

**STARHILL REAL ESTATE INVESTMENT TRUST**  
Established in Malaysia

**Interim Financial Report**  
**31 December 2011**

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	<b>Page No.</b>
<b>Condensed Consolidated Statement of Comprehensive Income</b>	<b>1 - 2</b>
<b>Condensed Consolidated Statement of Financial Position</b>	<b>3 - 4</b>
<b>Condensed Consolidated Statement of Changes in Net Asset Value</b>	<b>5 - 6</b>
<b>Condensed Consolidated Statement of Cash Flows</b>	<b>7</b>
<b>Notes to the Interim Financial Report</b>	<b>8 – 15</b>

# STARHILL REAL ESTATE INVESTMENT TRUST

## INTERIM FINANCIAL REPORT

Interim financial report on consolidated results for the financial period ended 31 December 2011.

The figures have not been audited.

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER PRECEDING		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31.12.2011 RM'000	YEAR CORRESPONDING QUARTER 31.12.2010 RM'000	CURRENT YEAR TO DATE 31.12.2011 RM'000	PRECEDING YEAR TO DATE 31.12.2010 RM'000
NET REVENUE	16,690	6,695	24,680	14,940
PROPERTY OPERATING EXPENSES	(924)	(499)	(1,405)	(941)
NET PROPERTY INCOME	15,766	6,196	23,275	13,999
OTHER INCOME	39,317	10,663	50,630	21,945
TRUST EXPENSES	(871)	(646)	(1,539)	(1,330)
ADMINISTRATION EXPENSES	(153)	79	(234)	(110)
BORROWING COST	(2,157)	(2,177)	(4,314)	(4,357)
PROFIT BEFORE TAXATION	51,902	14,115	67,818	30,147
INCOME TAX EXPENSE	(282)	(577)	(766)	(1,184)
PROFIT FOR THE PERIOD	51,620	13,538	67,052	28,963
OTHER COMPREHENSIVE INCOME :				
CURRENCY TRANSLATION DIFFERENCES	19	-	19	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	51,639	13,538	67,071	28,963

**STARHILL REAL ESTATE INVESTMENT TRUST**

**INTERIM FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – continued**

	INDIVIDUAL QUARTER PRECEDING		CUMULATIVE QUARTER	
	CURRENT YEAR CORRESPONDING QUARTER 31.12.2011 RM'000	YEAR CORRESPONDING QUARTER 31.12.2010 RM'000	CURRENT YEAR TO DATE 31.12.2011 RM'000	PRECEDING YEAR TO DATE 31.12.2010 RM'000
PROFIT FOR THE PERIOD IS MADE UP AS FOLLOWS :-				
REALISED	37,644	13,538	53,076	28,963
UNREALISED	13,976	-	13,976	-
	-----	-----	-----	-----
	51,620	13,538	67,052	28,963
	=====	=====	=====	=====
<b>EARNINGS PER UNIT (Sen)</b>	3.90	1.15	5.06	2.46
	=====	=====	=====	=====
<b>GROSS DISTRIBUTION PER UNIT (Sen)</b>	2.84	1.15	4.01	2.46
	=====	=====	=====	=====

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The Condensed Statement of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements.

**STARHILL REAL ESTATE INVESTMENT TRUST****INTERIM FINANCIAL REPORT****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>UNAUDITED AS AT 31.12.2011 RM'000</b>	<b>AUDITED AS AT 30.06.2011 RM'000</b>
<b>ASSETS</b>		
INVESTMENT PROPERTIES	1,611,506	494,700
Current Assets		
Trade receivables	1,426	1,477
Other receivables	5,214	7,806
Available-for-sale financial assets	40,949	405,000
Fixed deposits	143,537	676,460
Bank balances	1,750	659
	-----	-----
	192,876	1,091,402
	-----	-----
<b>TOTAL ASSETS</b>	<b>1,804,382</b>	<b>1,586,102</b>
	=====	=====
<b>UNITHOLDERS' FUNDS</b>		
Unitholders' capital	1,291,395	1,145,895
Other reserves	19	-
Undistributed income	224,692	210,764
	-----	-----
Net Asset Value	1,516,106	1,356,659
	-----	-----
<b>LIABILITIES</b>		
Non-current Liabilities		
Borrowing	180,000	180,000
Current Liabilities		
Other payables	55,152	11,730
Provision for income distribution	53,124	37,713
	-----	-----
	108,276	49,443
	-----	-----
<b>TOTAL LIABILITIES</b>	<b>288,276</b>	<b>229,443</b>
	-----	-----
<b>TOTAL UNITHOLDERS' FUNDS &amp; LIABILITIES</b>	<b>1,804,382</b>	<b>1,586,102</b>
	=====	=====

