



STARHILL  
REIT

STARHILL  
REAL ESTATE  
INVESTMENT  
TRUST

the journey continues...

annual report 2006



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# Financial Highlights

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	2006*
Net revenue (RM'000)	50,739
Income before taxation (RM'000)	35,905
Income after taxation (RM'000)	35,905
Total assets (RM'000)	1,249,967
Net asset value (RM'000)	1,022,756
Units in circulation ('000)	1,040,000
Net asset value per Unit (RM)	0.983
Earnings per Unit (sen)	3.45
Distribution per Unit (sen)	3.4524

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

# Property Portfolio



## ABOUT STARHILL REIT

Starhill Real Estate Investment Trust (“Starhill REIT”) is currently Malaysia’s largest real estate investment trust, with a market capitalisation of approximately RM952 million (as at 30 June 2006), and comprises three prime properties situated in the heart of Kuala Lumpur’s Golden Triangle, namely, Starhill Gallery and the adjoining JW Marriott Hotel Kuala Lumpur, and 137 parcels and 2 accessory parcels of retail, office, storage and other spaces within Lot 10 Shopping Centre (“Lot 10 Property”) (collectively, the “Properties”).

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

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

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

## ABOUT PINTAR PROJEK SDN BHD

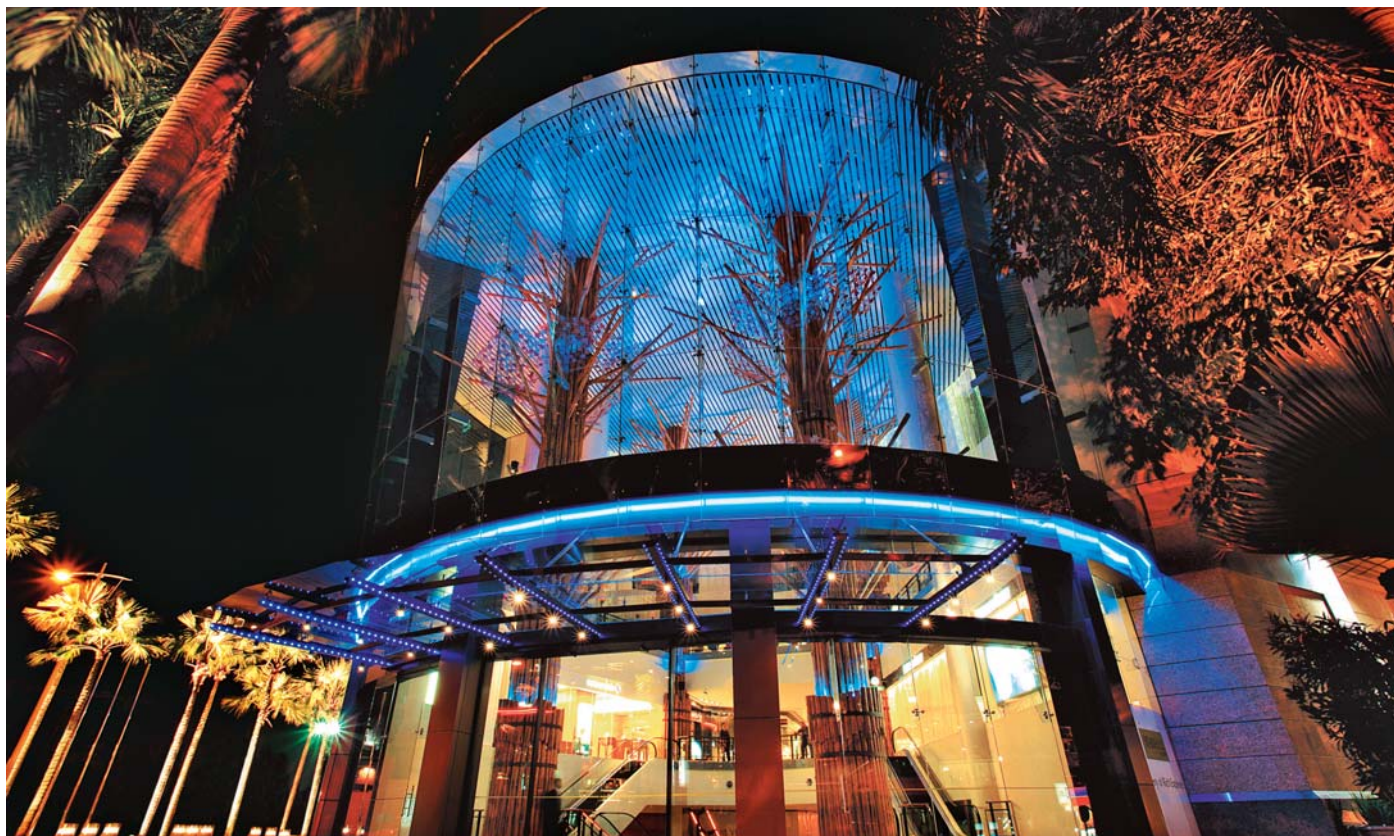
Pintar Projek Sdn Bhd (“Pintar Projek”) was incorporated in 1994 and is a 70%-owned subsidiary of YTL Land Sdn Bhd, which in turn is wholly-owned subsidiary of YTL Corporation Berhad. Its Board of Directors and key personnel comprise experienced and prominent individuals in their respective fields of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

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

- Strategic location: The Properties are landmarks in Kuala Lumpur, strategically located in the Jalan Bukit Bintang area which forms part of the city’s Golden Triangle. Jalan Bukit Bintang is one of Kuala Lumpur’s main tourist hubs, popularly known as “Bintang Walk” and attracts a large number of tourists year-round.
- Convenient access: The Properties are located in an area close to numerous hotels and offices, making them easily accessible to tourists and travelers, as well as office workers. Lot 10 Shopping Centre is also linked by an overhead bridge to another popular shopping centre, Sungei Wang Plaza.
- Strong brand recognition: The Properties enjoy high profile status due to their strong branding, spearheaded by Pintar Projek, and their strategic location in Kuala Lumpur’s prime shopping area.
- High occupancy levels: Both Starhill Gallery and Lot 10 Shopping Centre enjoy high occupancy levels, reflecting the demand for quality space at a prominent location in Kuala Lumpur’s tourist hub. As at 30 June 2006, Starhill Gallery and the Lot 10 Property had occupancy rates of 99.5% and 96.0%, respectively.
- Strong tenant base: The Properties are tenanted by high profile, international brand names and prominent local retailers, as a result of Pintar Projek’s marketing efforts to promote the Properties as a well-known and sought-after address.

# Property Portfolio

## STARHILL GALLERY



Property	Starhill Gallery
Address	181 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
Property type	Shopping centre
Title	Freehold
Age of building	Approximately 11 years
Net lettable area	293,727 square feet
Valuation	RM480,000,000
Occupancy rate	99.5%
Major tenants	Autodome Sdn Bhd, Cortina Watch Sdn Bhd, Apcot PP (M) Sdn Bhd

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

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

# Property Portfolio

## LOT 10 PROPERTY



Property	Lot 10 Property
Address	50 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia
Property type	Shopping centre
Title	99-year leasehold interest expiring on 29 July 2076
Age of building	Approximately 16 years
Net lettable area	181,301 square feet
Valuation	RM341,000,000
Occupancy rate	96.0%
Major tenants	Autodome Sdn Bhd, Esprit De Corp (Malaysia) Sdn Bhd, Timberland Lifestyle Brand Malaysia Sdn Bhd

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

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

# Property Portfolio

## JW MARRIOTT HOTEL KUALA LUMPUR

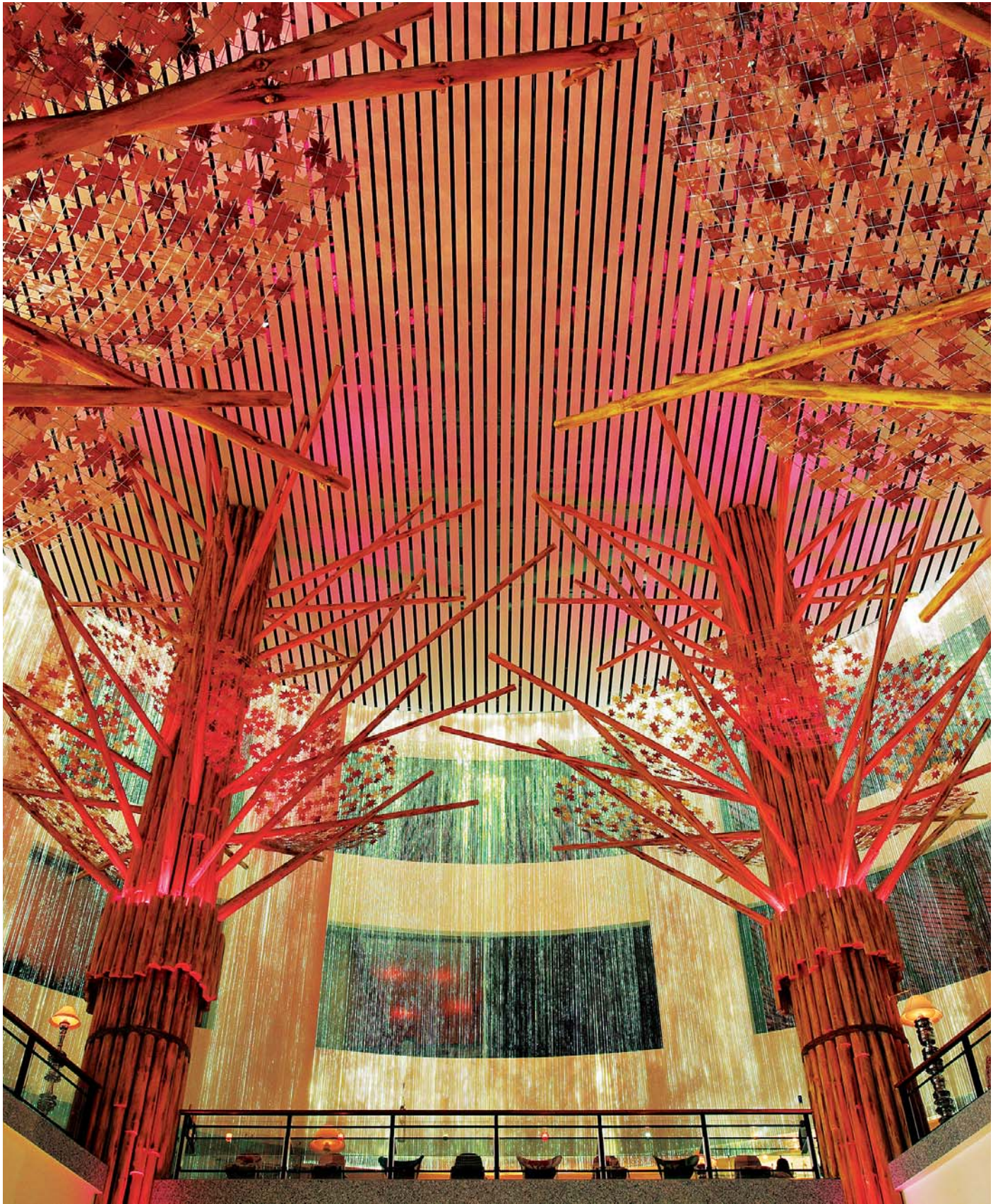


Property	JW Marriott Hotel Kuala Lumpur
Address	183 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
Property type	Hotel
Title	Freehold
Age of building	Approximately 9 years
Valuation	RM329,000,000
Tenancy details	The JW Marriott Hotel Kuala Lumpur is presently leased to Star Hill Hotel Sdn Bhd, a wholly-owned subsidiary of YTL Corporation Berhad and the operator of the hotel, for a term expiring on 31 December 2023.

