopping mall, the catchment market is rather limited to locals and outstation visitors. Its location also lacks the synergy Bukit Bintang has.</p>

*(Source: Henry Butcher Malaysia)*

### Benchmarking Analysis

	Lot 10	Starhill Shopping Centre Shopping Centre	Suria KLCC	Mid-Valley Megamall	1 Utama
Location (10 - Full Rating )	10	10	10	6	6
Catchment Market (10 = Full Rating )	10	10	10	7	7
Accessibility (10 = Full Rating)	7	7	10	3	3
Public Transport (5 = Full Rating)	4	4	4	2	1
Tenant Mix (8 = Full Rating)	6	3	8	8	8
<b>TOTAL (43 = Full Marks)</b>	<b>37</b>	<b>34</b>	<b>42</b>	<b>26</b>	<b>25</b>

(Source: Henry Butcher Malaysia)

## 6.2 Review of Lot 10

### Key Strengths and Opportunities

Based on our benchmarking analysis above, we view that Lot 10 is second after Suria KLCC, mainly by virtue of its locality and catchment market. Both 1 Utama and Mid-Valley Megamall are high on the list for tenant mix but lose out in terms of location and accessibility.

### Location

Being located at the junction of Bukit Bintang and Jalan Sultan Ismail is very strategic and with high visibility. This junction is heavy with traffic flow. The Bintang Walk is a good synergy and a pull-factor for the location. Bukit Bintang and Bintang Walk are the 'must see & must go' shopping destination for tourists, both local and overseas.

The bridge linking Lot 10 to the popular Sungei Wang Plaza (which is linked to Bukit Bintang Plaza) also provides good traffic flow to the area.

With the completion of the Pavilion project, the Bukit Bintang area (in totality) will remain as the most-sought after for those seeking the "glamorous" shopping destination and also the al fresco dining. In view of lack of prime and centralised developable area in this vicinity, Lot 10 will remain one of the premier and strategically located centre for this vicinity. Most of the new developments are seen to be at the fringe/border of the heart of Bukit Bintang.

#### Catchment Market

As mentioned, Bukit Bintang is popular amongst the locals and tourists (local and overseas). Large tourists and office crowds are also sourced from the surrounding hotels and offices within the Bukit Bintang/Jalan Raja Chulan and Jalan Sultan Ismail vicinity.

#### Access/Public Transport

Availability of monorail station and public buses and taxis at its door step (along Jalan Sultan Ismail entrance) is a boon to the project. Ample car parking, as well as friendly ramps upwards to the car parks, also is an added advantage to the centre.

#### One Ownership

Being one of the 5 properties (Lot 10, Starhill Shopping Centre, JW Marriott, The Ritz-Carlton Kuala Lumpur and Bangunan YTL) under the ownership of YTL Group, Lot 10 is ensured of regular upkeep and branding to change with time and consumer's taste.



Although its current small size might refrain this centre from providing occupancy to more retailers/tenants under one roof, its strategic location and interlinks with other retail offerings in the Bukit Bintang area provide choices for its shoppers.

### **6.3 Review of Starhill Shopping Centre**

#### Key Strengths and Opportunities

Based on our benchmarking analysis above, we view that Starhill Shopping Centre is ahead in the category of the growing luxury brand retailers.

#### Location

Starhill Shopping Centre currently benefits by being in the Bukit Bintang vicinity. It will further benefit from completion of the Pavilion which will provide an additional draw to this area as a shopping haven.

#### Catchment Market

As mentioned earlier, Bukit Bintang is popular amongst the locals and tourists. Nevertheless, in view of the limited range of product offerings in the shopping mall, which caters for the upper market, the traffic flow to the mall is limited, not by virtue of inaccessibility but due to the niche market it is aiming.

### Exclusivity

Exclusivity, stylish, luxury and privacy is the niche Starhill Shopping Centre is aiming for. Unlike Suria KLCC and 1 Utama to a certain extent, the customer profile is so mixed as the retailers in these malls are catering to a mix crowd unlike Starhill Shopping Centre, which is more focused. It will house one of the world's largest collection of exclusive luxury watch brands. Being within close proximity to luxury hotels i.e. JW Marriott, Ritz-Carlton Hotel and Residence provides excellent synergy to this Centre as the hotel guests formed an immediate catchment market for the Centre.

### One Ownership

As with Lot 10, being one of the 5 properties under the ownership of YTL Group, the mall is always well maintained.

## **6.4 Conclusion**

In conclusion, both Lot 10 and Starhill Shopping Centre are comparable with premier malls like Suria KLCC, and lose out only in respect of size and, therefore, range of retail offerings. However, the mammoth shopping complexes on the other hand, have to compromise on their rental rates offered to their anchor and mini anchor tenants, which is not the case for both Lot 10 and Starhill Shopping Centre. In addition having to rely heavily on the attraction of providing everything under the same roof, many of these mega shopping centres have to rationalise the tenant mix to attract new and to maintain existing shoppers.

Lot 10 and Starhill Shopping Centre on the other hand, have the major locational advantage of being located in the prime Bukit Bintang area, which continues to attract super regional population catchments. Bukit Bintang, and this particular location, has been enhanced and given an added impetus by Bintang Walk, which provides an experience of seamless connectivity between retail, hotel, food and beverage (F & B), health and beauty. Without doubt, Bukit Bintang and this particular location is considered the most popular and trendiest shopping street in the city.

As for the office sector, the market prospect for purpose-built offices for the next 2 years is expected to be well occupied (3% - 5% per annum growth), coupled with improved rental rates (1% - 2% per annum).

With regards to JW Marriott Hotel, its average room-rates and average occupancy have consistently been out-performing the market. Increased tourist arrivals and consumer sentiments are two of the elements contributing to the positive growth of the property and the hotel sector as a whole.

Yours faithfully  
AZMI & CO SDN. BHD. (77155-D)  
(No. Pendaftaran Bersiri: V(1)0011)



NAZLINDA ABDULLAH  
Head of Research Department

Date: 17 May 2005

3. APPENDIX - REPORTING ACCOUNTANTS' LETTERS ON PROFIT FORECAST AND DISTRIBUTION STATEMENT



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11<sup>th</sup> Floor, Yeoh Tiong Lay Plaza  
55 Jalan Bukit Bintang  
55100 Kuala Lumpur

18 November 2005

Dear Sirs

**Reporting accountants' letter on the profit forecast for the 6 month period ending 30 June 2006**

We have reviewed the profit forecast of Starhill Real Estate Investment Trust ("Starhill REIT") for the 6 month period ending 30 June 2006, as set out in the accompanying statement (which we have stamped for the purpose of identification) in accordance with the Standard on Auditing (ISA 810) applicable to the review of forecasts. The profit forecast has been prepared for inclusion in the Prospectus to be dated 22 November 2005 in connection with the following transactions:

- i. Proposed acquisition of the following Subject Properties by Mayban Trustees Berhad ("Trustee"), who shall enter into the acquisition transactions as trustee for Starhill REIT, for a total purchase consideration of RM1,150,000,000 ("Proposed Acquisition"):

<i>Vendor</i>	<i>Subject Properties</i>	<i>Consideration RM</i>
YTL Land Sdn Bhd	Starhill Property (as defined in the Prospectus)	480,000,000
YTL Land Sdn Bhd	Lot 10 Property ( as defined in the Prospectus)	341,000,000
YTL Land Sdn Bhd	Hotel Property (as defined in the Prospectus)	329,000,000

- ii. Proposed offering of up to 509,599,000 units in Starhill REIT for subscription at a proposed issue price of RM1.03 per unit for Institutional Offer (as defined in the Prospectus and RM0.98 per unit for Retail Offer (as defined in the Prospectus); and
- iii. Proposed listing for the entire issued units in Starhill REIT, to be listed on the Main Board of Bursa Malaysia Securities Berhad ("Proposed Listing").

KPMG, a partnership established under the Malaysian law, is the Malaysian member firm of KPMG International, a Swiss cooperative.

The forecast has been prepared for the above purposes and should not be relied on for any other purposes.

Our review has been undertaken to enable us to form an opinion as to whether the profit forecast is, in all material aspects, properly prepared on the basis of the assumptions made by the Directors of Pintar Projek Sdn. Bhd. ("the Manager") and YTL Land Sdn Bhd ("YTL Land") and is presented on a basis consistent with generally accepted accounting principles. The Directors of the Manager and YTL Land are solely responsible for the preparation and presentation of the profit forecast and the assumptions on which the profit forecast is based.

Forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which the Manager and YTL Land expect to take place and the actions which the Manager and YTL Land expect to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which a forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation could be material.

Subject to the above:-

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors of the Manager and YTL Land, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the profit forecast; and
- (ii) in our opinion, the profit forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors of the Manager and YTL Land and is presented on a basis consistent with generally accepted accounting policies.

Yours faithfully



**KPMG**  
Firm No. AF 0758  
Chartered Accountants

**Starhill Real Estate Investment Trust (“Starhill REIT”)**

**Profit forecast and assumptions  
for the 6 month period ending 30 June 2006**

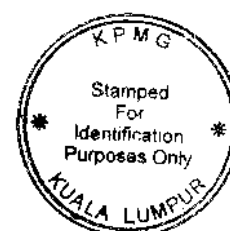
The Directors of the Manager and YTL Land forecast that in the absence of unforeseen circumstances, the net income before taxation of Starhill REIT for the 6 month period ending 30 June 2006 will be as follows:

	<i>1.1.2006 to 30.6.2006</i>
	RM'000
Net income before taxation*	32,304
	=====

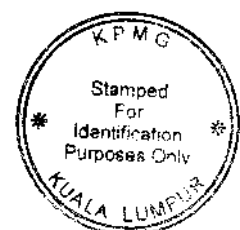
\* *Net income before taxation equates to profit before and after taxation (as there is no estimated tax expense).*

The principal bases and assumptions made by the Directors of the Manager and YTL Land upon which the profit forecast has been prepared are set out below:

1. Rental revenue is recognised in the income statement when it accrues and is based on the assumption that all vacant lots will be leased out by 1 January 2006. The occupancy rate is forecast to remain at approximately 100% throughout the forecast period, save for the grace period during renewal of tenancy (see assumption 2) and the existing vacant storage space which represents approximately 1.1% and 0.1% of the net lettable area of Lot 10 Property and Starhill Property as at 31 July 2005 respectively.
2. Finalisation of tenancy agreements is expected to take a month, during which the shoplot is deemed to be vacant.
3. Proposed car park management agreement will be signed and finalised as proposed with a related party of the Manager. Tenancy agreements and hotel lease agreement with related parties have been signed. Accordingly, total income of RM27.8 million from related parties will not vary.
4. Upon expiry, the tenancy rates of the current tenancy agreements will be revised upward to prevailing/market rates
5. Service charge, assessment, quit rent and insurance cost will remain at the current rate.
6. The car park operations of Lot 10 Property and Starhill Property will be outsourced to a related party of the Manager for a proposed fee of RM5 million per annum.
7. Pursuant to the Property Management Agreement to be entered into between the Trustee, the Manager and Azmi & Co Building Services Sdn Bhd, the Property Manager, Starhill Property will be managed by the Property Manager at an operating cost (excluding quit rent, assessment and insurance) of RM5.4 million per annum. A 5% government service tax was assumed and applied to the fee payable to the Property Manager. As for the Lot 10 Property, the management of the common areas will be with Lot 10 Management Corporation which will impose a service charge of RM5.2 million per annum (RM1.00 per gross area in title held by Starhill REIT).