**STARHILL REAL ESTATE INVESTMENT TRUST**

**INTERIM FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued**

	<b>UNAUDITED</b>	<b>AUDITED</b>
	<b>AS AT</b>	<b>AS AT</b>
	<b>31.12.2011</b>	<b>30.06.2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Net assets value (RM'000)	1,516,106 =====	1,356,659 =====
Number of units in circulations ('000)	1,324,389 =====	1,178,889 =====
Net asset value per unit (RM)		
- before income distribution	1.1448	1.1508
- after income distribution	1.1849 =====	1.2156 =====

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The Condensed Statement of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements.

**STARHILL REAL ESTATE INVESTMENT TRUST**

**INTERIM FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2011**

<b>6 months ended 31 December 2011</b>	<b>Unitholders' Capital RM'000</b>	<b>Distributable</b>		<b>Other Reserves RM'000</b>	<b>Unitholders' Funds RM'000</b>
		<b>Realised RM'000</b>	<b>Unrealised RM'000</b>		
As at July 2011	1,145,895	172,172	38,592	-	1,356,659
Operations for the period					
Profit for the period	-	53,076	13,976	-	67,052
Other comprehensive income					
Currency translation differences	-	-	-	19	19
Increase in net assets resulting from operations	-	53,076	13,976	19	67,071
Unitholders' transactions					
Issuance of new units	145,500	-	-	-	145,500
Provision for income distribution	-	(53,124)	-	-	(53,124)
Increase in net assets resulting from Unitholders' transaction	145,500	(53,124)	-	-	92,376
As at 31 December 2011	1,291,395	172,124	52,568	19	1,516,106

**STARHILL REAL ESTATE INVESTMENT TRUST****INTERIM FINANCIAL REPORT****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010 – continued**

<b>6 months ended 30 December 2010</b>	<b>Unitholders' Capital RM'000</b>	<b>Distributable</b>		<b>Unitholders' Funds RM'000</b>
		<b>Undistributed Realised RM'000</b>	<b>Income Unrealised RM'000</b>	
As at 1 July 2010	1,145,895	190,306	38,676	1,374,877
Operations for the period				
Profit for the period	-	28,963	-	28,963
Increase in net assets resulting from operations	-	28,963	-	28,963
Unitholders' transactions				
Provision for income distribution	-	(38,744)	-	(38,744)
Decrease in net assets resulting from unitholders' transactions	-	(38,744)	-	(38,744)
As at 31 December 2010	1,145,895	180,525	38,676	1,365,096

The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the audited annual financial statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements.



**STARHILL REAL ESTATE INVESTMENT TRUST**

**INTERIM FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2011**

	<b>6 months ended</b>	
	<b>31.12.2011</b>	<b>31.12.2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Net cash generated from operating activities	67,599	624,629
Net cash (used in) / generated from investing activities	(557,408)	21,946
Net cash used in financing activities	(42,023)	(42,070)
Net (decrease)/increase in cash and cash equivalent	(531,832)	604,505
Cash and cash equivalents at beginning of financial period	677,119	86,753
Cash and cash equivalent at end of financial period (note a)	145,287	691,258

**Note (a)**

Cash and cash equivalent

	<b>As At</b>	<b>As At</b>
	<b>31.12.2011</b>	<b>31.12.2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed Deposit	143,537	691,172
Bank balances	1,750	86
	145,287	691,258

The Condensed Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements.