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

Directly linked to the prestigious Starhill Gallery, guests enjoy convenient access to the best shopping in the city. Designed with the business traveler in mind, the 561 guest rooms including 70 suites have ample working areas and high-speed Internet access. The hotel comprises part of an 8-level podium block and the entire 24-level tower block of the main building, adjacent to the iconic Starhill Gallery.





# Chief Executive Officer's Statement

for the financial period ended 30 June 2006



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

Chief Executive Officer of Pintar Projek Sdn Bhd

On behalf of the Board of Directors of Pintar Projek Sdn Bhd ("Pintar Projek" or the "Manager"), I have the pleasure of presenting to you the Annual Report and Audited Financial Statements of Starhill Real Estate Investment Trust ("Starhill REIT" or the "Trust") for the financial period ended 30 June 2006.

## OVERVIEW

Starhill REIT, Malaysia's first internationally marketed real estate investment trust, was listed on the Main Board of Bursa Malaysia Securities Berhad on 16 December 2005. The Trust currently owns three prime properties situated in the heart of Kuala Lumpur's Golden Triangle, namely, 137 parcels and 2 accessory parcels of retail, office, storage and other spaces within Lot 10 Shopping Centre ("Lot 10 Property"), Starhill Gallery and the JW Marriott Hotel Kuala Lumpur (collectively, the "Properties"), valued at RM1.15 billion.

The resounding success of Starhill REIT's initial public offering ("IPO") in November 2005 exceeded all expectations, with the retail and institutional tranches achieving subscription rates of 6.27 times and 8.80 times, respectively, underscoring the strength of investor support from domestic and international investors alike for this groundbreaking transaction and for the Malaysian capital markets as well.

Just seven months into its operations, Starhill REIT is off to an excellent start, having exceeded the profit projections for the Trust by approximately 11.15% and generating a strong distribution pay-out to unitholders, well in line with the Trust's stated objectives of providing unitholders with stable cash distributions with the potential for sustainable growth, principally from the ownership of properties, and enhancing long-term unit value.

# Chief Executive Officer's Statement

for the financial period ended 30 June 2006

## FINANCIAL PERFORMANCE

Starhill REIT recorded total revenue of RM50.74 million for the financial period ended 30 June 2006. Meanwhile, income after taxation stood at RM35.91 million for the same period, exceeding the Trust's IPO projections by 11.15%.

During the financial period ended 30 June 2006, Starhill REIT recorded income after taxation of RM35.91 million as compared to income after taxation of RM32.30 million forecasted in the Trust's IPO prospectus dated 22 November 2005 ("IPO Prospectus"), representing an increase of 11.15%.

Included in the income after taxation for the financial period ended 30 June 2006 was income recorded for the 16-day period from 16 December 2005, being the commencement date of business of the Trust, to 31 December 2005, compared to the profit forecast period of 1 January 2006 to 30 June 2006.

Excluding the aforementioned 16-day period, however, Starhill REIT's income after taxation still exceeded the forecast result by 1.93%, this increase being mainly attributable to the interest income generated from the placement of funds with licensed financial institutions.

## Distribution to Unitholders

On 21 July 2006, the Board of Directors of Pintar Projek recommended a distribution of 3.4524 sen per unit in respect of the financial period ended 30 June 2006, representing approximately 100% of Starhill REIT's income after taxation for the financial period under review. The distribution was approved by the trustee, Mayban Trustees Berhad, on 25 July 2006 and paid on 25 August 2006.

This distribution represents an annualised yield of 7.12% based on the average price per unit of RM0.895 per unit on 21 July 2006, 0.69% higher than the forecast yield of 6.43% in the IPO Prospectus.



# Every Great City Needs an Icon



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# Chief Executive Officer's Statement

for the financial period ended 30 June 2006

## CORPORATE DEVELOPMENTS

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

Starhill REIT's initial public offering was launched on 22 November 2005, comprising a combined total of 509,599,000 units available under the retail and institutional offers. A total of 29,999,000 units were offered to the Malaysian public under the retail offer ("Retail Offer"), whilst the remaining 479,600,000 units were made available to Malaysian and foreign investors under the institutional offer ("Institutional Offer").

On 2 December 2005, Pintar Projek announced the results of the initial public offering of 509,599,000 new units in Starhill REIT, achieving subscription rates of 6.27 times for the Retail Offer and 8.80 times for the Institutional Offer. The Institutional Offer was priced at RM1.01 per unit, whilst the final retail price was set at RM0.96 per unit representing a discount of 5% to the Institutional Price.

Starhill REIT was listed on the Main Board of Bursa Malaysia Securities Berhad on 16 December 2005.

## OPERATIONS REVIEW

For the financial period ended 30 June 2006, the shopping centres owned by Starhill REIT, Starhill Gallery and the Lot 10 Property, achieved good occupancy rates ranging between 95.4% to 99.9%, higher than the estimated average occupancy rate of 84.8% for shopping centres within Kuala Lumpur in 2006<sup>1</sup>. The high occupancy rates achieved by the Properties, coupled with their strong financial performance for the period ended 30 June 2006 are indicative of the quality of the properties comprising the Trust's portfolio.

The operational performance of the Properties is also a testimony to the success of Starhill REIT's implemented operating strategies.

Starhill Gallery and the Lot 10 Property continue to leverage on their positions in the niche markets that they occupy, which in turn, have enabled the Properties to differentiate themselves from competitors. Starhill Gallery, in particular, continues to develop its strategy of offering a "Gallery of Rich Experiences" which has proven successful in attracting the world's leading fashion houses and luxury brands to open stores in Starhill Gallery, and in some cases, such as with the Louis Vuitton Moët Hennessy Group, to offer their brands in Malaysia exclusively at Starhill Gallery.



# Chief Executive Officer's Statement

for the financial period ended 30 June 2006

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## Overview of the Property Markets

### *Retail Sector: Shopping Centres*

The Malaysian economy showed sustained growth during 2005 and is expected to perform better in 2006 with a forecasted Gross Domestic Product growth of 6%<sup>ii</sup>.

The outlook for the Kuala Lumpur retail property sector is expected to remain positive in 2006 with an improvement in average occupancy rates from 83.1% in 2005 to an estimated average occupancy rate of 84.8% in 2006. Retail supply in Kuala Lumpur is not expected to increase tremendously in 2006 as most of the mega centres' expansions are only scheduled to complete in late 2007<sup>iii</sup>.

Despite concerns over inflation that are triggering rising living costs coupled with the rise in oil prices globally, rental levels for prime shopping centres are expected to improve further during the next six to twelve months. According to PPK (The Malaysian Association for Shopping and Highrise Complex Management), the combined market value of shopping centres in the country is expected to reach RM50 billion in 2007, representing more than 20% growth over 2006's estimated value of RM40.4 billion.







# Chief Executive Officer's Statement

for the financial period ended 30 June 2006

## **Leisure Industry: Hotels**

Hotels in Malaysia are also expected to chalk up higher average occupancy rates of around 70%, and average room rates (approximately RM255) in 2006-the highest in the past eight years according to Malaysian Association of Hotels<sup>iv</sup>. The robust performance is due to continued political stability, continuous efforts from Tourism Malaysia, and the growth in the MICE industry.

In 2006, Malaysia is targeting 17.5 million tourist arrivals and tourist receipts of RM37.4 billion according to the Ministry of Tourism. This reflects an increase over the 16.43 million tourist arrivals and RM30.95 million tourist receipts achieved last year<sup>v</sup>.

In tandem with Visit Malaysia Year 2007 initiated by the Ministry of Tourism, tourist arrivals are projected to increase further to 20.1 million in 2007. With each tourist spending up to RM2,500 and 30% of the expenditure attributed to accommodation, the hotel industry is expected to better its performance in terms of occupancy and average hotel room rates.

## **FUTURE PROSPECTS**

The Manager remains firmly committed to ensuring that Starhill REIT's unitholders are well-rewarded by this investment and, to this end, will continue to explore acquisition opportunities of suitable properties, the key requirement being that they are yield-accretive and will complement the Trust's existing portfolio.

Starhill REIT will continue to review and implement various operating strategies aimed at increasing the rental and occupancy rates of the Properties with the goal of improving yields and returns for the Trust. Starhill REIT will also seek opportunities to explore capital growth opportunities through acquisitions in view of the favourable market outlook for the commercial and leisure property sub-sector in Malaysia.

## **APPRECIATION**

On behalf of the Board of Directors of Pintar Projek, I would like to thank our customers, tenants and business associates, the regulatory authorities, investors and unitholders for their strong support which has been instrumental in enabling the Trust to outperform its objectives during this first year of Starhill REIT's operations. Our achievements are a result of the concerted effort and contribution of the entire team. Most of all, I would like to thank God for His blessings.

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

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

Chief Executive Officer of Pintar Projek Sdn Bhd

Dated: 25 August 2006

<sup>i</sup> Henry Butcher Shopping Centre, *The Star* dated 13 May 2006.

<sup>ii</sup> Bank Negara Malaysia, 6 June 2006.

<sup>iii</sup> Research Inc. Asia/PMR 2006.

<sup>iv</sup> *The Edge Daily*, 3 February 2006.

<sup>v</sup> *The Edge Daily*, 23 June 2006.



