

STARHILL
REIT

STARHILL
REAL ESTATE
INVESTMENT
TRUST

the journey continues...



annual report 2012

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..... *the journey continues...*
Annual Report 2012



Financial Highlights

	2012	2011	2010	2009	2008
Net revenue (RM'000)	80,860	30,148	109,823	110,483	108,228
Profit before tax (RM'000)	107,264	59,923	31,077 [^]	355,847 [#]	81,268
Profit after tax (RM'000)	106,161	58,239	31,077 [^]	355,847 [#]	81,268
Total assets (RM'000)	1,769,144	1,586,102	1,618,702	1,656,676	1,381,961
Net asset value (RM'000)	1,515,536	1,356,659	1,374,877	1,420,257	1,145,896
Units in circulation ('000)	1,324,389	1,178,889	1,178,889	1,178,889	1,178,889
Net asset value per Unit (RM)	1.144	1.151	1.166	1.205	0.972
Earnings per Unit (sen)	8.36	4.94	2.64 [^]	30.18 [#]	6.89
Distribution per Unit (sen)	7.6359	6.4855	6.4855	6.9121	6.8936

[#] Includes the fair value adjustment on investment properties of RM274.36 million that arose from the revaluation of the Trust's parcels in Lot 10 Shopping Centre ('Lot 10 Parcels'), Starhill Gallery, JW Marriott Hotel Kuala Lumpur and the Trust's parcels in The Residences at The Ritz-Carlton, Kuala Lumpur, during the financial year ended 30 June 2009.

[^] Includes the loss on disposal of the Lot 10 Parcels and Starhill Gallery of RM39.65 million mainly due to the decrease in fair value adjustment of RM24.66 million.

Fund Performance

(I) PORTFOLIO COMPOSITION OF THE TRUST

At 30 June	2012 %	2011 %	2010 %	2009 %	2008 %
Real Estate	95	31	50	94	92
Non-real estate-related assets	–	26	41	–	–
Deposits	5	43	9	6	8
	100	100	100	100	100

(II) NET ASSET VALUE & UNIT INFORMATION

	2012	2011	2010	2009	2008
Total assets (RM'000)	1,769,144	1,586,102	1,618,702	1,656,676	1,381,961
Total net asset value ("NAV") (RM'000)	1,515,536	1,356,659	1,374,877	1,420,257	1,145,896
Units in circulation ('000)	1,324,389	1,178,889	1,178,889	1,178,889	1,178,889
NAV per Unit (RM)					
– as at 30 June (before income distribution)	1.221	1.216	1.231	1.274	1.041
– as at 30 June (after income distribution)	1.144	1.151	1.166	1.205	0.972
– Highest NAV during the year	1.151	1.166	1.205	1.205	0.972
– Lowest NAV during the year	1.128	1.151	1.166	0.972	0.972
Market value per Unit (RM)					
– as at 30 June	1.02	0.89	0.86	0.83	0.85
– Weighted average price for the year	0.90	0.87	0.86	0.80	0.93
– Highest traded price for the year	1.04	0.89	0.92	0.89	1.14
– Lowest traded price for the year	0.83	0.85	0.83	0.70	0.835

(III) PERFORMANCE DETAILS OF THE TRUST

	2012	2011	2010	2009	2008
Distribution per unit (sen)					
– Interim	4.0112	3.2865	3.2865	3.4554	3.4025
– Final	3.6247	3.1990	3.1990	3.4567	3.4911
	7.6359	6.4855	6.4855	6.9121	6.8936
Distribution date					
– Interim	28 February	25 February	25 February	26 February	29 February
– Final	28 August	25 August	24 August	24 August	28 August
Distribution yield (%) ⁽¹⁾	8.47	7.45	7.54	8.64	7.41
Management expense ratio (%)	0.36	0.26	0.70	0.31	0.34
Portfolio turnover ratio (times)	0.2	–	0.38	–	–
Total return (%) ⁽²⁾	11.92	8.61	15.04	(5.34)	6.35
Average total return ⁽³⁾					
– One year	11.92				
– Three years	11.86				
– Five years	7.32				

Notes:-

¹ Distribution yield is computed based on weighted average market price of the respective financial year.

² Total return is computed based on the distribution yield per unit and the change in the weighted average market price of the respective financial year.

³ Average total return is computed based on total return per unit averaged over number of years. Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate.



Property Portfolio



Overview

ABOUT STARHILL REIT

Starhill Real Estate Investment Trust ("Starhill REIT") has a market capitalisation of approximately RM1,194 million (as at 30 June 2012) and comprises prime hotel and hospitality-related properties. These include the JW Marriott Hotel Kuala Lumpur, The Ritz-Carlton, Kuala Lumpur, The Residences at The Ritz-Carlton, Kuala Lumpur, the Pangkor Laut, Tanjong Jara and Cameron Highlands resorts, the Vistana chain of hotels in Kuala Lumpur, Penang and Kuantan, as well as Hilton Niseko in Japan.



The composition of Starhill REIT's investment portfolio as at 30 June 2012 is as follows:-

	RM'000	%
Real Estate - Commercial		
• JW Marriott Hotel Kuala Lumpur	349,700	21
• The Residences at The Ritz-Carlton, Kuala Lumpur	223,881	13
• The Ritz-Carlton, Kuala Lumpur	253,017	15
• Vistana Kuala Lumpur	101,207	6
• Vistana Penang	101,778	6
• Vistana Kuantan	75,980	5
• Pangkor Laut Resort	98,365	6
• Tanjong Jara Resort	88,050	5
• Cameron Highlands Resort	50,649	3
• Hilton Niseko	255,898	15
	1,598,525	95
Deposits with licensed financial institution	91,344	5
Total	1,689,869	100



Listed on 16 December 2005 on the Main Market of Bursa Malaysia Securities Berhad, Starhill REIT's primary objectives 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.

Starhill REIT was established by a trust deed entered into on 18 November 2005 and a supplementary deed dated 19 April 2007 between Pintar Projek Sdn Bhd and Maybank Trustees Berhad, as manager and trustee, respectively, of Starhill REIT.

Starhill REIT's principal investment objective 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. In December 2011, the repositioning of Starhill REIT as a full-fledged hospitality REIT was completed, providing the platform for the Trust to focus on a single, dedicated class of hotel and hospitality-related assets both in Malaysia and internationally.

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. Pintar Projek's Board of Directors and key personnel comprise experienced and prominent individuals in their respective fields of expertise.



Property Portfolio



JW Marriott Hotel Kuala Lumpur

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 together with car park bays located partially at basement 1 and 4 and the entire basement 2, 3 and 5 of JW Marriott Hotel Kuala Lumpur.
Address/Location	183, Jalan Bukit Bintang, 55100 Kuala Lumpur.
Property type	Hotel
Age	Approximately 15 years
Title details	Grant No. 28678 for Lot No. 1267 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
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.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	490 bays
Lessee	Star Hill Hotel Sdn. Bhd.
Car park operator	YTL Land Sdn. Bhd.
Lease term	The property is leased for a term expiring on 31 December 2023.
Date of acquisition	16 December 2005
Cost of acquisition	RM331,024,096
Market value	RM349,700,000
Date of last valuation	1 March 2011
Independent valuer	Raine & Horne International Zaki + Partners Sdn. Bhd.
Net book value	RM349,700,000



Property Portfolio



The Residences at The Ritz-Carlton, Kuala Lumpur (Parcel 1)

Description	60 units of serviced apartments, 4 levels of commercial podium, 1 level of facilities deck and 2 levels of basement car park.
Address/Location	Lot 1308, Jalan Yap Tai Chi, Seksyen 67 Off Jalan Imbi, 55100 Kuala Lumpur.
Property type	Serviced apartment
Age	Approximately 7 years
Title details	Geran 47693, Lot No. 1308 Seksyen 67, Bandar Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
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.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	137 bays
Lessee	Star Hill Hotel Sdn. Bhd.
Lease term	The property is leased for a term expiring on 30 June 2031.
Date of acquisition	16 May 2007
Cost of acquisition	RM125,000,000
Market value	RM150,000,000
Date of last valuation	8 June 2012
Independent valuer	Azmi & Co Sdn. Bhd.
Net book value	RM150,000,000

The Residences at The Ritz-Carlton, Kuala Lumpur (Parcel 2)



Description	50 units of serviced apartment and 4 units of penthouses including 1 level of basement car park.
Address/Location	Lot 1308, Jalan Yap Tai Chi, Seksyen 67 Off Jalan Imbi, 55100 Kuala Lumpur.
Property type	Serviced apartment
Age	Approximately 7 years
Title details	Geran 47693, Lot No. 1308 Seksyen 67, Bandar Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/ interest	Nil
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	52 bays
Lessee	Star Hill Hotel Sdn. Bhd.
Lease term	The property is leased for a term expiring on 30 June 2031.
Date of acquisition	15 November 2011
Cost of acquisition	RM73,000,000
Market value	RM73,500,000
Date of last valuation	26 May 2011
Independent valuer	Raine & Horne International Zaki + Partners Sdn. Bhd.
Net book value	RM73,881,000



Property Portfolio



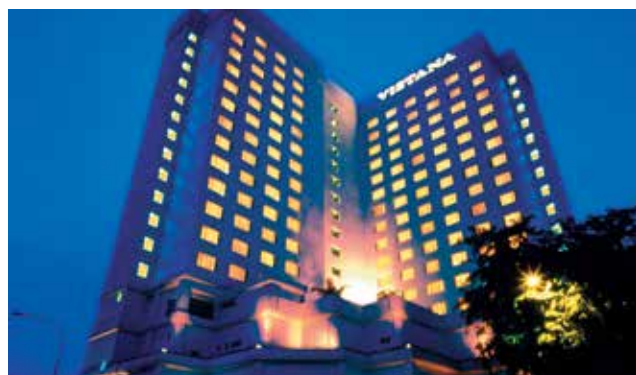
The Ritz-Carlton, Kuala Lumpur

Description	22-storey hotel building comprising 251 rooms with 4-storey basement car park.
Address/Location	168, Jalan Imbi and Jalan Yap Tai Chi, 55100 Kuala Lumpur.
Property type	Hotel
Age	Approximately 18 years
Title details	Geran 26579, Lot No 225, Seksyen 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/ interest	Nil
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	153 bays
Lessee	East-West Ventures Sdn. Bhd.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition	RM250,000,000
Market value	RM250,000,000
Date of last valuation	26 May 2011
Independent valuer	Raine & Horne International Zaki + Partners Sdn. Bhd.
Net book value	RM253,017,000





Property Portfolio



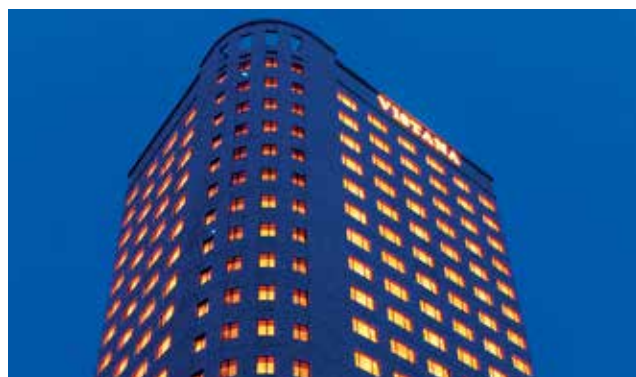
Vistana Kuala Lumpur

Description	17–storey hotel building with 364 rooms and 2–storey basement car park.
Address/Location	No.9, Jalan Lumut, off Jalan Ipoh, 50400 Kuala Lumpur.
Property type	Hotel
Age	Approximately 17 years
Title details	Geran 33550, Lot No 669, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur
Encumbrances/Limitation in title/ interest	Nil
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	125 bays
Lessee	Prisma Tulin Sdn. Bhd.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition	RM100,000,000
Market value	RM100,000,000
Date of last valuation	26 May 2011
Independent valuer	Raine & Horne International Zaki + Partners Sdn. Bhd.
Net book value	RM101,207,000