8. The occurrence of bad debts in Lot 10 Property and Starhill Property is not expected to exceed 3% and 1% of rental and service charge revenue respectively.
9. The Trustee's fees will be finalised at the proposed rate of 0.03% per annum of the gross asset value.
10. The base fee and performance fee will be finalised at the proposed rate of 0.1% per annum of the gross asset value and 2% per annum of net property income excluding property management fee. A 5% government service tax on the base fee and performance fee will be payable.
11. Property management fees will be payable at the following rate:  
  
*Maximum scale based on annual gross receipts excluding hotel rental income and car park income:*  
  
*5% of first RM30,000*  
*3% of residue up to RM100,000*  
*2% of residue over RM100,000*
12. The acquisition of the Subject Properties and the formation of Starhill REIT will be completed on 1 January 2006.
13. The Subject Properties are not depreciated but are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Impairment losses are recognised in the income statement.
14. The entire distributable income will be distributed to unitholders.
15. The statutory tax rate will be maintained at the present rate of 28%. In accordance with the Budget 2005 proposal, all distributable income of Starhill REIT if distributed to unitholders will not be subjected to tax.
16. There will be no material contingent liabilities during the forecast period which may materially affect the forecast. Starhill REIT will not be subjected to any material litigation or proceedings which could have a material adverse impact on Starhill REIT's business, operating results and financial condition.
17. There will be no material changes in present legislation or government regulations which will adversely affect the operations of Starhill REIT.
18. Starhill REIT will not be affected by industrial disputes or any other abnormal factors of changes affecting operations or its planned operations.
19. There will be no adverse economic and political conditions which will materially affect the activities of Starhill REIT.
20. There will be no material changes in the planned accounting, management and operational policies of Starhill REIT.





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11<sup>th</sup> Floor, Yeoh Tiong Lay Plaza  
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55100 Kuala Lumpur

18 November 2005

Dear Sirs

**Reporting accountants' letter on the profit projections for the years ending 30 June 2007 and 30 June 2008**

We have reviewed the profit projections of Starhill Real Estate Investment Trust ("Starhill REIT") for the years ending 30 June 2007 and 30 June 2008, as set out in the accompanying statement (which we have stamped for the purpose of identification) in accordance with the Standard on Auditing (ISA 810) applicable to the review of projections. The profit projections have been prepared for inclusion in the Prospectus to be dated 22 November 2005 in connection with the following transactions:

- i. Proposed acquisition of the following Subject Properties by Mayban Trustees Berhad ("Trustee"), who shall enter into the acquisition transactions as trustee for Starhill REIT, for a total purchase consideration of RM1,150,000,000 ("Proposed Acquisition"):

<i>Vendor</i>	<i>Subject Properties</i>	<i>Consideration RM</i>
YTL Land Sdn Bhd	Starhill Property (as defined in the Prospectus)	480,000,000
YTL Land Sdn Bhd	Lot 10 Property (as defined in the Prospectus)	341,000,000
YTL Land Sdn Bhd	Hotel Property (as defined in the Prospectus)	329,000,000

- ii. Proposed offering of up to 509,599,000 units in Starhill REIT for subscription at a proposed issue price of RM1.03 per unit for Institutional Offer (as defined in the Prospectus) and RM0.98 for Retail Offer (as defined in the Prospectus); and
- iii. Proposed listing for the entire issued units in Starhill REIT, to be listed on the Main Board of Bursa Malaysia Securities Berhad ("Proposed Listing").



Our review has been undertaken to enable us to form an opinion as to whether the profit projections are, in all material aspects, properly prepared on the basis of the assumptions, including hypothetical assumptions, made by the Directors of Pintar Projek Sdn. Bhd. (“the Manager”) and YTL Land Sdn Bhd (“YTL Land”) and are presented on a basis consistent with generally accepted accounting principles. The Directors of the Manager and YTL Land are solely responsible for the preparation and presentation of the profit projections and the assumptions, including hypothetical assumptions, on which the profit projections are based.

Projections, in this context, mean prospective financial information prepared on the basis of a mixture of best-estimate assumptions and hypothetical assumptions about future events which the Manager and YTL Land expect to take place and the actions which the Manager and YTL Land expect to take as of the date the information is prepared (best-estimate assumptions). Consequently, readers are cautioned that the profit projections may not be appropriate for purposes other than that described above.

While information may be available to support the assumptions including hypothetical assumptions on which a projections are based, such information is generally future oriented and therefore uncertain. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to be different from the projections since other anticipated events frequently do not occur as expected and the variation may be material. We emphasise that the projections cover an extended future period of time for which there are inherent risks and, therefore, should be treated with caution. Due to the extended period of time, there is an inherent limitation on the ability of the Directors of the Manager and YTL Land to make best-estimate assumptions. The Directors of the Manager and YTL Land in preparing the projections have, therefore, out of necessity, based them on assumptions about future events and actions which are not necessarily expected to take place. Thus, actual results are likely to be different from the projections since anticipated events frequently do not occur as expected and the variation could be material. The profit projections cannot be regarded as profit forecast and accordingly, we do not express any opinion as to whether the profit projections will be achieved nor can we guarantee or confirm the achievement of those results.

Subject to the above:-

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors of the Manager and YTL Land, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the profit projections; and
- (ii) in our opinion, the profit projections, so far as the calculations are concerned, are properly prepared on the basis of the assumptions made by the Directors of the Manager and YTL Land and are presented on a basis consistent with generally accepted accounting policies.



This letter is prepared at your request and is exclusively for your use for the purpose set out in the first paragraph. It is not intended for general circulation or publication nor it is to be used for any other purpose without our prior written consent. We do not assume any responsibility or liability for losses however occasioned to you or any other parties as a result of the circulation, publication, reproduction or use of our letter contrary to the provision of this paragraph.

Yours faithfully

A handwritten signature in black ink, appearing to read 'KPMG'.

**KPMG**  
Firm No. AF 0758  
Chartered Accountants

**Starhill Real Estate Investment Trust (“Starhill REIT”)**

**Profit projections and assumptions  
for the years ending 30 June 2007 and 2008**

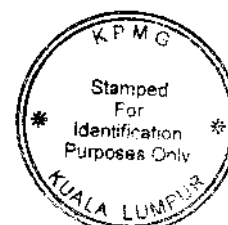
The Directors of the Manager and YTL Land project that in the absence of unforeseen circumstances, the net income before taxation of Starhill REIT for the years ending 30 June 2007 and 2008 will be as follows:

	2007	2008
	<i>RM'000</i>	<i>RM'000</i>
Net income before taxation*	68,440	70,500
	=====	=====

\* *Net income before taxation equates profit before and after taxation (as there is no estimated tax expense).*

The principal bases and assumptions made by the Directors of the Manager and YTL Land upon which the profit projections have been prepared are set out below:

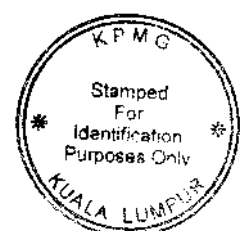
1. Rental revenue is recognised in the income statement when it accrues and is based on the assumption that all vacant lots will be leased out by 1 January 2006. The occupancy rate is projected to remain at approximately 100% throughout the whole projections period, save for the grace period during renewal of tenancy (see assumption 2) and the existing vacant storage space which represents approximately 1.1% and 0.1% of the net lettable area of Lot 10 Property and Starhill Property as at 31 July 2005 respectively.
2. Finalisation of tenancy agreements is expected to take a month, during which the shoplot is deemed to be vacant.
3. Proposed car park management agreement will be signed and finalised as proposed with the respective related party of the Manager. Tenancy agreements and hotel lease agreement with related parties have been signed. Accordingly, total income of RM55.6 million and RM56.9 million for years ending 30 June 2007 and 2008 respectively from related parties will not vary.
4. Upon expiry, the tenancy rates of the current tenancy agreements will be revised upward to prevailing/market rates.
5. Service charge, assessment, quit rent and insurance cost will remain at current rate.
6. The car park operations of Lot 10 Property and Starhill Property will be outsourced to a related party of the Manager for a proposed fee of RM5 million per annum for the year ending 30 June 2007 and RM5.125 million per annum for the year ending 30 June 2008.
7. Pursuant to the Property Management Agreement to be entered into between the Trustee, the Manager and Azmi & Co Building Services Sdn Bhd, the Property Manager, Starhill Property will be managed by the Property Manager at an operating cost (excluding quit rent, assessment and insurance) of RM5.4 million per annum. A 5% government service tax was assumed and applied to the fee payable to the Property Manager. As for the Lot 10 Property, the management of the common areas will be with Lot 10 Management Corporation which will impose a service charge of RM5.2 million per annum (RM1.00 per gross area in title held by Starhill REIT).



8. The occurrence of bad debts in Lot 10 Property and Starhill Property is not expected to exceed 3% and 1% of rental and service charges revenue respectively.
9. The Trustee's fees will be finalised at the proposed rate of 0.03% per annum of the gross asset value.
10. The base fee and performance fee will be finalised at the proposed rate of 0.1% per annum of the gross asset value and 2% per annum of net property income excluding property management fees. . A 5% government service tax on the base fee and performance fee will be payable.
11. Property management fees will be payable at the following rate:
 

*Maximum scale based on annual gross receipts excluding hotel rental income and car park income:*

*5% of first RM30,000*  
*3% of residue up to RM100,000*  
*2% of residue over RM100,000*
12. The acquisition of the Subject Properties and the formation of Starhill REIT will be completed on 1 January 2006.
13. The Subject Properties are not depreciated but are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Impairment losses are recognised in the income statement.
14. The entire distributable income will be distributed to unitholders for the year ending 30 June 2007 and 95% of the distributable income will be distributed to unitholders for the year ending 30 June 2008.
15. The statutory tax rate will be maintained at the present rate of 28%. In accordance with the Budget 2005 proposal, all distributable income of Starhill REIT if distributed to unitholders will not be subjected to tax.
16. There will be no material contingent liabilities during the projection years which may materially affect the projections. Starhill REIT will not be subjected to any material litigation or proceedings which could have a material adverse impact on Starhill REIT's business, operating results and financial condition.
17. There will be no material changes in present legislation or government regulations which will adversely affect the operations of Starhill REIT.
18. Starhill REIT will not be affected by industrial disputes or any other abnormal factors of changes affecting operations or its planned operations.
19. There will be no adverse economic and political conditions which will materially affect the activities of Starhill REIT.
20. There will be no material changes in the planned accounting, management and operational policies of Starhill REIT.





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55100 Kuala Lumpur

18 November 2005

Dear Sirs

**Starhill Real Estate Investment Trust  
Proforma historical financial information**

We report on the unaudited proforma historical financial information of Starhill Real Estate Investment Trust (“Starhill REIT”) set out on page 72 of the Prospectus to be dated 22 November 2005 in connection with the following transactions, which has been prepared for illustrative purposes only:

- i. Proposed acquisition of the following Subject Properties by Mayban Trustees Berhad (“Trustee”), who shall enter into the acquisition transactions as trustee for Starhill REIT, for a total purchase consideration of RM1,150,000,000 (“Proposed Acquisition”):

<i>Vendor</i>	<i>Subject Properties</i>	<i>Consideration RM</i>
YTL Land Sdn Bhd	Starhill Property (as defined in the Prospectus)	480,000,000
YTL Land Sdn Bhd	Lot 10 Property ( as defined in the Prospectus)	341,000,000
YTL Land Sdn Bhd	Hotel Property (as defined in the Prospectus)	329,000,000

- ii. Proposed offering of up to 509,599,000 units in Starhill REIT for subscription at a proposed issue price of RM1.03 per unit for Institutional Offer (as defined in the Prospectus) and RM0.98 per unit for Retail Offer (as defined in the Prospectus); and
- iii. Proposed listing for the entire issued units in Starhill REIT, to be listed on the Main Board of Bursa Malaysia Securities Berhad (“Proposed Listing”).

The unaudited proforma historical financial information for the years ended 30 June 2001, 2002, 2003, 2004 and 2005 have been prepared to provide information about how the purchase of the properties comprising Lot 10 Property, Starhill Property and Hotel Property (collectively, the “Properties”) by Starhill REIT under the same terms set out in the Prospectus might have affected the total return presented, had Starhill REIT purchased the Properties on 1 July 2000.

The objective of the unaudited proforma historical financial information of Starhill REIT is to show what the total returns might have been had Starhill REIT existed at an earlier date, as described above. However, the unaudited proforma historical financial information of Starhill REIT is not necessarily indicative of the total returns that would have been attained had Starhill REIT actually existed in the financial years ended 30 June 2001, 2002, 2003, 2004 and 2005. The unaudited proforma historical information, because of its nature, may not give a true picture of Starhill REIT's actual total returns.

The unaudited proforma historical financial information is the responsibility of the Directors of Pintar Projek Sdn. Bhd. (the "Directors"). Our responsibility is to express an opinion on the unaudited proforma historical financial information based on our work.