# Performance Data

## I Portfolio Composition of the Trust

	as at 18 November 2005 %	as at 30 June 2006 %
Real Estate		
- Lot 10 Property	30	27
- Starhill Gallery	42	39
- JW Marriott Hotel Kuala Lumpur	28	26
	100	92
- Cash and others	-	8
	100	100

## II Net Asset Value & Unit Information

	at commencement 16 December 2005	as at 30 June 2006
Total net asset value (RM'000)	1,024,520	1,022,756
Units in circulation (No of units'000)	1,040,000	1,040,000
Net asset value per unit (RM)	0.985	0.983
Market value per unit (RM)	N/A	0.915
Highest traded price for the period (RM)	N/A	1.07
Lowest traded price for the period (RM)	N/A	0.89

## III Performance Details of the Trust Since Commencement

	as at 30 June 2006
Total return (%) *	(0.79)
- Capital growth (%)	(4.29)
- Income distribution (%)	3.50
Income distribution per unit (sen)	
- Gross	3.4524
Management expense ratio (%)	0.18
Portfolio turnover ratio (times)	0.56

Notes:

\* The total return is computed based on the income distribution yield per unit (based on the weighted average market price during the financial period) and the change in the weighted average market price per unit during the financial period.

## IV Average Annual Return for the Financial Period Ended 30 June 2006

	Starhill REIT %	KLCI (%)
One year	(0.79)	2.97
Since launch date (16 December 2005)	(0.79)	2.39

# Corporate Events

22 NOVEMBER 2005

## Prospectus Launch of Starhill Real Estate Investment Trust



From left: Tan Sri Dato' Azman Hashim, Executive Chairman of AmMerchant Bank Berhad; Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Managing Director of YTL Corp and Chief Executive Officer of Pintar Projek Sdn Bhd; Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay, Executive Chairman of YTL Corp; and Dato' Kalimullah Hassan, Executive Chairman and Co-Chief Executive Officer of ECM Libra Berhad.

On 22 November 2005, the prospectus for Starhill Real Estate Investment Trust ("Starhill REIT") was officially launched by YTL Corporation Berhad ("YTL Corp"), Starhill REIT's sponsor, together with advisers, AmMerchant Bank Berhad and ECM Libra Capital Sdn Bhd.



From left: Pushpa Rajaduri, Director/Head of Corporate Finance, AmMerchant Bank Berhad; David Chua, Chief Operating Officer, ECM Libra Group; Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Managing Director of YTL Corp and Chief Executive Officer of Pintar Projek Sdn Bhd; Eng-Kwok Seat Moey, Managing Director, Debt Capital Markets, DBS Bank Ltd.; Khairy Jamaluddin, Director, Corporate Advisory, ECM Libra Capital Sdn Bhd; and Chang Tou Chen, Managing Director, Head of Global Investment, Southeast Asia, The Hongkong and Shanghai Banking Corporation Limited.

## Corporate Events

16 DECEMBER 2005

Listing Ceremony of Starhill REIT on Bursa Securities Malaysia Berhad



Left: Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay, Executive Chairman of YTL Corp, rings the ceremonial gong at the Listing Ceremony, accompanied by directors of Pintar Projek Sdn Bhd and the YTL Corp Group.

On 16 December 2005, Starhill REIT was listed on the Main Board of Bursa Malaysia Securities Berhad.



Dato' Yeoh Seok Kian, Deputy Managing Director of YTL Corp and Executive Director of Pintar Projek Sdn Bhd, Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Managing Director of YTL Corp and Chief Executive Officer of Pintar Projek Sdn Bhd, and Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay, Executive Chairman of YTL Corp, observe as Starhill REIT's units begin actively trading on Bursa Malaysia Securities Berhad.

# Corporate Events

16 DECEMBER 2005

## Listing Ceremony of Starhill REIT on Bursa Securities Malaysia Berhad (cont'd)

### AmBank Group

AmMerchant Bank Berhad was the Adviser for the Starhill REIT's initial public offering, Senior Co-Lead Manager for the Institutional Offer and Joint Managing Underwriter for the Retail Offer.

Front row, from left: Anuar bin Omar (Director, AmBank), Tan Sri Dato' Azman Hashim (Executive Chairman, AmBank), Tan Sri Dato' (Dr) Francis Yeoh Sock Ping (Managing Director, YTL Group) and Pushpa Rajadurai (Director, AmBank), together with the AmBank team and the team from YTL, (back row) Eric Eoon Whai San and Sharon Law, and (front row) Ho Say Keng, Ruth Yeoh Pei Cheen, Rowena Tan and Josephine Tan.



### DBS Group

DBS Bank Ltd was Joint Bookrunner for the Institutional Offer.

Front row, from left: Kevin Wong (Senior Vice President, DBS), Jackson Tai (Vice Chairman & Chief Executive Officer, DBS), Tan Sri Dato' (Dr) Francis Yeoh Sock Ping (Managing Director, YTL Group), Eng-Kwok Seat Moei (Managing Director, DBS) and Eric Ang Teik Lim (Managing Director, DBS), together with the DBS and YTL teams at the Listing Ceremony.



### ECM Libra Group

ECM Libra Capital Sdn Bhd was the Lead Financial Adviser for Starhill REIT's initial public offering, whilst ECM Libra Securities Sdn Bhd was the Joint Bookrunner for the Institutional Offer and Joint Managing Underwriter for the Retail Offer.

Front row, from left: Joyce Tan (Associate Director, ECM Libra), Khairy Jamaluddin (Director, ECM Libra), Dato' Kalimullah Hassan (Executive Chairman & Co-Chief Executive Officer, ECM Libra), Tan Sri Dato' (Dr) Francis Yeoh Sock Ping (Managing Director, YTL Group) and David Chua (Chief Operating Officer, ECM Libra), together with the ECM Libra and YTL teams at the Listing Ceremony.



### HSBC Group

The Hongkong and Shanghai Banking Corporation Limited was Joint Bookrunner for the Institutional Offer.

Front row, from left: Dato' Zarir J Cama (Deputy Chairman & Chief Executive Officer, HSBC), Tan Sri Dato' (Dr) Francis Yeoh Sock Ping (Managing Director, YTL Group), Chang Tou Chen (Managing Director, HSBC) and Jamaludin Zakaria (Director, HSBC), together with the HSBC and YTL teams at the Listing Ceremony.

# Corporate Events

30 JULY 2005

## Grand Opening of Starhill Gallery

The grand opening of Starhill Gallery, following a major refurbishment and rebranding exercise, was officiated by (from left) Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Managing Director of YTL Corp and Chief Executive Officer of Pintar Projek Sdn Bhd; Guest-of-honour, the Mayor of Kuala Lumpur, Datuk Ruslin Hasan; and Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay, Executive Chairman of YTL Corp.



9 MARCH 2006

## Swatch-Sapura Signing Ceremony



McLaren F1 team driver Juan Pablo Montoya, in Malaysia for the Malaysian Grand Prix, visited Shook! with Pintar Projek Sdn Bhd Chief Executive Officer, Tan Sri Dato' (Dr) Francis Yeoh Sock Ping.

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Chief Executive Officer of Pintar Projek Sdn Bhd, witnessed the Signing Ceremony for the formation of Swiss Luxury Watch & Jewelry Sdn Bhd, a joint venture between The Swatch Group of Switzerland and Malaysia's Sapura Group, aimed at expanding the retail presence of leading Swiss watchmakers in the country and the region. Starhill Gallery houses over 70 luxury fine watch brands spanning an area of 30,000 sq.ft.

17 MARCH 2006

## F1 Driver Juan Pablo Montoya Visits Shook!

# Corporate Events

25 MAY 2006

## World's First Armand Nicolet Boutique at Starhill Gallery

Swiss watch brand Armand Nicolet opened its first boutique at Starhill Gallery, witnessed by (from left) Tunku Miratun Madihah of Negri Sembilan; Dato' Yeoh Soo Min, Executive Director of YTL Corp; Frank Low, Chief Executive Officer of Luxury Concepts Watches and Jewellery Sdn Bhd; Rolando Braga, Armand Nicolet Chief Executive Officer; and Alessandro Braga, Armand Nicolet Marketing Director.



Left: Rolando Braga, Armand Nicolet Chief Executive Officer, and Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Chief Executive Officer of Pintar Projek Sdn Bhd, at the launch of the Starhill Special Watch Collection in association with Armand Nicolet at the Basel Watch Fair on 31 March 2006.

30 MAY 2006

## Official Launch of Starhill Gallery's Pamper Zone

Starhill Gallery's new Pamper Zone was officially launched on 30 May 2006 by (from left) Datin Seri Tiara Jaquelina, Pamper Zone Ambassador, and Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Chief Executive Officer of Pintar Projek Sdn Bhd. The Pamper Zone's dedicated space offers a full range of luxury treatments in individual spas and boutiques.



The official opening of Spanish luxury label Loewe's newest store at Starhill Gallery was officiated by (from left) Malaysian singer, Camelia; Alberto Puyol Pineda, Loewe President and Chief Executive Officer; Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Chief Executive Officer of Pintar Projek Sdn Bhd; and the Ambassador of Spain, His Excellency German Bejarano.



31 MAY 2006

## Loewe Launch

Christian Dior re-opened its flagship store at a new, larger location on Starhill Gallery's Indulge floor. Guests-of-honour included (from left) Peter Cheung, Michelle Reis, Geraldine Lee, Ning Baizura and Tan Sri Dato' (Dr) Francis Yeoh Sock Ping.