Property Portfolio



Vistana Penang

Description	3-storey podium, 2-storey basement car park, 17-storey Tower A with 238 hotel rooms and 26-storey Tower B with 189 hotel suites.
Address/Location	No. 213, Jalan Bukit Gambir, Bukit Jambul, 11950 Pulau Pinang.
Property type	Hotel
Age	Approximately 13 years
Title details	H.S (D) 9632, Lot No P.T. 1678, Mukim 13, District of Timor Laut, State of Pulau Pinang.
Encumbrances/Limitation in title/ interest	Nil
Status of holdings	99 years leasehold expiring on 27 October 2094.
Existing use	Commercial building
Parking spaces	359 bays
Lessee	Business & Budget Hotels (Penang) Sdn. Bhd.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition	RM100,000,000
Market value	RM100,000,000
Date of last valuation	26 May 2011
Independent valuer	Raine & Horne International Zaki + Partners Sdn. Bhd.
Net book value	RM101,778,000

Vistana Kuantan



Description	8-storey hotel building with 215 rooms.
Address/Location	Jalan Teluk Sisek, 25000 Kuantan, Pahang.
Property type	Hotel
Age	Approximately 18 years
Title details	Lot No 714, Section 37, Town and District of Kuantan, Pahang.
Encumbrances/Limitation in title/ interest	Nil
Status of holdings	99 years leasehold expiring on 11 July 2092.
Existing use	Commercial building
Parking spaces	149 bays
Lessee	Business & Budget Hotels (Kuantan) Sdn. Bhd.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition	RM75,000,000
Market value	RM75,000,000
Date of last valuation	26 May 2011
Independent valuer	Raine & Horne International Zaki + Partners Sdn. Bhd.
Net book value	RM75,980,000



Property Portfolio



Pangkor Laut Resort

Description	36 units of Garden Villas, 52 units of Hill Villas, 8 units of Beach Villas and 1 Pavarotti Suite.
Address/Location	Pangkor Laut, 32200 Lumut, Perak Darul Ridzuan.
Property type	Resort
Age	Approximately 19 years
Title details	PN 313713, Lot 12362 and PN 313715, Lot 12364, both in Mukim Lumut, District of Manjung, State of Perak Darul Ridzuan.
Encumbrances/Limitation in title/ interest	Nil
Status of holdings	99 years registered lease expiring 21 May 2095 obtained from Perbadanan Kemajuan Negeri Perak.
Existing use	Commercial building
Parking spaces	Not applicable
Lessee	Syarikat Pelanchongan Pangkor Laut Sendirian Berhad.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition	RM97,000,000
Market value	RM97,000,000
Date of last valuation	26 May 2011
Independent valuer	Raine & Horne International Zaki + Partners Sdn. Bhd.
Net book value	RM98,365,000





Property Portfolio



Tanjong Jara Resort

Description	Small luxury boutique hotel with 99 rooms.
Address/Location	Batu 8, Off Jalan Dungun, 23000 Dungun, Terengganu.
Property type	Hotel
Age	Approximately 17 years
Title details	PN 8659, Lot 5635, Mukim of Kuala Dungun, State of Terengganu.
Encumbrances/Limitation in title/ interest	Nil
Status of holdings	60 years leasehold expiring on 4 December 2067.
Existing use	Commercial building
Parking spaces	50 bays
Lessee	Tanjong Jara Beach Hotel Sdn. Bhd.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition	RM87,000,000
Market value	RM100,000,000
Date of last valuation	27 June 2011
Independent valuer	Raine & Horne International Zaki + Partners Sdn. Bhd.
Net book value	RM88,050,000





Property Portfolio



Cameron Highlands Resort

Description	3-storey luxury resort with a 2-storey spa village block with 56 rooms and suites and a single storey building.
Address/Location	By the Golf Course, 39000 Tanah Rata, Cameron Highlands, Pahang Darul Makmur.
Property type	Resort
Age	Approximately 38 years
Title details	PT No. 1812, H.S. (D) 3881, Mukim of Tanah Rata, District of Cameron Highlands, State of Pahang.
Encumbrances/Limitation in title/ interest	Nil
Status of holdings	99 years leasehold expiring on 9 December 2108.
Existing use	Commercial building
Parking spaces	19 bays
Lessee	Cameron Highlands Resort Sdn. Bhd.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition	RM50,000,000
Market value	RM50,000,000
Date of last valuation	26 May 2011
Independent valuer	Raine & Horne International Zaki + Partners Sdn. Bhd.
Net book value	RM50,649,000





Property Portfolio



Hilton Niseko

Description	16-storey hotel building with 1-storey of basement comprising 506 rooms.
Address/Location	Higashiyama-Onsen, Niseko-town, Abuta-gun, Hokkaido.
Property type	Hotel
Age	Approximately 18 years
Title details	Title No. 919-15, 919-18 and 919-19 Aza-Soga, Niseko-cho, Abuta-gun, 920-4, 920-5 and 920-7, Aza-Soga, Niseko-cho, Abuta-gun and 214-6, 252-2 and 264-4, Aza-Kabayama, Kutchan-cho, Abuta-gun, Hokkaido, Japan.
Encumbrances/Limitation in title/ interest	Nil
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	290 bays
Lessee	Niseko Village K.K.
Lease term	The property is leased for a term expiring on 21 December 2026.
Date of acquisition	22 December 2011
Cost of acquisition	JPY6,000,000,000
Market value	JPY6,060,000,000
Date of last valuation	26 May 2011
Independent valuer	Savills Japan Co., Ltd.
Net book value	RM255,898,000





Chief Executive Officer's Statement

for the financial year ended 30 June 2012



TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING, CBE, FICE
Chief Executive Officer

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 2012.

OVERVIEW

The financial year under review marks a turning point for Starhill REIT with the completion this year of the rebranding exercise to transform the Trust into a pure-play hospitality REIT. The Trust's property portfolio has now been fully rationalised to focus on prime, yield-accretive hotel and hospitality-related assets. Significant progress was also made on the international expansion of the portfolio as Starhill REIT embarked on the acquisition of three Marriott hotels in Australia.

In late 2011, Starhill REIT completed its acquisition of nine new assets ranging from business hotels in the Vistana chain to luxury assets such as The Ritz-Carlton, Kuala Lumpur, the Pangkor Laut, Tanjong Jara and Cameron Highlands resorts and the Hilton Niseko in Hokkaido, Japan.

Subsequently, on 13 June 2012, the Trust entered into agreements to acquire three Marriott hotels in Australia. Starhill REIT will acquire the Sydney Harbour Marriott Hotel, the Brisbane Marriott Hotel and the Melbourne Marriott Hotel in Australia for a total purchase consideration of A\$415 million.

These acquisitions represents a yield-accretive opportunity for the Trust, generating two income streams, firstly, stable fixed lease rentals arising from its existing property portfolio and, secondly, variable income from the three Marriott hotels, increasing the potential for distribution per unit growth.

The acquisition of this new portfolio of hospitality assets in key business and tourist destinations in Australia's major cities will, upon completion, enlarge the Trust's property portfolio to approximately RM3.0 billion from RM1.6 billion currently. Thereafter, more than half of Starhill REIT's property value will be constituted by its hotel assets in Australia and Japan, making this the largest portfolio of overseas property investments of any Malaysian REIT.

FINANCIAL PERFORMANCE

Starhill REIT recorded net revenue of RM80.86 million for the financial year ended 30 June 2012, compared to RM30.15 million for the previous corresponding financial year ended 30 June 2011. Meanwhile, profit before tax increased to RM107.26 million for the financial year under review, over RM59.92 million last year, whilst profit after tax stood at RM106.16 million this year compared to RM58.24 million for the last financial year. The improvement in the Trust's performance was a result mainly of recognition of lease rental income from the lease of hospitality related properties acquired on 15 November 2011 and 22 December 2011.

Distribution to Unitholders

On 12 July 2012, the Board of Directors of Pintar Projek declared a final distribution of 3.6247 sen per unit in respect of the six months from 1 January 2012 to 30 June 2012, representing approximately 100% of Starhill REIT's net income for the period. The distribution will be paid on 28 August 2012.

The final distribution, coupled with the interim distribution of 4.0112 sen per unit in respect of the six months ended 31 December 2011, represents a total distribution per unit ("DPU") of 7.6359 sen per unit for the 2012 financial year.

This translates into a yield of 8.47%, based on Starhill REIT's volume weighted average unit price of RM0.9017 per unit for the financial year ended 30 June 2012. In comparison, the DPU for the previous year ended 30 June 2011 was 6.4855 sen, representing a yield of 7.19%.

PORTFOLIO DEVELOPMENTS

Acquisition of Hotel Assets in Malaysia & Japan

In November and December 2011, the Trust completed its acquisition of 9 hotel properties for a total indicative purchase consideration of RM1.054 billion satisfied via a combination of cash, new units in Starhill REIT and convertible preference units in Starhill Global Real Estate Investment Trust in Singapore, which the Trust acquired pursuant to its disposal of its parcels in Lot 10 Shopping Centre and Starhill Gallery in June 2010.

In addition to the JW Marriott Hotel Kuala Lumpur 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"), Starhill REIT's portfolio now also includes the following properties:-

Pangkor Laut Resort

The resort is located at Pangkor Laut, a privately owned island located 1.6 kilometres off the West Coast of Peninsular Malaysia along the straits of Malacca. The resort also houses the award winning Spa Village which includes eight treatment pavilions, a deluxe Belian treatment pavilion, three 'healing huts', which include Chinese herbal, ayurvedic and Malay huts, two bath houses, three spa huts, three Nap Gazebos and a spa boutique.

Tanjong Jara Resort

Tanjong Jara Resort is situated on the east coast of Peninsular Malaysia, between Kuala Terengganu in the north and Kuantan in the south. The luxury resort is built on a 16.75-hectare site facing the South China Sea and is designed to reflect the elegance and grandeur of 17th century Malay palace.





Chief Executive Officer's Statement

for the financial year ended 30 June 2012

Cameron Highlands Resort

Cameron Highlands Resort is situated on the largest hill retreat in Malaysia. The boutique resort is designed to embody the splendour, charisma and nostalgia of Cameron Highlands' grand heritage and features 56 rooms and suites. The resort fronts an 18-hole golf course and houses the third wellness centre of the award-winning Spa Village group, which offers exotic treatments focusing on the healing and restorative properties of tea.

Hilton Niseko

Hilton Niseko is one of Asia's most well-rounded summer and winter resort destinations primarily targeting high income individual travellers and groups from Japan and overseas. Niseko Village is a prime winter and summer destination in Hokkaido, set at the foot of the Niseko Annupuri Mountain with scenic views of Mountain Yotei, a landmark dormant volcano. Hilton Niseko is part of the Niseko Village, comprising Hilton Niseko, two 18-hole golf courses, and 155 hectares of ski mountains, natural hot springs and ample leisure amenities.

Vistana Hotels in Kuala Lumpur, Penang and Kuantan

The Vistana chain of hotels comprises three business hotels in Kuala Lumpur, Penang and Kuantan. Vistana Kuala Lumpur is a 364-room hotel strategically located within the hub of Malaysia's capital city and situated near key public transportation services. The hotel grants easy access to the city's major business centres and is designed to cater to business travellers both local and international.



