

STARHILL REAL ESTATE INVESTMENT TRUST
Established in Malaysia

Interim Financial Report
31 March 2011

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STARHILL REAL ESTATE INVESTMENT TRUST

INTERIM FINANCIAL REPORT

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

The figures have not been audited.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER PRECEDING		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31.03.2011 RM'000	YEAR CORRESPONDING QUARTER 31.03.2010 RM'000	CURRENT YEAR TO DATE 31.03.2011 RM'000	PRECEDING YEAR TO DATE 31.03.2010 RM'000
NET REVENUE	7,895	29,164	22,835	83,178
PROPERTY OPERATING EXPENSES	(361)	(4,660)	(1,302)	(14,351)
NET PROPERTY INCOME	7,534	24,504	21,533	68,827
OTHER INCOME	10,583	506	32,528	1,364
MANAGER'S FEES	(545)	(906)	(1,633)	(2,641)
TRUSTEE'S FEE	(119)	(123)	(361)	(373)
VALUATION FEE	-	-	-	(37)
ADMINISTRATIVE EXPENSES	(155)	(299)	(265)	(353)
BORROWING COST	(2,110)	(2,133)	(6,467)	(6,494)
INCOME BEFORE TAX	15,188	21,549	45,335	60,293
INCOME TAX EXPENSE	(218)	-	(1,402)	-
INCOME FOR THE PERIOD	14,970	21,549	43,933	60,293

STARHILL REAL ESTATE INVESTMENT TRUST

INTERIM FINANCIAL REPORT

CONDENSED STATEMENT OF COMPREHENSIVE INCOME– continued

	INDIVIDUAL QUARTER PRECEDING		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31.03.2011 RM'000	YEAR CORRESPONDING QUARTER 31.03.2010 RM'000	CURRENT YEAR TO DATE 31.03.2011 RM'000	PRECEDING YEAR TO DATE 31.03.2010 RM'000
INCOME FOR THE PERIOD IS MADE UP AS FOLLOWS :-				
REALISED	14,970	21,549	43,933	60,293
UNREALISED	-	-	-	-
	-----	-----	-----	-----
	14,970	21,549	43,933	60,293
	=====	=====	=====	=====
EARNINGS PER UNIT (Sen)	1.27	1.83	3.73	5.11
	=====	=====	=====	=====
GROSS DISTRIBUTION PER UNIT (Sen)	1.27	1.83	3.73	5.11
	=====	=====	=====	=====

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The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Report for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements.

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

	AS AT 31.03.2011 RM'000	AS AT 30.06.2010 RM'000
ASSETS		
INVESTMENT PROPERTIES	494,700	494,700
Current Assets		
Trade receivables	4,313	6,682
Other receivables	6,968	625,567
Available-for-Sale Financial Asset	405,000	405,000
Fixed deposits	667,840	84,155
Bank balances	280	2,598
	-----	-----
	1,084,401	1,124,002
	-----	-----
TOTAL ASSETS	1,579,101	1,618,702
	=====	=====
UNITHOLDERS' FUNDS		
Unitholders' capital	1,145,895	1,145,895
Undistributed income	219,201	228,982
	-----	-----
Net Asset Value	1,365,096	1,374,877
	-----	-----
LIABILITIES		
Non-current liabilities		
Borrowing	180,000	-
	-----	-----
	180,000	-
	-----	-----
Current Liabilities		
Borrowing	-	180,000
Other payables	19,035	26,112
Provision for income distribution	14,970	37,713
	-----	-----
	34,005	243,825
	-----	-----
TOTAL LIABILITIES	214,005	243,825
	-----	-----
TOTAL UNITHOLDERS' FUNDS & LIABILITIES	1,579,101	1,618,702
	=====	=====

STARHILL REAL ESTATE INVESTMENT TRUST

INTERIM FINANCIAL REPORT

CONDENSED STATEMENT OF FINANCIAL POSITION – continued

	AS AT 31.03.2011 RM'000	AS AT 30.06.2010 RM'000
Net assets value (RM'000)	1,365,096 =====	1,374,877 =====
Number of units in circulations ('000)	1,178,889 =====	1,178,889 =====
Net asset value per unit (RM)		
- before income distribution	1.2035	1.2737
- after income distribution	1.1580 =====	1.1662 =====

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The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Report for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements.