8 JUNE 2006

## Launch of Christian Dior's Flagship Store





# Corporate Directory

## MANAGER

Pintar Projek Sdn Bhd

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

11th Floor, Yeoh Tiong Lay Plaza  
55 Jalan Bukit Bintang  
55100 Kuala Lumpur  
Tel • 03 2117 0088/03 2142 6633  
Fax • 03 2141 2703

## BOARD OF DIRECTORS OF THE MANAGER

*Chief Executive Officer*

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

*Executive Directors*

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

**Dato' Yeoh Seok Kian**

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

*Independent Non-Executive Directors*

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

**Eu Peng Meng @ Leslie Eu**

B. Com., FCILT.

## MANAGEMENT TEAM

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

## COMPANY SECRETARY OF THE MANAGER

**Ho Say Keng**

## PROPERTY MANAGER

**Azmi & Co Building Services  
Sdn Bhd**  
A9-1-1, Jalan Ampang Utama 2/2  
One Ampang Business Avenue  
68000 Ampang  
Selangor Darul Ehsan  
Tel • 03 4256 6868  
Fax • 03 4256 2266

## REGISTRAR

**Pintar Projek Sdn Bhd**  
11th Floor, Yeoh Tiong Lay Plaza  
55 Jalan Bukit Bintang  
55100 Kuala Lumpur  
Tel • 03 2117 0088/03 2142 6633  
Fax • 03 2141 2703

## TRUSTEE

**Mayban Trustees Berhad**  
34th Floor, Menara Maybank  
100 Jalan Tun Perak  
50050 Kuala Lumpur  
Tel • 03 2078 8363  
Fax • 03 2070 9387  
Email: mtb@maybank.com.my

## PRINCIPAL FINANCIER OF THE FUND

**Great Eastern Life Assurance  
(Malaysia) Berhad**  
Level 19, Menara Great Eastern  
No. 303, Jalan Ampang  
50450 Kuala Lumpur  
Tel • 03 4259 8888  
Fax • 03 4813 0516

## AUDITORS

**HLB Ler Lum (AF 0276)**  
Chartered Accountants  
2nd & 3rd Floor, Bangunan Yeoh  
35-37, Jalan Kamunting  
50300 Kuala Lumpur  
Tel • 03 2691 5737  
Fax • 03 2691 3227

## STOCK EXCHANGE LISTING

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

# Profile of the Board of Directors

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

Malaysian, aged 52, has been the Chief Executive Officer and Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. Tan Sri Francis obtained his secondary education at Victoria Institution, Kuala Lumpur, Malaysia where he was the Head Boy. Tan Sri Francis obtained his Bachelor of Science (Hons) Degree in Civil Engineering from Kingston University, United Kingdom in 1978. He became the Managing Director of YTL Group in 1988. Under his stewardship, YTL Group has grown from a single listed entity in 1985 to a force comprising five listed companies-YTL Corporation Berhad, YTL Power International Berhad, YTL Cement Berhad, YTL Land & Development Berhad and YTL e-Solutions Berhad.

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 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. He was the past President of the Kuala Lumpur Symphony Orchestra Society (KLSO) and the Founder President of the famous Eastern and Orient Express train. He was named the Ernst & Young "Master Entrepreneur of the Year 2002". He holds fellowships in many of the Chartered Institutions in the United Kingdom and is also the recipient of many major awards conferred by the Government of Malaysia. On 13 February 2004, he was conferred the degree of Honorary Doctorate of Engineering by Kingston University, United Kingdom. Tan Sri Francis was awarded the BusinessWeek's "25 Stars of Asia 2003" on 6 November 2003 in Hong Kong and was ranked 21st by Fortune Magazine Asia's 25 Most Powerful Business Personalities on 9 August 2004. He was appointed as a member of Barclays Asia-Pacific Advisory Committee on 1 January 2005. CNBC Asia Pacific named him Malaysia CEO of the Year at its Asia Business Leaders Awards on 9 November 2005. On 8 June 2006, he was conferred with an Honorary Commander of the Most Excellent Order of the British Empire (CBE) by Her Majesty Queen Elizabeth II.

He is presently Managing Director of YTL Corporation Berhad, YTL Power International Berhad, YTL Land & Development Berhad and YTL Cement Berhad, all listed on the Main Board of Bursa Malaysia Securities Berhad, and YTL e-Solutions Berhad (also Executive Chairman) which is listed on the MESDAQ Market of Bursa Malaysia Securities Berhad. Tan Sri Francis also sits on the board of public companies such as YTL Industries Berhad, YTL Foundation and the prominent private utilities companies in United Kingdom, Wessex Water Limited and Wessex Water Services Limited.

## DATO' YEOH SEOK KIAN

Malaysian, aged 48, has been an Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. He graduated from Heriot-Watt University, Edinburgh, United Kingdom in 1981 with a Bachelor of Science (Hons) Degree in Building. He attended the Advance Management Programme conducted by Wharton Business School, University of Pennsylvania in 1984. Dato' Yeoh is a Fellow of the Faculty of Building, United Kingdom as well as a Member of the Chartered Institute of Building (UK). He is presently the Deputy Managing Director of YTL Corporation Berhad and YTL Power International Berhad and Executive Director of YTL Land & Development Berhad and YTL Cement Berhad, all listed on the Main Board of Bursa Malaysia Securities Berhad. Dato' Yeoh also serves on the board of public companies such as YTL Industries Berhad, The Kuala Lumpur Performing Arts Centre, YTL Vacation Club Berhad and private company, Wessex Water Limited.

## Profile of the Board of Directors

### DATO' HJ MOHD ZAINAL ABIDIN BIN HJ ABDUL KADIR

Malaysian, aged 66, has been an Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. He qualified as a teacher in 1963 from the Day Training Centre for Teaching in Ipoh, Perak and was in the teaching profession from 1964 to 1981 prior to entering the business arena as a property developer in May 1981. Dato' Hj Mohd Zainal Abidin also sits on the Board of several reputable private limited companies involved in construction, property development and resort operations such as Pakatan Perakbina Sdn Bhd, Seri Yakin Sdn Bhd and Syarikat Pelanchongan Pangkor Laut Sdn Bhd.

### DATO' (DR) YAHYA BIN ISMAIL

Malaysian, aged 78, has been an Independent, Non-Executive Director of Pintar Projek Sdn Bhd since 18 May 2005. He holds a Bachelor of Veterinary Science degree from University of Sydney, Australia which he obtained in 1957. He was formerly with the Government and his last appointment was as the Director General of the National Livestock Authority Malaysia. He was also with the Totalisator Board Malaysia from 1982 to 1990 and served as its Chairman since 1986. Dato' Yahya is also a Director of YTL Corporation Berhad, YTL Power International Berhad and YTL Industries Berhad. He also sits on the Board of several public companies including Shell Refining Company (Federation Of Malaya) Berhad, Killinghall Malaysia Berhad and Metroplex Berhad.

### EU PENG MENG @ LESLIE EU

Malaysian, aged 71, has been an Independent, Non-Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. Mr Leslie Eu graduated with a Bachelor of Commerce degree from the Republic of Ireland. He is a Fellow of the Chartered Institute of Logistics and Transport and was one of the founding directors of Global Maritime Ventures Berhad. He has been in the shipping business for more than 40 years. He was the first Chief Executive Officer of Malaysian International Shipping Corporation Berhad from the company's inception in 1969 until his early retirement in 1985. He was a Board Member of Lembaga Pelabuhan Kelang from 1970 to 1999. In 1995, he was presented the Straits Transportation Personality award by the Minister of Transport. He was appointed by the United Nations Conference on Trade and Development as one of the 13 experts to assist the developing nations in establishing their maritime fleets. Mr Leslie Eu presently serves on the board of public companies such as Lloyd's Register of Shipping (Malaysia) Bhd, YTL Corporation Berhad, YTL Cement Berhad and YTL Land & Development Berhad.

#### Notes:

**1 Family Relationship with Director and/or Major Unitholder**

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

**2 Conflict of Interest**

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

**3 Conviction of Offences**

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

### DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

During the financial year, a total of 2 Board meetings were held and the details of attendance are as follows:

	<b>Attendance</b>
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	2
Dato' Yeoh Seok Kian	2
Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir	2
Dato' (Dr) Yahya Bin Ismail	2
Eu Peng Meng @ Leslie Eu	2

# Statement on Corporate Governance

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Starhill Real Estate Investment Trust (“Starhill REIT”) was established on 18 November 2005 and listed on the Main Board of Bursa Malaysia Securities Berhad (“Bursa Securities”) on 16 December 2005. The following is a statement on corporate governance practices adopted by Pintar Projek Sdn Bhd (“PPSB” or the “Manager”).

## INTRODUCTION

The Board of Directors of PPSB (“Board”) is firmly committed to ensuring that the Manager implements and operates good corporate governance practices. In developing its system of corporate governance, the Directors have been guided by the measures recommended by the Guidelines on Real Estate Investment Trusts issued by the Securities Commission (“REIT Guidelines”), the Malaysian Code on Corporate Governance (“Code”) and the Listing Requirements of Bursa Securities (“Listing Requirements”). The Board has also ensured its full compliance with all applicable sections of 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 Code 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.

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

### Board Meetings

Board meetings are 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.

Since the listing of Starhill REIT in December 2005, the Board met two (2) times during the financial period ended 30 June 2006.

# Statement on Corporate Governance

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## **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 capacities, 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.

## **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.

## **Directors' Remuneration**

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

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

## **Directors' Training**

During the financial period under review, Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Dato' Yeoh Seok Kian, Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir and Mr. Eu Peng Meng @ Leslie Eu each attended the following training programmes:

- Key Continuing Obligations of Directors
- Strategic Operational Risk Management
- Good Governance to Good Results
- Corporate Social Responsibility
- Finance for Non-Finance Directors
- Culture of a Performing Company & Directors Remuneration

# Statement on Corporate Governance

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Dato' (Dr) Yahya Bin Ismail attended the following programmes:

- Directors' Duties to Exercise Skill and Care-The Emerging Standard
- General Meetings of Public Listed Companies-Practical Aspects
- Overview of the new Financial Reporting Standards
- Putting the Soul Back into Business-The Role of Corporate Social Responsibility
- Implementation and Preparation for Goods and Service Tax
- Outlook for the Malaysian and Regional economies over the next 3 years.

## 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.

## Communication with Unitholders and Investors

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

Such information is communicated through the Annual Report, the various disclosures and announcements to Bursa Securities, including quarterly and annual results, and corporate websites.

The Chief Executive Officer meets with analysts, institutional unitholders and investors throughout the year. Price-sensitive and information that may be regarded as undisclosed material information about Starhill REIT is, however, not disclosed in these sessions until after the prescribed announcement to Bursa Securities has been made.