Vistana Penang is a 4-star hotel located along the southern part of Jalan Bukit Gambir and within Bukit Jambul and is approximately 12 kilometres to the south-west of Georgetown City Centre and within 4-5 kilometres of Penang International Airport and the Penang Bridge Interchange. Meanwhile, Vistana Kuantan is a 215-room hotel located in Kuantan's town centre, offering business travellers easy access to major shopping centres and key roads leading to the famous Teluk Chempedak beach, manufacturing and industrial areas in Gebeng, as well as Kuantan port.

The Ritz-Carlton, Kuala Lumpur

Located within Kuala Lumpur's prestigious Golden Triangle district, The Ritz-Carlton, Kuala Lumpur, offers easy access to the trendy, upscale business and entertainment hub of Bukit Bintang and features 251 guest rooms including 2 suites, meeting rooms and restaurants.

Remainder of The Residences

Comprising the remaining 50 units of serviced apartments, 4 penthouses and a basement car park level not already owned by the Trust, this property is located within Kuala Lumpur's prestigious Golden Triangle district and conveniently linked to Starhill Gallery, an upmarket Bukit Bintang shopping mall and entertainment area, via a link bridge.

Proposed Acquisition of Marriott Hotels in Australia

On 13 June 2012, Starhill REIT entered into the agreements via its indirect wholly-owned subsidiaries and trusts to acquire the hotel properties and business assets of the Sydney Harbour Marriott Hotel, the Brisbane Marriott Hotel and the Melbourne Marriott Hotel from the respective vendors of the hotels, namely Commonwealth Managed Investments Limited, 30 Pitt Street Pty Limited, 515 Queen Street Pty Limited and Lonex Pty Limited, for a total cash consideration of A\$415 million (approximately RM1.31 billion).

The purchase consideration was determined after taking into account the market values ascribed to the three Marriott hotels by Colliers International Consultancy and Valuation Pty Limited, an independent valuer. The purchase consideration will be satisfied in cash via bank borrowings and cash balances of Starhill REIT. The proposed acquisitions are subject to the relevant regulatory approvals and consents being obtained.

The three Marriott hotels are operated by the Marriott International, Inc. group, a leading worldwide operator and franchisor of hotels.

Sydney Harbour Marriott Hotel

The Sydney Harbour Marriott Hotel, occupying a freehold site of 3,084 square meters, is located on Pitt Street in the heart of the Sydney Central Business District (CBD) and in close proximity to renown tourist attractions, including Circular Quay, The Rocks and the Sydney Opera House, as well as the city’s major office and retail precincts. It is a 33-level building with 563 guest rooms, and has a 5-star AAA tourism rating.

Brisbane Marriott Hotel

The Brisbane Marriott Hotel, occupying a freehold site of 1,532 square meters, is located on the northern end of the Brisbane CBD area, close to the Brisbane River and with a view of the Storey Bridge. It is a 28-level building with 267 guest rooms, and has a 5-star AAA tourism rating.

Melbourne Marriott Hotel

The Melbourne Marriott Hotel, occupying a freehold site of 1,636 square meters, is located in the eastern section of the Melbourne CBD on the corner of Exhibition and Lonsdale Streets. It is a 16-level building with 186 guest rooms, and has a 5-star AAA tourism rating.



CORPORATE SOCIAL RESPONSIBILITY

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 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.

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 unitholder 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

Starhill REIT made significant strides this year in achieving the goal of establishing itself as a prime hospitality REIT, further enhancing and diversifying its asset base within the high-end, luxury hospitality segment in Malaysia and in key international destinations.

The proposed acquisition of the Sydney Harbour, Melbourne and Brisbane Marriott hotels will also allow Starhill REIT to participate in the vibrant real estate market in Australia and explore further geographical diversification of the Trust’s asset base. Coupled with the Trust’s existing property in Japan, Hilton Niseko, Starhill REIT will have a firm foothold in the international hospitality market.

As the Manager embarks on another year and remains focused on developing and improving the Trust’s assets and earnings growth, the Board of Directors of Pintar Projek would like to thank Starhill REIT’s investors, customers, business associates and the regulatory authorities, for their continued support.

TAN SRI DATO’ (DR) FRANCIS YEOH SOCK PING
 PSM, CBE, FICE, SIMP, DPMS, DPMP, JMN, JP
 15 August 2012



Corporate Information

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, FICE, SIMP, DPMS, DPMP, JMN, JP
Hon DEng (Kingston), BSc (Hons) Civil Engineering
FFB, F Inst D, MBIM, RIM

Executive Directors

Dato' Yeoh Seok Kian

DSSA
BSc (Hons) Bldg, MCIQB, FFB

Dato' Mark Yeoh Seok Kah

DSSA
LLB (Hons)

Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir

DPMP, PMP, AMN, PPN, PJK, OSTJ, JP

Yeoh Keong Shyan

LLB (Hons)

Independent Non-Executive Directors

Dato' (Dr) Yahya Bin Ismail

DPMJ, DPCM, DPMP, KMN, PPT
Bachelor of Veterinary Science

Dato' Ahmad Fuaad Bin Mohd Dahalan

AMS, DIMP, SIMP
BA (Hons)

Eu Peng Meng @ Leslie Eu

BCom, 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

TRUSTEE

Maybank 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

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

AUDITORS

HLB Ler Lum (AF 0276)

Chartered Accountants
(A member of HLB International)

PRINCIPAL FINANCIERS

Great Eastern Life Assurance (Malaysia) Berhad

OCBC Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

Main Market (16.12.2005)

Profile of the Board of Directors

TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING

Malaysian, aged 57, 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 Land & Development Berhad, YTL e-Solutions Berhad, Starhill Real Estate Investment Trust and YTL Cement Berhad (which was delisted on 16 April 2012). He is presently Managing Director of YTL Corporation Berhad, YTL Power International Berhad and YTL Land & Development Berhad, all listed on the Main Market of Bursa Malaysia Securities Berhad and YTL Cement Berhad. Tan Sri Francis is also the Executive Chairman of YTL e-Solutions Berhad, which is listed on the ACE Market of Bursa Malaysia Securities Berhad, and YTL Starhill Global REIT Management Limited, which is the manager for Starhill Global REIT, a vehicle listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST). 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 in 2002 and CNBC Asia Pacific named him Malaysia CEO of the Year in 2005.

He was appointed as member of Barclays Asia-Pacific Advisory Committee in 2005. In 2006, he was awarded the Commander of the Most Excellent Order of the British Empire (CBE) by Her Majesty Queen Elizabeth II. In 2008, he was appointed Chairman for South East Asia of the International Friends of the Louvre and he also received a prestigious professional accolade when made a Fellow of the Institute of Civil Engineers in London. He was named one of Asia's Top Executives in 2008 by Asiamoney.

He is the Primus Inter Pares Honouree of the 2010 Oslo Business for Peace Award, for his advocate of socially responsible business ethics and practices. The Award was conferred by a panel of Nobel Laureates in Oslo, home of the Nobel Peace Prize. He also received the Corporate Social Responsibility Award at CNBC's 9th Asia Business Leaders Awards 2010.

DATO' YEOH SEOK KIAN

Malaysian, aged 54, 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, all listed on the Main Market of Bursa Malaysia Securities Berhad and YTL Cement Berhad. Dato' Yeoh also serves on the board of several other public companies such as YTL Industries Berhad, The Kuala Lumpur Performing Arts Centre and private utilities company, Wessex Water Limited, as well as YTL Starhill Global REIT Management Limited, which is the manager for Starhill Global REIT, a vehicle listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST).

Profile of the Board of Directors

DATO' (DR) YAHYA BIN ISMAIL

Malaysian, aged 84, has been an Independent, Non-Executive Director of Pintar Projek Sdn Bhd since 18 May 2005. 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 and YTL Power International Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad. He also sits on the Board of Metroplex Berhad since 1993.

DATO' AHMAD FUAAD BIN MOHD DAHALAN

Malaysian, aged 62, was appointed to the Board on 17 January 2012 as an Independent, Non-Executive Director. Dato' Ahmad Fuaad holds a Bachelor of Arts (Hons) degree from the University of Malaya. He was attached with Wisma Putra, Ministry of Foreign Affairs as Malaysian Civil Service ("MCS") Officer in April 1973 before joining Malaysia Airlines in July 1973. While in Malaysia Airlines, Dato' Ahmad Fuaad served various posts and his last position was as the Managing Director. He was formerly a director of Lembaga Penggalakan Pelancongan Malaysia, Malaysia Industry-Government Group for High Technology and Malaysia Airports Holdings Berhad. Currently, Dato' Ahmad Fuaad is the Chairman of Tokio Marine Insurans (Malaysia) Berhad and a director of Hong Leong Capital Berhad.

DATO' MARK YEOH SEOK KAH

Malaysian, aged 47, was appointed to the Board on 17 January 2012 as an Executive Director. He graduated from King's College, University of London with an LLB (Hons) and was subsequently called to the Bar at Gray's Inn, London in 1988. Dato' Mark Yeoh joined YTL Group in 1989 and is presently the Executive Director responsible for the YTL Hotels and Resorts Division. In addition, he is also part of YTL Power's Mergers & Acquisitions Team and was involved in the acquisition of ElectraNet SA (Australia), Wessex Water Limited (UK), P.T. Jawa Power (Indonesia) and PowerSeraya Limited (Singapore). He serves on the Board of YTL Corporation Berhad and YTL Power International Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad and YTL Cement Berhad. He is also a board member of YTL Vacation Club Berhad and private utilities company, Wessex Water Limited, as well as PowerSeraya Limited.

DATO' HJ MOHAMED ZAINAL ABIDIN BIN HJ ABDUL KADIR

Malaysian, aged 72, 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 Pelancongan Pangkor Laut Sendirian Berhad.

EU PENG MENG @ LESLIE EU

Malaysian, aged 77, 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 Dublin, 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 50 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 and Lloyd's Register of Shipping (Malaysia) Bhd from 1983 to 2009. 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 and YTL Land & Development Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad and YTL Cement Berhad.

YEOH KEONG SHYAN

Malaysian, aged 26, has been an Executive Director of Pintar Projek Sdn Bhd since 18 January 2011. He graduated from the University of Nottingham with an LLB (Hons) and was subsequently called to the Bar at Gray's Inn, London in 2008. He has obtained the Capital Markets and Financial Advisory Services (CMFAS) Certification in 2010. He joined YTL Group in 2009 and is presently responsible for the YTL Hotels and Resorts Division. He is also a board member of several private limited companies.

