



STARHILL
REIT

STARHILL
REAL ESTATE
INVESTMENT
TRUST

the journey continues...

annual report 2007



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Financial Highlights

	2007	2006 *
Net revenue (RM'000)	98,835	50,739
Income before taxation (RM'000)	72,690	35,905
Income after taxation (RM'000)	72,690	35,905
Total assets (RM'000)	1,363,342	1,249,967
Net asset value (RM'000)	1,145,902	1,022,757
Units in circulation ('000)	1,178,889	1,040,000
Net asset value per Unit (RM)	0.972	0.983
Earnings per Unit (sen)	6.87	3.45
Distribution per Unit (sen)	6.7019	3.4524

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

Performance Data

I Portfolio Composition of the Trust

	as at 30 June 2007 %	as at 30 June 2006 %
Real Estate		
- Lot 10 Parcels	25	27
- Starhill Gallery	36	39
- JW Marriott Hotel Kuala Lumpur	24	26
- The Residences Properties	9	-
	94	92
Deposits with licensed financial institutions	6	8
	100	100

II Net Asset Value & Unit Information

	as at 30 June 2007	as at 30 June 2006
Total net asset value (RM'000)	1,145,902	1,022,757
Units in circulation ('000)	1,178,889	1,040,000
Net asset value per unit (RM)	0.972	0.983
Market value per unit (RM)	1.07	0.92
Highest traded price for the year / period (RM)	1.10	1.07
Lowest traded price for the year / period (RM)	0.82	0.89

III Performance Details of the Trust Since Commencement

	as at 30 June 2007	as at 30 June 2006
Income distribution per unit (sen)		
- Gross	6.7019	3.4524
Management expense ratio (%)	0.33	0.18
Portfolio turnover ratio (times)	0.06	0.56

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 RM1.27 billion (as at 30 June 2007), and comprises four prime properties situated in the heart of Kuala Lumpur’s Golden Triangle, namely, Starhill Gallery and the adjoining JW Marriott Hotel Kuala Lumpur, 137 parcels and 2 accessory parcels of retail, office, storage and other spaces within Lot 10 Shopping Centre (“Lot 10 Parcels”), and 60 units of serviced apartments, 4 levels of commercial podium and 2 levels of car parks located within The Residences at The Ritz-Carlton, Kuala Lumpur (“The Residences Properties”) (collectively referred to as the “Properties”).

Property	Appraised Value	% of Total Real Estate Portfolio
Starhill Gallery	RM480 million	37.1%
Lot 10 Parcels	RM341 million	26.3%
JW Marriott Hotel Kuala Lumpur	RM329 million	25.4%
The Residences Properties	RM145 million	11.2%

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 is a 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 high quality space at a prominent location in Kuala Lumpur’s tourist hub. As at 30 June 2007, Starhill Gallery and the Lot 10 Parcels had occupancy rates of 98.61% and 97.06%, 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 well-known and sought-after addresses.

Property Portfolio



STARHILL GALLERY

Property description	: Part of a 7-level shopping centre with 5 basements and a 12-level annexe building with 3 basements
Address	: 181 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
Property type	: Shopping centre
Title	: Freehold
Age of building	: Approximately 12 years
Net lettable area	: 294,695 square feet
Approved valuation	: RM480,000,000
Occupancy rate	: 98.61%
Major tenants	: Autodome Sdn Bhd, Cortina Watch Sdn Bhd, Louis Vuitton (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 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, Boucheron, Van Cleef & Arpels, Celine, Chopard, Christian Dior, Davidoff, DKNY, Fendi, Valentino, Givenchy, Gucci, Kenzo and Salvatore Ferragamo. In addition, Starhill Gallery's Feast Village offers a unique dining experience with 12 upscale restaurants to choose from and an amazing display of modern architecture and mixed culture.



LOT 10 PARCELS

Property description	: 137 parcels and 2 accessory parcels of retail, office, storage and other spaces within Lot 10 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
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 17 years
Net lettable area	: 181,259 square feet
Approved valuation	: RM341,000,000
Occupancy rate	: 97.06%
Major tenants	: Autodome Sdn Bhd, Esprit De Corp (Malaysia) Sdn Bhd, F.J. Benjamin Fashions 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, Lot 10 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 Esprit, Guess, Hour Glass, Oris, Timberland, Tissot, Topshop/Topman, Toni & Guy, Swatch and Woo Hing.

Property Portfolio



JW MARRIOTT HOTEL KUALA LUMPUR

- Property description : A 5-star hotel with 561 rooms located on part of an 8-level podium block and the entire 24-level tower block of Starhill Gallery
- Address : 183 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
- Property type : Hotel
- Title : Freehold
- Age of building : Approximately 10 years
- Approved 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, all guest rooms and suites have an ample working area and high-speed Internet access. The hotel comprises part of an 8-level podium block and the entire 24-level tower block of the main building, adjacent to the iconic Starhill Gallery.



THE RESIDENCES PROPERTIES

- Property description : 60 units of serviced apartments, 4 levels of commercial podium, 1 level of facilities deck and 2 levels of basement car parks within The Residences at The Ritz-Carlton, Kuala Lumpur
- Address : Lot 1308, Jalan Yap Tai Chi, Seksyen 67, Off Jalan Imbi, 55100 Kuala Lumpur, Malaysia
- Property type : Serviced apartments
- Title : Freehold
- Age of building : Approximately 2 years
- Approved valuation : RM145,000,000
- Tenancy details : The Residences Properties are presently leased to Star Hill Hotel Sdn Bhd, a wholly-owned subsidiary of YTL Corporation Berhad, for a term expiring on 30 June 2031.

The Residences at The Ritz-Carlton, Kuala Lumpur comprise luxury serviced apartments in a 38-storey tower block adjacent to The Ritz-Carlton, Kuala Lumpur, located in the heart of Kuala Lumpur's Golden Triangle. Operated and fitted in a manner similar to hotel room standards, serviced apartments provide the added advantage of hotel services with the flexibility and space of a home, and have been growing in popularity both internationally and in Kuala Lumpur in recent years.

The recent addition of The Residences Properties to Starhill REIT's portfolio is expected to achieve an added level of cost aggregation and efficiency through the sharing of services with, and proximity of the property to, Starhill Gallery and the JW Marriott Hotel Kuala Lumpur. These services include world-class conference facilities at the Carlton Conference Centre, spa services at the award-winning Spa Village Kuala Lumpur and the high-end food and beverage outlets at Starhill Gallery's Feast Village.

Chief Executive Officer's Statement

for the financial year ended 30 June 2007

On behalf of the Board of Directors of Pintar Projek Sdn Bhd ("Pintar Projek" or the "Manager"), I have the pleasure of presenting to you the Annual Report and audited financial statements of Starhill Real Estate Investment Trust ("Starhill REIT" or the "Trust") for the financial year ended 30 June 2007.

OVERVIEW

The year ended 30 June 2007 represents the first complete financial year for Starhill REIT since listing on the Main Board of Bursa Malaysia Securities Berhad on 16 December 2005. The Trust continued to perform strongly throughout the year under review, reflecting the high quality of the underlying real estate fundamentals of the portfolio and the management of Starhill REIT's assets.

The Trust now owns four prime properties 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"), Starhill Gallery and the JW Marriott Hotel Kuala Lumpur, as well as 60 units of serviced apartments, 4 levels of commercial podium and 2 levels of car parks located within The Residences at The Ritz-Carlton, Kuala Lumpur ("The Residences"), acquired in May 2007 (collectively, the "Properties"). The combined approved valuation of the Properties now stands at RM1,295 million.

Meanwhile, the Malaysian REIT industry continues to mature as investors become more well-informed about the demonstrable benefits of REITs as an attractive low-risk, relatively high-yield and liquid asset class.



TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING, CBE
Chief Executive Officer of Pintar Projek Sdn Bhd



The strengthening of the Ringgit against the US dollar to an average of USD1.00:RM3.56 for the financial year under review from USD1.00:RM3.73 last year, coupled with the further strengthening anticipated going forward, has spurred greater foreign interest in the growth potential of Malaysian assets and investments, including the REITs. However, the attractiveness of Malaysia's REITs still appears to lag behind regional peers, although measures such as the lowering of withholding taxes in the 2007 budget, are steps in the right direction.

Performance of the Portfolio

Starhill REIT's robust performance continues to be driven by the Manager's ability to attract high quality tenants to the Trust's properties through its commitment to developing the Properties as desired destinations, rather than mere venues.

The Manager's dedication to building enduring relationships with the Trust's tenants and retailers has also been critical in fostering a vibrant environment in each of the Properties, which in turn enables tenants to build successful, thriving businesses to drive higher rentals and sales turnover and growth in Starhill REIT's earnings.

This strategy has delivered strong results for investors this year and is expected to be a key driver of future performance. The Manager's strong focus on the Trust's tenant base is reflected in the high occupancy rates ranging between 97.06% and 98.61% achieved by Starhill REIT's shopping malls for the financial year ended 30 June 2007, outperforming prevailing occupancy rates for shopping centres in the Kuala Lumpur area. The average occupancy rate for shopping centres within Kuala Lumpur was 84.8% in 2006 and 83.1% in 2005.