# Analysis of Unitholdings

as at 18 July 2006

Size of holding	No. of Unitholders	%	No. of Units	%
Less 100	180	0.00	5	0.09
100 - 1,000	2,144,970	0.20	2,210	38.91
1,001 - 10,000	11,578,450	1.11	2,599	45.76
10,001 - 100,000	22,334,000	2.15	624	10.98
100,001 - to less than 5% of issued units	472,550,400	45.44	241	4.24
5% and above of issued units	531,392,000	51.10	1	0.02
<b>Total</b>	<b>1,040,000,000</b>	<b>100.00</b>	<b>5,680</b>	<b>100.00</b>

## THIRTY LARGEST UNITHOLDERS (AS PER RECORD OF DEPOSITORS)

Name	No. of units	%
1 YTL Corporation Berhad	531,392,000	51.10
2 YTL Corporation Berhad	31,766,000	3.05
3 Citigroup Nominees (Asing) Sdn Bhd - Exempt an for American International Assurance Company Limited	30,606,000	2.94
4 Citigroup Nominees (Tempatan) Sdn Bhd - ING Insurance Berhad (INV-IL PAR)	28,696,000	2.76
5 Cartaban Nominees (Asing) Sdn Bhd - Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)	25,536,000	2.46
6 YTL Power International Berhad	20,496,900	1.97
7 Cartaban Nominees (Asing) Sdn Bhd - RBC Dexia Investor Services Bank for Robeco Emerging Marketsecurities (EUR-RCGF)	20,000,000	1.92
8 HSBC Nominees (Asing) Sdn Bhd - Exempt an for Jpmorgan Chase Bank, National Association (Kuwait)	15,000,000	1.44
9 YTL Power International Berhad	14,628,000	1.41
10 DB (Malaysia) Nominee (Asing) Sdn Bhd - Deutsche Bank Ag Singapore PBD for Tien Shia International Limited	14,150,000	1.36
11 Cartaban Nominees (Asing) Sdn Bhd - Government of Singapore Investment Corporation Pte Ltd for Monetary Authority of Singapore(H)	12,967,100	1.25
12 Citigroup Nominees (Tempatan) Sdn Bhd - Exempt an for Prudential Assurance Malaysia Berhad	12,791,600	1.23
13 AM Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (A/C 1)	11,533,500	1.11
14 DB (Malaysia) Nominee (Asing) Sdn Bhd - Deutsche Bank Ag Singapore PBD for Steeloak International Limited	10,250,000	0.99
15 Citigroup Nominees (Asing) Sdn Bhd - CBLDN for Stichting Pensioenfonds Metaal En Techniek (BB1AG Dentsche)	8,512,800	0.82

# Analysis of Unitholdings

as at 18 July 2006

Name	No. of shares	%
16 Manulife Insurance (Malaysia) Berhad	8,200,000	0.79
17 AMMB Nominees (Tempatan) Sdn Bhd - Amtrustee Berhad for HLG Dividend Fund (HLGDF)	8,000,000	0.77
18 YTL Power International Berhad	7,964,600	0.77
19 Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund 05EF for BT Pyramid	7,251,600	0.70
20 HSBC Nominees (Asing) Sdn Bhd - BBH and Co. Boston for DWS Emerging Markets Equity Fund	5,904,600	0.57
21 HLG Nominee (Tempatan) Sdn Bhd - PB Trustee Services Berhad for HLG Growth Fund	5,790,000	0.56
22 Citigroup Nominees (Asing) Sdn Bhd - GSCO for Amaranth LLC	5,637,700	0.54
23 Amanah Raya Nominees (Tempatan) Sdn Bhd - Kumpulan Wang AM	5,041,700	0.48
24 Citigroup Nominees (Tempatan) Sdn Bhd - CMS Dresdner Asset Management Sdn Bhd for Employees Provident Fund	5,000,000	0.48
25 Hong Leong Assurance Berhad - As Beneficial Owner (Life Par)	4,000,000	0.38
26 HSBC Nominees (Asing) Sdn Bhd - SIS for Coach Assets Inc (Sarasin)	4,000,000	0.38
27 HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for CMS Premier Fund (4959)	3,500,000	0.34
28 AM Nominees (Tempatan) Sdn Bhd - Pertubuhan Keselamatan Sosial	3,299,400	0.32
29 Citigroup Nominees (Tempatan) Sdn Bhd - ING Insurance Berhad (INV-IL NON-PAR)	3,288,700	0.32
30 Employees Provident Fund Board	3,170,800	0.30
<b>Total</b>	<b>868,375,000</b>	<b>83.51</b>

## SUBSTANTIAL UNITHOLDERS (AS PER RECORD OF DEPOSITORS)

Name	Direct	No of Units Held		%
		%	Indirect	
YTL Corporation Berhad	563,158,000	54.15	43,089,500 *	4.14

\* Deemed interest by virtue of its interests in YTL Power International Berhad pursuant to section 6A of the Companies Act, 1965.



# Statement of Interests

of Directors of the Manager

Statement of interests of directors of Pintar Projek Sdn Bhd in Starhill Real Estate Investment Trust and related corporations as at 18 July 2006

## STARHILL REAL ESTATE INVESTMENT TRUST

Name	Direct	No of Units Held		
		%	Indirect	%
Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir	20,000	-	-	-

## HOLDING COMPANY YTL CORPORATION BERHAD

Name	Direct	No of Shares Held			No of Share Options
		%	Indirect	%	
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	12,387,447	0.86	-	-	5,000,000
Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir	10,000	-	2,726,826	0.19	-
Dato' Yeoh Seok Kian	5,146,010	0.36	-	-	3,500,000
Dato' Yahya Bin Ismail	186,818	0.01	-	-	-

Name	Direct	No of 1997/2007 Warrants Held		
		%	Indirect	%
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	573,600	0.76	-	-
Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir	-	-	960,000	1.26
Dato' Yeoh Seok Kian	175,200	0.23	-	-
Dato' Yahya Bin Ismail	22,320	0.03	-	-

Name	Direct	No of 1999/2009 Warrants Held		
		%	Indirect	%
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	2,147,472	0.68	-	-
Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir	10,000	-	6,777,876	2.13
Dato' Yeoh Seok Kian	655,866	0.21	-	-
Dato' Yahya Bin Ismail	68,550	0.02	-	-

## ULTIMATE HOLDING COMPANY YEOH TIONG LAY & SONS HOLDINGS SDN BHD

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

## RELATED CORPORATIONS YTL CEMENT BERHAD

Name	Direct	No of Shares Held			No of Share Options
		%	Indirect	%	
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	1,681,634	0.35	-	-	1,400,000
Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir	225,634	0.05	15,015,945	3.10	-
Dato' Yeoh Seok Kian	618,754	0.13	-	-	350,000
Dato' Yahya Bin Ismail	45,136	0.01	-	-	-

# Statement of Interests

of Directors of the Manager

Name	Direct	No of ICULS Held		
		%	Indirect	%
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	1,681,634	0.35	-	-
Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir	225,634	0.05	642,800	0.13
Dato' Yeoh Seok Kian	618,754	0.13	-	-

## YTL E-SOLUTIONS BERHAD

Name	Direct	No of Shares Held		
		%	Indirect	%
Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir	430,700	0.03	12,196,000	0.90
Dato' Yahya Bin Ismail	292,000	0.02	-	-

## YTL LAND & DEVELOPMENT BERHAD

Name	Direct	No of Shares Held		
		%	Indirect	%
Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir	20,000	0.01	4,200,000	1.18

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

Name	Direct	No of Irredeemable Convertible Preference Shares 2001/2011 Held		
		%	Indirect	%
Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir	200,000	0.07	-	-
Dato' Yeoh Seok Kian	240,000	0.09	-	-

### No of Irredeemable Convertible Preference Shares 2003/2008 Held

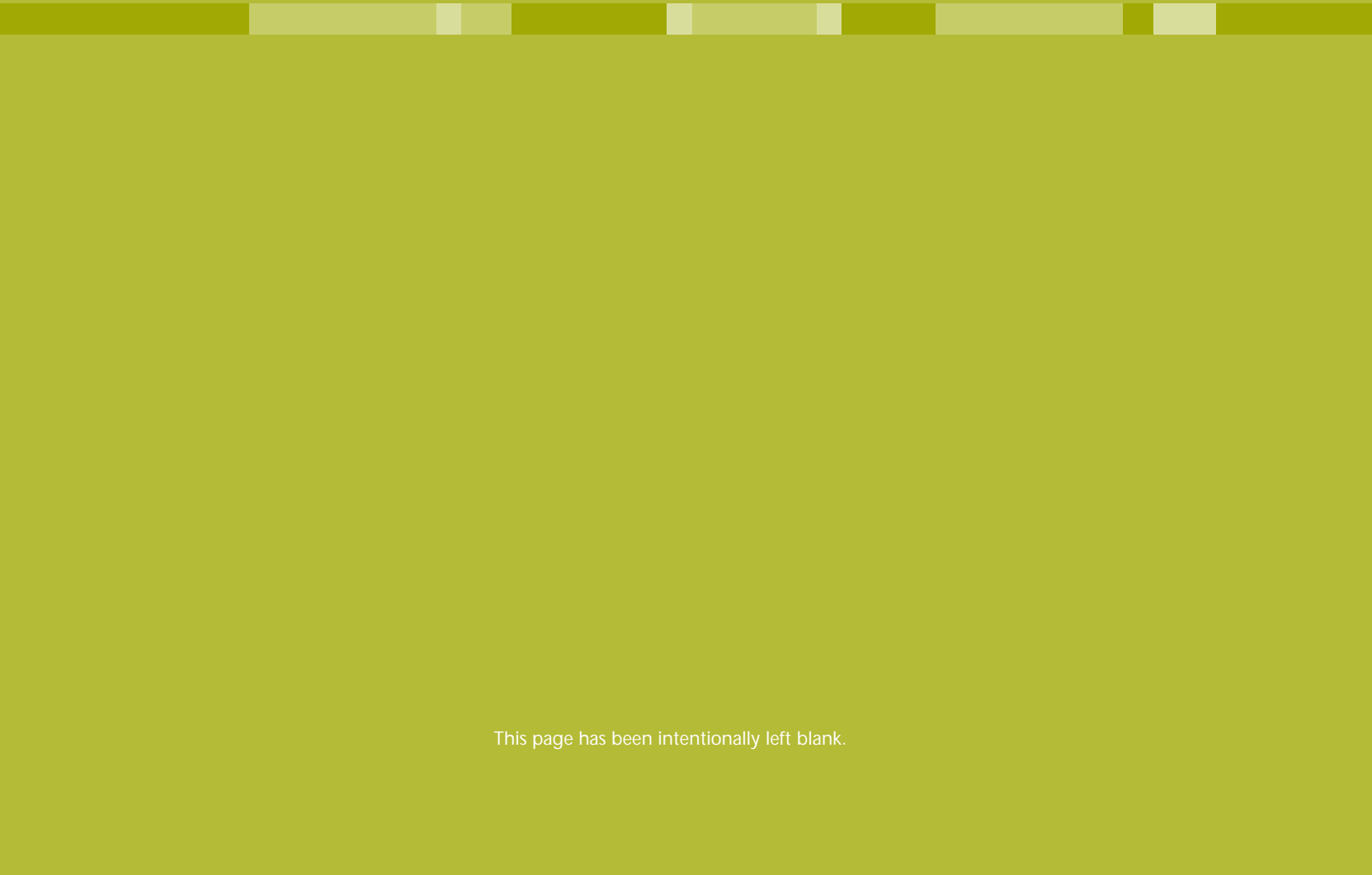
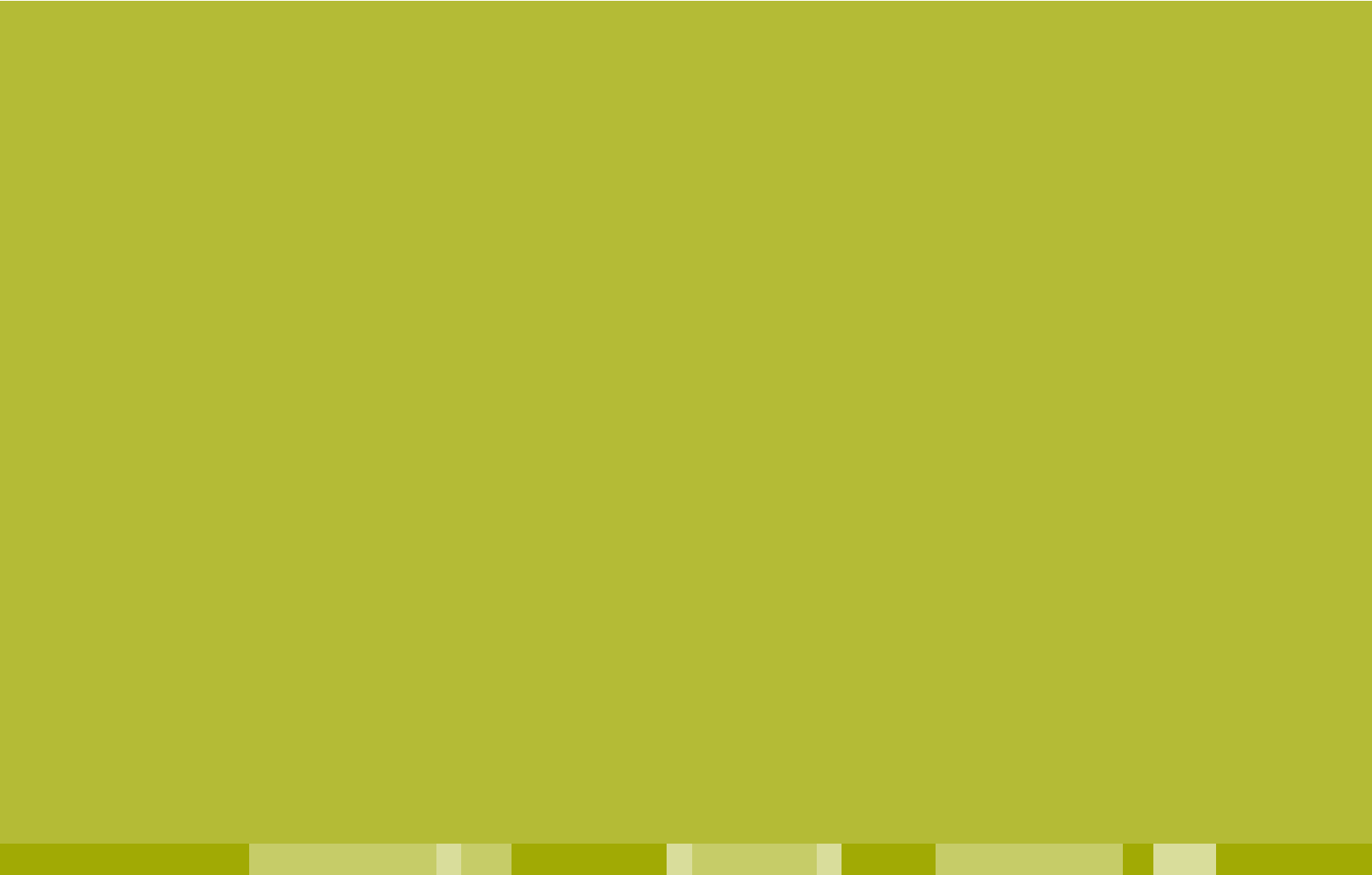
Name	Direct	No of Irredeemable Convertible Preference Shares 2003/2008 Held		
		%	Indirect	%
Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir	47,727,410	8.51	115,185,312	20.54