Our work, which involved no independent examination of the underlying financial information, consisted primarily of:

- (i) comparing the unaudited proforma historical financial information to the audited financial statements of YTL Land Sdn. Bhd. ("YTL Land"), the owner of the Properties prior to their acquisition by Starhill REIT, for the years ended 30 June 2001, 2002, 2003, 2004 and 2005; and
- (ii) considering the evidence supporting the proforma adjustments and discussing the unaudited proforma historical financial information with the Directors.

In our opinion:

- (a) the unaudited proforma historical financial information has been properly prepared on the basis set out therein and, to the extent applicable, from the audited financial statements of YTL Land (being financial statements prepared in accordance with approved accounting standards in Malaysia);
- (b) the unaudited proforma historical financial information has been properly prepared in a manner consistent with the accounting policies to be adopted by Starhill REIT; and
- (c) each material adjustment to the information used in the preparation of the unaudited proforma historical financial information is appropriate for the purpose of preparing such financial information;

Yours faithfully



KPMG  
Firm No. AF 0758  
Chartered Accountants

## Starhill Real Estate Investment Trust (“Starhill REIT”)

### Proforma historical financial information for the years ended 30 June 2001, 2002, 2003, 2004 and 2005

#### A. Introduction

Starhill Real Estate Investment Trust (“Starhill REIT”) is a Malaysian-based unit trust constituted pursuant to a deed dated 18 November 2005 (“Deed”) made between Pintar Projek Sdn. Bhd. (“Manager”) and Mayban Trustees Berhad (“Trustee”).

Starhill REIT proposes to acquire certain properties, comprising Lot 10 Property, Starhill Property and Hotel Property (collectively, the “Properties”) from the present owner, YTL Land Sdn Bhd (the “Vendor”).

Starhill REIT is making an offering of 509,599,000 units (the “Offering”) at a proposed issue price of RM1.03 per unit for institutional offer and RM0.98 per unit for retail offer, payable in full on application. Separate from the above Offering, the Vendor will receive 530,400,000 units (“Consideration Units”) in Starhill REIT at a price of RM1.00 per unit, as partial satisfaction of the purchase consideration on the Properties.

#### B. Bases of preparation of unaudited proforma historical financial information

The unaudited proforma historical financial information set out in this report, expressed in Ringgit Malaysia, is prepared for illustrative purposes only and based on certain assumptions after making certain adjustments, and shows the unaudited proforma historical financial statements of Starhill REIT for each of the five years ended 30 June 2001, 2002, 2003, 2004 and 2005.

The unaudited proforma historical financial information for the five years ended 30 June 2001, 2002, 2003, 2004 and 2005 has been compiled based on the audited financial statements of the Vendor for the same periods.

The objective of the unaudited proforma historical financial information of Starhill REIT is to show what the total returns might have been had Starhill REIT existed at an earlier date, as described above. However, the unaudited proforma historical financial information of Starhill REIT is not necessarily indicative of the total returns that would have been attained had Starhill REIT actually existed earlier. The unaudited proforma historical financial information, because of its nature, may not give a true picture of Starhill REIT’s actual total return.



### ***Adjustments to the unaudited proforma historical financial information***

The unaudited proforma historical financial information has been prepared on the basis that Starhill REIT purchased the Properties on 1 July 2000 at their respective purchase prices plus estimated acquisition costs.

The proforma adjustments made to the audited financial statements of the Vendor for the years ended 30 June 2001, 2002, 2003, 2004 and 2005, are summarised below:

- (a) Adjustments to align to Starhill REIT's structure and revenue recognition policy; and
- (b) Adjustments to reverse income and expenses relating to a property of the Vendor which is not proposed to be acquired by Starhill REIT.

### **C. Unaudited proforma historical financial information**

The unaudited proforma historical financial information of Starhill REIT for the years ended 30 June 2001, 2002, 2003, 2004 and 2005, has been prepared for inclusion in this Prospectus and is presented below. The assumptions used to prepare the unaudited proforma historical financial information are consistent with those described in "Bases of Preparation of Unaudited Proforma Historical Financial Information".

	Years ended 30 June				
	2001	2002	2003	2004	2005
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Net revenue</b>					
Rental revenue	37,778	43,510	49,209	57,098	65,239
Services charge	5,090	5,770	6,609	5,053	4,687
Car park income	2,955	3,125	3,615	3,375	3,225
Other income	417	365	617	468	546
	<u>46,240</u>	<u>52,770</u>	<u>60,050</u>	<u>65,994</u>	<u>73,697</u>
<b>Less: Property operating expenses</b>					
Property cost					
<i>Assessment</i>	4,074	4,222	4,273	4,522	4,522
<i>Quit Rent</i>	74	74	75	79	79
<i>Insurance</i>	497	484	437	322	353
	<u>4,645</u>	<u>4,780</u>	<u>4,785</u>	<u>4,923</u>	<u>4,954</u>
Operating cost	9,478	9,330	9,772	9,723	9,705
Total property operating expenses	<u>14,123</u>	<u>14,110</u>	<u>14,557</u>	<u>14,646</u>	<u>14,659</u>
Net property income	<u>32,117</u>	<u>38,660</u>	<u>45,493</u>	<u>51,348</u>	<u>59,038</u>







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55100 Kuala Lumpur

18 November 2005

Dear Sirs

**Reporting accountants' letter on the proforma balance sheet as at Listing Date (as defined in the Prospectus)**

We have reviewed the presentation of the proforma balance sheet of Starhill Real Estate Investment Trust (“Starhill REIT”) as at Listing Date which has been prepared for illustrative purposes only, for which the Directors of Pintar Projek Sdn. Bhd. (“Manager”) are solely responsible, as set out in the attachment, for inclusion in the Prospectus to be dated 22 November 2005 in connection with the following transactions:

- i. Proposed acquisition of the following Subject Properties by Mayban Trustees Berhad (The Trustee), who shall enter into the acquisition transactions as Trustee for Starhill REIT, for a total purchase consideration of RM1,150,000,000 (“Proposed Acquisition”):

<i>Vendor</i>	<i>Subject Properties</i>	<i>Consideration RM</i>
YTL Land Sdn Bhd	Starhill Property (as defined in the Prospectus)	480,000,000
YTL Land Sdn Bhd	Lot 10 Property ( as defined in the Prospectus)	341,000,000
YTL Land Sdn Bhd	Hotel Property (as defined in the Prospectus)	329,000,000

- ii. Proposed offering of up to 509,599,000 units in Starhill REIT for subscription at a proposed issue price of RM1.03 per unit for Institutional Offer (as defined in the Prospectus) and RM0.98 per unit for Retail Offer (as defined in the Prospectus); and
- iii. Proposed listing of the entire issued units in Starhill REIT, on the Main Board of Bursa Malaysia Securities Berhad (“Proposed Listing”).

The proforma balance sheet has been prepared for the above purposes and should not be relied on for any other purposes.

In our opinion,

- (a) the proforma balance sheet has been properly compiled on the basis of preparation stated;
- (b) such basis is consistent with the proposed accounting policies to be adopted in the preparation of the financial statements of Starhill REIT; and
- (c) the adjustments are appropriate for the purposes of the proforma balance sheet.

Yours faithfully,



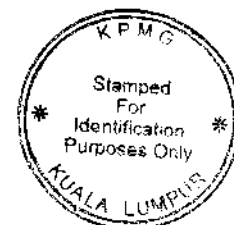
KPMG  
Firm No. AF 0758  
Chartered Accountants

**Starhill Real Estate Investment Trust (“Starhill REIT”)**

**Proforma balance sheet  
as at Listing Date**

The proforma balance sheet of Starhill REIT as at Listing Date as set out below is provided for illustrative purpose only and on the assumption that the Starhill REIT is in existence on the Listing Date and after application of the total proceeds from the Proposed Offering:

	<b>Note</b>	<b>As at at Listing Date RM’000</b>
<i><b>Non-current assets</b></i>		
Investment properties	2(a)	1,150,000
<i><b>Current asset</b></i>		
Cash in bank		61,788
<i><b>Non-current liability</b></i>		
Borrowing	2(b)	(180,000)
<i><b>Net assets</b></i>		<u>1,031,788</u>
<i><b>Unitholders’ funds</b></i>		
Units in issue	2(c)	1,053,788
Estimated listing expenses	2(d)	(22,000)
		<u>1,031,788</u>
Number of units in issue (‘000)		<u>1,040,000</u>
Net asset value (“NAV”) per unit (RM)		0.99



## Starhill Real Estate Investment Trust ("Starhill REIT")

### Proforma balance sheet as at Listing Date

#### 1. Basis of preparation

The proforma balance sheet of Starhill REIT is based on the assumption that the Starhill REIT is in existence on the Listing Date. The accounting policies, basis and assumptions used in the preparation of the proforma balance sheet are consistent with the proposed accounting policies to be adopted in the preparation of the financial statements of Starhill REIT.

#### 2. Proforma balance sheet

The proforma balance sheet is prepared for illustrative purposes only and to incorporate the proposed transactions/adjustments in conjunction with the following proposals as set out below:

##### (a) Proposed acquisition of properties

Investment properties are stated at purchase consideration. These properties will be acquired by Mayban Trustees Berhad (The Trustee), who shall enter into the acquisition transactions as Trustee for Starhill REIT, for a total purchase consideration of RM1,150,000,000:

<i>Vendor</i>	<i>Subject Properties</i>	<i>Consideration RM</i>
YTL Land Sdn Bhd	Starhill Property (as defined in the Prospectus)	480,000,000
YTL Land Sdn Bhd	Lot 10 Property ( as defined in the Prospectus)	341,000,000
YTL Land Sdn Bhd	Hotel Property (as defined in the Prospectus)	329,000,000
		<u>1,150,000,000</u>

##### (b) Borrowing

The borrowing is a five-year term loan facility of RM180 million at a fixed interest rate of 4.8% per annum which will be used to part finance the proposed acquisition of properties.

The borrowing will have a maturity of five (5) years from the date of the first drawdown under the facility or the extended date that may be mutually determined between the lender and Starhill REIT.



**(c) Proposed listing of the entire issued units in Starhill REIT on the Main Board of Bursa Malaysia Securities Berhad**

Starhill REIT proposes to issue 1,040,000,000 units in the following manner:

- i) 530,400,000 units to be issued to the Vendor and/or its nominees at RM1.00 per unit to be credited as fully paid as part payment of the purchase consideration;
- ii) 1,000 initial units to be issued to the Manager at RM1.00 for the purpose of establishing the Starhill REIT;
- iii) 29,999,000 units under the Retail Offer available for application by the Malaysian public at the proposed retail offer price of RM0.98; and
- iv) 479,600,000 units under the Institutional Offer available by way of offer to Malaysian and foreign institutional and other selected investors at the proposed institutional price of RM1.03.

**(d) Proposed utilisation of proceeds from the Proposed Listing**

Proceeds from the Proposed Listing will be used to settle the estimated listing expenses in relation to the Proposed Listing, which will be borne by the Trustee on behalf of Starhill REIT. A breakdown of these estimated expenses is as follows:

	<i>RM'000</i>
Underwriting fees, brokerage fees and commission	13,500
Professional fees	3,700
Regulatory fees	100
Incidental cost for the acquisition of the Properties	1,800
Advertising and printing expenses	2,800
Miscellaneous/Contingencies	100
Total estimated expenses of the Proposed Listing	<u>22,000</u>



**LCSM Management Services Sdn Bhd** (212212-K)

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Tel : 03 – 79801278, 79836891 Fax : 03 – 79807116

18 NOV 2005

Pintar Projek Sdn Bhd (the “Manager”)  
11<sup>th</sup> Floor, Yeoh Tiong Lay Plaza  
55, Jalan Bukit Bintang  
55100 Kuala Lumpur

Dear Sirs,

**Taxation of The Trust and Unit Holders**

1. This letter has been prepared for inclusion in the Prospectus of “Starhill REIT” (the “Trust”) in connection with the tax section on the issue of Units in the Trust.

**The Trust**

2. The Trust, approved by the Securities Commission as Real Estate Investments Trust, is a unit trust under the provisions of the Malaysian Income Tax Act, 1967 (the “ITA”).
3. The Trust and Unitholders are subject to the provisions of the ITA and in particular Section 61 which deals generally with the taxation of trust bodies established in Malaysia.