Starhill Gallery and Lot 10 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.

The elite uniqueness of Starhill Gallery's brand and positioning has drawn commendation both locally and internationally. In addition to winning The Brand Laureates' Award in the Best Brand in Retail (Luxury Boutique) category earlier this year, Starhill Gallery also headed the Forbes Traveler's list of Asia's amazing mega malls for its choice of lavish brands and collection of vast amenities. Starhill Gallery led the list of luxurious malls, followed by the Roppongi Hills in Tokyo and The Siam Paragon in Bangkok.

Chief Executive Officer's Statement

for the financial year ended 30 June 2007





The Residences at The Ritz-Carlton, Kuala Lumpur

The Trust added a fourth property to its portfolio during the year under review with the acquisition in May 2007 of The Residences. Comprising luxury serviced apartments in a 38-storey tower block, commercial podium, facilities deck and car park, The Residences presented a timely growth opportunity for Starhill REIT to increase its exposure to key urban areas in Kuala Lumpur, and the addition of this property to the Trust’s portfolio is designed to further diversify and enhance Starhill REIT’s asset base within the high-end, luxury property segment.

The acquisition of The Residences is also expected to enable the Trust to achieve an added level of cost aggregation and efficiency through the sharing of services with, and proximity of the property to, Starhill Gallery and the JW Marriott Hotel Kuala Lumpur.

These services include world-class conference facilities at the Carlton Conference Centre, spa services at the award-winning Spa Village Kuala Lumpur and the high-end food and beverage outlets at Starhill Gallery’s Feast Village.

FINANCIAL PERFORMANCE

Starhill REIT recorded revenue of RM98.84 million for the financial year ended 30 June 2007, an increase of 94.8% or RM48.10 million over RM50.74 million for the last financial period ended 30 June 2006. Income after taxation more than doubled to RM72.69 million this year, compared to RM35.91 million last year. However, the financial period ended 30 June 2006 covered only the operational period from the establishment of the Trust on 18 November 2005 to the financial year end on 30 June 2006.

The improved performance was due mainly to rental received from The Residences, coupled with higher rental rates received from the renewal of existing tenancies and the commencement of new tenancies at Starhill Gallery and Lot 10.

Distribution to Unitholders

On 12 July 2007, the Board of Directors of Pintar Projek declared a final distribution of 2.1529 sen per unit in respect of the financial year ended 30 June 2007, which will be paid on 24 August 2007.

The Trust has already distributed an aggregate of 4.549 sen per unit in respect of the 8-month financial period from 1 July 2006 to 28 February 2007, resulting in a total distribution per unit (“DPU”) of 6.7019 sen for the 2007 financial year. For the financial period ended 30 June 2006, which covered the period from 18 November 2005 to 30 June 2006, the Trust’s DPU was 3.4524 sen per unit.

Chief Executive Officer's Statement

for the financial year ended 30 June 2007





CORPORATE DEVELOPMENTS

As reported in Starhill REIT's Interim Report for the six months ended 31 December 2006, the Trust announced a proposal on 12 December 2006 to acquire The Residences from YTL Land Sdn Bhd, a wholly-owned subsidiary of YTL Corporation Berhad, for a purchase consideration of RM125 million to be satisfied by the issuance of 138,888,889 new units at an issue price of RM0.90 per unit. The acquisition of The Residences was completed on 16 May 2007.

CORPORATE SOCIAL RESPONSIBILITY

This year, the Manager is pleased to integrate the corporate social responsibility aspect of its business into the Trust's Annual Report, as part of its reporting procedure. Social responsibility is one of the Manager's key values and Pintar Projek places a high priority on acting responsibly in every aspect of its business.

The Manager is also part of the wider network of its parent company, YTL Corporation Berhad, which has a long-standing commitment to creating successful, profitable and sustainable businesses. This in turn benefits the surrounding community through the creation of sustained value for unitholders, secure and stable jobs for employees, support for the arts and culture in Malaysia and contributions to promote education for the benefit of future generations.

Every employee of Pintar Projek is expected to maintain the highest standards of propriety, integrity and conduct in all their business relationships and the Trust is held to the same standard in its compliance with all applicable legal and regulatory requirements.

The Manager believes that effective corporate responsibility can deliver benefits to its businesses and, in turn, to its unitholders, by enhancing reputation and business trust, risk management performance, relationships with regulators, staff motivation and attraction of talent, customer preference and loyalty, the goodwill of local communities and long-term unitholders value.

The Manager's Statement on Corporate Governance, which also elaborates on Pintar Projek's systems and controls, can be found as a separate section in this Annual Report.

OUTLOOK

The growth prospects for Malaysia are expected to remain steady for the remainder of the 2007 calendar year. Although the occupancy of shopping complexes increased marginally in 2006, promising consumer and business confidence, coupled with the expected increase in tourist arrivals in conjunction with the Government's Visit Malaysia Year 2007 campaign, are expected to further boost performance of the shopping complexes for the year. The leisure property sector, specifically the hotels sub-sector, is also expected to benefit from this and enjoy higher occupancy rates.

Chief Executive Officer's Statement

for the financial year ended 30 June 2007





In its exploration of new growth opportunities, the Trust remains focused on investing in middle to high-end retail real estate located in established markets with favourable demographics. Recent initiatives taken by the Government, such as the lifting of real property gains tax, coupled with the relaxations of requirements for foreigners to seek Foreign Investment Committee (FIC) approval to purchase property in Malaysia and restrictions on borrowings by foreigners for the purchase of housing, are all expected to further support the domestic property sector. These measures augur well for domestic commercial, residential and retail real estate valuations, and concurrently, for Starhill REIT's investment portfolio.

The Manager will continue to target assets that provide attractive asset value and income growth prospects, particularly in real estate assets tenanted by leading businesses on long term leases. 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-sectors both in Malaysia and internationally.

The Manager remains committed to its efforts to conceptualise innovative marketing and operating strategies to ensure that the Properties continue to operate at optimal levels and to boost rental and occupancy rates, thereby improving Starhill REIT's yields and returns. Prudent financial and risk management and proactive asset enhancement will continue to be key priorities.

As the Trust embarks on another year and strives to deliver stronger earnings growth and asset development, the Board of Directors of Pintar Projek would like to thank Starhill REIT's investors, customers, tenants, business associates and the regulatory authorities, for their continued support.

TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING

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

Date : 17 August 2007

Corporate Events



8 JANUARY 2007

THE BRAND LAUREATES' AWARDS

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping – Brand Personality 2006/2007

Dato' Seri Mohamad Nazri bin Abdul Aziz, Minister in the Prime Minister's Department, presented Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Chief Executive Officer of Pintar Projek Sdn Bhd, with the Brand Personality Award 2006/2007, witnessed by (from left) Dato' Syed Amin Aljeffri and The Brand Laureate CEO Dr. K.K. Johan.

Starhill Gallery – Best Brand in Retail (Luxury Boutique)

Dato' Yeoh Seok Kian (centre), Director of Pintar Projek Sdn Bhd, received the award on behalf of Starhill Gallery from Minister in the Prime Minister's Department Y.B. Dato' Seri Mohamad Nazri bin Abdul Aziz (left).



APRIL 2007

LAUNCH OF STARHILL TOWERS & GALLERY, DUBAI

Signing Ceremony for the agreement with ETA Star Property Developers LLC to provide brand management services and licensing in relation to the use of the Starhill brand for the new Starhill Towers & Gallery complex being developed by ETA Star.

Mr. Abid A. Junaid, Executive Director, ETA Star Property Developers LLC (Left) and Mr. Eric Eoon, General Manager of YTL Land Sdn Bhd, at the Signing Ceremony.



16 JUNE 2007

LAUNCH OF MALAYSIA MEGA SALE CARNIVAL AT STARHILL GALLERY

The 2007 Malaysia Mega Sale Carnival (MMSC) kicked off with a grand launch at Kuala Lumpur's iconic Starhill Gallery, officiated by Y.B. Datuk Seri Tengku Adnan Bin Tengku Mansor, Malaysia's Minister of Tourism. The mega sale was organised by the Ministry of Tourism, Tourism Malaysia and Shopping Malaysia Secretariat. The launch at Starhill Gallery welcomed more than 400 members of the media from around the world with a fashion show by Malaysia's 5 most influential designers; Beatrice Looi, Jendela Batik, Frank Lai, Khoo Hooi and Melvin Lam, designers who are all located in the prestigious Starhill Gallery.

Y.B. Datuk Seri Tengku Adnan bin Tengku Mansor (Left) with Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Chief Executive Officer of Pintar Projek Sdn Bhd, at the official launch

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 • 603 2117 0088/603 2142 6633
Fax • 603 2141 2703

BOARD OF DIRECTORS OF THE MANAGER

Chief Executive Officer

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping
PSM, CBE, 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 Mohamed Zainal Abidin
Bin Hj Abdul Kadir
DPMP, PMP, AMN, PPN, PJK, OSTJ, JP.