# **STARHILL REAL ESTATE INVESTMENT TRUST**

## **INTERIM FINANCIAL REPORT**

**Notes :**

### **Disclosure requirement pursuant to FRS 134**

The condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Trust for the financial year ended 30 June 2011.

#### **A1. Accounting Policies and Methods of Computation**

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard 134 (“FRS”) “Interim Financial Reporting” and Chapter 9, Part M3 paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The accounting policies and methods of computation adopted by the Group in the interim financial report are consistent with those adopted in the latest audited annual financial statements. The adoption of revised FRSs, amendment to FRSs and IC Interpretations which were effective for financial period beginning 1 July 2011 do not have significant financial impacts on the Group.

#### **A2. Seasonality or Cyclicity of Operations**

The business operations of the Group are not affected by any material seasonal or cyclical factors.

#### **A3. Exceptional or Unusual Items**

During the current financial quarter, there was no item of an exceptional or unusual nature that affects the assets, liabilities, equity, net income or cash flows of the Group.

#### **A4. Changes in estimates of amounts reported**

This is not applicable as there were no estimates previously reported.

#### **A5. Changes in Debt and Equity Securities**

There was no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current financial quarter. The outstanding debts are disclosed in Note B15.

# STARHILL REAL ESTATE INVESTMENT TRUST

## INTERIM FINANCIAL REPORT

Notes : - continued

### A6. Income Distribution

There was no distribution paid during the current financial quarter ended 31 December 2011. A provision was made to distribute approximately 100% of the realised and distributable income after tax for the six months period ended 31 December 2011 pursuant to the provision in the Trust Deed dated 18 November 2005 to distribute at least 90% of the distributable income for each financial year.

### A7. Segment Information

The Group's segmental result for the financial period ended 31 December 2011 is as follows:-

	<b>Malaysia RM'000</b>	<b>Japan RM'000</b>	<b>Total RM'000</b>
External revenue	24,265	415	24,680
Net property income	22,957	318	23,275
Other income			50,630
Trust and administration expenses			(1,773)
Borrowing cost			(4,314)
Profit before taxation			67,818

No segment information is prepared for the corresponding financial period ended 31 December 2010 as the Trust's activities are predominantly in one industry segment and occur predominantly in Malaysia.

### A8. Events after the interim period

As part of the rationalisation exercise to reposition the Trust as a full-fledged hospital REIT, the Trust had entered into several agreements for the acquisition of the following hospitality related properties:

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

(hereinafter collectively, referred to as the "Acquisitions")

## STARHILL REAL ESTATE INVESTMENT TRUST

### INTERIM FINANCIAL REPORT

#### Notes : - continued

The Trust completed the acquisition of all of the hospitality assets set out above on 15 November 2011, save for the acquisition of Hotel Niseko, which was completed on 22 December 2011.

In conjunction with the Acquisitions, the following were undertaken by the Trust:

- a total of 145,500,000 new units were issued to the respective vendors, as the case may be, and such new units were quoted on Bursa Securities on 15 November 2011; and
- cash payment of RM536.5 million and the transfer of a total of 155,564,250 convertible preferred units (“CPUs”) issued by Starhill Global Real Estate Investment Trust, as the case may be, to part satisfy the purchase consideration of the Acquisitions.

Please refer to Note B14 for further details.

#### **A9. Changes in the Composition of the Group**

There were no significant changes in the composition of the Group for the current quarter ended 31 December 2011, including business combination, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations except for the following :-

- On 8 November 2011, Mayban Trustees Berhad (as the trustees for Starhill REIT) has subscribed for the entire issued and paid-up capital share of JPY1 comprising 1 share (“Share”) in Starhill REIT Niseko G.K. The Trustee holds the Share in trust and on behalf of Starhill REIT. As a result, Starhill REIT Niseko G.K. has become wholly-owned subsidiary of Starhill REIT. Starhill REIT Niseko G.K. will be principally involved in purchase, possession, disposal, lease and management of real properties.
- On 15 November 2011, Starhill REIT issued 145,500,000 units at an issue price of RM1.00 per unit as part payment of the purchase consideration for the acquisition of the following hospitality related properties pursuant to the rationalisation exercise referred to under Note A8:-
  - (i) Vistana Kuantan;
  - (ii) The Residences at The Ritz-Carlton Hotel, Kuala Lumpur;
  - (iii) The Ritz-Carlton Hotel, Kuala Lumpur; and
  - (iv) Pangkor Laut Resort

As a result, the fund size of the Trust increased from 1,178,888,889 units to 1,324,388,889 units as at the current financial quarter ended 31 December 2011.