**Taxation of the Trust**

4. (i) Rental income received by the Trust from properties in Malaysia will be subject to Malaysian income tax at 28%.
- (ii) Interest income, if any, received by the Trust are subject to Malaysian income tax at 28%. However, pursuant to paragraph 35 of Schedule 6 of the ITA, interest received by the Trust from:
  - (a) securities or bonds issued or guaranteed by the Government;
  - (b) debentures, other than convertible loan stocks, approved by the Securities Commission; or
  - (c) Bon Simpanan Malaysia issued by the Central Bank of Malaysiais exempt from tax.

- (iii) Paragraph 35A of Schedule 6 of the ITA also exempts income of a unit trust in respect of interest derived from Malaysia and paid or credited by any bank or financial institution licensed under the Banking and Financial Institutions Act, 1989, or the Islamic Banking Act, 1983.
  - (iv) Where, however, the income of the Trust subject to tax is distributed to the Unitholder in a basis period (generally, the financial year) for a year of assessment, the Trust shall be exempt from income tax in respect of the amount distributed pursuant to Section 61A(1) of the ITA.
5. The gross rental income of the Trust shall be treated as gross income from a source consisting of a business. As such, all expenses wholly and exclusively incurred in the production of the gross rental income shall be deductible against the gross rental income. Capital expenditure incurred by the Trust on plant and machinery shall be eligible for capital allowances (tax depreciation) under Schedule 3 of the ITA. Where capital expenditure has been incurred on the construction or purchase of a building which qualifies as an industrial building (e.g. factory or hotel), the Trust shall also be eligible to claim industrial building allowance.
  6. Where the amount of the allowable deductions exceeds the gross rental income of the Trust for a year of assessment, the excess shall be disregarded and is not available to be carried forward to the following year or subsequent years of assessment.
  7. Where by reason of an absence or insufficiency of adjusted income from rent (i.e. gross rental income less allowable expenses) for a year of assessment and effect cannot be given or be given in full to the capital allowance for that year of assessment, the unabsorbed capital allowance is not available to be carried forward for set-off against the adjusted income of any subsequent years of assessment.
  8. Gains realised from the sale of properties by the Trust will not be subject to income tax but will be subject to real property gains tax ("RPGT") where applicable. The rates of RPGT applicable on such gains are as follows:

<b>Category of disposals</b>	<b>Rate of RPGT</b>
Disposal within two years after date of acquisition	30%
Disposal in the third year after date of acquisition	20%
Disposal in the fourth year after date of acquisition	15%
Disposal in the fifth year after the date of acquisition	5%
Disposal in the sixth year after date of acquisition	NIL

## **Stamp Duty**

9. Where the Trust acquires real property, the Trust will be exempt from stamp duty in respect of all instruments of transfer of the real property to the Trust under the Stamp Duty (Exemption) (No.4) Order 2004.

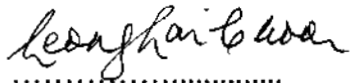
## **Taxation on the Unit Holders**

10. Where the income distributed by the Trust comprises "DI" (as defined in Section 3.9), the Unitholders will be taxed on their respective share of the income distributed by the Trust that has been exempted from income tax pursuant to Section 61A(1) of the ITA. Resident individual Unitholders will be taxed at scale rates ranging from 0% to 28% while companies and non-resident Unitholders will be taxed at 28%.
11. Where the Trust distributes income comprising "DI" that has been exempted from tax pursuant to Section 61A(1) of the ITA to a non-resident Unitholder, the Trust shall upon distributing the income deduct therefrom income tax at the rate of 28% and shall within one month after distributing such income pay the amount of the tax so deducted to the Director General of Inland Revenue Board. The non-resident Unitholder will, therefore, not be subject to any further Malaysian tax, in addition to the income tax deducted at source upon distribution.
12. Where the income distributed by the Trust comprises "Additional DI" (as defined in Section 3.9) which is non-taxable income to the Trust, such income will continue to be non-taxable at the Unitholder level. The Unitholders, whether resident or non-resident, will not be subject to tax on this income. The Trust will not be required to deduct any withholding tax upon distributing the "Additional DI" to non-resident Unitholders.
13. Non-resident Unitholders may also be subject to taxes in their respective tax jurisdictions depending on the provisions of the relevant tax legislation and any existing double taxation arrangements with Malaysia and should consult their own tax advisors if they are in any doubt about their own position.
14. Any gains realised by resident Unitholders (other than dealers in securities, insurance companies or financial institutions) on the transfer or sale of the units are treated as capital gains and will not be subject to Malaysian taxes including RPGT. Non-resident Unitholders will also not be liable to Malaysian taxes on such gains realised.
15. The transfer of units of a unit trust is exempt from stamp duty pursuant to First Schedule, Item 32 Exemptions Para (c) of the Stamp act 1949.
16. There is no Malaysian estate duty payable in respect of units of the Trust passing on death of individual Unitholders as estate duty was abolished with effect from 1 November 1991.



17. We hereby confirm that the statements made in this report correctly reflect our understanding of the tax position under current Malaysian tax legislation

Yours faithfully,  
for and on behalf of  
**LCSM Management Services Sdn Bhd**



.....  
**Leong Lai Choon**  
**Director**



# Pintar Projek Sdn Bhd

( Company No. 314009 - W )

( A Y T L C O M P A N Y )

Date: 18 NOV 2005

The Unitholders of Starhill REIT

Dear Sir/Madam,

This Prospectus has been seen and approved by the directors of the Manager ("Pintar Projek Sdn Bhd") and they collectively and individually accept full responsibility for the accuracy of the information contain herein and confirm that, having made all enquiries which are reasonable in the circumstances, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statements herein misleading.

As at the date of this letter, there are no audited accounts of Starhill REIT.

Yours faithfully,

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

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

**Dato' Yeoh Seok Kian**  
Director

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

**Eu Peng Meng @ Leslie**  
Director

11th Floor  
Yeoh Tiong Lay Plaza  
55 Jalan Bukit Bintang  
55100 Kuala Lumpur  
Malaysia  
Tel: 603-2117 0088, 2142 6633  
Fax: 603-2141 2703  
E-mail: ctrl@ytl.com.my

Website :  
www.ytlcommunity.com

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## 8. APPENDIX – APPLICATION FOR RETAIL OFFER

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### 8.1 OPENING AND CLOSING OF APPLICATION

The Application will open at **10.00 a.m.** on **22 November, 2005** and will remain open until **5.00 p.m.** on **29 November, 2005** or for such further periods as the Joint Managing Underwriters in consultation with the Manager in their absolute discretion may decide. **Late applications will not be accepted.**

### 8.2 METHODS OF APPLICATION

Applications for the Retail Offer Units may be made using either of the following ways:

- (a) Application Forms; or
- (b) Electronic Applications.

### 8.3 FOR APPLICATION BY MALAYSIAN PUBLIC

The Applications shall be made in relation with and subject to the terms of this Prospectus and the Trust Deed.

Applications for the 29,999,000 Retail Offer Units made available for applications by the Malaysian public, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions, must be made on the **White** Application Forms provided or by way of Electronic Application through a Participating Financial Institution's ATM.

Employees and Directors of MIH and their immediate families are strictly prohibited from applying for the Retail Offer Units.

**White** Application Forms together with copies of this Prospectus may be obtained, subject to availability from AmMerchant Bank, member companies of the Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia and MIH.

A corporation or institution cannot apply for the Retail Offer Units by way of Electronic Application.

Only one Application Form from each applicant will be considered and each application must be for 100 Retail Offer Units or multiples thereof. Multiple applications will not be accepted. **A person who submits multiple applications in his own name or by using the name of others, with or without their consents, commits an offence under Section 87A of the Securities Industry Act, 1983 ("SIA") and if convicted, may be punished with a minimum fine of RM1,000,000 and to a jail term of up to 10 years under Section 88B of the SIA.**

The amount payable in full on application is **RM0.98** per Unit.

Persons submitting applications by way of Application Forms **may not** submit applications by way of Electronic Applications and vice versa.

This Application shall be made in relation with and subject to the terms of this Prospectus and the Trust Deed of Starhill REIT.

Persons submitting applications by way of Application Forms or by way of Electronic Applications **must have a CDS Account.**

IN THE CASE OF AN INDIVIDUAL APPLICANT OTHER THAN A MEMBER OF THE ARMED FORCES OR POLICE, THE NAME AND THE NATIONAL REGISTRATION IDENTITY CARD NUMBER OF THE APPLICANT MUST BE EXACTLY THE SAME AS STATED IN:

- (a) (i) THE APPLICANT'S NATIONAL REGISTRATION IDENTITY CARD;
  - (ii) THE APPLICANT'S RESIT PENGENALAN SEMENTARA ("JPN 1/9") ISSUED PURSUANT TO PERATURAN 5(5), PERATURAN-PERATURAN PENDAFTARAN NEGARA 1990; OR
  - (iii) ANY VALID TEMPORARY IDENTITY DOCUMENT AS ISSUED BY THE NATIONAL REGISTRATION DEPARTMENT FROM TIME TO TIME; AND
- (b) THE RECORDS OF BURSA DEPOSITORY.

WHERE THE APPLICANT IS A MEMBER OF ARMED FORCES OR POLICE, THE NAME AND THE ARMED FORCES OR POLICE PERSONNEL NUMBER, AS THE CASE MAY BE, OF THE APPLICANT MUST BE EXACTLY THE SAME AS THAT STATED IN HIS AUTHORITY CARD.

IN THE CASE OF A CORPORATE/INSTITUTIONAL APPLICANT, THE NAME AND CERTIFICATE OF INCORPORATION NUMBER OF THE APPLICANT MUST BE EXACTLY THE SAME AS THAT STATED IN THE APPLICANT'S CERTIFICATE OF INCORPORATION.

No acknowledgement of the receipt of Applications or Application monies will be made by the Manager and/or MIH.

### **8.3.1 Terms and Conditions for Application Using Application Forms**

Application by way of Application Forms shall be made on, and subject to, the terms and conditions appearing below:

- (a) Applicant who is an individual must be a Malaysian Citizen residing in Malaysia, with Malaysian address and with CDS Account.
- (b) Applicant which is a corporation/institution incorporated in Malaysia must have a CDS Account and be subject to the following:
  - (i) if the corporation/institution has a share capital, more than half of the issued share capital (excluding preference share capital) is held by Malaysian citizens; and
  - (ii) there is a majority of Malaysian citizens on the board of directors/trustee.
- (c) Applicant which is a superannuation, provident or pension fund must be established or operating in Malaysia and with a CDS Account.
- (d) Applications will not be accepted from trustees, any person under 18 years of age, sole proprietorships, partnership or other incorporated bodies or associations, other than corporations/institutions referred to in Sections 8.3.1(b) and (c) of this Appendix.
- (e) The Application Form must be completed in accordance with the Notes and Instructions printed on the reverse side of the Application Forms. In accordance with Section 41(2) of the SCA the Application Form together with the Notes and Instructions printed therein shall accompany this Prospectus. Applications which **do not strictly** conform to the terms of this Prospectus or Application Form or Notes and Instructions printed thereon or which are illegible may not be accepted.

- (f) EACH COMPLETED APPLICATION FORM MUST BE ACCOMPANIED BY REMITTANCES IN RINGGIT MALAYSIA FOR THE FULL AMOUNT PAYABLE EITHER BY:
- BANKER'S DRAFT OR CASHIER'S ORDER PURCHASED WITHIN MALAYSIA ONLY AND DRAWN ON A BANK IN KUALA LUMPUR (differentiated by a special red band for Bumiputera applicants); OR
  - CHEQUES ISSUED BY PARTICIPATING LICENSED FINANCE COMPANIES IN MALAYSIA AND DRAWN ON A BANK IN KUALA LUMPUR (differentiated by a special red band for Bumiputera applicants); OR
  - MONEY ORDER OR POSTAL ORDER (for applicants from Sabah and Sarawak only); OR
  - GUARANTEED GIRO ORDER ("GGO") from Bank Simpanan Nasional Malaysia Berhad (differentiated by a special red band for Bumiputera applicants); OR
  - ATM STATEMENT OBTAINED FROM ANY OF THE FOLLOWING FINANCIAL INSTITUTIONS:
    - Alliance Bank Malaysia Berhad (88103-W);
    - AmBank (M) Berhad (M) 8515-D);
    - Affin-ACF Finance Berhad (6521-U);
    - Bumiputra-Commerce Bank Berhad (13491-P);
    - EON Bank Berhad (92351-V);
    - Hong Leong Bank Berhad (97141-X);
    - Malayan Banking Berhad (3813-K);
    - Public Bank Berhad (6463-H);
    - RHB Bank Berhad (6171-M);
    - Southern Bank Berhad (5303-W); or
    - Southern Finance Berhad (3838-T).