Dato' Yeoh Seok Kian

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

Independent Non-Executive Directors

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

Eu Peng Meng @ Leslie Eu

B. Com., FCILT.

MANAGEMENT TEAM

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

COMPANY SECRETARY OF THE MANAGER

Ho Say Keng

PROPERTY MANAGER

Azmi & Co Building Services Sdn Bhd
A9-1-1, Jalan Ampang Utama 2/2
One Ampang Business Avenue
68000 Ampang
Selangor Darul Ehsan
Tel • 603 4256 6868
Fax • 603 4256 2266

TRUSTEE

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

PRINCIPAL FINANCIER OF THE FUND

**Great Eastern Life Assurance
(Malaysia) Berhad**
Level 19, Menara Great Eastern
No. 303, Jalan Ampang
50450 Kuala Lumpur
Tel • 603 4259 8888
Fax • 603 4813 0516

AUDITORS

HLB Ler Lum (AF 0276)
Chartered Accountants
2nd & 3rd Floor, Bangunan Yeoh
35 - 37, Jalan Kamunting
50300 Kuala Lumpur
Tel • 603 2691 5737
Fax • 603 2691 3227

REGISTRAR

Pintar Projek Sdn Bhd
11th Floor, Yeoh Tiong Lay Plaza
55 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel • 603 2117 0088/603 2142 6633
Fax • 603 2141 2703

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 studied at Kingston University, UK, where he obtained a Bachelor of Science (Hons) in Civil Engineering and was conferred an Honorary Doctorate of Engineering in 2004. He became the Managing Director of YTL Corporation Berhad Group in 1988 which under his stewardship, has grown from a single listed entity into a force comprising six listed entities ie. YTL Corporation Berhad, YTL Power International Berhad, YTL Cement Berhad, YTL Land & Development Berhad, YTL e-Solutions Berhad and Starhill Real Estate Investment Trust. He is presently Managing Director of YTL Corporation Berhad, YTL Power International Berhad, YTL Land & Development Berhad and YTL Cement Berhad, all listed on the Main Board of Bursa Malaysia Securities Berhad. Tan Sri Francis is also the Executive Chairman of YTL e-Solutions Berhad, which is listed on the MESDAQ Market of Bursa Malaysia Securities Berhad. Besides the listed entities in YTL Group, Tan Sri Francis also sits on the board of several public companies such as YTL Industries Berhad, YTL Foundation and the prominent private utilities companies in United Kingdom, Wessex Water Limited and Wessex Water Services Limited.

He is a Founder Member of the Malaysian Business Council and The Capital Markets Advisory Council. He is also a member of The Nature Conservancy Asia Pacific Council, the Asia Business Council and Trustee of the Asia Society. He is also a member of the Advisory Council of London Business School, Wharton School and Insead.

He was ranked by both Fortune Magazine and Business Week Magazine as Asia's 25 Most Powerful and Influential Business Personalities. He won the inaugural Ernst & Young's Master Entrepreneur in Malaysia and CNBC Asia Pacific recently named him Malaysia CEO of the Year.

He was appointed as member of Barclays Asia-Pacific Advisory Committee in 2005. He also sits on the IBLF International Advisory Board, which is chaired by James Wolfensohn, Former President of the World Bank.

In 2006, he was awarded the Commander of the Most Excellent Order of the British Empire (CBE) by Her Majesty Queen Elizabeth II.

DATO' YEOH SEOK KIAN, Malaysian, aged 49, 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 several other public companies such as YTL Industries Berhad, The Kuala Lumpur Performing Arts Centre, YTL Vacation Club Berhad and private utilities company, Wessex Water Limited.

DATO' (DR) YAHYA BIN ISMAIL, Malaysian, aged 79, 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 the Director General of the National Livestock Authority Malaysia. He was also with the Totalisator Board Malaysia from 1982 to 1990 and served as its Chairman since 1986. Dato' Yahya is a Director of YTL Corporation Berhad, YTL Power International Berhad, both listed on the Main Board of Bursa Malaysia Securities Berhad and YTL Industries Berhad. He also sits on the board of several other public companies including Killinghall Malaysia Berhad and Metroplex Berhad.

EU PENG MENG @ LESLIE EU, Malaysian, aged 72, 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 Shipper Transport Personality award by the Minister of Transport. He was appointed by the United Nations Conference on Trade and Development as one of the 13 experts to assist the developing nations in establishing their maritime fleets. Mr Leslie Eu presently serves on the board of several public companies such as YTL Corporation Berhad, YTL Cement Berhad and YTL Land & Development Berhad, all listed on the Main Board of Bursa Malaysia Securities Berhad and Lloyd's Register of Shipping (Malaysia) Bhd.

DATO' HJ MOHAMED ZAINAL ABIDIN BIN HJ ABDUL KADIR, Malaysian, aged 67, has been an Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. He qualified as a teacher in 1963 from the Day Training Centre for Teaching in Ipoh, Perak and was in the teaching profession from 1964 to 1981 prior to entering the business arena as a property developer in May 1981. Dato' Hj Mohamed Zainal Abidin also sits on the Board of several reputable private limited companies involved in construction, property development and resort operations such as Pakatan Perakbina Sdn Bhd, Seri Yakin Sdn Bhd and Syarikat Pelanchongan Pangkor Laut Sdn Bhd.

Notes:

1 Family Relationship with Director and/or Major Unitholder

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

2 Conflict of Interest

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

3 Conviction of Offences

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

DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

During the financial year, a total of 4 Board meetings were held and the details of attendance are as follows:

	Attendance
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	4
Dato' Yeoh Seok Kian	3
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	4
Dato' (Dr) Yahya Bin Ismail	4
Eu Peng Meng @ Leslie Eu	4

Statement on Corporate Governance

Starhill Real Estate Investment Trust (“Starhill REIT”) was established on 18 November 2005 pursuant to a trust deed (“Deed”) entered into between Pintar Projek Sdn Bhd (“PPSB” or the “Manager”) and Mayban Trustees Berhad (the “Trustee”). Starhill REIT has been listed on the Main Board of Bursa Malaysia Securities Berhad (“Bursa Securities”) since 16 December 2005.

The Board of Directors of PPSB (“Board”) is firmly committed to ensuring that the Manager implements and operates good corporate governance practices. In 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 ROLE OF THE MANAGER

Starhill REIT is managed and administered by the Manager, who has the primary objectives of: (a) providing Unitholders with stable cash distributions with the potential for sustainable growth, principally from the ownership of properties; and (b) enhancing long-term Unit value.

The Manager must carry on and conduct its business in a proper, diligent and efficient manner and ensure that Starhill REIT is carried on and conducted in a proper, diligent and efficient manner, and in accordance with acceptable and efficacious business practices in the real estate investment trust industry in Malaysia. Subject to the provisions of the Deed, the Manager has full and complete powers of management and must manage the Starhill REIT (including all assets and liabilities of Starhill REIT) for the benefit of the Unitholders.

The Board recognises that an effective corporate governance framework is critical in order to achieve these objectives, to fulfil its duties and obligations and to ensure that Starhill REIT continues to perform strongly.

The general functions, duties and responsibilities of the Manager include the following:

- a to manage Starhill REIT’s assets and liabilities for the benefit of Unitholders;
- b to be responsible for the day-to-day management of Starhill REIT;
- c to carry out activities in relation to the assets of Starhill REIT in accordance with the provisions of the Deed;
- d to set the strategic direction of Starhill REIT and submit proposals to the Trustee on the acquisition, divestment or enhancement of assets of Starhill REIT;
- e to issue an annual report and interim report of Starhill REIT to Unitholders within 2 months of Starhill REIT’s financial year end and the end of the period covered, respectively; and
- f to ensure that Starhill REIT is managed within the ambit of the Deed, the Securities Commission Act and other securities laws, the Listing Requirements, the REIT Guidelines and other applicable laws.

CONFLICTS OF INTEREST

The Deed provides that the Manager, the Trustee and any delegate of either of them shall avoid conflicts of interest arising or, if conflicts arise, shall ensure that Starhill REIT is not disadvantaged by the transaction concerned. The Manager must not make improper use of its position in managing Starhill REIT to gain, directly or indirectly, an advantage for itself or for any other person or to cause detriment to the interests of Unitholders.

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

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

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

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

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

RELATED PARTY TRANSACTIONS

In dealing with any related party transactions that may arise, it is the Manager's policy that no real estate may be acquired from, or disposed to, a related party of the Manager unless the criteria set out in (a) to (c) below are satisfied and the procedures described further below are complied with:

- a
 - i a valuation must be undertaken of the real estate by an approved valuer, in accordance with the Deed, and a valuation report given to the Trustee;
 - ii the date of valuation must not be more than 6 months before the date of the proposed acquisition or disposal;
 - iii since the last valuation date, no circumstances must have arisen to materially affect the valuation;
 - iv the valuation must not have been revised by the Securities Commission ("SC") pursuant to the REIT Guidelines;

- b the real estate must be transacted at a price as assessed below:
 - i in the case of acquisitions, not more than the value assessed in the valuation report referred to in (a) above;
 - ii in the case of disposals, not less than 90% of the value assessed in the valuation report referred to in (a) above;
- c the consent of the Trustee must be obtained if it has not already been obtained.