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	Notes:-
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	4	<p>1. Family Relationship with any Director and/or Major Unitholder Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Dato' Yeoh Seok Kian and Dato' Mark Yeoh Seok Kah are siblings. Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay, the father of Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Dato' Yeoh Seok Kian and Dato' Mark Yeoh Seok Kah, is a deemed major shareholder of YTL Corporation Berhad, which is a major unitholder of Starhill REIT. Mr Yeoh Keong Shyan is a son of Tan Sri Dato' (Dr) Francis Yeoh Sock Ping. Save as disclosed herein, none of the Directors of the Manager has any family relationship with any other directors and/or major unitholders of Starhill REIT.</p> <p>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.</p> <p>3. Conviction of Offences None of the Directors of the Manager has been convicted for any offences other than traffic offences within the past ten (10) years.</p>
Dato' Yeoh Seok Kian	3	
Dato' (Dr) Yahya Bin Ismail	3	
Dato' Ahmad Fuaad Bin Mohd Dahalan (Appointed on 17.01.2012)	1	
Dato' Mark Yeoh Seok Kah (Appointed on 17.01.2012)	1	
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	4	
Eu Peng Meng @ Leslie Eu	3	
Yeoh Keong Shyan	4	



Statement on Corporate Governance

Starhill Real Estate Investment Trust (“Starhill REIT” or “Trust”) was established on 18 November 2005 pursuant to a trust deed (“Deed”) entered into between Pintar Projek Sdn Bhd (“PPSB” or “Manager”) and Maybank Trustees Berhad (“Trustee”). Starhill REIT has been listed on the Main Market 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 its overall management of the Trust. In developing its system of corporate governance, the Directors have been guided by the measures set out in the Guidelines on Real Estate Investment Trusts (“REIT Guidelines”) issued by the Securities Commission Malaysia (“SC”), the Main Market Listing Requirements of Bursa Securities (“Listing Requirements”) and the Malaysian Code on Corporate Governance 2012 (“Code”).

THE ROLE OF THE MANAGER

Starhill REIT is managed and administered by PPSB, who has the primary objectives of: (a) providing unitholders of the Trust (“Unitholders”) with stable cash distributions with the potential for sustainable growth, principally from the ownership of properties; and (b) enhancing the long-term value of Starhill REIT’s units (“Units”).

The Manager is required to ensure that the business and operations of Starhill REIT are 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 Starhill REIT (including all assets and liabilities of the Trust) for the benefit of its 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 quarterly reports of Starhill REIT to Unitholders within 2 months of Starhill REIT’s financial year end and the end of the periods covered, respectively; and
- (f) to ensure that Starhill REIT is managed within the ambit of the Deed, the Capital Markets and Services Act 2007 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 the Trust 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 the Trust 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 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; and
- (c) the consent of the Trustee must be obtained if it has not already been obtained.

An announcement must be made by the Manager to the Unitholders prior to the acquisition or disposal of real estate, 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, such 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.

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 oversight and guidance of an accountable and competent Board. The Directors recognise the key role they play in charting the strategic direction, development and control of the Manager and have adopted the six primary responsibilities as listed in the Code as well as the roles and duties set out in the REIT Guidelines, all of which facilitate the discharge of the Directors' stewardship responsibilities.

The Board currently has eight Directors comprising five executive members and three non-executive members, all of whom are independent. This is in compliance with the provisions of the Listing Requirements and the REIT Guidelines 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 and objective judgement to bear on issues of strategy, performance and resources.



Statement on Corporate Governance

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 2012.

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 strategic 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. A record of the Board's deliberations of the issues discussed and conclusions reached in discharging its duties and responsibilities is captured in the minutes of each meeting, prepared by the Company Secretary.

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. In its deliberations, the Board is required to take into account the integrity, professionalism, skill, knowledge, expertise and experience of the proposed candidate.

DIRECTORS' REMUNERATION

Directors' remuneration is decided in line with the objective recommended by the Code 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 its risk exposures and the overall performance of Starhill REIT, in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the contribution, experience and responsibilities undertaken by the particular non-executive concerned.

DIRECTORS' TRAINING

The Directors are fully cognisant of the importance and value of attending seminars, training programmes and conferences in order to update themselves on developments and changes in the REIT industry, as well as wider economic, financial and governance issues to enhance their skills, knowledge and expertise in their respective fields. All Directors have attended and completed the Mandatory Accreditation Programme prescribed by Bursa Securities, and the Board will continue to evaluate and determine the training needs of its Directors on an ongoing basis.

Throughout the financial year under review, the Directors attended various conferences, programmes and speaking engagements covering areas that included corporate governance, leadership, updates on the REIT industry and global business developments which they collectively or individually considered useful in discharging their stewardship responsibilities.

INTERNAL AUDIT

The Manager's internal audit function is undertaken by the Internal Audit department of its parent company, YTL Corporation Berhad ("YTLIA"). YTLIA reports directly to the Audit Committee of YTL Corporation Berhad and to the Board on matters pertaining to the Manager and the Trust.

The activities of the internal audit function during the year under review included:-

- Developing the annual internal audit plan and proposing this plan to the Board;
- Conducting scheduled internal audit engagements, focusing primarily on the effectiveness of internal controls and recommending improvements where necessary;
- Conducting follow-up reviews to assess if appropriate action has been taken to address issues highlighted in audit reports; and
- Presenting audit findings to the Board for consideration.

None of the weaknesses or issues identified during the review for the financial year has resulted in non-compliance with any relevant policies or procedures, listing requirements or recommended industry practices that would require disclosure in the Company's Annual Report.

The Manager's system of internal control will continue to be reviewed, enhanced and updated in line with changes in the operating environment. The Board will seek regular assurance on the continuity and effectiveness of the internal control system through independent appraisals by YTLIA. The Board is of the view that the current system of internal control in place is effective to safeguard the interests of Starhill REIT.

FINANCIAL REPORTING

The Directors are responsible for ensuring that financial statements of the Trust are drawn up in accordance with applicable approved accounting standards in Malaysia, the provisions of the Companies Act 1965, the REIT Guidelines and the Deed. 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 Trust's various disclosures and announcements to Bursa Securities, including quarterly and annual results, and the corporate website, www.starhillreit.com.

The Chief Executive Officer meets with analysts, institutional unitholders and investors throughout the year to provide updates on strategies and new developments. 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 2012.



Analysis of Unitholdings

as at 20 July 2012

Size of holding	No. of Unitholders	%	No. of Units	%
1 – 99	354	4.49	4,994	0.00
100 – 1,000	1,647	20.88	1,409,213	0.11
1,001 – 10,000	3,584	45.45	19,503,238	1.47
10,001 – 100,000	1,928	24.45	69,011,055	5.21
100,001 to less than 5% of issued units	371	4.70	490,063,900	37.00
5% and above of issued units	2	0.03	744,396,489	56.21
Total	7,886	100.00	1,324,388,889	100.00

THIRTY LARGEST UNITHOLDERS (as per Record of Depositors)

Name	No. of Units	%
1 YTL Corporation Berhad	670,280,889	50.61
2 YTL Corporation Berhad	74,115,600	5.60
3 East-West Ventures Sdn Bhd	62,500,000	4.72
4 Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	39,167,700	2.96
5 Valuecap Sdn Bhd	38,308,600	2.89
6 Syarikat Pelancongan Pangkor Laut Sendirian Berhad	24,250,000	1.83
7 Tanjong Jara Beach Hotel Sdn Bhd	21,750,000	1.64
8 YTL Power International Berhad	20,496,900	1.55
9 Citigroup Nominees (Tempatan) Sdn Bhd – ING Insurance Berhad (INV-IL PAR)	19,090,000	1.44
10 Business & Budget Hotels (Kuantan) Sdn Bhd	18,750,000	1.42
11 Megahub Development Sdn Bhd	18,250,000	1.38
12 Citigroup Nominees (Tempatan) Sdn Bhd – Exempt An for American International Assurance Berhad	16,400,000	1.24
13 HSBC Nominees (Asing) Sdn Bhd – Exempt An for JPMorgan Chase Bank, National Association (Kuwait)	15,000,000	1.13
14 YTL Power International Berhad	14,628,000	1.10
15 Cartaban Nominees (Asing) Sdn Bhd – RBC Dexia Investor Services Bank for Robeco Emerging Marketsecurities (EUR-RCGF)	14,000,000	1.06
16 DB (Malaysia) Nominee (Asing) Sdn Bhd – Exempt An for Deutsche Bank AG Singapore (PWM Asing)	7,991,000	0.60
17 YTL Power International Berhad	7,964,600	0.60
18 Amanah Raya Berhad – Kumpulan Wang Bersama	5,041,700	0.38
19 Uni.Asia General Insurance Berhad	5,000,000	0.38

Name	No. of Units	%
20 OSK Nominees (Tempatan) Sdn Berhad – OSK Trustees Berhad for The Divine Vision Trust	4,300,000	0.32
21 HSBC Nominees (Tempatan) Sdn Bhd – HSBC (M) Trustee Bhd for Hwang Select Opportunity Fund (3969)	4,031,000	0.30
22 Kurnia Insurans (Malaysia) Berhad	3,545,200	0.27
23 Chin Kian Fong	3,519,600	0.27
24 Kurnia Insurans (Malaysia) Berhad	3,500,000	0.26
25 HSBC Nominees (Tempatan) Sdn Bhd – HSBC (M) Trustee Bhd for Hwang Select Balanced Fund (4405)	3,145,000	0.24
26 Hong Leong Assurance Berhad – As Beneficial Owner (Life Par)	3,100,000	0.23
27 Kurnia Insurans (Malaysia) Berhad	3,000,000	0.23
28 YTL Corporation Berhad	2,687,700	0.20
29 Maybank Nominees (Tempatan) Sdn Bhd – Maybank Trustees Berhad for MAAKL–HDBS Flexi Fund (270519)	2,563,000	0.19
30 HSBC Nominees (Tempatan) Sdn Bhd – HSBC (M) Trustee Bhd for Hwang Select Income Fund (4850)	2,431,000	0.18
Total	1,128,807,489	85.22

SUBSTANTIAL UNITHOLDERS (as per Record of Depositors)

Name	Direct	No. of Units Held		%
		%	Indirect	
YTL Corporation Berhad	747,464,189	56.44	61,839,500#	4.67

Deemed interested by virtue of its interests in YTL Power International Berhad and Business & Budget Hotels (Kuantan) Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

Statement of Interests of Directors of the Manager

Pintar Projek Sdn Bhd in Starhill Real Estate Investment Trust as at 20 July 2012

Name	Direct	No. of Units Held		%
		%	Indirect	
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE	870,000	0.07	–	–
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	70,000	*	108,500,000#	8.19

Deemed interested by virtue of his interests in East–West Ventures Sdn Bhd, Syarikat Pelanchongan Pangkor Laut Sendirian Berhad and Tanjung Jara Beach Hotel Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

* Negligible

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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 the Report to Unitholders of Starhill REIT together with the audited financial statements of Starhill REIT Group for the financial year ended 30 June 2012.

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 under review.

THE TRUST AND ITS INVESTMENT OBJECTIVE

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

Starhill REIT was listed on the Main Market 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. Starhill REIT had undertaken a rationalisation exercise ("Rationalisation Exercise") to reposition as a full-fledged hospitality REIT to focus on the acquisition of hotel properties both in Malaysia and internationally, subject to attractive valuations that will provide yield accretive returns to the unitholders. Following the Rationalisation Exercise, the investment portfolio of Starhill REIT as at 30 June 2012 comprise JW Marriott Hotel Kuala Lumpur, The Residences at The Ritz-Carlton, Kuala Lumpur, Cameron Highlands Resort, Vistana Penang, Vistana Kuala Lumpur, Vistana Kuantan, The Ritz-Carlton, Kuala Lumpur, part of Pangkor Laut Resort, Tanjong Jara Resort and Hilton Niseko (collectively referred to as "Hospitality Properties"). Hilton Niseko was acquired through the Trust's subsidiary, namely Starhill REIT Niseko G.K., incorporated in Japan.

BENCHMARK RELEVANT TO THE TRUST

Management Expense Ratio ("MER")

	2012	2011
MER for the financial year	0.36%	0.26%

MER is calculated based on the total of all the fees and expenses incurred by Starhill REIT Group 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 quarterly 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.