STARHILL REAL ESTATE INVESTMENT TRUST

INTERIM FINANCIAL REPORT

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

9 months ended 31 March 2011	Unitholders' Capital RM'000	Distributable		Unitholders' Funds RM'000
		Undistributed Realised RM'000	Income Unrealised RM'000	
As at 1 July 2010	1,145,895	190,306	38,676	1,374,877
Operations for the period				
Net income for the period	-	43,933	-	43,933
Increase in net assets resulting from operations	-	43,933	-	43,933
Unitholders transactions				
Distribution paid	-	(38,744)	-	(38,744)
Provision for income distribution	-	(14,970)	-	(14,970)
Decrease in net assets resulting from unitholders transactions	-	(53,714)	-	(53,714)
As at 31 March 2011	1,145,895	180,525	38,676	1,365,096

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STARHILL REAL ESTATE INVESTMENT TRUST

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2011 – continued**

9 months ended 31 March 2010	Unitholders' Capital RM'000	Distributable		Unitholders' Funds RM'000
		Undistributed Realised RM'000	Income Unrealised RM'000	
As at 1 July 2009	1,145,895	2	274,360	1,420,257
Operations for the period				
Net income for the period	-	60,293	-	60,293
Increase in net assets resulting from operations	-	60,293	-	60,293
Unitholders transactions				
Distribution paid	-	(38,744)	-	(38,744)
Provision for income distribution	-	(21,549)	-	(21,549)
Decrease in net assets resulting from unitholders transactions	-	(60,293)	-	(60,293)
As at 31 March 2010	1,145,895	2	274,360	1,420,257

The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the Audited Financial Report for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements.

STARHILL REAL ESTATE INVESTMENT TRUST

INTERIM FINANCIAL REPORT

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

	9 months ended	
	31.03.2011	31.03.2010
	RM'000	RM'000
Net cash generated from operating activities	631,763	57,755
	=====	=====
Net cash generated / (used) in investing activities	32,528	(1,482)
	=====	=====
Net cash used in financing activities	(82,924)	(79,495)
	=====	=====
Net increase/(decrease) in cash and cash equivalent	581,367	(23,222)
Cash and cash equivalents at beginning of financial period	86,753	98,399
	-----	-----
Cash and cash equivalent at end of financial period (note a)	668,120	75,177
	=====	=====

Note (a)

Cash and cash equivalent

	As At	As At
	31.03.2011	31.03.2010
	RM'000	RM'000
Fixed Deposit	667,840	74,783
Bank balances	280	394
	-----	-----
	668,120	75,177
	=====	=====

The Condensed Statement of Cash Flows should be read in conjunction with the Audited Financial Report for the year ended 30 June 2010 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

A1. Accounting Policies and Methods of Computation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standards (“FRS”) “Interim Financial Reporting” and Chapter 9, Part K Rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Trust for the financial year ended 30 June 2010.

The accounting policies and methods of computation adopted by the Trust in the interim financial report are consistent with those of the audited financial statements for the financial year ended 30 June 2010, except for the adoptions of new / revised FRSs, amendments to FRSs and Interpretation Committee (“IC”) interpretations effective for financial period beginning 1 July 2010.

The adoption of the new and revised FRSs, amendments to FRSs and IC Interpretations do not have significant financial impacts on the Trust other than the effects of the following FRSs:

FRS 101 (revised) “Presentation of Financial Statements”

The revised FRS 101 requires all non-owner changes in equity to be presented either in a single statement of comprehensive income, or in two statements which comprise a separate income statement and statement of comprehensive income. The Trust had elected to present the statement of comprehensive income in two statements if there is any comprehensive income being recognised in the period.

FRS 7 “Financial Instruments: Disclosures”

FRS 7 requires extensive disclosure of qualitative and quantitative information about exposure to risks from financial instruments. Such information will be disclosed in the audited financial statements of the Trust.