An announcement must be made by the Manager to the Unitholders prior to the acquisition or disposal of real estate, providing full details of the proposed transaction, the value of the real estate as assessed by an approved valuer, whether the consent of the Trustee and the SC, where applicable, has been obtained and the acquisition or disposal price.

Where the transaction is conditional upon the approval of Unitholders, Unitholders' approval must be sought prior to completion of the transaction. The Trustee must ensure that the prior approval of Unitholders is obtained at a general meeting, held specifically for that purpose, in the following circumstances:

- a where the real estate is to be acquired or disposed of at a price other than that at a price assessed by reference to the valuation report; and
- b a disposal which exceeds 50% of the Gross Asset Value (on a per-transaction basis).

In this regard, the Manager adheres strictly to the provisions of the REIT Guidelines which prohibit the Manager and its related parties from voting their Units at any meeting of Unitholders convened unless an exemption is obtained from the SC.

Statement on Corporate Governance

BOARD STRUCTURE

The Manager is led and managed by an experienced Board with a wide and varied range of expertise. This broad spectrum of skills and experience gives added strength to the leadership, thus ensuring the Manager is under the guidance of an accountable and competent board. The Directors recognise the key role they play in charting the strategic direction, development and control of the Manager and have adopted the six primary responsibilities as listed in the REIT Guidelines as well as the roles and duties set out in the REIT Guidelines, which facilitate the discharge of the Directors' stewardship responsibilities.

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

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

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

BOARD MEETINGS & ACCESS TO INFORMATION

Board meetings are scheduled at least four times per annum to review the operations of Starhill REIT and to approve the interim and annual financial statements of Starhill REIT. The Board met four times during the financial year ended 30 June 2007.

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

Prior to Board meetings, all Directors receive the agenda together with a full set of board papers containing information relevant to the business of the meeting. This allows the Directors to obtain further explanations/clarifications, where necessary, in order to be properly briefed before the meetings.

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

APPOINTMENTS TO THE BOARD

The appointment of Directors is undertaken by the Board as a whole. The Chief Executive Officer makes recommendations on the suitability of candidates nominated for appointment to the Board and, thereafter, the final decision lies with the entire Board to ensure that the resulting mix of experience and expertise of members of the Board is sufficient to address the issues affecting the Manager.

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 year under review, the Directors attended various conferences and programmes, including speaking engagements, throughout the year to enhance their knowledge and expertise. In this regard, the Board will continue to evaluate and determine the training needs of its Directors on an ongoing basis.

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 are reviewed and approved by the Directors prior to release to the relevant regulatory authorities.

RELATIONSHIP WITH THE AUDITORS

The Board has established a formal and transparent arrangement for maintaining an appropriate relationship with the auditors of Starhill REIT. Starhill REIT's auditors report their findings to members of the Board as part of the audit process on the statutory financial statements each financial year. From time to time, the auditors highlight matters that require attention to the Board.

COMMUNICATION WITH UNITHOLDERS AND INVESTORS

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

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

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

This statement was approved by the Board on 12 July 2007.

Analysis of Unitholdings

as at 10 July 2007

Size of holding	No. of Unitholders	%	No. of Units	%
1 - 99	14	0.31	480	0.00
100 - 1,000	1,614	35.40	1,529,070	0.13
1,001 - 10,000	2,053	45.02	9,601,550	0.81
10,001 - 100,000	679	14.89	25,453,820	2.16
100,001 - to less than 5% of issued units	198	4.34	402,944,480	34.18
5% and above of issued units	2	0.04	739,359,489	62.72
Total	4,560	100.00	1,178,888,889	100.00

THIRTY LARGEST UNITHOLDERS (AS PER RECORD OF DEPOSITORS)

Name	No. of units	%
1 YTL Corporation Berhad	670,280,889	56.86
2 YTL Corporation Berhad	69,078,600	5.86
3 Citigroup Nominees (Asing) Sdn Bhd - Exempt An for American International Assurance Company Limited	30,132,000	2.56
4 Citigroup Nominees (Tempatan) Sdn Bhd - ING Insurance Berhad (INV-IL PAR)	28,696,000	2.43
5 DB (Malaysia) Nominee (Asing) Sdn Bhd - Exempt An for Deutsche Bank AG Singapore (PWM Asing)	24,400,000	2.07
6 YTL Power International Berhad	20,496,900	1.74
7 Cartaban Nominees (Asing) Sdn Bhd - RBC Dexia Investor Services Bank for Robeco Emerging Marketsecurities (EUR-RCGF)	20,000,000	1.70
8 Citigroup Nominees (Asing) Sdn Bhd - CIPLC for Henderson Horizon Fund-Asia Pacific Property Equities Fund	17,017,300	1.44
9 HSBC Nominees (Asing) Sdn Bhd - Exempt An for JPMorgan Chase Bank, National Association (Kuwait)	15,000,000	1.27
10 YTL Power International Berhad	14,628,000	1.24
11 Cartaban Nominees (Asing) Sdn Bhd - Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)	14,261,000	1.21
12 HSBC Nominees (Asing) Sdn Bhd - TNTC for the Highclere International Investors Smaller Companies Fund	10,936,200	0.93
13 Cartaban Nominees (Asing) Sdn Bhd - Credit Suisse Securities (Europe) Limited for Value Catalyst Fund Ltd	9,670,640	0.82
14 HSBC Nominees (Asing) Sdn Bhd - Exempt An for The Hongkong and Shanghai Banking Corporation Limited (HBFS-I CLT ACCT)	9,562,600	0.81
15 Citigroup Nominees (Tempatan) Sdn Bhd - Exempt An for Prudential Assurance Malaysia Berhad	8,781,000	0.74
16 Citigroup Nominees (Asing) Sdn Bhd - UBS AG for NPJ Global Opportunities Master Fund (Pledged)	8,505,900	0.72
17 Cartaban Nominees (Asing) Sdn Bhd - Credit Suisse Securities (Europe) Limited for LP Value Limited	8,410,680	0.71

Name	No. of units	%
18 YTL Power International Berhad	7,964,600	0.68
19 HSBC Nominees (Asing) Sdn Bhd - SIS for Coach Assets Inc (Sarasin)	7,000,000	0.59
20 Cartaban Nominees (Asing) Sdn Bhd - Government of Singapore Investment Corporation Pte Ltd for Monetary Authority of Singapore (H)	6,108,200	0.52
21 HSBC Nominees (Asing) Sdn Bhd - BNY Lux for Pan Holding SA	5,805,500	0.49
22 Citigroup Nominees (Asing) Sdn Bhd - Goldman Sachs International	5,400,000	0.46
23 Cartaban Nominees (Asing) Sdn Bhd - Credit Suisse Securities (Europe) Limited for Laxey Investors LP	5,246,070	0.45
24 Amanah Raya Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Bersama	5,041,700	0.43
25 Cartaban Nominees (Asing) Sdn Bhd - Credit Suisse Securities (Europe) Limited for LP Alternative L.P.	4,748,000	0.40
26 Cartaban Nominees (Asing) Sdn Bhd - Credit Suisse Securities (Europe) Limited for National Bank of Canada	4,461,470	0.38
27 Hong Leong Assurance Berhad - As Beneficial Owner (Life Par)	4,000,000	0.34
28 Cartaban Nominees (Asing) Sdn Bhd - Caceis Bank Paris for SICAV CIPEC	3,932,000	0.33
29 Citigroup Nominees (Tempatan) Sdn Bhd - ING Insurance Berhad (INV-IL NON-PAR)	3,288,700	0.28
30 Kurnia Insurans (Malaysia) Berhad	3,280,000	0.28
Total	1,046,133,949	88.74

SUBSTANTIAL UNITHOLDERS (AS PER RECORD OF DEPOSITORS)

Name	Direct	No. of Units Held		%
		%	Indirect	
YTL Corporation Berhad	742,027,189	62.94	43,089,500 **	3.66

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

Statement of Interests

of Directors of the Manager

STATEMENT OF INTERESTS OF DIRECTORS OF PINTAR PROJEK SDN BHD in Starhill Real Estate Investment Trust and related corporations as at 10 July 2007

STARHILL REAL ESTATE INVESTMENT TRUST

Name	Direct	No. of Units Held		%
		%	Indirect	
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	870,000	0.07	–	–
Dato' Hj Mohamed 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, CBE	14,203,652	0.94	–	–	5,000,000
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	10,000	–	3,686,826	0.25	–
Dato' Yeoh Seok Kian	5,321,210	0.35	–	–	3,500,000
Dato' (Dr) Yahya Bin Ismail	221,618	0.01	–	–	–
Eu Peng Meng @ Leslie Eu	20,000	–	–	–	–

Name	Direct	No. of 1997/2007 Warrants Held		%
		%	Indirect	
Dato' (Dr) Yahya Bin Ismail	15,120	0.84	–	–