#### **A10. Changes in Contingent Liabilities**

There were no contingent liabilities to be disclosed.

# STARHILL REAL ESTATE INVESTMENT TRUST

## INTERIM FINANCIAL REPORT

### Disclosure requirements pursuant to Part M3 paragraph 9.44 of Chapter 9 of the Main Market Listing Requirements of Bursa Securities

#### B1. Review of Performance

##### Quarter Results

For the current financial period ended 31 December 2011, the Group recorded a revenue and profit before taxation of RM24.680 million and RM67.818 million respectively, representing an increase of 65.19% and 124.96%, respectively as compared to the preceding year corresponding period ended 31 December 2010.

##### Comparison with Preceding Quarter

	<b>Current Quarter 31.12.2011 RM'000</b>	<b>Preceding Quarter 30.09.2011 RM'000</b>
Revenue	16,690	7,990
Profit before taxation	51,902	15,916
Profit after taxation before provision for income distribution	51,620	15,432

The Group's revenue and profit before taxation for the current financial quarter ended 31 December 2011 increased to RM16.690 million and RM51.902 million respectively, representing increase of 108.88% and 226.10%, respectively.

The increase in revenue and profit before taxation for the financial quarter ended 31 December 2011 was mainly due to :-

- (i) recognition of lease rental income from the lease of the hospitality related properties following completion of the Acquisitions;
- (ii) recognition of a gain on disposal of CPUs as a result of the transfer of 155,564,250 CPUs to part satisfy the purchase consideration for the Acquisitions, as the case may be; and
- (iii) unrealised foreign exchange gain.

#### B2. Audit Report of the preceding financial year ended 30 June 2011

The Auditor's Report on the financial statements of the financial year ended 30 June 2011 did not contain any qualification.

#### B3. Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Group for the quarter under review.

# STARHILL REAL ESTATE INVESTMENT TRUST

## INTERIM FINANCIAL REPORT

Notes : continued

### B4. Portfolio Composition

As at 31 December 2011, Starhill REIT's composition of investment portfolio is as follows:

	Fair value as at 31.12.2011 RM'000	Total Portfolio %
<b><u>Real Estate – Commercial</u></b>		
(i) JW Marriott Hotel Kuala Lumpur	349,700	21
(ii) The Residences at Ritz-Carlton, Kuala Lumpur	218,830	14
(iii) Cameron Highlands Resort	50,614	3
(iv) Vistana Penang	101,707	6
(v) Vistana Kuala Lumpur	101,136	6
(vi) Vistana Kuantan	75,927	5
(vii) The Ritz-Carlton Hotel, Kuala Lumpur	252,841	15
(viii) Pangkor Laut Resort	98,296	6
(ix) Tanjung Jara Resort	87,989	5
(x) Hilton Niseko*	274,466	17
	----- 1,611,506	----- 98
<b><u>Non-Real Estate Related assets</u></b>		
Convertible Preferred Units in Starhill Global REIT	40,949	2
	----- 1,652,455	----- 100
	=====	=====

Note :

\* Translated on 31 December 2011 at the exchange rate of JPY100 : RM4.0975

### B5. Change in Net Asset Value (“NAV”)

The total NAV and NAV per unit of the Group as at 31 December 2011 were RM1,516,106,240 and RM1.1448, respectively. The increase in total NAV was mainly due to the issuance of 145,500,000 new units, details of which are disclosed in Note A9.