MADE OUT IN FAVOUR OF:

**"MIH UNIT ISSUE ACCOUNT NO: 396"**

AND CROSSED "**A/C PAYEE ONLY**" (EXCLUDING ATM STATEMENTS) AND ENDORSED ON THE REVERSE SIDE WITH THE NAME AND ADDRESS OF THE APPLICANT.

APPLICATIONS ACCOMPANIED BY ANY MODE OF PAYMENT OTHER THAN THOSE STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCE OR INAPPROPRIATE BANKER'S DRAFT/CASHIER'S ORDERS/MONEY ORDERS/GGO WILL NOT BE ACCEPTED. DETAILS OF THE REMITTANCE MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE APPLICATION FORMS.

- (g) AN APPLICANT MUST STATE HIS/HER CDS ACCOUNT NUMBER IN THE SPACE PROVIDED IN THE APPLICATION FORM AND HE/SHE SHALL BE DEEMED TO HAVE AUTHORISED BURSA DEPOSITORY TO DISCLOSE INFORMATION PERTAINING TO THE CDS ACCOUNT TO THE ISSUING HOUSE/MANAGER.
- (h) THE NAME AND ADDRESS OF THE APPLICANT MUST BE WRITTEN ON THE REVERSE SIDE OF THE BANKER'S DRAFT, CASHIER'S ORDER, ATM STATEMENT, MONEY ORDER, POSTAL ORDER, CHEQUES ISSUED BY PARTICIPATING LICENSED FINANCE COMPANIES OR GGO FROM BANK SIMPANAN NASIONAL MALAYSIA BERHAD.

- (i) The Directors of the Manager reserve the right to require any successful applicant to appear in person at the registered office of MIH at anytime prior to the listing of and quotation for Starhill REIT's Units on the Main Board of the Bursa Securities to ascertain the regularity or propriety of the Application. The Directors of the Manager shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by the successful applicant for the purpose of complying with this provision.
- (j) MIH, acting under the authority of the Manager reserves the right to reject Applications which do not conform to these instructions or which are illegible or which are accompanied by remittances improperly drawn.
- (k) MIH, acting under the authority of the Manager reserves the right not to accept any application in part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting the Retail Offer Units to a reasonable number of applicants with a view to establish an adequate market for the Units of Starhill REIT.
- (l) Where an Application is not accepted, the full amount of the Application monies, without interest, will be returned and despatched to the applicant within ten (10) market days from the date of the final ballot of the Application lists by ordinary post to the Applicant's address last maintained with Bursa Depository or where the Application is not accepted due to the Applicant not having provided a CDS Account, to the address as per the National Registration Identity Card or "Resit Pengenalan Sementara (JPN 1/9)" or any valid temporary identity document as issued by the National Registration Department from time to time.
- (m) The applicant shall ensure that his personal particulars as stated in the Application Form are identical with the records maintained by Bursa Depository. The applicant must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to his/her registered or correspondence address last maintained with Bursa Depository.
- (n) MIH, acting under the authority of the Manager, reserves the right to bank in all Application monies from unsuccessful Bumiputera applicants and partially successful applicants, which would subsequently be refunded without interest by registered post.
- (o) Each completed Application Form accompanied by the appropriate remittance and legible photocopy of the relevant documents must be despatched by **ORDINARY POST** in the official envelopes provided to the following address:  
  
Malaysian Issuing House Sdn Bhd  
27<sup>th</sup> Floor, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
  
**OR DELIVERED BY HAND AND DEPOSITED** in the Drop-in Boxes provided at the back portion of Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, so as to arrive not later than 5.00 p.m. on 29 November, 2005.  
  
Applications may also be delivered in a drive-in manner at Stadium Hoki Tun Razak, Jalan Duta, Kuala Lumpur on 29 November, 2005, between 10.00 a.m. to 5.00 p.m. only.
- (p) PLEASE DIRECT ALL ENQUIRIES IN RESPECT OF THE WHITE APPLICATION FORM TO MIH.

### 8.3.2 Terms and Conditions for Electronic Applications

#### (a) Steps for Electronic Application through a Participating Financial Institution's ATM

- (i) applicant must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access the account;
- (ii) applicant must have a CDS account; and
- (iii) applicant is to apply for the Units via the ATM of the Participating Financial Institution by choosing the Electronic Application option. Mandatory statements required in the Application are set out in Section 8.3.2(c) of this Appendix. Applicant is to enter at least the following information through the ATM where the instructions on the ATM screen at which he enters his Electronic Application requires him to do so:
  - Personal Identification Number ("PIN");
  - MIH Unit Issue Account Number 396;
  - CDS Account Number;
  - Number of Issue Units applied for and/or the RM amount to be debited from the account; and
  - Confirmation of several mandatory statements.

**Note: Applicants of the Retail Offer Units should take note that the word 'share' or 'units' appearing on the ATM screen should be taken to represent 'Unit(s)' in the application process.**

#### (b) Participating Financial Institutions

Electronic Applications may be made through an ATM of the following Participating Financial Institutions and their branches:

- AmBank (M) Berhad; or
- Bank Muamalat Malaysia Berhad; or
- Bumiputra-Commerce Bank Berhad; or
- HSBC Bank Malaysia Berhad; or
- Malayan Banking Berhad; or
- OCBC Bank (Malaysia) Berhad; or
- Standard Chartered Bank Malaysia Berhad (at selected branches only).

#### (c) Terms and Conditions for Electronic Applications

The procedures for Electronic Applications at ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions ("Steps"). For illustration purposes, the procedures for Electronic Applications at ATMs are set out in "Steps for Electronic Application through a Participating Financial Institution's ATM" in Section 8.3.2(a) of this Appendix. The steps set out the actions that the applicant must take at the ATM to complete an Electronic Application. Please read carefully the terms of this Appendix, the steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application. Any reference to the "applicant" in the terms and conditions for Electronic Applications and the steps shall mean the applicant who applies for Units through an ATM of any of the Participating Financial Institutions.

**Only an applicant who is an individual with a CDS account is eligible to utilise the facility.**

The applicant must have an existing account with, and be an ATM cardholder of, one of the Participating Financial Institutions before he/she can make an Electronic Application at an ATM of the Participating Financial Institution. An ATM card issued by one of the Participating Financial Institutions cannot be used to apply for Units at an ATM belonging to other Participating Financial Institutions. Upon the completion of his/her Electronic Application transaction, the applicant will receive a computer-generated transaction slip ("Transaction Record"), confirming the details of his Electronic Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Application or any data relating to such an Electronic Application by the Manager or MIH. The Transaction Record is for retention by the applicant and should not be submitted with any Application Form.

Upon the closing of the offer for the Application for the Retail Offer Units on 29 November, 2005 at 5:00 p.m. ("Closing Date and Time"), the Participating Financial Institution shall submit a magnetic tape containing its respective customers' Applications for the Units to MIH as soon as practicable but not later than 12:00 p.m. of the 2nd Market Day after the Closing Date and Time.

An applicant will be allowed to make an Electronic Application for Units via an ATM that accepts the ATM cards of the Participating Financial Institution with which he/she has an account and its branches, subject to the applicant making only one (1) Application.

**AN APPLICANT MUST ENSURE THAT HE/SHE USES HIS/HER OWN CDS ACCOUNT NUMBER WHEN MAKING AN ELECTRONIC APPLICATION. AN APPLICANT OPERATING A JOINT ACCOUNT WITH ANY PARTICIPATING FINANCIAL INSTITUTION MUST ENSURE THAT HE/SHE ENTERS HIS/HER OWN CDS ACCOUNT NUMBER WHEN USING AN ATM CARD ISSUED TO HIM/HER IN HIS/HER OWN NAME. HIS/HER APPLICATION WILL BE REJECTED IF HE/SHE FAILS TO COMPLY WITH THE FOREGOING CONDITIONS.**

The Electronic Application shall be made on, and subject to, the above terms and conditions as well as the terms and conditions appearing below:

- (a) The Electronic Application shall be made in relation with and subject to the terms of this Prospectus and the Trust Deed.
- (b) The applicant is required to confirm the following statements (by depressing predesignated keys (or buttons) on the ATM keyboard) and undertake that the following information given is true and correct:
  - he has attained 18 years of age as at the closing date of the Application;
  - he is a Malaysian citizen residing in Malaysia;
  - he has read the relevant Prospectus and understood and agreed with the terms and conditions of the Application;
  - this is the only application that he is submitting; and
  - he thereby gives consent to the Participating Financial Institution and Bursa Depository to disclose information pertaining to him/herself and his/her account with the Participating Financial Institution and Bursa Depository to MIH and other relevant authorities.

The Application will not be successfully completed and cannot be recorded, as a completed transaction at the ATM unless the applicant completes all the steps required by the Participating Financial Institution. By doing so, the applicant shall be treated as signifying his/her confirmation of each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 97 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Securities Industry (Central



Depositories) Act, 1991 to the disclosure by the relevant Participating Financial Institution or Bursa Depository, as the case may be, of any of the applicant's particulars to MIH, or any relevant regulatory bodies.

- (c) THE APPLICANT CONFIRMS THAT HE/SHE IS NOT APPLYING FOR UNITS AS NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC APPLICATION THAT HE/SHE MAKES IS MADE BY HIM/HER AS BENEFICIAL OWNER. THE APPLICANT SHALL ONLY MAKE ONE (1) ELECTRONIC APPLICATION AND SHALL NOT MAKE ANY OTHER APPLICATION FOR THE UNITS, WHETHER AT THE ATMs OF ANY PARTICIPATING FINANCIAL INSTITUTION OR ON THE PRESCRIBED APPLICATION FORMS.
- (d) The applicant must have sufficient funds in his/her account with the relevant Participating Financial Institution at the time he/she makes his/her Electronic Application, failing which his Electronic Application will not be completed. Any Electronic Application, which does not strictly conform, to the instructions set out on the screens of the ATM through which the Electronic Application is being made will be rejected.
- (e) The applicant agrees and undertakes to subscribe for or purchase and to accept the number of Retail Offer Units applied for as stated on the Transaction Record or any lesser number of Retail Offer Units that may be allotted or allocated to him/her in respect of his/her Electronic Application. In the event that the Manager decides to allot or allocate any lesser number of such Units or not to allot or allocate any Units to the applicant, the applicant agrees to accept any such decision as final. If the applicant's Electronic Application is successful, his/her confirmation (by his/her action of pressing the designated key on the ATM) of the number of Units applied for shall signify, and shall be treated as, his acceptance of the number of Units that may be allotted or allocated to him and to be bound by the Trust Deed of Starhill REIT.
- (f) MIH, acting under the authority of the Manager reserves the right to reject any Electronic Application or accept any Electronic Application in part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting or allocating the Retail Offer Units to a reasonable number of applicants with a view to establishing an adequate market for the Retail Offer Units.
- (g) Where an Electronic Application is not successful or successful in part only, the relevant Participating Financial Institution will be informed of the non-successful or partially successful applications. Where the Electronic Application is not successful, the relevant Participating Financial Institution will credit the full amount of the application monies without interest into the applicant's account with that Participating Financial Institution within two Market Days after the receipt of confirmation from MIH. MIH shall inform the Participating Financial Institutions of the non-successful or partially successful applications within two Market Days after the balloting date. The applicants may check their accounts on the fifth Market Days from the balloting date.

Where an Electronic Application is accepted in part only, the relevant Participating Financial Institution will credit the balance of the application monies without interest into the applicant's account with the Participating Financial Institution within two Market Days after the receipt of confirmation from MIH. A number of applications will, however, be held in reserve to replace any successfully balloted applications, which are subsequently rejected. For such applications, which are subsequently rejected, the application monies without interest will be refunded to applicants by MIH by way of cheques issued by MIH. The cheques will be issued to the applicants

not later than ten market days from the day of the final ballot of the application list. Should applicants encounter any problems in their applications, they may refer to the Participating Financial Institutions.