Name	Direct	No. of 1999/2009 Warrants Held		%
		%	Indirect	
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	2,285,472	0.84	–	–
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	10,000	–	6,777,876	2.48
Dato' Yeoh Seok Kian	655,866	0.24	–	–
Dato' (Dr) Yahya Bin Ismail	40,950	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, CBE	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, CBE	2,042,923	0.43	–	–	1,400,000
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	225,634	0.05	15,015,945	3.19	–
Dato' Yeoh Seok Kian	618,754	0.13	–	–	350,000
Dato' (Dr) Yahya Bin Ismail	45,136	0.01	–	–	–
Eu Peng Meng @ Leslie Eu	20,000	–	–	–	–

Name	Direct	No. of ICULS Held		%
		%	Indirect	
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	1,727,423	0.36	–	–
Dato' Hj Mohamed 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 Mohamed Zainal Abidin Bin Hj Abdul Kadir	430,700	0.03	1,944,000	0.14
Dato' (Dr) Yahya Bin Ismail	292,000	0.02	–	–

YTL LAND & DEVELOPMENT BERHAD

Name	Direct	No. of Shares Held		%
		%	Indirect	
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	20,000	0.01	4,200,000	1.11

Name	Direct	No. of Irredeemable Convertible Preference Shares 2001/2011 Held		%
		%	Indirect	
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	200,000	0.10	–	–
Dato' Yeoh Seok Kian	240,000	0.11	–	–
Eu Peng Meng @ Leslie Eu	78,000	0.04	–	–

Name	Direct	No. of Irredeemable Convertible Preference Shares 2003/2008 Held		%
		%	Indirect	
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	47,727,410	8.95	115,185,312	21.60

Statement of Interests

of Directors of the Manager

YTL POWER INTERNATIONAL BERHAD

Name	Direct	No. of Shares Held		%	No. of Share Options
		%	Indirect		
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	13,109,251	0.26	–	–	7,000,000
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	76,896	–	110,185,908	2.15	–
Dato' Yeoh Seok Kian	4,369,367	0.09	–	–	3,000,000
Dato' (Dr) Yahya Bin Ismail	576,999	0.01	–	–	–
Eu Peng Meng @ Leslie Eu	17,576	–	–	–	–

Name	Direct	No. of Warrants Held		%
		%	Indirect	
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	240,000	0.03	–	–
Dato' (Dr) Yahya Bin Ismail	136,000	0.02	–	–

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Manager's Report

The Directors of Pintar Projek Sdn. Bhd., the Manager of Starhill Real Estate Investment Trust ("Starhill REIT" or "Trust"), is pleased to present their Report to the Unitholders of Starhill REIT together with the audited financial statements of Starhill REIT for the financial year ended 30 June, 2007.

PRINCIPAL ACTIVITY OF THE MANAGER

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

THE TRUST AND ITS INVESTMENT OBJECTIVE

Starhill REIT was established on 18 November, 2005 pursuant to a trust deed dated 18 November, 2005 and the supplementary deed dated 19 April, 2007 (collectively referred to as "Deed") between the Manager and Mayban Trustees Berhad ("Trustee") and is categorised as a real property fund.

Starhill REIT was listed on the Main 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 year, Starhill REIT successfully acquired 60 units of serviced apartment units located from the 5th floor to the 19th floor of the block of serviced apartments, 4 levels of commercial podium located from the ground floor to 3rd floor together with 1 level of facilities deck on the 4th floor and basement car park levels 2 and 3 of a 3 storey basement car park, all within the building which is known as The Residences at The Ritz-Carlton, Kuala Lumpur ("The Residences Properties") for a purchase consideration of RM125 million, satisfied by the issuance of 138,888,889 new units in Starhill REIT at an issue price of RM0.90 per unit. The acquisition enlarged Starhill REIT's previous portfolio of 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, JW Marriott Hotel Kuala Lumpur and The Residences Properties collectively referred to as "Properties").

BENCHMARK RELEVANT TO THE TRUST

Management Expense Ratio ("MER")

	2007	2006
MER for the financial year/period	0.33%	0.18%

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

INVESTMENT STRATEGIES

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

i Operating Strategy

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.

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.

Manager's Report

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 and circular dated 5 April, 2007:

	Actual RM'000	Prospectus RM'000	Circular RM'000
Net revenue	98,835	97,250	99,168
Income before taxation	72,690	68,440	72,684
Distribution per unit (sen)	6.70 ⁽¹⁾	6.58	6.70

Note:

(1) Aggregate of distributions paid and declared in respect of the financial year ended 30 June, 2007.

During the financial year ended 30 June, 2007, the Trust recorded net revenue and income before taxation of RM98.835 million and RM72.690 million respectively, as compared to the forecast net revenue and income before taxation of RM97.250 million and RM68.440 million respectively reported in the prospectus dated 22 November, 2005, representing an increase of 1.63% and 6.21% in net revenue and income before taxation respectively. The rental received from The Residences Properties, the higher rental rates received from the renewal of existing tenancies and commencement of new tenancies under Starhill Gallery and Lot 10 Parcels and interest income generated from the placement of funds with licensed financial institutions collectively contributed to the increase in both net revenue and income before taxation.

A circular to unitholders dated 5 April, 2007 was issued to convene a meeting of the Trust on 19 April, 2007 to seek approval for the proposed acquisition of The Residences Properties and proposed amendments to the deed dated 18 November, 2005. Included in the said circular was a revised set of profit forecast as set out above. The revised set of profit forecast as set out in the said circular was met by the Trust.

Analysis of net asset value since the last financial period ended 30 June, 2006.

	At 30 June, 2007	At 30 June, 2006
Total net asset value (RM'000)	1,145,902	1,022,757
Net asset value per unit (RM)	0.972	0.983

COMPOSITION OF INVESTMENT PORTFOLIO

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

	RM'000	%
Real Estate		
Commercial		
• Lot 10 Parcels	341,000	25
• Starhill Gallery	480,000	36
• JW Marriott Hotel Kuala Lumpur	329,000	24
• The Residences Properties	125,000	9
	1,275,000	94
Others		
Deposits with licensed financial institution	84,842	6
	1,359,842	100

Real Estate Property Acquired During The Financial Year

The Trust had on 16 May, 2007 acquired The Residences Properties from YTL Land Sdn. Bhd., a wholly-owned subsidiary of YTL Corporation Berhad, for a purchase consideration of RM125 million satisfied by the issuance of 138,888,889 new units in Starhill REIT at an issue price of RM0.90 per unit. The Residences Properties was issued with the certificate of fitness for occupation on 28 March, 2006 and was valued at RM145 million by Raine & Horne International, Zaki + Partners Sdn Bhd as an independent registered valuer using the investment and comparison methods of valuation.

The details of the real estate properties as at the balance sheet date are as follow:

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 17 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	69 years
Tenancy period	1 to 3 years, and rent review will be carried out prior to expiry of each lease.
Net lettable area	181,259 square feet
Existing use	Commercial building
Parking spaces	730 bays
Date of acquisition	16 December, 2005
Cost of acquisition	RM341,000,000

Manager's Report

LOT 10 PARCELS (contd.)

Major tenants (based on monthly rental payable)	(a) Autodome Sdn Bhd (b) Esprit De Corp (Malaysia) Sdn Bhd (c) F.J. Benjamin Fashions Sdn Bhd
Occupancy rates	97.06%
Rental received	RM26,426,013
Maintenance cost and capital expenditure	Maintenance cost incurred amounted to RM5,164,608 and no capital expenditure was incurred during the financial year.
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

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 12 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	294,695 square feet
Existing use	Commercial building
Parking spaces	1,162 bays
Date of acquisition	16 December, 2005
Cost of acquisition	RM480,000,000
Major tenants (based on monthly rental payable)	(a) Autodome Sdn Bhd (b) Cortina Watch Sdn Bhd (c) Louis Vuitton (M) Sdn Bhd
Occupancy rates	98.61%
Rental received	RM35,199,987
Maintenance cost and capital expenditure	Maintenance cost amounted to RM5,400,000 and no capital expenditure was incurred during the financial year.
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

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 10 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	16 December, 2005
Cost of acquisition	RM329,000,000
Sole tenant	Star Hill Hotel Sdn Bhd
Rental received	RM20,520,000
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

THE RESIDENCES PROPERTIES

Address / Location	Lot 1308, Jalan Yap Tai Chi, Seksyen 67 Off Jalan Imbi, 55100 Kuala Lumpur.
Title details	Geran 47693, Lot No. 1308 Seksyen 67, Bandar Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Property type	Serviced apartment
Description	60 units of serviced apartments, 4 levels of commercial podium , 1 level of facilities deck and 2 levels of basement car park.
Age	Approximately 2 years
Status of holdings	Freehold
Tenancy period	The property is leased for a term expiring on 30 June, 2031.
Existing use	Commercial building
Date of acquisition	16 May, 2007
Cost of acquisition	RM125,000,000
Sole tenant	Star Hill Hotel Sdn Bhd
Rental received	RM1,061,290
Encumbrances/Limitation in title/interest	There is no registered encumbrance.
Approved valuation	RM145,000,000
Date of last valuation	25 September, 2006
Basis of valuation	Investment and comparison method.
Net book value	RM125,000,000

Manager's Report

REVIEW OF THE PROPERTY MARKET

As at 30 June 2007, shopping centres owned by Starhill REIT achieved good occupancy rates ranging between 97.06% to 98.61%, of which are higher than the estimated average occupancy rate of 84.8% for shopping centers within Kuala Lumpur in 2006. (Source: Henry Butcher Shopping Centre, The Star dated May 13, 2006). The performance of the high occupancy rates has proven Properties owned by Starhill REIT to be quality investment properties. It is also a testimony to the success of the implemented operating strategies.