FRS 139 “Financial Instruments : Recognition and Measurement”

FRS 139 sets out the new requirements for the recognition and measurement of the Trust’s financial instruments.

Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments at the end of each reporting period reflects the designation of the financial instruments. The Trust determines the classification at initial recognition and re-evaluates its designation at each year end.

STARHILL REAL ESTATE INVESTMENT TRUST

INTERIM FINANCIAL REPORT

Notes : - continued

Financial Assets

(a) Loans and receivables

Prior to 1 July 2010, loans and receivables were stated at gross proceeds less allowance for doubtful debts. Under FRS 139, loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised, impaired or through the amortisation process.

(b) Available-for-Sale

Prior to 1 July 2010, available-to-sale financial assets such as other investments were accounted for at cost less impairment losses. Under FRS 139, available-for-sale financial assets is measured (a) at fair value initially and subsequently with unrealized gains or losses recognised directly in equity until the investment is derecognized or impaired or (b) at cost if the unquoted instrument is not carried at fair value because its fair value cannot be reliably measured.

Financial Liabilities

Prior to 1 July 2010, borrowings are stated at the proceeds received less directly attributable transaction costs. Under FRS 139, borrowings are initially measured at fair value plus directly attributable transaction costs and subsequently at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised or through the amortisation process

In accordance with the transitional provisions of FRS 139, the above changes are applied prospectively and the comparatives as at 30 June 2010 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the balance sheet as at 1 July 2010.

The effects arising from the adoption of the new standard as described above, other than those disclosed in the statement of changes in net asset value are as follows:

	As perviously reported RM'000	Effect on adoption of FRS 139 RM'000	As Restated RM'000
<u>Current Assets</u>			
Available-for-sale investment	-	405,000	405,000
Investments	405,000	(405,000)	-

STARHILL REAL ESTATE INVESTMENT TRUST

INTERIM FINANCIAL REPORT

Notes : - continued

A2. Seasonality or Cyclicity of Operations

The business operations of the Trust 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 Trust.

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 B13.

A6. Income Distribution

An interim distribution of 3.2865 sen per unit (which is tax exempt at the Trust level under Section 61A, Income Tax Act, 1967), totalling RM38,744,183, in respect of the six month period ended 31 December 2010 was paid during the financial quarter.

A7. Segment Information

No segment information is prepared as the Trust's activities are predominantly in one industry segment and occur predominantly in Malaysia.

A8. Material Events Subsequent to the end of the interim period

There was no material event subsequent to the end of the current financial quarter.

A9. Changes in the Composition of the Trust

There is no change in composition of the Trust during the current financial quarter and the fund size stands at 1,178,888,889 units.

A10. Changes in Contingent Liabilities

There were no contingent liabilities to be disclosed.

STARHILL REAL ESTATE INVESTMENT TRUST

INTERIM FINANCIAL REPORT

Disclosure requirements per Appendix 9B, Part K of Chapter 9 of the Listing Requirements of Bursa Securities for the Main Market

B1. Review of Performance

The Trust recorded RM7.895 million and RM15.188 million of revenue and income before tax, respectively for the current financial quarter ended 31 March 2011, representing a decrease of 72.93% and 29.52% respectively as compared to previous corresponding quarter ended 31 March 2010.

The decrease was due to a rationalisation exercise (“Rationalisation”) undertaken by the Trust to reposition the Trust as a full-fledged hospitality REIT. In connection with the Rationalisation, the Trust disposed of the Lot 10 Parcels and Starhill Gallery on 28 June 2010.

Comparison with Preceding Quarter

	Current Quarter 31.03.2011 RM’000	Preceding Quarter 31.12.2010 RM’000
Revenue	7,895	6,695
Income (loss) before tax	15,188	14,115
Income (loss) after tax before provision for income distribution	14,970	13,538

Included in the revenue and income in the preceding quarter was a provision for doubtful debts of approximately RM1.182 million in respect of the amounts receivable from the tenants of Starhill Gallery and Lot 10 properties, prior to the disposal of the properties.