DISTRIBUTION POLICY

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



Manager's Report

COMPOSITION OF INVESTMENT PORTFOLIO

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

	RM'000	%
Real Estate – Commercial		
• JW Marriott Hotel Kuala Lumpur	349,700	21
• The Residences at The Ritz-Carlton, Kuala Lumpur	223,881	13
• The Ritz-Carlton, Kuala Lumpur	253,017	15
• Vistana Penang	101,778	6
• Vistana Kuala Lumpur	101,207	6
• Vistana Kuantan	75,980	5
• Pangkor Laut Resort	98,365	6
• Tanjong Jara Resort	88,050	5
• Cameron Highlands Resort	50,649	3
• Hilton Niseko	255,898	15
	1,598,525	95
Deposits with licensed financial institution	91,344	5
Total	1,689,869	100

BREAKDOWN OF UNITHOLDINGS

Set out below is the analysis of unitholdings of Starhill REIT as at the reporting date:-

Unit class	No. of Unitholders	%	No. of Units held	%
Less than 100	351	4.51	4,994	0.00
100 to 1,000	1,638	21.04	1,408,513	0.11
1,001 to 10,000	3,539	45.45	19,237,638	1.45
10,001 to 100,000	1,911	24.54	68,113,055	5.14
100,001 to less than 5% of issued units	345	4.43	491,228,200	37.09
5% and above of issued units	2	0.03	744,396,489	56.21
	7,786	100.00	1,324,388,889	100.00

MATERIAL CONTRACTS

Set out below are the details of the material contracts involving the Manager and the major unitholders' interests, still subsisting at the reporting date:-

Name	Pintar Projek Sdn. Bhd.
Date of agreement	18 November 2005
General nature	Trust deed
Consideration passing from the Trust	As disclosed in Note 6 to the Financial Statements
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	70%-owned subsidiary company

Name	Star Hill Hotel Sdn. Bhd.
Date of agreement	8 March 2005, 18 October 2006 and 15 November 2011
Deed of novation	16 December 2005, 16 May 2007 and 15 November 2011
General nature	Agreement for lease for two properties
Consideration passing to the Trust	Annual lease rental of RM34,146,000
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	A wholly-owned subsidiary company

Name	Cameron Highlands Resort Sdn. Bhd.
Date of agreement	15 November 2011
General nature	Agreement for lease
Consideration passing to the Trust	Annual lease rental of RM4,000,000
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	A wholly-owned subsidiary company

Name	Business & Budget Hotels (Penang) Sdn. Bhd.
Date of agreement	15 November 2011
General nature	Agreement for lease
Consideration passing to the Trust	Annual lease rental of RM8,200,000
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	51%-owned subsidiary company

Name	Prisma Tulin Sdn. Bhd.
Date of agreement	15 November 2011
General nature	Agreement for lease
Consideration passing to the Trust	Annual lease rental of RM8,200,000
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	59.3%-owned subsidiary company



Manager's Report

MATERIAL CONTRACTS (CONTINUED)

Name	Business & Budget Hotels (Kuantan) Sdn. Bhd.
Date of agreement	15 November 2011
General nature	Agreement for lease
Consideration passing to the Trust	Annual lease rental of RM6,000,000
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	50%-owned associated company

Name	YTL Land Sdn. Bhd.
Date of agreement	28 June 2010
General nature	Car park agreement
Consideration passing to the Trust	Annual fee of RM1,596,410
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	A wholly-owned subsidiary company

PERFORMANCE OF THE TRUST

	Group	
	2012	2011
	RM'000	RM'000
Net revenue	80,860	30,148
Profit before tax	107,264	59,923
Profit after tax	106,161	58,239

For the financial year ended 30 June 2012, the Group recorded RM80.860 million and RM107.264 million of revenue and profit before tax, respectively representing an increase of 168.21% and 79% compared to RM30.148 million and RM59.923 million of revenue and profit before tax, respectively recorded in the preceding financial year ended 30 June 2011.

The increase in revenue and profit before tax for the financial year ended 30 June 2012 was attributed mainly to the recognition of lease rental income from the lease of hospitality related properties acquired on 15 November 2011 and 22 December 2011.

DISTRIBUTION OF INCOME

An interim distribution of income (which is tax exempt at the Trust level under Section 61A of the Income Tax Act 1967) of 4.0112 sen per unit (of which 0.9233 sen is taxable and 3.0879 sen is non-taxable in the hands of unitholders) amounted to RM53,123,887 was paid on 28 February 2012.

The Manager has declared a final income distribution (which is tax exempt at the Trust level under Section 61A of the Income Tax Act 1967) of 3.6247 sen per unit (of which 1.2186 sen is taxable and 2.4061 sen is non-taxable in the hands of unitholders), totaling RM48,005,124.

Total distribution paid and declared for the financial year ended 30 June 2012 is 7.6359 sen per unit, totaling RM101,129,011, which translates to a yield of 8.47% based on the twelve months weighted average market price of RM0.9017 per unit as at 30 June 2012.

DISTRIBUTION OF INCOME (CONTINUED)

The total income distribution of RM101,129,011 represents approximately 100% of the realised and distributable income for the financial year ended 30 June 2012.

The effect of the income distribution in terms of the net asset value per unit as at 30 June 2012 is as follows:-

Net asset value ("NAV")

	Before distribution RM	After distribution RM
NAV per unit	1.221	1.144

Analysis of net asset value since the last financial year ended 30 June 2011:-

At 30 June	2012	2011
Total net asset value (RM'000)	1,515,536	1,356,659
Net asset value per unit (RM)	1.144	1.151

The increase in total net asset value was attributed to the following:-

- (i) Issuance of new units;
- (ii) Recognition of currency translation reserves on Hilton Niseko; and
- (iii) Fair value adjustment on investment property

Analysis of changes in prices during the financial year ended 30 June 2012:-

The Trust's units traded at RM0.89 per unit at the beginning of the financial year and ended the year higher at RM1.02 per unit, with a volume weighted average price for the financial year of RM0.90 per unit. During the financial year under review, the Trust's unit price reached a high of RM1.04 per unit and a low of RM0.83 per unit, and traded largely in line with the FTSE Bursa Malaysia.

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 to reposition Starhill REIT as a full-fledged hospitality REIT to provide a platform to enable Starhill REIT to focus on a single, dedicated class of assets under the Rationalisation Exercise was completed in December 2011.

The Trust will continue to focus on the acquisition of hotel properties located both in Malaysia and internationally, subject to attractive valuations which will provide yield accretive returns to the unitholders.

Manager's Report

INVESTMENT STRATEGIES (CONTINUED)

(i) Operating Strategy (continued)

The Trust will be able to leverage on focused co-branding and cross marketing strategies to enhance the performance of its hospitality assets. In carrying out this operating strategy, the Manager will continue to apply the following key operating and management practices:-

- (a) integrated conference facilities to draw international business interest;
- (b) internationally acclaimed food and beverage outlets;
- (c) luxury, award-winning SPA Village concept; and
- (d) 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) opportunities; and
- (c) 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 cash flow; and (b) underperforming assets.

The Manager intends to hold 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 of its properties. This capital management strategy involves:-

- (a) adopting and maintaining an optimal gearing level; and
- (b) adopting an active interest rate management strategy to manage risks associated with changes in interest rates while maintaining flexibility in Starhill REIT's capital structure to meet future investment and/or capital expenditure requirements.

INVESTMENT POLICIES

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

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

REVIEW OF THE PROPERTY MARKET

During the financial year ended 30 June 2012, the Group received rental from the lease of JW Marriott Hotel Kuala Lumpur, The Residences at Ritz-Carlton, Kuala Lumpur, The Ritz-Carlton, Kuala Lumpur, Pangkor Laut Resort, Tanjong Jara Resort, Cameron Highlands Resort, Vistana Kuala Lumpur, Vistana Penang, Vistana Kuantan as well as Hilton Niseko, Japan.

THE MALAYSIA HOTELS AND RESORT MARKET

As the global economy grew at a more moderate pace in 2011 after a strong rebound in 2010, the Malaysia economy also grew at a slower pace with Gross Domestic Product (“GDP”) at 5.1% in 2011 compared to 7.2% in 2010 while the services sector as the key contributor achieved a sustained growth of 6.8% in 2011 compared to 6.8% in 2010.¹

Malaysia’s inflation based on Consumer Price Index rose to 3.2% in 2011 from 1.7% in 2010 while Ringgit depreciated 2.9% to RM3.1770 against the US Dollar.

In 2011, tourist arrivals increased 0.6% to 24.71 million and tourist receipts increased to RM58.3 billion in 2011. The Average Occupancy Rate (“AOR”) for Kuala Lumpur, Penang and Pahang have improved to 68.6%, 63.5% and 79.1% in 2011 from 66.9%, 60.2% and 76.6% in 2010, respectively but AOR for Perak and Terengganu have dropped marginally to 47.2% and 42.5% in 2011 from 47.5% and 42.8% in 2010, respectively.²

By the end of 2011, Kuala Lumpur has a total of 31,893 hotel rooms of which represents 19.3% of country’s total.³

According to CB Richard Ellis hospitality report, the average room rates for 3-5 star hotels in Kuala Lumpur has increased marginally from RM247 in 4Q2010 and 1Q2011 to RM258 in 4Q2011 and RM250 in 1Q2012, respectively.

JAPAN ECONOMY AND HOTELS & RESORT MARKET

Japan economy contracted with a GDP of –0.7% compared to a strong growth of 4.5% in 2010 mainly due to the earthquake and tsunami occurred in March 2011 and the subsequent problems such as the radiation leakage.⁴

March 2011 disaster mainly affected hotels primarily in Sendai (the city closest to the earthquake’s epicenter), Sapporo and Tokyo. The initial impacts were dramatic as international inbound visitors fell by 50% in March and 62% in April 2011. Thus hotels occupancy rates in Japan was down 21.3% and 27.6% in March and April 2011, respectively compared to the same months in 2010 while occupancy in Sendai decreased 36.7%, with a greater decrease of 22.7% in revenue per available room (“RAR”) in March 2011 but increased 77.2% in April 2011, with demand expected to remain steady due to the influx of relief workers to the area.⁵

In addition to the travel safety issue associated with the earthquake and subsequent radiation problem, the appreciation of the Japanese yen, which continued even after these events, has rendered Japan less attractive as a tourism destination.

Though the occupancy rates recovered to previous year levels from September 2011 and have since remained stable⁶, in total, the international visitor arrivals decreased 27.8% to 6.2 million in 2011. The hotel and resort industry in Japan managed to the hotel occupancy saw a decrease of 6.5% with 326 million accommodation guests in 2011 compared to 349 million in 2010 while resort hotels decrease 9.6% from 60.3 million to 54.5 million.⁴

¹ Bank Negara Malaysia

² Ministry of Tourism

³ Property Market Report 2011, Ministry of Finance Malaysia

⁴ Hotel Intelligence Report April 2012, Jones Lang LaSalle Hotels

⁵ The Tohoku Pacific Earthquake and Tsunami March 2012 Update, World Travel and Tourism Council

⁶ East Asia Real Estate Investment Market 2012, Nomura Research Institute Ltd



Manager's Report

OUTLOOK FOR 2012

MALAYSIA

The Malaysia's GDP expanded at a slower pace with GDP of 4.7% in 1Q2012 against 5.2% in 4Q2011 while the inflation moderated to 2.3% in 1Q2012 from 3.2% in 4Q2011 while Bank Negara is maintaining the overnight policy rate of 3% as the monetary conditions remain supportive of economic activity.¹

Nevertheless, under the current assumptions, Bank Negara maintained the forecast for Malaysia economic growth for 2012 between 4% and 5% backed by strong fundamentals and domestic demand is expected to remain resilient.