PROSPECTS OF THE MALAYSIAN 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 (GDP) growth of 6%. (Source Bank Negara 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).

Despite concerns over inflation that is triggering rising living costs coupled with the rise in oil prices globally, rental levels for prime shopping centers are expected to improve further during the next six to twelve months. (Source: Research Inc. Asia 2006). According to 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 of 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

A first interim distribution of income (which is tax exempt at Starhill REIT level under Section 61A of the Income Tax Act 1967) of 3.3650 sen per unit amounting to RM34,996,000 representing approximately 100% of the income after taxation was paid on 27 February, 2007 in respect of the six months financial period from 1 July, 2006 to 31 December, 2006.

A second interim distribution of income (which is tax exempt at Starhill REIT level under Section 61A of the Income Tax Act 1967) of 1.1840 sen per unit amounting to RM12,313,600 representing approximately 100% of the income after taxation was paid on 24 April, 2007 in respect of the two months financial period from 1 January, 2007 to 28 February, 2007.

The Manager has declared a final income distribution of 2.1529 sen per unit, totaling RM25,380,300, representing approximately 100% of the income after taxation in respect of the four months financial period from 1 March, 2007 to 30 June, 2007.

Total distribution paid and declared for the financial year ended 30 June, 2007 is 6.7019 sen per unit, totaling RM72,689,900, which translates to a yield of 7.13% based on the twelve months weighted average market price of RM0.94 as at 29 June, 2007.

The effect of the income distribution in terms of the net asset value per unit as at 30 June, 2007 is as follows:

	Before distribution RM	After distribution RM
Net asset value per unit	1.034	0.972

BREAKDOWN OF UNITHOLDINGS

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

Unit class	No. of Unitholders	%	No. of Units held '000	%
5,000 and below	3,125	68.07	6,287	0.53
5,001 to 10,000	587	12.78	4,992	0.42
10,001 to 50,000	537	11.70	13,987	1.19
50,001 to 500,000	274	5.97	42,012	3.56
500,001 and above	68	1.48	1,111,611	94.30
	4,591	100.00	1,178,889	100.00

There is no unit split exercise carried out during the financial year except that the unitholders' capital increased to 1,178,888,889 units from 1,040,000,000 units following the completion of acquisition exercise of The Residences Properties as disclosed in Note 26 to the financial statements.

Manager's Report

DIRECTORS

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

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE
Dato' Hj. Mohamed 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 year, 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.

For the financial year ended 30 June, 2007, 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.

DIRECTORS' INTERESTS

The following directors of the Manager who held office at the end of the financial year had, according to the register of unitholdings in Starhill REIT, interests in the units of Starhill REIT as follows:

	Balance at 01.07.2006	No. of units acquired	No. of units disposed	Balance at 30.06.2007
Direct interest				
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir	20,000	–	–	20,000
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	–	870,000	–	870,000

Other than as disclosed above, directors who held office at the end of the financial year 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 year is disclosed in Note 5 to the financial statements.

SOFT COMMISSION

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

RESERVES AND PROVISIONS

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

INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

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

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

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors of 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

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

AUDITORS

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

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

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

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

Dated: 12 July 2007
Kuala Lumpur

Statement by Manager

In the opinion of the directors of PINTAR PROJEK SDN. BHD., the accompanying financial statements are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the provisions of the Companies Act, 1965, the Securities Commission's Guidelines on Real Estate Investment Trusts, the provisions of the deed dated 18 November, 2005 and the supplementary deed dated 19 April, 2007 so as to give a true and fair view of the state of affairs of STARHILL REAL ESTATE INVESTMENT TRUST as at 30 June, 2007 and of the results of operations and cash flows of STARHILL REAL ESTATE INVESTMENT TRUST for the year ended on that date.

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

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

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

Dated: 12 July 2007
Kuala Lumpur

Statutory Declaration

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 12 July 2007

Before me:

Commissioner for Oaths

Trustee's Report

to the Unitholders of Starhill Real Estate Investment Trust

We have acted as Trustee of STARHILL REAL ESTATE INVESTMENT TRUST ("the Fund") for the financial year ended 30 June, 2007. To the best of our knowledge, PINTAR PROJEK SDN. BHD., the Manager, has managed the Fund in the year under review:

- a within the limitation imposed on the investment powers of the Manager and the Trustee under the Deed, other applicable provisions of the Deed, the Securities Commission's Guidelines on Real Estate Investment Trusts, the Securities Commission Act 1993 and other applicable laws;
- b that the valuation of the Fund is carried out in accordance with the Deed and any regulatory requirements; and
- c that the income distributions declared and paid are in line with the investment objectives of the Fund.

Mayban Trustees Berhad

Maziah Yong
Head Unit Trust & Retail

Dated: 12 July 2007
Kuala Lumpur

Report of the Auditors

to the Unitholders of Starhill Real Estate Investment Trust

We have audited the financial statements set out on pages 46 to 63. 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 MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the provisions of the Companies Act, 1965, the Securities Commission's Guidelines on Real Estate Investment Trusts, the provisions of the deed dated 18 November, 2005 and the supplementary deed dated 19 April, 2007 so as to give a true and fair view of the state of affairs of STARHILL REAL ESTATE INVESTMENT TRUST as at 30 June, 2007 and of the results of the operations and cash flows of STARHILL REAL ESTATE INVESTMENT TRUST for the year ended on that date.

HLB LER LUM

Firm Number: AF 0276
Chartered Accountants

LUM TUCK CHEONG

1005/3/09(J/PH)
Partner of the Firm

Dated: 12 July 2007
Kuala Lumpur

Income Statement

for the year ended 30 June 2007

	Note	Year ended 30.6.2007 RM'000	18.11.2005 (Date of establishment) to 30.6.2006 RM'000
TOTAL INCOME			
Net revenue	3	98,835	50,739
Property operating expenses	4	(17,201)	(9,152)
Net property income		81,634	41,587
Interest income		3,138	1,465
		84,772	43,052
TRUST EXPENSES			
Manager's fees	5	2,923	1,513
Trustee's fee	6	378	200
Borrowing costs	7	8,651	5,331
Auditors' remuneration		20	30
Tax agent's fee		25	10
Administration expenses		85	63
		12,082	7,147
INCOME BEFORE TAXATION		72,690	35,905
TAXATION	8	-	-
NET INCOME FOR THE YEAR/PERIOD		72,690	35,905
NET INCOME FOR THE YEAR/PERIOD IS MADE UP OF THE FOLLOWING:			
Realised		72,690	35,905
Unrealised		-	-
		72,690	35,905
EARNINGS PER UNIT			
	9		
- after manager's fees (sen)		6.87	3.45
- before manager's fees (sen)		7.15	3.60
NET INCOME DISTRIBUTION			
First interim income distribution per unit			
- Gross (sen) paid on 27 February, 2007		3.3650	-
Second interim income distribution per unit			
- Gross (sen) paid on 24 April, 2007		1.1840	-
Final income distribution per unit			
- Gross (sen)			
(2006: paid on 25 August, 2006)		2.1529	3.4524

The notes set out on pages 51 to 63 form an integral part of these financial statements.

Balance Sheet

as at 30 June 2007

	Note	2007 RM'000	2006 RM'000
ASSETS			
Non-current assets			
Investment properties	10	1,275,000	1,150,000
Current assets			
Trade receivables	11	2,384	1,738
Other receivables	12	174	238
Deposits with licensed financial institution	13	84,842	97,917
Cash at bank		942	74
		88,342	99,967
Total assets		1,363,342	1,249,967
UNITHOLDERS' FUNDS AND LIABILITIES			
Unitholders' funds			
Unitholders' capital	14	1,145,901	1,022,756
Undistributed income		1	1
Total unitholders' funds		1,145,902	1,022,757
Non-current liabilities			
Borrowing	15	180,000	180,000
Other payables	16	6,294	7,530
		186,294	187,530
Current liabilities			
Other payables	16	5,766	3,776
Provision for income distribution	17	25,380	35,904
		31,146	39,680
Total liabilities		217,440	227,210
Total unitholders' funds and liabilities		1,363,342	1,249,967
	Note	2007	2006
Net assets value (RM'000)		1,145,902	1,022,757
Number of units in circulation ('000)	14	1,178,889	1,040,000
Net asset value per unit (RM)			
- before income distribution		1.034	1.018
- after income distribution		0.972	0.983

The notes set out on pages 51 to 63 form an integral part of these financial statements.