## YTL POWER INTERNATIONAL BERHAD

Name	Direct	No of Shares Held			No of Share Options
		%	Indirect	%	
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	10,905,834	0.22	-	-	7,000,000
Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir	72,939	-	196,924,463	4.00	-
Dato' Yeoh Seok Kian	3,669,194	0.07	-	-	3,000,000
Dato' Yahya Bin Ismail	549,767	0.01	-	-	-

Name	Direct	No of Warrants Held		
		%	Indirect	%
Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir	240,000	0.02	-	-
Dato' Yahya Bin Ismail	136,000	0.01	-	-





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# Financial Statements

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# Manager's Report

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Pintar Projek Sdn. Bhd., the Manager of Starhill Real Estate Investment Trust (“Starhill REIT” or “Trust”), is pleased to present the Manager's Report on Starhill REIT together with the audited financial statements of Starhill REIT for the financial period from 18 November, 2005 (date of establishment) to 30 June, 2006.

## PRINCIPAL ACTIVITY OF THE MANAGER

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

## THE TRUST AND ITS INVESTMENT OBJECTIVE

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

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

## BENCHMARK RELEVANT TO THE TRUST

Management Expense Ratio (“MER”)

2006

MER for the financial period

0.18%

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

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

# Manager's Report

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## MANAGER'S INVESTMENT STRATEGIES AND POLICIES

### INVESTMENT STRATEGIES

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

#### i Operating Strategy

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

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

#### ii Acquisition Strategy

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

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

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

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

# Manager's Report

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## iii Capital Management Strategy

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

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

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

## INVESTMENT POLICIES

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

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

## PERFORMANCE OF THE TRUST

Comparison of results against the prospectus dated 22 November, 2005:

	Actual	Prospectus
Net revenue (RM'000)	50,739	47,400
Income before taxation (RM'000)	35,905	32,304
Distribution per unit (sen)	3.45	3.11

During the financial period ended 30 June, 2006, the Trust recorded net revenue and income before taxation of RM50.739 million and RM35.905 million respectively, as compared to the forecast net revenue and income before taxation of RM47.400 million and RM32.304 million respectively reported in the prospectus dated 22 November, 2005, representing an increase of 7.04% and 11.15% in net revenue and income before taxation respectively.

Included in the income before taxation for the financial period ended 30 June, 2006 was income recorded for the 16-day period from 16 December, 2005, being the date of commencement of business of the Trust, to 31 December, 2005, compared to the profit forecast period of 1 January, 2006 to 30 June, 2006. Excluding the above-mentioned 16-day period from 16 December, 2005 to 31 December, 2005, Starhill REIT's income before taxation still exceeded the forecast result by 1.93%, this increase was mainly attributable to the interest income generated from the placement of funds with licensed financial institutions.



# Manager's Report

Analysis of net asset value since the date of commencement of business of the Trust:

	At Commencement	At 30 June 2006
Total net asset value (RM'000)	1,024,520	1,022,756
Net asset value per unit (RM)	0.985	0.983

## COMPOSITION OF INVESTMENT PORTFOLIO

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

	RM '000	%
<b>Real Estate</b>		
<b>Commercial</b>		
• Lot 10 Parcels	341,000	27
• Starhill Gallery	480,000	39
• JW Marriott Hotel Kuala Lumpur	329,000	26
	1,150,000	92
<b>Others</b>		
Deposits with licensed financial institution	97,917	8
	1,247,917	100

The details of the real estate purchased during the financial period and owned by the Trust as at the balance sheet date are as follow:

### 1 Lot 10 Parcels

Address/Location	50, Jalan Sultan Ismail, 50250 Kuala Lumpur.
Title details	Pajakan Negeri No. 11008 for Lot No. 1247, Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Property type	Shopping centre
Description	137 parcels and 2 accessory parcels of retail, office, storage and other spaces within a shopping centre which consists of an 8-storey block with a basement and a lower ground floor, together with a 7-storey annexe building with a lower ground floor.
Age	Approximately 16 years
Tenure	The land is a 99-year leasehold land expiring 29 July, 2076.
Status of holdings	Leasehold (Approval obtained in 30 July, 1977)
Unexpired lease remaining period	70 years
Tenancy period	1 to 3 years, and rent review will be carried out prior to expiry of each lease.
Net lettable area	181,301 square feet
Existing use	Commercial building
Parking spaces	730 bays
Date of acquisition	18 November, 2005

# Manager's Report

## 1 Lot 10 Parcels (contd.)

Cost of acquisition	RM341,000,000
Major tenants (based on monthly rental payable)	(a) Autodome Sdn Bhd (b) Esprit De Corp (Malaysia) Sdn Bhd (c) Timberland Lifestyle Brand Malaysia Sdn Bhd
Occupancy rates	96.0%
Rental received	RM13,913,305
Maintenance cost and capital expenditure	Maintenance cost incurred amounted to RM2,804,438 and no capital expenditure was incurred during the financial period.
Encumbrances/Limitation in title/interest	The property is charged to a financial institution to secure a term loan facility of RM180 million and the usage of land is restricted to commercial buildings and/or residential properties
Approved valuation	RM341,000,000
Date of last valuation	1 March, 2005
Basis of valuation	Income and comparison approach
Net book value	RM341,000,000

## 2 Starhill Gallery

Address/Location	181, Jalan Bukit Bintang, 55100 Kuala Lumpur.
Title details	Grant No. 28678 for Lot No. 1267, Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Property type	Shopping centre
Description	Part of a 7-level shopping centre with 5 basements and a 12-level annexe building with 3 basements.
Age	Approximately 11 years
Status of holdings	Freehold
Tenancy period	1 to 3 years, and rent review will be carried out prior to expiry of each lease.
Net lettable area	293,727 square feet
Existing use	Commercial building
Parking spaces	1,162 bays
Date of acquisition	18 November, 2005
Cost of acquisition	RM480,000,000
Major tenants (based on monthly rental payable)	(a) Autodome Sdn Bhd (b) Cortina Watch Sdn Bhd (c) Apcot PP (M) Sdn Bhd
Occupancy rates	99.5%
Rental received	RM18,173,073
Maintenance cost and capital expenditure	Maintenance cost amounted to RM2,932,258 and no capital expenditure was incurred during the financial period.
Encumbrances/Limitation in title/interest	The property is charged to a financial institution to secure a term loan facility of RM180 million and there is no restriction and/or condition attached to the title.
Approved valuation	RM480,000,000
Date of last valuation	1 March, 2005
Basis of valuation	Income and comparison approach
Net book value	RM480,000,000

# Manager's Report

## 3 JW Marriott Hotel Kuala Lumpur

Address / Location	183, Jalan Bukit Bintang, 55100 Kuala Lumpur.
Title details	Grant No. 28678 for Lot No. 1267, Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Property type	Hotel.
Description	A 5 star hotel with 561 rooms located on part of a 8-level podium block and the entire 24-level tower block of Starhill Gallery.
Age	Approximately 9 years
Status of holdings	Freehold
Tenancy period	The property is leased for a term expiring on 31 December, 2023.
Existing use	Commercial building
Date of acquisition	18 November, 2005
Cost of acquisition	RM329,000,000
Sole tenant	Star Hill Hotel Sdn Bhd
Rental received	RM11,142,580
Encumbrances/Limitation in title/interest	The property is charged to a financial institution to secure a term loan facility of RM180 million and there is no restriction and/or condition attached to the title.
Approved valuation	RM329,000,000
Date of last valuation	1 March, 2005
Basis of valuation	Income and comparison approach
Net book value	RM329,000,000

## REVIEW OF THE PROPERTY MARKET

For the financial period ended 30 June, 2006, shopping centres owned by Starhill REIT achieved good occupancy rates ranging between 95.4% to 99.9% of which are higher than the estimated average occupancy rate of 84.8% for shopping centres within Kuala Lumpur in 2006. (Source: Henry Butcher Shopping Centre, The Star dated 13 May, 2006). The high occupancy rates have proven the Properties owned by Starhill REIT to be of quality investment properties. It is also a testimony to the success of the implemented operating strategies.