The Government initiatives such as the ongoing implementation of Economic Transformation Programme through various National Key Economic Areas will also push private investment up amid shaky global economic prospects and target to increase the Gross National Income as well as income per capita.

The hotel industry in Malaysia is expected to remain resilient and grow marginally with government initiations such as giving pioneer status with income tax exemption of 70% or Investment Tax Allowance of 60% for 5 years for hotel operators investing in new four and five star hotels. This will boost the hotel tourism industry in Malaysia. The Ministry of Tourism is targeting 25 million tourist arrivals and RM60 billion in tourist receipts this year.

JAPAN

Albeit the earthquake, the Japan economy is expected to grow at a rate of 1.4% in 2012 where business activities as well as consumer sentiment is expected to return to normal levels. Despite the weak growth, Japan remains the third largest economy in the world.

In 2012, Japan's economy grew 1% in the first three months of this year from the preceding quarter, driven by investment linked to rebuilding of its disaster-struck regions and a strong recovery in exports.

The hotel industry has remained resilient and Japan hotel industry is making a comeback and according to World Travel & Tourism Council, the full recovery in international tourism demand in Japan should be evident in the first half of 2012. In addition, the Japan government launched "Inbound Travel Promotion Project (Visit Japan Project)" in 2010 and set a goal of 15 million visitors by 2013 and 30 million visitors in the long term. This project includes proactive promotional activities outside of Japan, deregulation of visa requirements, etc.

PROSPECTS OF THE AUSTRALIA HOTEL MARKET

The Australian economy continued steady growth in 2011, albeit at a below-average pace of GDP growth of 2.3%⁷ and has grown faster than its long-term trend rate of growth. In 1Q2012, GDP rose by 4.3% in real terms.⁸

Moving forward, in Australia Budget 2012/2013, the Australian economy is expected to grow 3.25% in 2012-2013 and 3% in 2013-2014 as announced in the Australia Budget 2012/2013.

The number of international arrivals to Australia grew by 3.8% in 2010-2011 and is expected to grow at a modest rate of 3% for 2012-2013 amidst continuing global economic uncertainty and the persistently high value of Australian dollar. Over the longer term, international visitors to Australia is forecast to grow at an annual average rate of 3.6% to nearly 8.2 million visitors by 2020-21.⁹

In view of the steady growth in the Australian Tourism industry, the Australian hotel room occupancy rates will continue to grow over the next three years from 65% to 68% highest in decades with expected growth in international visitors, strong domestic business travel and a modest roll out of new hotel developments. Projected RAR is forecast to increase by an average annual rate of 5.5% over the next three years reaching \$110 by December 2014.¹⁰

⁷ Statement on Monetary Policy – May 2012, Reserve Bank of Australia

⁸ Economic report June 2012, Australia council of trade unions

⁹ Tourism Forecasting Committee, Forecast 2012 Issue 1, Tourism Research Australia, Canberra

¹⁰ Media release on 22 May 2012, Deloitte

PROSPECTS OF THE AUSTRALIA HOTEL MARKET (CONTINUED)

In Sydney, occupancy rates remain the highest in Australia, although forecast increases in occupancy rates will be more modest than in other markets, growing just 2% to 88% by the end of 2014. Room rates are expected to grow by 3.9% annually, increasing to \$210 by the end of 2014.

The Melbourne market is expected to remain weaker than others, with the overall weakness of the Victorian economy flowing through the hotel sector. The three-year forecast is for RAR of 4.3% still higher than the national average, while occupancy rates are still forecast to grow strongly reaching 85% by the end of 2014.

Occupancies are forecast to remain flat over the projection period in Brisbane, finishing the outlook period just 1% higher than today's levels. The Brisbane market will still continue to benefit from the Queensland's resource-related activity, with RAR projected to grow strongly an average 7.5% per year to \$208 by the end of 2014.

SUMMARY

In the 2012 overall outlook, though the global economic prospect is expected to be more challenging with economic slowdown in Europe, Russia, India and China, inflationary pressures due to rising commodity prices, European debt crisis, the political uncertainties in the Middle East countries, we expect business activities as well as consumer sentiment to remain strong with a steady growth in Malaysia, Japan and Australia.

Starhill REIT will continue to adopt a robust management structure to identify and implement proactive asset management, marketing and operation strategies to mitigate risks and ultimately to enhance the revenue of the hotel properties and improve the yields and returns of the Trust.

Starhill REIT will explore new capital growth through acquisitions and asset enhancement opportunities to achieve our goal of maintaining and building up a stable and yield accretive assets.

MATERIAL LITIGATION

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

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.

DIRECTORS

The Directors who served on the Board of the Manager, Pintar Projek Sdn. Bhd. since the date of last Report of the Trust are:-

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE
 Dato' Yeoh Seok Kian
 Dato' (Dr) Yahya Bin Ismail
 Dato' Ahmad Fuaad Bin Mohd Dahalan (appointed on 17 January 2012)
 Dato' Yeoh Seok Kah (appointed on 17 January 2012)
 Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir
 Eu Peng Meng @ Leslie Eu
 Yeoh Keong Shyan

Manager's Report

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Manager is a party, with the object or objects of enabling the Directors of the Manager 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 2012, no Director has received or become entitled to receive any benefit by reason of a contract made by the Manager 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 01.07.2011	No. of units acquired	No. of units disposed	Balance at 30.06.2012
Direct interest				
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE	870,000	–	–	870,000
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir	70,000	–	–	70,000
Indirect Interest				
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir	–	108,500,000	–	108,500,000*

* Deemed interested by virtue of his interests in East-West Ventures Sdn Bhd, Syarikat Pelanchongan Pangkor Laut Sendirian Berhad and Tanjung Jara Beach Hotel Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

Other than as disclosed above, Directors who held office at the end of the financial year did not have interests 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 Group;
- (ii) a performance fee (exclusive of GST, if any) of up to 5.0% of the Group 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 Group (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 Group (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 6 to the Financial Statements.

RESERVES AND PROVISIONS

There were no material transfers to and from reserves or provisions during the financial year other than as disclosed in the financial statements.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and of the Trust 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 the Group and of the Trust 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 the Group and of the Trust inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Trust misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Trust misleading or inappropriate.

At the date of this Report, there does not exist:-

- (a) any charge on the assets of the Group and of the Trust which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Trust 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 the Manager, will or may affect the ability of the Group and of the Trust to meet its obligations as and when they fall due.



Manager's Report

OTHER STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

The Directors of the Manager 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 the Group and of the Trust which would render any amount stated in the financial statements misleading.

In their opinion,

- (a) the results of the operations of the Group and of the Trust 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 the Group and of the Trust 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, FICE

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

Dated: 12 July 2012
Kuala Lumpur

Statement by Manager

In the opinion of the Directors of PINTAR PROJEK SDN. BHD. (“Manager”), the accompanying financial statements are drawn up in accordance with Financial Reporting Standards, the Securities Commission’s Guidelines on Real Estate Investment Trusts, the trust deed dated 18 November 2005 so as to give a true and fair view of the state of affairs of STARHILL REAL ESTATE INVESTMENT TRUST Group as at 30 June 2012 and of the results of operations and cash flows of STARHILL REAL ESTATE INVESTMENT TRUST Group for the financial year ended on that date.

In the opinion of the Directors of the Manager, the supplementary information set out on page 94 have been compiled in accordance with the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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, FICE

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

Dated: 12 July 2012
Kuala Lumpur

Statutory Declaration

I, TAN SRI DATO’ (DR) FRANCIS YEOH SOCK PING, CBE, FICE, 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, FICE

Subscribed and solemnly declared by the
abovenamed TAN SRI DATO’ (DR) FRANCIS
YEOH SOCK PING, CBE, FICE
at Kuala Lumpur on 12 July 2012

Before me:

Tan Seok Kett
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 2012. In our opinion, PINTAR PROJEK SDN. BHD., the Manager, has managed the Fund in the financial 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, other applicable laws and the Securities Commission's Guidelines on Real Estate Investment Trusts ("SC REIT Guidelines") EXCEPT for Clause 8.08, 8.22(b), 8.22(c), 8.22(d) of the SC REIT Guideline where the Securities Commission had vide its letter dated 16 June 2011 granted extension of time to comply with;
- (b) wherein the valuation of the Fund is carried out in accordance with the Deed and any regulatory requirements; and
- (c) of which the income distributions declared and paid are in line with the investment objectives of the Fund.

For Maybank Trustees Berhad,
(formerly known as Mayban Trustees Berhad)

Jennifer Wong
Head, Operations

Dated: 12 July 2012
Kuala Lumpur

Independent Auditors' Report

to the unitholders of Starhill Real Estate Investment Trust

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of STARHILL REAL ESTATE INVESTMENT TRUST ("the Trust") and its subsidiaries ("the Group") which comprise the Statements of Financial Position as at 30 June 2012 and the Statements of Comprehensive Income, Statements of Changes in Net Asset Value and Statements of Cash Flow of the Group and of the Trust for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 55 to 93.

DIRECTORS OF PINTAR PROJEK SDN. BHD'S ("THE MANAGER") RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Manager of the Trust are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards, the Securities Commission's Guidelines on Real Estate Investment Trusts, the trust deed dated 18 November 2005 and for such internal controls as the Directors of the Manager determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors of the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards, the Securities Commission's Guidelines on Real Estate Investment Trusts, the trust deed dated 18 November 2005 so as to give a true and fair view of the financial position of the Group and of the Trust as of 30 June 2012 and of their financial performance and cash flows for the year then ended.



Independent Auditors' Report

to the unitholders of Starhill Real Estate Investment Trust

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 94 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors of the Manager are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the unitholders of the Trust and for no other purpose. We do not assume responsibility to any other person for the content of this report.

HLB LER LUM

AF 0276

Chartered Accountants

LER CHENG CHYE

871/3/13(J/PH)

Chartered Accountant

Dated: 12 July 2012

Kuala Lumpur

Statements of Comprehensive Income

for the financial year ended 30 June 2012

		Group		Trust	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net revenue	4	80,860	30,148	72,612	30,148
Property operating expenses	5	(5,329)	(1,801)	(3,634)	(1,801)
Net property income		75,531	28,347	68,978	28,347
Interest income					
– financial institution deposits		10,435	20,633	10,435	20,633
– available-for-sale financial assets		6,857	23,059	6,857	23,059
– shareholder loan interests		–	–	5,520	–
Total interest income		17,292	43,692	22,812	43,692
Other income					
– gain on disposal of available-for-sale financial assets		19,564	–	19,564	–
– fair value on investment property		5,000	–	5,000	–
– others		3,796	–	3,796	–
Total other income		28,360	–	28,360	–
Total income		121,183	72,039	120,150	72,039
Manager's fees	6	3,345	2,167	3,345	2,167
Trustee's fees	7	549	479	548	479
Finance costs	8	8,583	8,601	8,583	8,601
Auditors' remuneration		79	20	20	20
Tax agent's fees		24	10	10	10
Valuation fees		86	–	86	–
Administration expenses		1,194	839	316	839
Unrealised loss/(gain) on foreign exchange		59	–	(6,856)	–
Total expenses		13,919	12,116	6,052	12,116
Profit before tax		107,264	59,923	114,098	59,923
Income tax expense	9	(1,103)	(1,684)	(1,103)	(1,684)
Profit after tax		106,161	58,239	112,995	58,239
Profit after tax		106,161	58,239	112,995	58,239
Other comprehensive income					
– currency translation differences		8,345	–	–	–
Total comprehensive income		114,506	58,239	112,995	58,239