Statement of Changes in Net Asset Value

for the year ended 30 June 2007

	Unitholders' Capital RM'000	Distributable Undistributed Income RM'000	Total Unitholders' Funds RM'000
At 18 November, 2005 (Date of establishment)	1	–	1
Operations for the period from 18 November, 2005 to 30 June, 2006			
Net income for the period	–	35,905	35,905
Increase in net assets resulting from operations	–	35,905	35,905
Unitholders transactions			
Proceeds from initial public offering	1,043,595	–	1,043,595
Listing expenses (Note 18)	(20,840)	–	(20,840)
Provision for income distribution (Note 17)	–	(35,904)	(35,904)
Increase in net assets resulting from unitholders transactions	1,022,755	(35,904)	986,851
At 30 June, 2006	1,022,756	1	1,022,757
At 1 July, 2006	1,022,756	1	1,022,757
Operations for the year ended 30 June, 2007			
Net income for the year	–	72,690	72,690
Increase in net assets resulting from operations	–	72,690	72,690
Unitholders transactions			
Creation of units	125,000	–	125,000
Acquisition expenses (Note 18)	(1,855)	–	(1,855)
Distribution paid	–	(47,310)	(47,310)
Provision for income distribution (Note 17)	–	(25,380)	(25,380)
Increase in net assets resulting from unitholders transactions	123,145	(72,690)	50,455
At 30 June, 2007	1,145,901	1	1,145,902

The notes set out on pages 51 to 63 form an integral part of these financial statements.

Cash Flow Statement

for the year ended 30 June 2007

	Year ended 30.6.2007 RM'000	18.11.2005 (Date of establishment) to 30.6.2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before taxation	72,690	35,905
Adjustments for:		
Allowance for doubtful debts	193	211
Bad debts recovered	(139)	–
Interest income	(3,138)	(1,465)
Interest expenses	8,640	4,663
Operating profit before changes in working capital	78,246	39,314
Increase in receivables	(636)	(2,187)
Increase in payables	754	11,306
Net cash generated from operating activities	78,364	48,433
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	3,138	1,465
Payment of acquisition/listing expenses	(1,855)	(20,840)
Purchase of investment properties	–	(619,600)
Net cash generated from/(used in) investing activities	1,283	(638,975)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(8,640)	(4,663)
Distribution paid	(83,214)	–
Proceeds from issue of units	–	513,196
Proceeds from borrowings	–	180,000
Net cash (used in)/generated from financing activities	(91,854)	688,533
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(12,207)	97,991
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	97,991	–
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	85,784	97,991

The notes set out on pages 51 to 63 form an integral part of these financial statements.

Cash Flow Statement

for the year ended 30 June 2007

	Year ended 30.6.2007 RM'000	18.11.2005 (Date of establishment) to 30.6.2006 RM'000
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NOTES TO CASH FLOW STATEMENT

a Cash and cash equivalents at end of year/period comprise:

Deposits with licensed financial institution	84,842	97,917
Cash at bank	942	74
	<hr/>	<hr/>
	85,784	97,991

b Analysis of acquisition of investment properties:

Cash	–	619,600
Issuance of units	125,000	530,400
	<hr/>	<hr/>
	125,000	1,150,000

Notes to the Financial Statements

1 GENERAL INFORMATION

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

Starhill Real Estate Investment Trust (“Starhill REIT” or “Trust”) was established on 18 November, 2005 pursuant to a trust deed dated 18 November, 2005 and supplementary deed dated 19 April, 2007 (collectively referred as “Deed”) between the Manager and Mayban Trustees Berhad (“Trustee”) and is categorised as a real property fund.

Starhill REIT was listed on the Main Board of Bursa Malaysia Securities Berhad (“Bursa Securities”) on 16 December, 2005 and is an income and growth type fund. The investment objective of Starhill REIT is to own and invest in real estate and real estate-related assets, whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

a Basis of preparation

The financial statements have been prepared under the historical cost convention (unless stated otherwise in the significant accounting policies below) and comply with the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the provisions of the Companies Act, 1965, the Securities Commission’s Guidelines on Real Estate Investment Trusts, the provisions of the deed dated 18 November, 2005 and the supplementary deed dated 19 April, 2007.

The preparation of financial statements in conformity with the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the provisions of the Companies Act, 1965, the Securities Commission’s Guidelines on Real Estate Investment Trusts, the provisions of the deed dated 18 November, 2005 and the supplementary deed dated 19 April, 2007 requires the directors of the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities (if any) at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

The financial statements are presented in Ringgit Malaysia, which is the Trust’s functional and presentation currency.

The adoption of the relevant new or revised Financial Reporting Standards (“FRS”), effective for the financial year beginning on or after 1 January, 2006 are as follows:

FRS 5 Non-current Assets Held for Sale and Discontinued Operations
FRS 101 Presentation of Financial Statements
FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110 Events after the Balance Sheet Date
FRS 116 Property, Plant and Equipment
FRS 132 Financial Instruments: Disclosure and Presentation
FRS 133 Earnings per Share
FRS 136 Impairment of Assets
FRS 140 Investment Property

The financial statements have been amended as required, in accordance with the relevant transitional provisions in the respective FRSs.

Save as the early adoption of FRS 140 during the financial period ended 30 June, 2006, the adoption of the above FRS did not have significant financial impact on the Trust.

Notes to the Financial Statements

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 fair value.

No depreciation is provided on investment properties. Investment properties are stated at fair value, which reflects market condition at the balance sheet date. The fair value is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Any increase or decrease arising from changes in the fair value is credited or charged directly to the Income Statement as a net appreciation or depreciation in the value of the investment properties.

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

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

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 or substantively enacted at the balance sheet date.

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

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

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

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.

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

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

3 NET REVENUE

	Year ended 30.6.2007 RM'000	18.11.2005 (Date of establishment) to 30.6.2006 RM'000
Rental income	83,477	43,229
Service charges	9,291	4,916
Carpark income	5,000	2,715
Other interest income	142	58
Maintenance income	841	30
Other income	138	2
Gross revenue	98,889	50,950
Add: Bad debts recovered	139	-
Less: Allowance for doubtful debts	(193)	(211)
	98,835	50,739

Notes to the Financial Statements

4 PROPERTY OPERATING EXPENSES

	Year ended 30.6.2007 RM'000	18.11.2005 (Date of establishment) to 30.6.2006 RM'000
Service charges and fixed operating costs	10,565	5,737
Property management fees	1,442	741
Assessment and quit rent	4,607	2,468
Insurance and others	587	206
	17,201	9,152

For the financial year ended 30 June, 2007, property management fees of RM1,442,141 (2006: 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.

5 MANAGER'S FEES

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

	Year ended 30.6.2007 RM'000	18.11.2005 (Date of establishment) to 30.6.2006 RM'000
i Base fee	1,261	667
ii Performance fee	1,662	846
	2,923	1,513

- 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 year/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

	Year ended 30.6.2007 RM'000	18.11.2005 (Date of establishment) to 30.6.2006 RM'000
Interest expense on term loan (Note 15)	8,640	4,663
Incidental cost incurred to obtain the term loan facility:		
- Facility fee	11	7
- Arranger's fee	-	661
	8,651	5,331

Stamp duty and legal fees of RM900,042 and RM184,778 respectively were capitalised in the listing expenses during the last financial period ended 30 June, 2006.

8 TAXATION

There is no taxation charged for the financial year ended 30 June, 2007 (2006: Nil). The Trust have provided approximately 100% of the distributable income to unitholders which income at the Trust level is exempted from tax in accordance with the Income Tax Act, 1967. The Trust has sufficient capital allowances to set off the net income undistributed at the end of the financial year/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:

	Year ended 30.6.2007 RM'000	18.11.2005 (Date of establishment) to 30.6.2006 RM'000
Income before taxation	72,690	35,905
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	19,626	10,053
Expenses not deductible for tax purposes	124	322
Utilisation of capital allowances	(8,683)	(2,227)
Income exempted from tax	(11,067)	(8,148)
Tax expense for the year/period	-	-

Notes to the Financial Statements

9 EARNINGS PER UNIT

- i The earnings per unit after manager's fees has been calculated based on the income after taxation for the year/period of RM72,690,392 (2006: RM35,905,474) and the weighted average number of units in circulation during the year/period of 1,057,503,805 (2006: 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 year/period of RM75,613,430 (2006: RM37,418,768) and the weighted average number of units in circulation during the year/period of 1,057,503,805 (2006: 1,040,000,000).

10 INVESTMENT PROPERTIES

	2007 RM'000	2006 RM'000
At beginning of the year/At date of establishment	1,150,000	–
Acquired during the year/period	125,000	1,150,000
At end of the year/period	1,275,000	1,150,000
Analysis of investment properties:		
Freehold land and building	934,000	809,000
Long term leasehold land and building - 99-year term expiring on 29 July, 2076	341,000	341,000
	1,275,000	1,150,000

Investment properties amounting to RM1,150 million (2006: RM1,150 million) are charged as security for a term loan granted to the Trust as disclosed in Note 15.