## PROSPECT OF THE PROPERTY MARKET

### Shopping Centres (Retail Sector)

The Malaysian economy showed sustained growth during 2005 and is expected to perform better in 2006 with a forecasted Gross Domestic Product growth of 6%. (Source: Bank Negara Malaysia, 6 June, 2006).

The outlook for the Kuala Lumpur retail property sector is expected to remain positive in 2006 with an improvement in average occupancy rate from 83.1% in 2005 to an estimated average occupancy rate of 84.8% in 2006. Retail supply in Kuala Lumpur is not expected to increase tremendously in 2006 as most of the mega centres' expansions are only scheduled to complete in late 2007. (Source: Research Inc. Asia/PMR 2006).

# Manager's Report

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## Shopping Centres (Retail Sector) (contd.)

Despite concerns over inflation that is triggering rising living costs coupled with the rise in oil prices globally, rental levels for prime shopping centres are expected to improve further during the next six to twelve months. (Source: Research Inc. Asia 2006). According to PPK (The Malaysian Association for Shopping and Highrise Complex Management), the combined market value of shopping centres in the country is expected to reach RM50 billion in 2007, representing more than 20% growth over 2006's estimated value of RM40.4 billion.

## Hotels (Leisure Industry)

Hotels in Malaysia are also expected to chalk up higher average occupancy rates of around 70% and average room rate (approximately RM255) in 2006-the highest in the past eight years according to Malaysian Association of Hotels. (Source: The Edge Daily 3 Feb, 2006). The robust performance is due to continued political stability, continuous efforts from Tourism Malaysia, and the growth in the MICE industry.

In 2006, Malaysia is targeting 17.5 million tourist arrivals and tourist receipts of RM37.4 billion according to the Ministry of Tourism. This reflects an increase over the 16.43 million tourist arrivals and RM30.95 million tourist receipts achieved last year. (Source: The Edge Daily, 23 Jun, 2006).

In tandem with Visit Malaysia Year 2007 initiated by Ministry of Tourism, tourist arrivals are projected to increase further to 20.1 million in 2007. With each tourist spending up to RM2,500 and 30% of the expenditure attributed to accommodation, the hotel industry is expected to better its performance in terms of occupancy and average hotel room rate.

Starhill REIT will continue to review and implement various operating strategies aimed at increasing the rental and occupancy rates of the Properties which will in turn improve yields and returns for the Trust as the Malaysian economy maintains its growth momentum. Starhill REIT will also seek opportunities to explore capital growth opportunities through acquisitions in view of the favourable market outlook for the Commercial and Leisure property sub-sector in Malaysia.

## DISTRIBUTION OF INCOME

No distribution of income was paid during the financial period. The Manager has proposed to declare a final income distribution of 3.4524 sen per unit, totaling RM35,904,960, representing approximately 100% of the income after taxation. The distribution is subject to the approval of the Trustee.

The effect of the income distribution in terms of the net asset value per unit as at 30 June, 2006 is as follows:

	Before distribution RM	After distribution RM
Net asset value per unit	1.018	0.983

# Manager's Report

## BREAKDOWN OF UNITHOLDINGS

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

Unit class	No of Unitholders	%	No of Units held	%
5,000 and below	4,132	72.83	8,163,900	0.79
5,001 to 10,000	672	11.84	5,543,500	0.53
10,001 to 50,000	510	8.99	13,205,700	1.27
50,001 to 500,000	264	4.65	43,978,500	4.23
500,001 and above	96	1.69	969,108,400	93.18
	5,674	100.00	1,040,000,000	100.00

There is no unit split exercise and proposal involving issuance of new units carried out during the financial period.

## DIRECTORS

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

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

## DIRECTORS' BENEFITS

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

Since the establishment of Starhill REIT, no director has received or become entitled to receive any benefit by reason of a contract made by Pintar Projek Sdn. Bhd. for Starhill REIT or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the notes to the financial statements.

# Manager's Report

## DIRECTORS' INTERESTS

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

	Balance at 18.11.2005	No. of units acquired	No. of units disposed	Balance at 30.06.2006
<b>Direct interest</b>				
Dato' Hj. Mohd Zainal Abidin Bin Hj. Abdul Kadir	-	20,000	-	20,000

Other than as disclosed above, directors who held office at the end of the financial period did not have an interest in the units of Starhill REIT.

## MANAGER'S REMUNERATION

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

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

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

## SOFT COMMISSION

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

## RESERVES AND PROVISIONS

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

# Manager's Report

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## INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

# Manager's Report

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## OTHER STATUTORY INFORMATION

The directors of Pintar Projek Sdn. Bhd. state that:

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

In their opinion,

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

## AUDITORS

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

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

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

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

Dated: 21 July 2006  
Kuala Lumpur



# Statement by Manager

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In the opinion of the directors of PINTAR PROJEK SDN. BHD., the accompanying financial statements are drawn up in accordance with applicable approved Accounting Standards in Malaysia, the provisions of the Companies Act, 1965, the Securities Commission's Guidelines on Real Estate Investment Trusts and the provisions of the deed dated 18 November, 2005 so as to give a true and fair view of the state of affairs of STARHILL REAL ESTATE INVESTMENT TRUST as at 30 June, 2006 and of the results of operations and cash flows of STARHILL REAL ESTATE INVESTMENT TRUST for the period ended on that date.

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

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

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

Dated: 21 July 2006  
Kuala Lumpur

# Statutory Declaration

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

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

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur on 21 July 2006

Before me:

Commissioner for Oaths

# Trustee's Report

to the Unitholders of Starhill Real Estate Investment Trust

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We have acted as Trustee of STARHILL REAL ESTATE INVESTMENT TRUST ("the Fund") for the financial period from 18 November, 2005 (date of establishment) to 30 June, 2006. To the best of our knowledge, PINTAR PROJEK SDN. BHD., the Manager, has managed the Fund in accordance with the limitation imposed on the investment powers of the Manager and the Trustee under the Deed, other applicable provisions of the Deed, the Securities Commission's Guidelines on Real Estate Investment Trusts, the Securities Commission Act, 1993 and other applicable laws during the financial period from 18 November, 2005 to 30 June, 2006.

For Mayban Trustees Berhad

Quek Yen Leng  
Head, Accounts and Administration

Dated: 21 July 2006  
Kuala Lumpur

# Report of the Auditors

to the Unitholders of Starhill Real Estate Investment Trust

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We have audited the financial statements set out on pages 50 to 65. These financial statements are the responsibility of the Directors of Pintar Projek Sdn. Bhd., the Manager of STARHILL REAL ESTATE INVESTMENT TRUST. Our responsibility is to express an opinion on the financial statements based on our audit and to report our opinion to you, as a body, in accordance with the Securities Commission's Guidelines on Real Estate Investment Trusts and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors of the Manager, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements have been properly drawn up in accordance with applicable approved Accounting Standards in Malaysia, the provisions of the Companies Act, 1965, the Securities Commission's Guidelines on Real Estate Investment Trusts and the provisions of the Deed dated 18 November, 2005 so as to give a true and fair view of the state of affairs of STARHILL REAL ESTATE INVESTMENT TRUST as at 30 June, 2006 and of the results of the operations and cash flows of STARHILL REAL ESTATE INVESTMENT TRUST for the period from 18 November, 2005 (date of establishment) to 30 June, 2006.

HLB LER LUM  
Firm Number: AF 0276  
Chartered Accountants

LUM TUCK CHEONG  
1005/3/07(J/PH)  
Partner of the Firm

Dated: 21 July 2006  
Kuala Lumpur

# Income Statement

for the period from 18 November 2005 (date of establishment) to 30 June 2006

	Note	18.11.2005 to 30.6.2006 RM
<b>TOTAL INCOME</b>		
Net revenue	3	50,738,859
Property operating expenses	4	(9,151,880)
<b>Net property income</b>		<b>41,586,979</b>
Interest income		1,465,807
		<b>43,052,786</b>
<b>TRUST EXPENSES</b>		
Manager's fees	5	1,513,294
Trustee's fee	6	200,017
Borrowing costs	7	5,331,237
Auditors' remuneration		30,000
Tax agent's fee		10,000
Administration expenses		62,764
		<b>7,147,312</b>
<b>INCOME BEFORE TAXATION</b>		<b>35,905,474</b>
<b>TAXATION</b>	<b>8</b>	<b>-</b>
<b>INCOME AFTER TAXATION</b>		<b>35,905,474</b>
<b>INCOME AFTER TAXATION IS MADE UP OF THE FOLLOWING:</b>		
Realised		35,905,474
Unrealised		-
		<b>35,905,474</b>
<b>EARNINGS PER UNIT</b>	<b>9</b>	
- after manager's fees (sen)		3.45
- before manager's fees (sen)		3.60
<b>NET INCOME DISTRIBUTION</b>		
Proposed final income distribution per unit		
- Gross (sen)		3.4524

The notes set out on pages 55 to 65 form an integral part of these financial statements.