	Current Quarter 31.12.2011 RM	Preceding Quarter 30.09.2011 RM
NAV	1,516,106,240	1,356,659,754
NAV per unit	1.1448	1.1508

# STARHILL REAL ESTATE INVESTMENT TRUST

## INTERIM FINANCIAL REPORT

Notes : continued

### **B6. Change in Market Value**

On 30 December 2011, Starhill REIT market value closed at RM0.885 per unit, an increase of 6.63% compared to the closing market value of RM0.830 per unit on 30 September 2011.

### **B7. Prospects**

The Manager, after considering the strength of the real estate portfolio invested, is optimistic that the Group is expected to achieve satisfactory performance for the financial year ending 30 June 2012.

### **B8. Utilisation of Proceeds Raised from Issuance of New Units**

No cash was raised on the issuance of 145,500,000 new units during the financial quarter as such new units were issued as part settlement of the purchase consideration for the acquisition of hospitality related assets, details of which are set out in Note A9.

### **B9. Circumstances Affecting Interest of Unitholders**

There were no unusual circumstances which materially affected any interest of the unitholders.

### **B10. Material Litigation**

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

### **B11. Maintenance Costs and Major Capital Expenditure**

There was no maintenance costs and major capital expenditure incurred during the financial quarter.

### **B12. Soft Commission**

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

### **B13. Taxation**

The Trust has paid and provided approximately 100% of the realised and distributable income to unitholders, which income at the Trust level is exempted from tax in accordance with the Section 61A, Income Tax Act, 1967, thus no tax is payable during the financial quarter.

# STARHILL REAL ESTATE INVESTMENT TRUST

## INTERIM FINANCIAL REPORT

Notes : continued

### B14. Corporate Development

As at the date of this report, there is no corporate proposal announced and pending completion except for the following: -

On 14 December 2010, it was announced that as part of the rationalisation exercise to reposition Starhill REIT as a full-fledged hospitality REIT, Mayban Trustees Berhad, the trustee of Starhill REIT had entered into several agreements for the purposes of the Acquisitions, to be satisfied via a combination of cash, issuance of new units in Starhill REIT and CPUs issued by Starhill Global Real Estate Investment Trust ("Starhill Global REIT") which are currently held by the Trust valued at SGD1.00 per CPU.

The Trust completed the Acquisitions on 15 November 2011 and 22 December 2011. Please refer to Note A8 for the details.

However, compliance of clause 8.22(d) of the REIT Guidelines in relation to Trust's investments in CPUs which must not exceed 10% of the CPUs issued by Starhill Global REIT is pending, which the SC, on 10 January 2012, approved the Trust's application for an extension of time until 28 March 2012 to comply.

### B15. Borrowings and Debt Securities

The borrowing of RM180 million with a tenure of five years and bears a fixed interest rate of 4.75% per annum is secured by a first fixed charge over investment properties. The borrowing shall be repaid in one lump sum on 16 December 2015.

### B16. Income Distribution

The Board of Pintar Projek Sdn Bhd has declared an interim distribution of 4.0112 sen per unit (31 December 2010 : 3.2865 sen per unit, totaling RM38,744,183) ( of which 0.9233 sen is taxable and 3.0879 sen is non-taxable in the hands on unitholders), totaling RM53,123,887 (which is tax exempt at the Trust level under Section 61A of the Income Tax Act 1967).

The interim income distribution of RM 53,123,887 is from the following sources :-

	<b>RM,000</b>
Profit after taxation	67,052
Add : Net loss from Japan property	48
Less : Unrealised foreign exchange gain	(13,976)
	-----
Total distributable income	53,124
	=====



**STARHILL REAL ESTATE INVESTMENT TRUST**

**INTERIM FINANCIAL REPORT**

**Notes : continued**

**B17. Statement by the Directors of the Manager**

In the opinion of the Directors of the Manager, this quarterly report has been prepared in accordance with FRS 134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Starhill REIT as at 31 December 2011 and of its financial performance and cash flows for the financial quarter/period ended on that date.

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By Order of the Board  
HO SAY KENG  
Secretary  
Pintar Projek Sdn Bhd  
Company No : 314009-W  
(As the Manager of Starhill Real Estate Investment Trust)

Kuala Lumpur  
Dated: 17 January 2012