Hence, the Trust’s revenue and income after tax for the current financial quarter ended 31 March 2011 increased to RM7.895 million and RM14.970 million respectively, representing increase of 17.92% and 10.58% respectively.

B2. Significant Changes in State of Affairs

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

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STARHILL REAL ESTATE INVESTMENT TRUST

INTERIM FINANCIAL REPORT

Notes : continued

B3. Portfolio Composition

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

	Fair value as at 31.03.2011 RM'000	Total Portfolio %
<u>Real Estate - Commercial</u>		
JW Marriott Hotel Kuala Lumpur	349,700	39
The Residences Properties	145,000	16
	-----	-----
	494,700	55
<u>Non-Real Estate-Related assets</u>		
Convertible Preference Units in Starhill Global REIT	405,000	45
	-----	-----
	899,700	100
	=====	=====

There were no changes in the portfolio composition for the current quarter.

B4. Change in Net Asset Value ("NAV")

The total NAV and NAV per unit of the Trust as at 31 March 2011 were RM1,365,096,067 and RM1.1580 respectively. There were no material changes in the total NAV and NAV per unit as compared to the immediate preceding quarter.

	Current Quarter 31.03.2011 RM	Preceding Quarter 31.12.2010 RM
NAV	1,365,096,067	1,365,096,067
NAV per unit	1.1580	1.1580

B5. Change in Market Value

On 31 March 2011, Starhill REIT market value closed at RM0.880 per unit, which was the same as the opening market value of RM0.880 per unit on 30 December 2010.

B6. Prospects

The Manager, after considering the strength of the real estate portfolio invested, is optimistic that the Trust is expected to achieve satisfactory performance for the financial year ending 30 June 2011.

STARHILL REAL ESTATE INVESTMENT TRUST

INTERIM FINANCIAL REPORT

Notes : continued

B7. Circumstances Affecting Interest of Unitholders

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

B8. Material Litigation

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

B9. Maintenance Costs and Major Capital Expenditure

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

B10. 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 Trust.

B11. 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 Section 61A, Income Tax Act 1967 , thus no tax is payable during the financial quarter.

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STARHILL REAL ESTATE INVESTMENT TRUST

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Notes : continued

B12. Corporate Development

As at the date of this report, there are no corporate proposals 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 proposed acquisitions which entails the acquisitions of the following hospitality related properties for a total indicative purchase consideration of RM1,054 million ('Proposed Acquisitions'), to be satisfied via a combination of cash, issuance of new units in Starhill REIT and convertible preference units ('CPUs') issued by Starhill Global REIT which are currently held by the Trust valued at SGD1.00 per CPU: -

- (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.

The Securities Commission has vide its letter dated 20 December 2010, approved the Trust's application for an extension of time until 28 June 2011 to comply with clauses 8.08, 8.22(b), (c) and (d) of the Guideline on REITs.

On 12 January 2011, Bursa Securities approved the Trust's application for extension of time to 28 June 2011 to complete the Proposed Acquisitions.

B13 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 charge over investment properties. The borrowing shall be payable in one lump sum on 16 December 2015.

B14. Income Distribution

No distribution has been declared for the current financial quarter. A provision is made to distribute approximately 100% of the distributable income during the current financial quarter 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.

STARHILL REAL ESTATE INVESTMENT TRUST

INTERIM FINANCIAL REPORT

Notes : continued

B15. Unit holding by the Manager and Parties Related to the Manager

At 31 March 2011, the Manager did not hold any units in Starhill REIT. The related parties of the Manager that held units in Starhill REIT are as follows:

	Number Of Units '000	Market* Value RM'000
YTL Corporation Berhad	747,084	657,434
YTL Power International Berhad	43,090	37,919
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	870	766
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir	70	62

*The market value of the units held by the parties related to the Manager is based on the closing market price of Starhill REIT at RM0.880 per unit as at 31 March 2011.

B16. 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 March 2011 and of its financial performance and cash flows for the financial quarter/period ended on that date.

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: 26 May 2011