# Balance Sheet

as at 30 June 2006

	Note	2006 RM
<b>INVESTMENT PROPERTIES</b>	10	1,150,000,000
<b>CURRENT ASSETS</b>		
Trade receivables	11	1,738,139
Other receivables	12	238,023
Deposits with licensed financial institution	13	97,917,072
Cash at bank		74,066
		99,967,300
<b>LESS: CURRENT LIABILITIES</b>		
Other payables	14	11,306,115
Provision for income distribution	15	35,904,960
		47,211,075
<b>NET CURRENT ASSETS</b>		52,756,225
<b>NON-CURRENT LIABILITY</b>		
Borrowing	16	180,000,000
		1,022,756,225
<b>FINANCED BY:</b>		
<b>UNITHOLDERS' FUNDS</b>		
Unitholders' capital	17	1,022,755,711
Undistributed income		514
<b>NET ASSET VALUE</b>		1,022,756,225
<b>NUMBER OF UNITS IN CIRCULATION</b>	17	1,040,000,000
<b>NET ASSET VALUE PER UNIT (RM)</b>		
- before income distribution		1.018
- after income distribution		0.983

The notes set out on pages 55 to 65 form an integral part of these financial statements.

# Statement of Changes in Net Asset Value

for the period from 18 November 2005 (date of establishment) to 30 June 2006

	Unitholders' Capital RM	Distributable Undistributed Income RM	Unitholders' Funds RM
At 18 November, 2005	1,000	–	1,000
Proceeds from initial public offering	1,043,595,040	–	1,043,595,040
Listing expenses (Note 18)	(20,840,329)	–	(20,840,329)
Net income for the period	–	35,905,474	35,905,474
Provision for income distribution (Note 15)	–	(35,904,960)	(35,904,960)
At 30 June, 2006	1,022,755,711	514	1,022,756,225

The notes set out on pages 55 to 65 form an integral part of these financial statements.

# Cash Flow Statement

for the period from 18 November 2005 (date of establishment) to 30 June 2006

18.11.2005  
to  
30.6.2006  
RM

## CASH FLOWS FROM OPERATING ACTIVITIES

Income before taxation	35,905,474
Adjustment for:	
Allowance for doubtful debts	211,496
Interest income	(1,465,807)
Interest expenses	4,663,233
Operating profit before changes in working capital	39,314,396
Increase in receivables	(2,187,658)
Increase in payables	11,306,115
Net cash generated from operating activities	48,432,853

## CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	1,465,807
Payment of listing expenses	(20,840,329)
Purchase of investment properties	(619,600,000)
Net cash used in investing activities	(638,974,522)

## CASH FLOWS FROM FINANCING ACTIVITIES

Interest paid	(4,663,233)
Proceeds from issue of units	513,196,040
Proceeds from term loan	180,000,000
Net cash generated from financing activities	688,532,807

NET INCREASE IN CASH AND CASH EQUIVALENTS	97,991,138
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	-

CASH AND CASH EQUIVALENTS AT END OF PERIOD	97,991,138
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The notes set out on pages 55 to 65 form an integral part of these financial statements.

# Cash Flow Statement

for the period from 18 November 2005 (date of establishment) to 30 June 2006

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18.11.2005  
to  
30.6.2006  
RM

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## NOTES TO CASH FLOW STATEMENT

a Cash and cash equivalents at end of period comprise:

Deposits with licensed financial institution	97,917,072
Cash at bank	74,066

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97,991,138

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b Analysis of acquisition of investment properties:

Cash	619,600,000
Issuance of units	530,400,000

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1,150,000,000

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The notes set out on pages 55 to 65 form an integral part of these financial statements.



# Notes to the Financial Statements

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## 1 GENERAL INFORMATION

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

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

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

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES

### a Basis of preparation

The financial statements have been prepared under the historical cost convention (unless stated otherwise in the significant accounting policies below) and comply with the applicable approved Accounting Standards in Malaysia, provisions of the Deed and the Companies Act, 1965 and the Securities Commission’s Guidelines on Real Estate Investment Trusts.

### b Investment properties

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

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

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

### c Trade and other receivables

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

# Notes to the Financial Statements

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## **d Cash and cash equivalents**

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

## **e Other payables**

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

## **f Provisions**

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

## **g Borrowing**

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

## **h Income tax**

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

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

## **i Revenue recognition**

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

### **i Rental income and service charges**

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

### **ii Carpark income**

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

### **iii Interest income**

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

# Notes to the Financial Statements

## j Financial instruments

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

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

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

## 3 NET REVENUE

	18.11.2005 to 30.6.2006 RM
Rental income	43,228,958
Service charges	4,915,635
Carpark income	2,715,054
Other interest income	57,793
Maintenance income	30,415
Other income	2,500
Less: Allowance for doubtful debts	(211,496)
	50,738,859

## 4 PROPERTY OPERATING EXPENSES

	18.11.2005 to 30.6.2006 RM
Service charges and fixed operating costs	5,736,696
Property management fees	741,515
Assessment and quit rent	2,467,968
Insurance and others	205,701
	9,151,880

For the financial period ended 30 June, 2006, property management fees of RM741,515 was paid to the Property Manager, Azmi & Co. Building Services Sdn. Bhd., in accordance to the Valuers, Appraisers and Estate Agent Acts, 1981.

# Notes to the Financial Statements

## 5 MANAGER'S FEES

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

18.11.2005  
to  
30.6.2006  
RM

i	Base fee	666,724
ii	Performance fee	846,570
		<hr/>
		1,513,294

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

## 6 TRUSTEE'S FEE

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

## 7 BORROWING COSTS

18.11.2005  
to  
30.6.2006  
RM

Interest expense on term loan (Note 16)	4,663,233
Incidental cost incurred to obtain the term loan facility:	
- Facility fee	6,504
- Arranger's fee	661,500
<hr/>	
5,331,237	

Stamp duty and legal fee of RM900,042 and RM184,778 respectively were capitalised in the listing expenses.

# Notes to the Financial Statements

## 8 TAXATION

There is no taxation charged for the financial period ended 30 June, 2006. Under the Income Tax Act, 1967 the total income of a real estate investment trust, which is equal to an amount of distribution made to unitholders is exempted from tax at trust level. The Trust has sufficient capital allowances to set off the net income undistributed at the end of the financial period.

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

	18.11.2005 to 30.6.2006 RM
Income before taxation	35,905,474
Taxation at Malaysian statutory tax rate of 28%	10,053,533
Expenses not deductible for tax purposes	321,865
Utilisation of capital allowances	(2,227,181)
Income exempted from tax	(8,148,217)
Tax expense for the period	-

## 9 EARNINGS PER UNIT

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

## 10 INVESTMENT PROPERTIES

	2006 RM
Freehold land and building	
Acquired during the period	809,000,000
Long term leasehold land and building	
- 99-year term expiring on 29 July, 2076	
Acquired during the period	341,000,000
At 30 June	1,150,000,000

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

## Notes to the Financial Statements

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### 11 TRADE RECEIVABLES

2006

RM

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Trade receivables	1,949,635
Less: Allowance for doubtful debts	(211,496)
	<hr/>
	1,738,139

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### 12 OTHER RECEIVABLES

2006

RM

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Other receivables	188,303
Prepayments	49,720
	<hr/>
	238,023

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### 13 DEPOSITS WITH LICENSED FINANCIAL INSTITUTION

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

The average maturities of deposits of the Trust range from 1 day to 21 days.

### 14 OTHER PAYABLES

2006

RM

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Other payables	16,767
Accruals	1,519,722
Tenants' deposits	
- Payable within 12 months	2,239,006
- Payable after 12 months	7,530,620
	<hr/>
	11,306,115

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# Notes to the Financial Statements

## 15 PROVISION FOR INCOME DISTRIBUTION

	2006 RM
At 18 November, 2005 (date of establishment)	–
Provision made during the financial period	35,904,960
At 30 June	35,904,960

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

For the financial period ended 30 June, 2006, the Manager has proposed to declare a final income distribution of 3.4524 sen per unit, totaling RM35,904,960, representing approximately 100% of the income after taxation. The distribution is subject to approval of the Trustee.

## 16 BORROWING

	2006 RM
Term loan	180,000,000

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

## 17 UNITHOLDERS' CAPITAL

	2006 No. of units
<b>Authorised:</b>	
At date of establishment/30 June	1,040,000,000

	2006	
	No. of units	Amount RM
<b>Issued and fully paid:</b>		
At date of establishment	1,000	1,000
Partial payment of the purchase consideration on investment properties acquired	530,400,000	530,400,000
Initial public offering	509,599,000	513,195,040
Listing expenses (Note 18)	–	(20,840,329)
At 30 June	1,040,000,000	1,022,755,711

# Notes to the Financial Statements

## 18 LISTING EXPENSES

	18.11.2005 to 30.6.2006 RM
Underwriting fees, brokerage fees and commissions	13,129,634
Professional fees	4,909,321
Miscellaneous	2,801,374
	<hr/> 20,840,329

These expenses are deducted directly against the unitholders' funds.

## 19 TRANSACTIONS WITH STOCKBROKING COMPANIES

No transactions with stockbroking companies were made during the period.

## 20 UNITHOLDING BY THE MANAGER

As at 30 June, 2006, the Manager did not hold any unit in the Trust.

## 21 UNITHOLDERS RELATED TO THE MANAGER

	Number of units held	2006 Percentage of total units %	Market Value RM
YTL Corporation Berhad	565,603,800	54.38	517,527,477
YTL Power International Berhad	43,089,500	4.14	39,426,893
	<hr/> 608,693,300	58.52	556,954,370

The market value of the units held by the companies related to the Manager is determined by using closing market value of Starhill REIT as at 30 June, 2006 of RM0.915 per unit.



# Notes to the Financial Statements

## 22 TRANSACTIONS WITH COMPANIES RELATED TO THE MANAGER

	18.11.2005
	to
	30.6.2006
	RM
Rental charged to:	
Autodome Sdn. Bhd.	15,544,469
Star Hill Hotel Sdn. Bhd.	11,210,675
Syarikat Pembinaan Yeoh Tiong Lay Sdn. Bhd.	205,030
YTL e-Solutions Berhad	428,533
YTL Land & Development Berhad	227,517
YTL Land Sdn. Bhd.	3,088,611

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

## 23 FINANCIAL INSTRUMENTS

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

#### a Interest rate risk

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

#### b Credit risk

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

# Notes to the Financial Statements

**c Liquidity and cash flow risk**

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

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

	Carrying Amount RM	2006 Fair Value RM
Term loan	180,000,000	171,755,725

**24 PORTFOLIO TURNOVER RATIO**

	2006
Portfolio turnover ratio ("PTR")	0.56 times

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

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

# Notes to the Financial Statements

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## 25 MANAGEMENT EXPENSE RATIO

Management Expense Ratio ("MER")

2006

MER for the financial period

0.18%

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

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

## 26 COMPARATIVE FIGURES

No comparative figures are presented as this is the first financial statements prepared by the Trust.

## 27 CURRENCY

The financial statements are expressed in Ringgit Malaysia.

## 28 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors of Pintar Projek Sdn. Bhd. in accordance with a resolution of the directors on 21 July, 2006.

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