- (h) The applicant requests and authorises the Manager:
  - (i) to credit the Retail Offer Units allotted to the applicant into the CDS account of the applicant; and
  - (ii) to issue unit certificate(s) representing such Retail Offer Units allotted in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.
- (i) The applicant, acknowledging that his/her Electronic Application is subject to the risks of electrical, electronic, technical and computer-related faults and breakdowns, fires and other events beyond the control of the Manager, MIH or the Participating Financial Institution, irrevocably agrees that if:
  - (i) the Manager or MIH does not receive the applicant's Electronic Application; and
  - (ii) data relating to the applicant's Electronic Application is wholly or partially lost, corrupted or not otherwise accessible, or not transmitted or communicated to the Manager or MIH,

the applicant shall be deemed not to have made an Electronic Application and the applicant shall have no claim whatsoever against the Manager, MIH or the Participating Financial Institution for the Retail Offer Units applied for or for any compensation, loss or damage.
- (j) All particulars of the applicant in the records of the relevant Participating Financial Institution at the time he/her makes his/her Electronic Application shall be deemed to be true and correct and the Manager, MIH and the relevant Participating Financial Institution shall be entitled to rely on the accuracy thereof.
- (k) The applicant shall ensure that his personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institution are correct and identical. The applicant must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to his/her registered or correspondence address last maintained with Bursa Depository.
- (l) By making and completing an Electronic Application, the applicant agrees that:
  - (i) in consideration of the Manager agreeing to allow and accept the making of any Application for the Units via the Electronic Application facility established by the Participating Financial Institutions at their respective ATMs, his Electronic Application is irrevocable;
  - (ii) the Manager, the Participating Financial Institutions, Bursa Depository and MIH shall not be liable for any delays, failures or inaccuracies in the processing of data relating to his Electronic Application to the Manager due to a breakdown or failure of transmission or communication facilities or to any cause beyond their control;

- (iii) notwithstanding the receipt of any payment by or on behalf of the Manager, the acceptance of the offer made by the applicant to subscribe for such Units for which the applicant's Electronic Application has been successfully completed shall be constituted by the issue of notices of successful allocation for prescribed securities, in respect of the said Units;
  - (iv) the applicant irrevocably authorises Bursa Depository to complete and sign on his behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of the Units allocated to the applicant; and
  - (v) the Manager agrees that in relation to any legal action or proceedings arising out of or in relation with the contract between the parties and/or the Electronic Application and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that the Manager irrevocably submit to the jurisdiction of the Courts of Malaysia.
- (m) The Directors of the Manager reserve the right to require any successful applicant to appear in person at the registered office of MIH at anytime prior to the listing of and quotation for the Units on the Main Board of Bursa Securities to ascertain the regularity or propriety of the Application. The Manager shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by the successful applicant for the purpose of complying with this provision.
  - (n) MIH on the authority of the Manager reserves the right to reject Applications, which do not conform to these instructions.
  - (o) A surcharge of RM2.50 per Electronic Application will be charged by the respective Participating Financial Institutions.

#### **8.4 APPLICATIONS AND ACCEPTANCES**

MIH on the authority of the Directors of the Managers reserves the right not to accept any Application, which does not strictly comply with the instructions, or to accept any Application in part only without assigning any reason therefor.

**THE SUBMISSION OF AN APPLICATION FORM DOES NOT NECESSARILY MEAN THAT THE APPLICATION WILL BE SUCCESSFUL.**

**ALL APPLICATIONS MUST BE FOR 100 UNITS OR MULTIPLES THEREOF.**

In the event of an over-subscription, acceptance of Applications by Malaysian Public shall be subject to ballot to be conducted in a manner as approved by directors of the Manager. Due consideration will be given to the desirability of distributing the Retail Offer Units to a reasonable number of applicants with a view to broadening the investor base and establishing an adequate market in the Units.

Pursuant to the Listing Requirements of the Bursa Securities, at least 25% of the offered Units must be held by/offered to a minimum number of 1,000 public investors holding not less than 100 Units each. The Manager is expected to achieve this at the point of listing. However, in the event that the above requirement is not met pursuant to the Retail Offer, the Manager may not be allowed to proceed with its listing plan. In the event thereof, monies paid in respect of all Applications will be returned. The successful applicants will be selected in a manner to be determined by the directors of the Manager.

In the event of an under-subscription by Malaysian public, all the Retail Offer Units not applied for will be re-allocated to the Institutional Offer. Any Retail Offer Units not taken up after the re-allocation, if any, will be underwritten by the Underwriters.

Directors and employees of MIH and their immediate families are strictly prohibited from applying for the Units.

## **REFUND MECHANISM**

The refunds for applications made via Application Forms or Electronic Applications will be effected via remittances in forms of cheques, which will be despatched by ordinary post to the addresses of the successful applicants as stated in the Depository records at their own risks within 10 Market Days from the final ballot of applications for the Retail Offer Units.

The Final Retail Price will be published in a widely circulated English daily newspaper in Malaysia within 2 Market Days after the Price Determination Date. In addition, all successful applicants will be informed via written notice of the Final Retail Price in the notices of allotment.

WHERE AN APPLICATION IS NOT ACCEPTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT THE INTEREST AND SHALL BE DESPACHED TO THE APPLICANT WITHIN 10 MARKET DAYS FROM THE DATE OF THE FINAL BALLOT OF THE APPLICATION LISTS BY ORDINARY POST OR REGISTERED POST TO THE APPLICANT'S ADDRESS REGISTERED WITH THE DEPOSITORY AT THE APPLICANT'S OWN RISK.

NO APPLICATION SHALL BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

MIH, ACTING UNDER THE AUTHORITY OF THE DIRECTORS OF THE MANAGER RESERVES THE RIGHT TO BANK-IN ALL APPLICATION MONIES FROM UNSUCCESSFUL BUMIPUTRA APPLICANTS AND PARTIALLY SUCCESSFUL APPLICANTS WITHOUT INTEREST AND SHALL BE DESPACHED TO THE APPLICANT WITHIN 10 MARKET DAYS FROM THE DATE OF THE FINAL BALLOT OF THE APPLICATION LISTS BY REGISTERED POST TO THE APPLICANT'S ADDRESS REGISTERED WITH THE BURSA DEPOSITORY AT THE APPLICANT'S OWN RISK.

## **8.5 CDS ACCOUNTS**

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the Bursa Securities has prescribed the Units as a Prescribed Securities. In consequence thereof, the Units offered through this Prospectus will be deposited directly with the Bursa Depository and any dealings in Units will be carried out in accordance with aforesaid Act and Rules of Bursa Depository.

Following the above, in accordance with Section 29 of Securities Industry (Central Depositories) Act, 1991, all dealings in the Units will be by book entries through CDS accounts. No unit certificates will be issued to successful applicants.

Only an applicant who has a CDS account can make an Application by way of Application Form. The applicant shall furnish his/her CDS account number in the space provided in the Application Form and he/she shall be deemed to have authorised Bursa Depository to disclose information pertaining to the CDS account to MIH or the Manager. Where an applicant does not presently have a CDS account, he/she should open a CDS Account at an ADA prior to making an Application for the Units. Failure to comply with these specific instructions, as the Application Form requires or inaccuracy in the CDS account number arising from use of invalid, third party or nominee accounts, may result in the Application being rejected. If a successful applicant fails to state his/her CDS account number, MIH under the instruction of the Manager will reject the application.

For applications by way of Electronic Application, only an applicant who has a CDS account can make an Electronic Application and the applicant shall furnish his/her CDS account number to the Participating Financial Institution by way of keying in his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Application requires him/her to do so. Failure to comply with these specific instructions as the Electronic Application requires or inaccuracy

in the CDS account number arising from use of invalid, third party or nominee accounts may result in the Application being rejected.

MIH, acting under the authority of the directors of the Manager reserves the right to reject any incomplete and inaccurate Application. Applications may also be rejected if the applicants' particulars provided in their Application Forms, or in the case of Electronic Applications, if the records of the Participating Financial Institutions at the time of making the Electronic Applications differ from those in Bursa Depository's records, such as the National Registration Identity Card number, name and nationality.

## 8.6 NOTICE OF ALLOTMENT

Units allotted to all successful applicants will be credited to their respective CDS Accounts. A notice of successful allotment will be despatched to the successful applicants or partially successful applicant at their addresses last maintained with the Bursa Depository at the applicants' own risk. For Electronic Application, the notice of allotment will be despatched to the successful or partially successful applicant at his/her address last maintained with the Bursa Depository prior to the listing of Starhill REIT. This is the only acknowledgement of acceptance of the Application.

All applicants must inform Bursa Depository of his/her updated address promptly by adhering to the certain rules and registration of the Bursa Depository, failing which the notification letter on successful allotment shall be sent to the Applicant's address last registered with Bursa Depository.

Applicants may also check the status of their applications by calling their respective ADAs at the telephone numbers as stated in Section 8.7 of this Appendix or at the telephone numbers stated below between five (5) to ten (10) market days (during office hours only) after the balloting date:

MIH Enquiry Services : 03 26932075 (10 lines)  
MIH website : [www.mih.com.my](http://www.mih.com.my)

## 8.7 LIST OF AUTHORISED DEPOSITORY AGENTS ("ADA")

A list of the ADA (Broker) Codes is as follows:

<b>Name</b>	<b>Address and Telephone Number</b>	<b>Broker Code</b>
<b>KUALA LUMPUR</b>		
AFFIN SECURITIES SDN BHD	Level 3, Menara Keck Seng 203, Jalan Bukit Bintang 55100 Kuala Lumpur Tel No : 03-21438668	028-001
AMSECURITIES SDN BHD	15th Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-20782788	086-001
AVENUE SECURITIES SDN BHD	Ground Floor & Level 1 THB Satu, Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Tel No : 03-20891800	052-001
BIMB SECURITIES SDN BHD	1st & 2nd Floor Podium Block, AMDB Building No. 1, Jalan Lumut 50400 Kuala Lumpur Tel No : 03-40433533	024-001

<b>Name</b>	<b>Address and Telephone Number</b>	<b>Broker Code</b>
CIMB SECURITIES SDN BHD	9th Floor, Commerce Square Jalan Semantan, Damansara Heights 50490 Kuala Lumpur Tel No : 03-20849999	065-001
ECM LIBRA SECURITIES SDN BHD	8A Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur Tel No : 03-21781888	099-001
HLG SECURITIES SDN BHD	Level 5, Wisma Kia Peng No. 3, Jalan Kia Peng 50450 Kuala Lumpur Tel No : 03-21681168	066-001
HWANG-DBS SECURITIES BERHAD	2nd Floor, Bangunan AHP No. 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr. Ismail 60000 Kuala Lumpur Tel No : 03-77106688	068-009
HWANG-DBS SECURITIES BERHAD	Nos. 34-5, 36-5, 38-5, 40-5, 42-5 & 44-5 5th Floor, Cheras Commercial Centre Jalan 5/101C Off Jalan Kaskas, 5th Mile Cheras 56100 Kuala Lumpur Tel No : 03-91303399	068-012
HWANG-DBS SECURITIES BERHAD	Suite 7-03, 7th Floor Suite 12-02 & Part of Suite 12-01 12th Floor, Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Tel No : 03-27112775	068-014
INTER-PACIFIC SECURITIES SDN BHD	West Wing, Level 13 Berjaya Times Square No. 1, Jalan Imbi 55100 Kuala Lumpur Tel No : 03-21171888	054-001
JUPITER SECURITIES SDN BHD	7th-9th Floor, Menara Olympia 8, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-20341888	055-001
K & N KENANGA BHD	8th Floor, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Tel No : 03-21649080	073-001
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	30th Floor, Menara Weld No. 76, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-20201600	053-001