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



Statements of Comprehensive Income

for the financial year ended 30 June 2012

	Note	2012 RM'000	Group 2011 RM'000	2012 RM'000	Trust 2011 RM'000
Representing as:-					
Profit after tax is made up as follows:-					
Realised and distributable		101,168	58,323	101,131	58,323
Unrealised gain on fair value for investment properties		5,000	–	5,000	–
Unrealised (loss)/gain on foreign currency exchange		(15)	–	6,856	–
Unrealised gain/(loss) on fair value of trade receivables		8	(84)	8	(84)
		106,161	58,239	112,995	58,239
Total comprehensive income is made up as follows:-					
Profit after tax		106,161	58,239	112,995	58,239
Unrealised currency translation differences		8,345	–	–	–
		114,506	58,239	112,995	58,239
Earnings per unit	10				
– after manager's fees (sen)		8.36	4.94	8.90	4.94
– before manager's fees (sen)		8.62	5.12	9.16	5.12
Net income distribution					
– Interim income distribution of 4.0112 sen, paid on 28 February 2012 (2011: 3.2865 sen, paid on 25 February 2011)		53,124	38,744	53,124	38,744
– Final income distribution of 3.6247 sen (2011: 3.1990 sen, paid on 25 August 2011)		48,005	37,713	48,005	37,713
Income distribution per unit					
– Interim income distribution – Gross (sen)		4.0112	3.2865	4.0112	3.2865
– Final income distribution – Gross (sen)		3.6247	3.1990	3.6247	3.1990

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

as at 30 June 2012

	Note	Group		Trust	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
ASSETS					
Non-current assets					
Investment properties	11	1,598,525	494,700	1,342,627	494,700
Investment in subsidiaries	12	–	–	61,960	–
Amount due from subsidiary	12	–	–	194,339	–
		1,598,525	494,700	1,598,926	494,700
Current assets					
Trade receivables	13	850	1,477	850	1,477
Other receivables & prepayments	14	77,762	7,806	65,505	7,806
Available-for-sale financial assets	15	–	405,000	–	405,000
Amount due from subsidiary	12	–	–	3,634	–
Deposits with licensed financial institution	16	91,344	676,460	91,344	676,460
Cash at bank		663	659	113	659
		170,619	1,091,402	161,446	1,091,402
Total assets		1,769,144	1,586,102	1,760,372	1,586,102
UNITHOLDERS' FUNDS AND LIABILITIES					
Unitholders' funds					
Unitholders' capital	17	1,291,395	1,145,895	1,291,395	1,145,895
Undistributed income		215,796	210,764	222,630	210,764
Currency translation reserves		8,345	–	–	–
Total unitholders' funds		1,515,536	1,356,659	1,514,025	1,356,659
Non-current liabilities					
Borrowing	18	180,000	180,000	180,000	180,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



Statements of Financial Position

as at 30 June 2012

		Group		Trust	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current liabilities					
Other payables	19	25,603	11,730	18,342	11,730
Provision for income distribution	20	48,005	37,713	48,005	37,713
		73,608	49,443	66,347	49,443
Total liabilities		253,608	229,443	246,347	229,443
Total unitholders' funds and liabilities		1,769,144	1,586,102	1,760,372	1,586,102
Net asset value ("NAV")		1,515,536	1,356,659	1,514,025	1,356,659
Number of units in circulation ('000)	17	1,324,389	1,178,889	1,324,389	1,178,889
NAV per unit (RM)					
– before income distribution		1.221	1.216	1.220	1.216
– after income distribution		1.144	1.151	1.143	1.151

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Net Asset Value

for the financial year ended 30 June 2012

Group/Trust	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	Non-Distributable Unrealised Income RM'000	Total Unitholders' Funds RM'000
At 1 July 2010	1,145,895	190,306	38,676	1,374,877
Operations for the financial year ended 30 June 2011				
Profit for the year	–	58,323	(84)	58,239
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	58,323	(84)	58,239
Unitholders transactions				
Distribution paid	–	(38,744)	–	(38,744)
Provision for income distribution (Note 20)	–	(37,713)	–	(37,713)
Decrease in net assets resulting from unitholders transactions	–	(76,457)	–	(76,457)
At 30 June 2011	1,145,895	172,172	38,592	1,356,659

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



Statements of Changes in Net Asset Value

for the financial year ended 30 June 2012

Group	Unitholders' Capital RM'000	Distributable	<----Non distributable---->		Total Unitholders' Funds RM'000
		Undistributed Realised Income RM'000	Unrealised Income RM'000	Currency Translation Reserves RM'000	
At 1 July 2011	1,145,895	172,172	38,592	–	1,356,659
Operations for the financial year ended 30 June 2012					
Profit for the year	–	101,168	4,993	–	106,161
Other comprehensive income	–	–	–	8,345	8,345
Total comprehensive income for the year	–	101,168	4,993	8,345	114,506
Unitholders transactions					
Issuance of new units	145,500	–	–	–	145,500
Distribution paid	–	(53,124)	–	–	(53,124)
Provision for income distribution (Note 20)	–	(48,005)	–	–	(48,005)
Increase/(Decrease) in net assets resulting from unitholders transactions	145,500	(101,129)	–	–	44,371
At 30 June 2012	1,291,395	172,211	43,585	8,345	1,515,536
Trust					
At 1 July 2011	1,145,895	172,172	38,592	–	1,356,659
Operations for the financial year ended 30 June 2012					
Profit for the year	–	101,131	11,864	–	112,995
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	101,131	11,864	–	112,995
Unitholders transactions					
Issuance of new units	145,500	–	–	–	145,500
Distribution paid	–	(53,124)	–	–	(53,124)
Provision for income distribution (Note 20)	–	(48,005)	–	–	(48,005)
Increase/(Decrease) in net assets resulting from unitholders transactions	145,500	(101,129)	–	–	44,371
At 30 June 2012	1,291,395	172,174	50,456	–	1,514,025

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Cash Flows

for the financial year ended 30 June 2012

	Group		Trust	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from operating activities				
Profit before tax	107,264	59,923	114,098	59,923
Adjustments for:-				
Impairment loss on trade receivables	49	1,400	49	1,400
Interest income	(17,292)	(43,692)	(22,812)	(43,692)
Interest expense	8,573	8,591	8,573	8,591
Fair value on investment property	(5,000)	-	(5,000)	-
Unrealised loss/(gain) on foreign currency exchange	59	-	(6,856)	-
Gain on disposal of available-for-sale financial assets	(19,564)	-	(19,564)	-
Operating profit before changes in working capital	74,089	26,222	68,488	26,222
(Increase)/Decrease in receivables	(69,378)	2,981	(57,121)	2,981
Increase/(Decrease) in payables	3,328	(14,381)	(3,933)	(14,381)
Inter-company balance	-	-	(3,634)	-
Net cash from operating activities	8,039	14,822	3,800	14,822
Cash flows from investing activities				
Interest income	16,189	35,592	21,709	35,592
Cash receipts from solicitor	-	625,000	-	625,000
Acquisition of investment properties	(553,383)	-	(536,882)	-
(Notes to the Statements of Cash Flows (b))				
Proceeds from disposal of available-for-sale financial assets	42,675	-	42,675	-
Shareholder loan drawdown	-	-	(17,554)	-
Net cash (used in)/from investing activities	(494,519)	660,592	(490,052)	660,592

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



Statements of Cash Flows

for the financial year ended 30 June 2012

	Group		Trust	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from financing activities				
Interest paid	(8,573)	(8,591)	(8,573)	(8,591)
Distribution paid	(90,837)	(76,457)	(90,837)	(76,457)
Net cash used in financing activities	(99,410)	(85,048)	(99,410)	(85,048)
Net changes in cash and cash equivalent	(585,890)	590,366	(585,662)	590,366
Effect on exchange rate changes	778	–	–	–
Cash and cash equivalents at beginning of the financial year	677,119	86,753	677,119	86,753
Cash and cash equivalents at end of the financial year	92,007	677,119	91,457	677,119

NOTES TO THE STATEMENTS OF CASH FLOWS

(a) Cash and cash equivalents comprise:-

Deposits with licensed financial institution	91,344	676,460	91,344	676,460
Cash at bank	663	659	113	659
	92,007	677,119	91,457	677,119

(b) Acquisition of investment properties:-

By cash	553,383	–	536,882	–
By issuance of new units	145,500	–	145,500	–
By Convertible Preferred Units	381,890	–	150,000	–
Owing to vendor	10,545	–	10,545	–
	1,091,318	–	842,927	–

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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.

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

Starhill REIT was listed on the Main Market 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.

The address of the registered office and principal place of business of the Manager is as follows:-

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

The address of the principal place of business of the Trust is as follows:-

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

2. BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements of the Group and the Trust have been prepared in accordance with Financial Reporting Standards (“FRSs”), accounting principles generally acceptable in Malaysia, the Securities Commission’s Guidelines on Real Estate Investment Trusts (“SC”) (“REIT Guidelines”), the trust deed dated 18 November 2005.

(b) These financial statements have been prepared on the historical cost convention (unless stated otherwise in the significant accounting policies).

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Trust’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand (RM’000), unless otherwise stated.

(d) Changes in accounting policies

On 1 July 2011, the Group and the Trust adopted the following amendments to FRSs and IC Interpretations (“IC Int”) mandatory for annual financial year beginning on or after 1 July 2011.

Notes to the Financial Statements

2. BASIS OF PREPARATION (CONTINUED)

(d) Changes in accounting policies (continued)

FRS, Amendments to FRS and IC Interpretations	Effective for financial periods beginning on or after
Amendments to FRS 1: Additional Exemptions for First-time Adopters & Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Improvements to FRSs (2010) issued in November 2010	1 January 2011
IC Interpretation 4 Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18 Transfers of Assets from Customers	1 January 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14 Prepayments of a Minimum Funding Requirement	1 July 2011

The adoption of these amendments to FRSs and IC Int did not have any significant financial impact to the Group and the Trust except for the effect of Amendments to FRS 7 as discussed below:-

Amendments to FRS 7: Improving Disclosures about Financial Instruments

The amendment promotes enhanced disclosures on fair value measurement of financial instrument via the introduction of the concept of the fair value hierarchy. There is no financial impact on the results of the Group and the Trust as these changes only affects disclosures.

(e) The new or revised financial reporting standard not yet effective

On 19 November 2011, the Malaysian Accounting Standards Board (“MASB”) issued a new MASB approved accounting framework, the MFRS Framework.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (“MFRS141”) and IC Interpretation 15 Agreements for Construction of Real Estate (“IC15”), including its parent, significant investor and venturer.

The Group and the Trust will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 30 June 2013. In presenting its first MFRS financial statements, the Group and the Trust will be required to restate the financial position as at 1 July 2012 to amounts reflecting the application of MFRS Framework.

The Group and the Trust have started a preliminary assessment of the differences between FRS and accounting standards under the MFRS Framework and are in the process of assessing the financial effects of the differences. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 30 June 2012 could be different if prepared under the MFRS Framework.

The Group and the Trust expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 30 June 2013.

2. BASIS OF PREPARATION (CONTINUED)

(f) Use of estimates and judgments

The preparation of the financial statements in conformity with FRSs requires the Directors of the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed below:-

(i) Provisions

The Trust recognises provisions when it has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgments about the ultimate resolution of these obligations. As a result, provisions are reviewed at each reporting date and adjusted to reflect the Trust's current best estimate.

(ii) Impairment loss on trade receivables

The Group and the Trust assesses at each reporting date whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect the actual and anticipated impairment.