11 TRADE RECEIVABLES

	2007 RM'000	2006 RM'000
Trade receivables	2,567	1,949
Less: Allowance for doubtful debts	(183)	(211)
	2,384	1,738

During the year, the Trust wrote off trade receivables of RM81,668 against the allowance for doubtful debts.

12 OTHER RECEIVABLES

	2007 RM'000	2006 RM'000
Other receivables	119	188
Prepayments	55	50
	<u>174</u>	<u>238</u>

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 3.47% (2006: 3.42%) per annum.

The average maturities of deposits of the Trust ranged from 1 day to 46 days (2006: 1 day to 21 days).

14 UNITHOLDERS' CAPITAL

	2007 No. of units '000	2006 No. of units '000
Authorised:		
At beginning of the year/At date of establishment	1,040,000	1
Created during the year/period	<u>138,889</u>	<u>1,039,999</u>
At end of the year/period	<u>1,178,889</u>	<u>1,040,000</u>

	2007 Amount RM'000	2006 Amount RM'000
Issued and fully paid:		
At beginning of year/At date of establishment	1,022,756	1
Partial payment of the purchase consideration on investment properties acquired	–	530,400
Initial public offering	–	513,195
Consideration for acquisition of investment property	125,000	–
Acquisition/listing expenses (Note 18)	<u>(1,855)</u>	<u>(20,840)</u>
At end of the year/period	<u>1,145,901</u>	<u>1,022,756</u>

Notes to the Financial Statements

	2007 Units '000	2006 Units '000
Issued and fully paid:		
At beginning of year/At date of establishment	1,040,000	1
Partial payment of the purchase consideration on investment properties acquired	–	530,400
Initial public offering	–	509,599
Units issued for acquisition of investment property	138,889	–
	<hr/>	<hr/>
At end of the year/period	1,178,889	1,040,000

15 BORROWING

	2007 RM'000	2006 RM'000
Term loan	180,000	180,000

The term loan is secured by a first fixed charge over investment properties as disclosed in Note 10. The term loan has a tenure of five years at a fixed interest rate of 4.8% (2006: 4.8%) per annum. The term loan shall be repaid in one lump sum on 16 December, 2010 and the interest is payable monthly.

16 OTHER PAYABLES

	2007 RM'000	2006 RM'000
Other payables	57	17
Accruals	1,146	1,520
Tenants' deposits		
- Payable within 12 months	4,563	2,239
- Payable after 12 months	6,294	7,530
	<hr/>	<hr/>
	12,060	11,306
Represented by:		
Current liabilities	5,766	3,776
Non-current liabilities	6,294	7,530
	<hr/>	<hr/>
	12,060	11,306

17 PROVISION FOR INCOME DISTRIBUTION

	2007 RM'000	2006 RM'000
At beginning of year/At date of establishment	35,904	–
Provision made during the financial year/period	72,690	35,904
Distribution paid during the financial year/period	(83,214)	–
At end of the year/period	25,380	35,904

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

For the financial year ended 30 June, 2007, the Manager has declared a final income distribution of 2.1529 sen per unit (2006: 3.4524 sen per unit), totaling RM25,380,300 (2006: RM35,904,960), representing approximately 100% of the income after taxation. The Trust has distributed an aggregate of 4.549 sen per unit, totaling RM47,309,600 in respect of the eight months financial period from 1 July, 2006 to 28 February, 2007.

Distribution to unitholders is from the following sources:

	Year ended 30.6.2007 RM'000	18.11.2005 (Date of establishment) to 30.6.2006 RM'000
Net property income	81,634	41,587
Interest income	3,138	1,465
Less: Expenses	84,772 (12,082)	43,052 (7,147)
	72,690	35,905
Distribution to unitholders	72,690	35,904
Gross distribution per unit (sen)	6.7019	3.4524
Net distribution per unit (sen)	6.7019	3.4524

Notes to the Financial Statements

18 ACQUISITION/LISTING EXPENSES

	2007 RM'000	2006 RM'000
At beginning of period/At date of establishment	20,840	–
Addition during the year/period	1,950	20,840
Over-provision	(95)	–
At end of the year/period	22,695	20,840

During the year/period, acquisition expenses incurred in relation to the issuance of 138,888,889 new units as disclosed in Note 26 (2006: Initial public offering) are as follows:

	Year ended 30.6.2007 RM'000	18.11.2005 (Date of establishment) to 30.6.2006 RM'000
Underwriting fees, brokerage fees and commissions	–	13,130
Professional fees	1,880	4,909
Miscellaneous	70	2,801
	1,950	20,840

These expenses are deducted directly against the unitholders' funds. Acquisition expenses of RM1,250,000 was paid to the Manager pursuant to the Deed in respect of the acquisition during the financial year.

19 TRANSACTIONS WITH STOCKBROKING COMPANIES

No transactions with stockbroking companies were made during the year.

20 UNITHOLDING BY THE MANAGER

As at 30 June, 2007, the Manager did not hold any unit in the Trust.

21 UNITHOLDERS RELATED TO THE MANAGER

	Number of units held '000	2007 Percentage of total units %	Market Value RM'000
YTL Corporation Berhad	741,983	62.94	793,922
YTL Power International Berhad	43,090	3.66	46,106
	785,073	66.60	840,028

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 29 June, 2007 of RM1.07 per unit.

Pintar Projek Sdn. Bhd., the Manager of Starhill REIT is also a subsidiary of YTL Corporation Berhad, a public listed company. YTL Corporation Berhad is therefore deemed to have control over Starhill REIT as Pintar Projek Sdn. Bhd. governs the financial and operating policies of the Trust.

22 TRANSACTIONS WITH COMPANIES RELATED TO THE MANAGER

	Year ended 30.6.2007 RM'000	18.11.2005 (Date of establishment) to 30.6.2006 RM'000
Rental charged to:		
Autodome Sdn. Bhd.	26,850	15,544
Star Hill Hotel Sdn. Bhd.	21,707	11,211
Syarikat Pembinaan Yeoh Tiong Lay Sdn. Bhd.	378	205
YTL e-Solutions Berhad	789	429
YTL Land & Development Berhad	419	228
YTL Land Sdn. Bhd.	5,688	3,089

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:

	2007		2006	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Term loan	180,000	171,756	180,000	171,756

24 PORTFOLIO TURNOVER RATIO

	2007	2006
Portfolio turnover ratio ("PTR")	0.06 times	0.56 times

PTR is the ratio of the average of acquisitions and disposals of investments for the year/period to the average net asset value of the Trust during the financial year/period calculated on a weekly basis. The acquisition during the financial year is disclosed in Note 26.

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.

25 MANAGEMENT EXPENSE RATIO

Management Expense Ratio ("MER")

	2007	2006
MER for the financial year/period	0.33%	0.18%

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

The Trust had on 16 May, 2007 acquired part of The Residences at The Ritz-Carlton, Kuala Lumpur from YTL Land Sdn. Bhd., a wholly-owned subsidiary of YTL Corporation Berhad, for a purchase consideration of RM125 million satisfied by the issuance of 138,888,889 new units in Starhill REIT at an issue price of RM0.90 per unit. The new units of 138,888,889 were listed on the Bursa Securities on 16 May, 2007.

27 THE NEW OR REVISED FINANCIAL REPORTING STANDARDS

The new or revised Financial Reporting Standards which have been published that are mandatory for accounting periods beginning on or after 1 January, 2007 or later period, are as follows:

- a Standards that are not yet effective and have not been adopted early
- b Standards that are not yet effective and not relevant for the Trust's operations

- a Standards that are not yet effective and have not been adopted
 - i FRS 117 Leases (effective for accounting periods beginning on or after 1 October, 2006)

This standard requires the classification of leasehold land as prepaid lease payments. The Trust will apply this standard from financial period commencing 1 July, 2007.
 - ii FRS 124 Related Party Disclosures (effective for accounting periods beginning on or after 1 October, 2006)

This standard will affect the identification of related parties and some other related party disclosures. The Trust will apply this standard from financial period commencing 1 July, 2007.
 - iii FRS 139 Financial Instruments: Recognition and Measurement (effective date yet to be determined by Malaysian Accounting Standards Board)

This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Trust will apply this standard when the standard becomes effective.
- b Standards that are not yet effective and not relevant for the Trust's operations
 - i FRS 6 Exploration for and Evaluation of Mineral Resources (effective for accounting periods beginning on or after 1 January, 2007).
 - ii Amendment to FRS 119²⁰⁰⁴ Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures (effective for accounting periods beginning on or after 1 January, 2007).
 - iii Amendment to FRS 121 The Effect of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 July, 2007).

28 CURRENCY

The financial statements of the Trust are expressed in Ringgit Malaysia.

29 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors of Pintar Projek Sdn. Bhd. in accordance with a resolution of the directors on 12 July, 2007.

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PINTAR PROJEK SDN BHD 314009-W

11th Floor
Yeoh Tiong Lay Plaza
55 Jalan Bukit Bintang
55100 Kuala Lumpur
Malaysia
Tel • 603 2117 0088
603 2142 6633
Fax • 603 2141 2703