<b>Name</b>	<b>Address and Telephone Number</b>	<b>Broker Code</b>
KUALA LUMPUR CITY SECURITIES SDN BHD	No. 8, Jalan Binjai Off Jalan Ampang 50450 Kuala Lumpur Tel No : 03-21667922	076-001
KUALA LUMPUR CITY SECURITIES SDN BHD	Ground, 1st & 2nd Floor No. 33, Plaza Crystaville Jalan 23/70A Desa Sri Hartamas 50480 Kuala Lumpur Tel No : 03-62033366	076-010
EONCAP SECURITIES SDN BHD	Level 18, Wisma Cyclecarri 288, Jalan Raja Laut 50350 Kuala Lumpur Tel No : 03-26928899	061-001
M & A SECURITIES SDN BHD	Level G-2, No. 45 & 47 The Boulevard, Mid Valley City Lingkar Syed Putra 59200 Kuala Lumpur Tel No : 03-22821820	057-002
MAYBAN SECURITIES SDN BHD	Level 5-13, MaybanLife Tower Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Tel No : 03-22978888	098-001
MERCURY SECURITIES SDN BHD	Lot 6-05, Level 6 Tower Block, Menara Milenium 8, Jalan Damanlela, Bukit Damansara 50490 Kuala Lumpur Tel No : 03-20942828	093-002
MIDF SISMA SECURITIES SDN BHD	17th & 18th Floor, Empire Tower 182, Jalan Tun Razak 50400 Kuala Lumpur Tel No : 03-21668888	026-001
OSK SECURITIES BERHAD	20th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Tel No : 03-21624388	056-001
OSK SECURITIES BERHAD	No. 62 & 64, Vista Magna Jalan Prima, Metro Prima 52100 Kuala Lumpur Tel No : 03-62575869	056-028
OSK SECURITIES BERHAD	Ground Floor No. M3-A-7 & M3-A-8 Jalan Pandan Indah 4/3A Pandan Indah 55100 Kuala Lumpur Tel No : 03-42804798	056-054

<b>Name</b>	<b>Address and Telephone Number</b>	<b>Broker Code</b>
OSK SECURITIES BERHAD	Ground, 1st, 2nd & 3rd Floor No. 55, Zone J4 Jalan Radin Anum Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel No : 03-90587222	056-058
PB SECURITIES SDN BHD	27th Floor, Public Bank Building No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No : 03-20313011	051-001
PM SECURITIES SDN BHD	Ground & 1st Floor MUI Plaza, Jalan P. Ramlee 50250 Kuala Lumpur Tel No : 03-21463000	064-001
RHB SECURITIES SDN BHD	Level 9, Tower One RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Tel No : 03-92852233	087-001
SIME SECURITIES SDN BHD	21st Floor, Sime Bank Building 4, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No : 03-22749288	097-001
TA SECURITIES HOLDINGS BERHAD	Floor 13, 15-18, 20, 23, 28-30, 34 & 35 Menara TA One No. 22, Jalan P. Ramlee 50250 Kuala Lumpur Tel No : 03-20721277	058-003
<b>SELANGOR DARUL EHSAN</b>		
AFFIN SECURITIES SDN BHD	2nd, 3rd & 4th Floor Wisma Amsteel Securities No. 1, Lintang Pekan Baru Off Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No : 03-33439999	028-002
AMSECURITIES SDN BHD	4 <sup>th</sup> Floor, Plaza Damansara Utama No.2 Jalan SS21/60 47400 Petaling Jaya Selangor Darul Ehsan Tel No: 03-77106613	086-003
HWANG-DBS SECURITIES BERHAD	16th, 18th-20th Floor, Plaza Masalam No. 2, Jalan Tengku Ampuan Zabedah E9/E Section 9 40100 Shah Alam Selangor Darul Ehsan Tel No : 03-55133288	068-002



<b>Name</b>	<b>Address and Telephone Number</b>	<b>Broker Code</b>
HWANG-DBS SECURITIES BERHAD	East Wing & Centre Link Floor 3A, Wisma Consplant 2 No. 7, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-56356688	068-010
JF APEX SECURITIES BERHAD	6th Floor, Menara Apex Off Jalan Semenyih, Bukit Mewah 43000 Kajang Selangor Darul Ehsan Tel No : 03-87361118	079-001
JF APEX SECURITIES BERHAD	15th & 16th Floor Menara Choy Fook On No. 1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Tel No : 03-76201118	079-002
K & N KENANGA BHD	13th Floor, Menara Yayasan Selangor No. 18A, Jalan Persiaran Barat Off Jalan Timur 46000 Petaling Jaya Selangor Darul Ehsan Tel No : 03-79562169	073-005
K & N KENANGA BHD	1st Floor, Wisma UEP Pusat Perniagaan USJ 10 Jalan USJ 10/1A 47620 Subang Jaya Selangor Darul Ehsan Tel No : 03-80241682	073-006
K & N KENANGA BHD	Room 7.02, Level 7, Menara ING Intan Millenium Square No. 68, Jalan Batai Laut 4 Taman Intan 41300 Klang Selangor Darul Ehsan Tel No : 03-30057550	073-007
OSK SECURITIES BERHAD	24, 24M, 24A, 26M, 28M, 28A & 30 Jalan SS 2/63 47300 Petaling Jaya Selangor Darul Ehsan Tel No : 03-78736366	056-011
OSK SECURITIES BERHAD	No. 37, Jalan Semenyih 43000 Kajang Selangor Darul Ehsan Tel No : 03-87363378	056-045
OSK SECURITIES BERHAD	Ground & 1st Floor No. 15, Jalan Bandar Rawang 4 48000 Rawang Selangor Darul Ehsan Tel No : 03-60928916	056-047

OSK SECURITIES BERHAD	Ground & Mezzanine Floor No. 87 & 89, Jalan Susur Pusat Perniagaan NBC Batu 1½, Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No : 03-33439180	056-048
PM SECURITIES SDN BHD	No. 157 & 159, Jalan Kenari 23/A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No : 03-80700773	064-003
PM SECURITIES SDN BHD	No. 18 & 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No : 03-33415300	064-007
SJ SECURITIES SDN BHD	Level 3, Holiday Villa No. 9, Jalan SS 12/1, Subang Jaya 47500 Petaling Jaya Selangor Darul Ehsan Tel No : 03-56340202	096-001
SBB SECURITIES SDN BHD	1st, 2nd & 3rd Floor Plaza Damansara Utama No. 2, Jalan SS 21/60 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77297345	090-002
<b>MELAKA</b>		
MALACCA SECURITIES SDN BHD	No. 1, 3 & 5, Jalan PPM9 Plaza Pandan Malim (Business Park) Balai Panjang, P. O. Box 248 75250 Melaka Tel No : 06-3371533	012-001
OSK SECURITIES BERHAD	579, 580 & 581 Taman Melaka Raya 75000 Melaka Tel No : 06-2825211	056-003
PM SECURITIES SDN BHD	No. 11 & 13, Jalan PM2 Plaza Mahkota 75000 Melaka Tel No : 06-2866008	064-006
RHB SECURITIES SDN BHD	Lot 9 & 10, 1st Floor Tabung Haji Building Jalan Bandar Kaba 75000 Melaka Tel No : 06-2833622	087-002

**PERAK DARUL RIDZUAN**

AVENUE SECURITIES SDN BHD	No. 63 Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2422828	052-002
HWANG-DBS SECURITIES BERHAD	21, Jalan Stesen 34000 Taiping Perak Darul Ridzuan Tel No : 05-8060888	068-003
HWANG-DBS SECURITIES BERHAD	Ground & 1st Floor No. 22, Persiaran Greentown 1 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2559988	068-015
KUALA LUMPUR CITY SECURITIES SDN BHD	No. 43 & 44, Ground Floor Taman Sentosa, Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No : 05-6910910	076-008
M & A SECURITIES SDN BHD	M & A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel No : 05-2419800	057-001
MAYBAN SECURITIES SDN BHD	55, 57 & 63, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2558233	098-002
OSK SECURITIES BERHAD	21-25, Jalan Seenivasagam Greentown 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2415100	056-002
OSK SECURITIES BERHAD	Ground & 1st Floor No. 17, Jalan Intan 2, Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No : 05-6236498	056-014
OSK SECURITIES BERHAD	1st Floor, No. 23 & 25 Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No : 05-6921228	056-016
OSK SECURITIES BERHAD	Ground Floor 28, Jalan Maharaja Taman Bagan Serai Baru 34300 Bagan Serai Perak Darul Ridzuan Tel No : 05-7231888	056-018

OSK SECURITIES BERHAD	Ground Floor, No. 40, 42 & 44 Jalan Berek 34000 Taiping Perak Darul Ridzuan Tel No : 05-8088229	056-034
OSK SECURITIES BERHAD	72, Ground Floor Jalan Idris 31900 Kampar Perak Darul Ridzuan Tel No : 05-4671801	056-044
OSK SECURITIES BERHAD	Ground & 1st Floor No. 181, Jalan Besar 31100 Sungai Siput Perak Darul Ridzuan Tel No : 05-5951001	056-049
OSK SECURITIES BERHAD	Ground Floor No. 2, Jalan Wawasan 4 Taman Wawasan 34200 Parit Buntar Perak Darul Ridzuan Tel No : 05-7170888	056-052
SBB SECURITIES SDN BHD	51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2530888	090-001
TA SECURITIES HOLDINGS BERHAD	Ground, 1st & 2nd Floor Plaza Teh Teng Seng No. 227, Jalan Kampar 30250 Ipoh Perak Darul Ridzuan Tel No : 05-2531313	058-001
<b>PULAU PINANG</b>		
A.A. ANTHONY SECURITIES SDN BHD	No. 41-1-1 & 41-2-1 Jalan Cantonment 10250 Pulau Pinang Tel No : 04-2299318	078-002
AVENUE SECURITIES SDN BHD	No. 111, Jalan Macalister 10400 Pulau Pinang Tel No : 04-2281868	052-003
ECM LIBRA SECURITIES SDN BHD	7th Floor, Menara PSCI 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-2283355	099-002
HWANG-DBS SECURITIES BERHAD	Level 2, 3, 4, 7 & 8, Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Tel No : 04-2636996	068-001

HWANG-DBS SECURITIES BERHAD	Ground, 1st & 2nd Floor 1620 & 1621, Jalan Permatang Batu Taman Industri Permatang Batu 14000 Bukit Mertajam Pulau Pinang Tel No : 04-5372882	068-006
INTER-PACIFIC SECURITIES SDN BHD	6th, 10th & 12th Floor Mayban Trust Building 3, Penang Street 10200 Pulau Pinang Tel No : 04-2626644	054-002
K & N KENANGA BHD	Lot 1.02, Level 1, Menara KWSP 38, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-2106666	073-013
MERCURY SECURITIES SDN BHD	Ground, 1st, 2nd & 3rd Floor Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth Seberang Prai, Pulau Pinang Tel No : 04-3322123	093-001
OSK SECURITIES BERHAD	64, Bishop Street 20E, 20F & 20G, Penang Street 10200 Pulau Pinang Tel No : 04-2634222	056-004
OSK SECURITIES BERHAD	Ground, 1st & 2nd Floor No. 2677, Jalan Chain Ferry Taman Inderawasih 13600 Prai Pulau Pinang Tel No : 04-3900022	056-005
OSK SECURITIES BERHAD	Ground & Upper Floor No. 11A, Jalan Keranji Off Jalan Padang Lallang 14000 Bukit Mertajam Pulau Pinang Tel No : 04-5402888	056-015
OSK SECURITIES BERHAD	834 Jalan Besar, Sungai Bakap 14200 Sungai Jawi Seberang Perai Selatan Pulau Pinang Tel No : 04-5831888	056-032
OSK SECURITIES BERHAD	Ground & 1st Floor No. 15-G-5, 15-G-6, 15-1-5 & 15-1-6 Medan Kampung Relau (Bayan Point) 11950 Pulau Pinang Tel No : 04-6404888	056-042

PM SECURITIES SDN BHD	Level 25, Menara BHL 51, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-2273000	064-004
THONG & KAY HIAN SECURITIES SDN BHD	Wisma Sri Pinang, Level 5 & 6 60, Green Hall 10200 Pulau Pinang Tel No : 04-2635481	070-001
<b>PERLIS INDRA KAYANGAN</b>		
KUALA LUMPUR CITY SECURITIES SDN BHD	2nd Floor, Podium Block KWSP Building 01000 Kangar Perlis Indra Kayangan Tel No : 04-9765200	076-003
<b>KEDAH DARUL AMAN</b>		
HWANG-DBS SECURITIES BERHAD	No. 70 A, B, C, Jalan Mawar 1 Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No : 04-4256666	068-011
KUALA LUMPUR CITY SECURITIES SDN BHD	2nd Floor, Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Tel No : 04-7317088	076-004
OSK SECURITIES BERHAD	Ground Floor, Swiss Inn Hotel 1, Jalan Pahlawan 08000 Sungai Petani Kedah Darul Aman Tel No : 04-4204888	056-017
OSK SECURITIES BERHAD	35, Ground Floor Jalan Suria 1, Jalan Bayu 09000 Kulim Kedah Darul Aman Tel No : 04-4964888	056-019
OSK SECURITIES BERHAD	Ground & 1st Floor 215-A & 215-B Medan Putra, Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No : 04-7209888	056-021
<b>NEGERI SEMBILAN DARUL KHUSUS</b>		
HWANG-DBS SECURITIES BERHAD	Ground & 1st Floor 105, 107 & 109, Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7612288	068-007

<b>HWANG-DBS SECURITIES BERHAD</b>	No. 6, Upper Level Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel No : 06-4553188	068-013
<b>OSK SECURITIES BERHAD</b>	Ground, 1st & 2nd Floor No. 33, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7641641	056-024
<b>OSK SECURITIES BERHAD</b>	1st Floor, No. 3601, Jalan Besar 73000 Tampin Negeri Sembilan Darul Khusus Tel No : 06-4421000	056-037
<b>OSK SECURITIES BERHAD</b>	1st & 2nd Floor No. 168, Jalan Mewah (Pusat Perniagaan UMNO Bahagian Jempol) 72100 Bahau Negeri Sembilan Darul Khusus Tel No : 06-4553011	056-040
<b>OSK SECURITIES BERHAD</b>	Ground & Mezzanine Floor No. 346 & 347, Batu ½, Jalan Pantai 71000 Port Dickson Negeri Sembilan Darul Khusus Tel No : 06-6461234	056-046
<b>PM SECURITIES SDN BHD</b>	1st, 2nd & 3rd Floor 19-21, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7623131	064-002
<b>JOHOR DARUL TAKZIM</b>		
<b>A.A. ANTHONY SECURITIES SDN BHD</b>	Suite 8.2, Level 8 Menara Sarawak Enterprise No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No : 07-3332000	078-001
<b>AMSECURITIES SDN BHD</b>	2nd & 3rd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4342282	086-002
<b>AVENUE SECURITIES SDN BHD</b>	No. 57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim Tel No : 06-9532222	052-004

ENG SECURITIES SDN BHD	95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel No : 07-2231211	081-001
HWANG-DBS SECURITIES BERHAD	Level 7, Johor Bahru City Square (Office Tower) 106-108 Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No : 07-2222692	068-004
K & N KENANGA BHD	Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3333600	073-004
K & N KENANGA BHD	No. 31 Lorong Dato' Ahmad Jalan Khalidi 84000 Muar Johor Darul Takzim Tel No : 06-9542711	073-008
K & N KENANGA BHD	No. 34 Jalan Genuang 85000 Segamat Johor Darul Takzim Tel No : 07-9333515	073-009
K & N KENANGA BHD	No. 33 & 35 (Ground & 1st Floor A&B) Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Tel No : 07-7771161	073-010
K & N KENANGA BHD	No. 4, Jalan Dataran 1 Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Tel No : 06-9782292	073-011
KUALA LUMPUR CITY SECURITIES SDN BHD	No. 46 & 48 Jalan Dato' Kapten Ahmad 86000 Kluang Johor Darul Takzim Tel No : 07-7717922	076-006
OSK SECURITIES BERHAD	6th Floor, Wisma Tiong-Hua 8, Jalan Keris Taman Sri Tebrau 80050 Johor Bahru Johor Darul Takzim Tel No : 07-2788821	056-006
OSK SECURITIES BERHAD	53, 53-A & 53-B, Jalan Sultanah 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4380288	056-009



OSK SECURITIES BERHAD	No. 33-1, 1st & 2nd Floor Jalan Ali 84000 Muar Johor Darul Takzim Tel No : 07-6868018	056-023
OSK SECURITIES BERHAD	Ground & 1st Floor No. 19, Jalan Pesta 1-1 Taman Tun Dr. Ismail 1, Jalan Bakri 84000 Muar Johor Darul Takzim Tel No : 06-9538262	056-025
OSK SECURITIES BERHAD	Ground & 1st Floor 10, Jalan Bendahara 12 Taman Ungku Tun Aminah 81300 Skudai Johor Darul Takzim Tel No : 07-5577628	056-029
OSK SECURITIES BERHAD	Ground & 1st Floor No. 28 Jalan Tengku Ahmad 85000 Segamat Johor Darul Takzim Tel No : 07-9321543	056-030
OSK SECURITIES BERHAD	Ground, 1st & 2nd Floor No. 17 Jalan Manggis 86000 Kluang Johor Darul Takzim Tel No : 07-7769655	056-031
OSK SECURITIES BERHAD	240 & 240A, Jalan Besar 83700 Yong Peng Johor Darul Takzim Tel No : 07-4675388	056-033
OSK SECURITIES BERHAD	Ground, 1st & 2nd Floor No. 10, Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Tel No : 07-6626288	056-035
OSK SECURITIES BERHAD	Ground Floor, No. 7, Jalan Jaya 81900 Kota Tinggi Johor Darul Takzim Tel No : 07-8822018	056-036
OSK SECURITIES BERHAD	Ground, 1st & 2nd Floor No. 343, Jalan Muar 84900 Tangkak Johor Darul Takzim Tel No : 06-9787180	056-038
OSK SECURITIES BERHAD	1st Floor, No. 2, Jalan Makmur Taman Sri Aman 85300 Labis Johor Darul Takzim Tel No : 07-9256881	056-039

OSK SECURITIES BERHAD	Ground & 1st Floor No. 1 & 1-01, Jalan Rosmerah 2/11 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No : 07-3522293	056-043
PM SECURITIES SDN BHD	Suite 5.1, Level 5, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-2781813	064-005
PM SECURITIES SDN BHD	Ground & 1st Floor No. 43 & 43A, Jalan Penjaja 3 Taman Kim's Park, Business Centre 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4333608	064-008
PM SECURITIES SDN BHD	Ground Floor No. 118, Jalan Genuang 85000 Segamat Johor Darul Takzim Tel No : 07-9333418	064-009
<b>PAHANG DARUL MAKMUR</b>		
KUALA LUMPUR CITY SECURITIES SDN BHD	A-397, A-399 & A-401 Taman Sri Kuantan III, Jalan Beserah 25300 Kuantan Pahang Darul Makmur Tel No : 09-5660800	076-002
OSK SECURITIES BERHAD	A-27 & A-29, Lorong Tun Ismail 9 Seri Dagangan Kuantan Business Centre 25000 Kuantan Pahang Darul Makmur Tel No : 09-5163811	056-007
OSK SECURITIES BERHAD	Ground Floor, 98 Jalan Pasdec 28700 Bentong Pahang Darul Makmur Tel No : 09-2234943	056-022
OSK SECURITIES BERHAD	Ground Floor No. 43 Jalan Bunga Tanjung 28400 Mentakab Pahang Darul Makmur Tel No : 09-2771541	056-026
OSK SECURITIES BERHAD	Ground Floor No. 76-A, Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Tel No : 05-4914913	056-041

**KELANTAN DARUL NAIM**

KUALA LUMPUR CITY SECURITIES SDN BHD Lot 6 & 7, Section 25  
Jalan Sultan Yahya Petra  
Bandar Kota Bharu  
15200 Kota Bharu  
Kelantan Darul Naim  
Tel No : 09-7432588 076-007

OSK SECURITIES BERHAD Ground & 1st Floor  
No. 3953-H, Jalan Kebun Sultan  
15350 Kota Bharu  
Kelantan Darul Naim  
Tel No : 09-7430077 056-020

TA SECURITIES HOLDINGS BERHAD 298, Jalan Tok Hakim  
15000 Kota Bharu  
Kelantan Darul Naim  
Tel No : 09-7432288 058-004

**TERENGGANU DARUL IMAN**

FA SECURITIES SDN BHD No. 51 & 51A  
Ground, Mezzanine & 1st Floor  
Jalan Tok Lam  
20100 Kuala Terengganu  
Terengganu Darul Iman  
Tel No : 09-6238128 021-001

KUALA LUMPUR CITY SECURITIES SDN BHD No. 1D, Ground & Mezzanine  
No. 1E, Ground, Mezzanine  
1st & 2nd Floor, Jalan Air Jerneh  
20300 Kuala Terengganu  
Terengganu Darul Iman  
Tel No : 09-6317922 076-009

OSK SECURITIES BERHAD Ground & 1st Floor,  
9651, Cukai Utama  
Jalan Kubang Kurus  
24000 Kemaman  
Terengganu Darul Iman  
Tel No : 09-8502730 056-027

OSK SECURITIES BERHAD 31A, Ground Floor  
31A & 31B, 1st Floor  
Jalan Sultan Ismail  
20200 Kuala Terengganu  
Terengganu Darul Iman  
Tel No : 09-6261816 056-055

**SARAWAK**

HWANG-DBS SECURITIES BERHAD Lot 328, Jalan Abell  
93100 Kuching  
Sarawak  
Tel No : 082-236999 068-005

HWANG-DBS SECURITIES BERHAD	192, Bintulu Parkcity Commerce Square Lot 3478, Bintulu Town District 97000 Bintulu Sarawak Tel No : 086-330008	068-016
K & N KENANGA BHD	Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri Sarawak Tel No : 085-435577	073-002
K & N KENANGA BHD	Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Tel No : 082-338000	073-003
K & N KENANGA BHD	No. 11-12 (Ground & 1st Floor) Lorong Kampung Datu 3 96000 Sibu Sarawak Tel No : 084-313855	073-012
OSK SECURITIES BERHAD	Ground, 1st & 6th Floor Wisma Chinese Chambers Lot 357, Section 47, K.T.L.D. Jalan Bukit Mata Kuching 93100 Kuching Sarawak Tel No : 082-422252	056-008
OSK SECURITIES BERHAD	Lot 1168, Ground Floor Wisma Interhill Miri Waterfront Commercial Centre 98008 Miri Sarawak Tel No : 085-422788	056-012
OSK SECURITIES BERHAD	101 & 102, Pusat Pedada Jalan Pedada 96000 Sibu Sarawak Tel No : 084-329100	056-013
OSK SECURITIES BERHAD	Ground Floor No. 10, Jalan Bersatu 96100 Sarikei Sarawak Tel No : 084-654100	056-050
OSK SECURITIES BERHAD	Ground Floor No. 11, Lorong Maju 96500 Bintangor Sarawak Tel No : 084-693100	056-051

OSK SECURITIES BERHAD	Ground Floor No. 177, Taman Sri Dagang 97000 Bintulu Sarawak Tel No : 086-311770	056-053
OSK SECURITIES BERHAD	No. 299, Ground & 1st Floor Lot 373, Jalan Serian-By-Pass Serian Town District 94700 Serian Sarawak Tel No : 082-872118	056-059
OSK SECURITIES BERHAD	Ground & 1st Floor Lot 1085, Jalan Buangsiol 98700 Limbang Sarawak Tel No : 085-213188	056-060
TA SECURITIES HOLDINGS BERHAD	12G, H & I, Jalan Kampong Datu 96000 Sibul Sarawak Tel No : 084-319998	058-002
<b>SABAH</b>		
HWANG-DBS SECURITIES BERHAD	Room Nos. 106-109, Mezzanine Floor Room Nos. 207-212, 2nd Floor Gaya Centre, Jalan Tun Fuad Stephens 88400 Kota Kinabalu Sabah Tel No : 088-311688	068-008
INNOSABAH SECURITIES BERHAD	11, Equity House, Block K Sadong Jaya, Karamunsing 88100 Kota Kinabalu Sabah Tel No : 088-234090	020-001
KUALA LUMPUR CITY SECURITIES SDN BHD	Suite 1-9-E1, 9th Floor, CPS Tower No. 1, Jalan Centre Point 88000 Kota Kinabalu Sabah Tel No : 088-253922	076-005
OSK SECURITIES BERHAD	5th Floor, Wisma BSN Sabah Jalan Kemajuan, Karamunsing 88000 Kota Kinabalu Sabah Tel No : 088-269788	056-010
OSK SECURITIES BERHAD	1st Floor, TB-3338, Wisma Jin Ho Town Extension No. 2 Jalan St. Patrick 91008 Tawau Sabah Tel No : 089-779815	056-056

OSK SECURITIES BERHAD

Ground Floor, Block 2  
Lot 4 & Lot 5, Bandar Indah, Mile 4  
North Road  
91000 Sandakan  
Sabah  
Tel No : 089-222275

056-057