(g) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Trust and its subsidiary as at the reporting date. The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Trust. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full except for unrealised losses, which are eliminated if there are indications of impairment.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The costs of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus and costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share is the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill of the Statement of Financial Position.

Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition.

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Investment properties

(i) Investment properties carried at fair value

Investment properties consist of freehold land & buildings which are held for long term rental yield or for capital appreciation or both.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

A property interest held under operating lease is classified and accounted for as investment property as the Group holds it to earn rental income or for capital appreciation or both.

(ii) Determination of fair value

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio at least once in every 3 years from the last valuation, in compliance with the SC's REIT Guidelines.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate:-

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness;
- the allocation of maintenance and insurance responsibilities between the Group and the lessee; and
- the remaining economic life of the property.

When lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

Any increase or decrease arising from changes in the fair value is credited or charged directly to profit or loss as a net appreciation or depreciation in the value of the investment properties.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Leases

Rental income from operating lease is recognised over the term of the lease. Property held under operating lease, which is held for rental income or capital appreciation of both, is classified as investment property.

(c) Investment in subsidiaries

A subsidiary is an entity over which the Group has power to govern the financial and operating policies so as to obtain benefits from their activities.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Trust's separate financial statements, investments in subsidiaries accounted for at cost less accumulated impairment losses. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit and loss.

(d) Financial assets

Financial assets are recognised in the Statements of Financial Position when, and only when, the Group and the Trust becomes a party to the contractual provisions of the instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of a financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Trust determine the classification of their financial assets at initial recognition, and the categories include loans and receivables and available-for-sale financial assets.

(i) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when loans and receivables are derecognised or impaired, and through the amortisation process.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available-for-sale or are not classified in any of the other categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial assets are derecognised. Interest income calculated using instrument is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Trust's right to receive payment is established.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Impairment of financial assets

The Group and the Trust assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Loans and receivables

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Available-for-sale financial assets

In the case of available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is taken as evidence that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the profit or loss.

(f) Cash and cash equivalents

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

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with policy Note 3(d).

(g) Interest-bearing borrowings

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(h) Financial liabilities

Financial liabilities are classified according to the substance of the contract agreements entered into and the definitions of a financial liability.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial liabilities (continued)

Financial liabilities are recognised in the Statements of Financial Position when, and only when, the Group and the Trust become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

The Group's and the Trust's other financial liabilities include trade and other payables and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished.

(i) 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Provisions for income distribution

Provisions for income distribution is recognised when any distribution is declared, determined or publicly recommended by the Directors of the Manager and but not distributed at the reporting date.

(j) Income tax and deferred tax

Income tax on the profit or loss for the financial year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted at the reporting 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 unabsorbed tax losses can be utilised.

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

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Revenue recognition

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

(i) Rental income and other related charges

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

(ii) Car park income

Car park income is recognised in the profit or loss on accrual basis.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(l) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is also the Trust's functional currency.

(ii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Trust at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a cash flow hedge of currency risk, which are recognised in other comprehensive income.

(iii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

(m) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments.

4. NET REVENUE

	Group		Trust	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Rental income	79,313	29,880	71,065	29,880
Service charges	–	(74)	–	(74)
Car park income	1,596	1,596	1,596	1,596
Other interest income	–	47	–	47
Maintenance income	–	99	–	99
Gross revenue	80,909	31,548	72,661	31,548
Less: Impairment loss on trade receivables	(49)	(1,400)	(49)	(1,400)
	80,860	30,148	72,612	30,148

5. PROPERTY OPERATING EXPENSES

	Group		Trust	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Property taxes	4,166	1,711	2,929	1,711
Insurance	1,147	84	689	84
Lease rental	7	–	7	–
Property management fees	–	6	–	6
Property maintenance	9	–	9	–
	5,329	1,801	3,634	1,801

6. MANAGER'S FEES

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

	Group		Trust	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(i) Base fee	1,829	1,598	1,829	1,598
(ii) Performance fee	1,516	569	1,516	569
(iii) Acquisition fee	–	–	–	–
	3,345	2,167	3,345	2,167



Notes to the Financial Statements

6. MANAGER'S FEES (CONTINUED)

- (i) Pursuant to the Deed, the base fee, accrued daily, represents 0.1% per annum of the gross asset value of the Group;
- (ii) Pursuant to the Deed, the performance fee represents 2% of the net property income of the Group recorded during the financial year, but before deduction of property management fees; and
- (iii) Pursuant to the Deed, the acquisition fee represents 1% of the sale price of the asset acquired.

Included in the acquisition fee is the amount of RM10,762,720 (2011: Nil) incurred and capitalised as part of the incidental costs to the acquisition of investment properties.

7. TRUSTEE'S FEES

Pursuant to the Deed, the Trustee's fees, accrued daily, paid and payable to the Trustee, represents 0.03% per annum of the gross asset value of the Group.

8. FINANCE COSTS

	Group		Trust	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest expense on term loan (Note 18)	8,573	8,591	8,573	8,591
Incidental cost incurred to administer the term loan facility:-				
– Facility fee	10	10	10	10
	8,583	8,601	8,583	8,601

9. INCOME TAX EXPENSE

	Group		Trust	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Withholding tax	1,103	1,684	1,103	1,684

The withholding tax are taxes withheld from the foreign interest income received from available-for-sale financial assets and shareholder loan interests.

The Trust has provided approximately 100% of the distributable income to unitholders which income at the Trust level is exempted from tax in accordance with Section 61A of Income Tax Act 1967.

9. INCOME TAX EXPENSE (CONTINUED)

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

	Group		Trust	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before tax	107,264	59,923	114,098	59,923
Income tax using Malaysian statutory tax rate of 25% (2011: 25%)	26,816	14,981	28,525	14,981
Expenses not deductible for tax purposes	251	344	251	344
Utilisation of capital allowances	(8,163)	(3,292)	(8,163)	(3,292)
Income exempted from tax	(10,594)	(10,349)	(10,594)	(10,349)
Income not subject to tax	(7,207)	-	(8,916)	-
Income tax expense	1,103	1,684	1,103	1,684

10. EARNINGS PER UNIT

	Group		Trust	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Income for the year after manager's fees	106,161	58,239	112,995	58,239
Income for the year before manager's fees	109,506	60,406	116,340	60,406
Weighted average number of units ('000)	1,269,926	1,178,889	1,269,926	1,178,889
Earnings per unit after manager's fees (sen)	8.36	4.94	8.90	4.94
Earnings per unit before manager's fees (sen)	8.62	5.12	9.16	5.12

Notes to the Financial Statements

11. INVESTMENT PROPERTIES

	Group		Trust	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At beginning of the financial year	494,700	494,700	494,700	494,700
Acquisition	1,091,318	–	842,927	–
Change in fair value	5,000	–	5,000	–
Currency translation differences	7,507	–	–	–
At end of the financial year	1,598,525	494,700	1,342,627	494,700
Analysis of investment properties:-				
Freehold land & building	1,183,703	494,700	927,805	494,700
Leasehold land & building	414,822	–	414,822	–
	1,598,525	494,700	1,342,627	494,700

Based on valuation exercise conducted by independent professional valuers, Azmi & Co Sdn. Bhd. on 8 June 2012, the fair value of The Residences at The Ritz-Carlton, Kuala Lumpur (60 units) as at the reporting date, which is determined by the Investment Method of Valuation is approximately RM150,000,000 (2011: RM145,000,000).

Based on annual valuation exercise conducted by the management on 30 June 2012, the fair value of the investment properties (save for The Residences at The Ritz-Carlton, Kuala Lumpur (60 units)) are as follows:-

Description of property	Tenure	Fair value	% of fair	Fair value	% of fair
		as at 30.6.2012 RM'000	value to Net Asset Value as at 30.6.2012 %	as at 30.6.2011 RM'000	value to Net Asset Value as at 30.6.2011 %
JW Marriott Hotel, Kuala Lumpur	Freehold	349,700	23.1	349,700	25.8
The Residences at The Ritz-Carlton, Kuala Lumpur (60 units)	Freehold	150,000	9.9	145,000	10.7
The Residences at The Ritz-Carlton, Kuala Lumpur (54 units)	Freehold	73,881	4.9	–	–
The Ritz-Carlton, Kuala Lumpur	Freehold	253,017	16.7	–	–
Pangkor Laut Resort	Leasehold	98,365	6.5	–	–
Tanjong Jara Resort	Leasehold	88,050	5.8	–	–
Vistana Kuala Lumpur	Freehold	101,207	6.7	–	–
Vistana Penang	Leasehold	101,778	6.7	–	–
Vistana Kuantan	Leasehold	75,980	5.0	–	–
Cameron Highlands Resort	Leasehold	50,649	3.3	–	–
Hilton Niseko	Freehold	255,898	16.9	–	–
		1,598,525		494,700	

11. INVESTMENT PROPERTIES (CONTINUED)

The following are recognised in profit or loss in respect of investment properties:-

	Group		Trust	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Rental income	80,909	31,548	72,661	31,548
Direct operating expenses:-				
– income generating investment properties	(5,329)	(1,801)	(3,634)	(1,801)

Investment properties at cost amounting to RM500 million (2011: RM495 million) are charged as security for a term loan granted to the Trust as disclosed in Note 18 to the Financial Statements.

12. INVESTMENT IN SUBSIDIARIES

	Trust	
	2012 RM'000	2011 RM'000
Unquoted shares, at costs	61,960	–

The details of subsidiaries are as follows:-

Name of subsidiary	Place of incorporation	Principal activities	Effective Equity interest	
			2012 %	2011 %
Starhill REIT Niseko G.K.	Japan	Investment properties	100	–
Versatile Degree Sdn. Bhd.	Malaysia	Investment holding	100	–
Marvellous Calibre Sdn. Bhd.	Malaysia	Investment holding	100	–
Starhill REIT (Australia) Pty. Ltd.	Australia	Trustee company	100	–
Starhill Hospitality (Australia) Pty. Ltd.	Australia	Trustee company	100	–
Starhill Hotel (Brisbane) Pty. Ltd.	Australia	Hotel operator	100	–
Starhill Hotel (Sydney) Pty. Ltd.	Australia	Hotel operator	100	–
Starhill Hotel (Melbourne) Pty. Ltd.	Australia	Hotel operator	100	–

The amount due from subsidiary pertains mainly to shareholder loan, loan interest, advances and payments on behalf. The outstanding amounts are unsecured, interest free and payable on demand save for shareholder loan. The shareholder loan with tenure of fifteen years bears a rate of 5% per annum, interest is payable monthly. The shareholder loan shall be repaid by way of a bullet repayment on maturity date. Upon maturity, the Trust allows the shareholder loan to be renewed for another fifteen years where the interest rate is mutually agreed upon in the later stage.



Notes to the Financial Statements

13. TRADE RECEIVABLES

	Group		Trust	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Trade receivables	3,664	4,271	3,664	4,271
Less: Impairment loss on trade receivables	(2,814)	(2,794)	(2,814)	(2,794)
	850	1,477	850	1,477

The movement in the allowance for impairment during the financial year were:-

	Group		Trust	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At beginning of the financial year	2,794	1,394	2,794	1,394
Doubtful debts recognised	58	1,316	58	1,316
Changes in fair value of trade receivables	(8)	84	(8)	84
Bad debts recovered	(30)	-	(30)	-
At end of the financial year	2,814	2,794	2,814	2,794

The amounts due from the companies related to the Manager, which amounted to RM172,401 (2011: RM133,036) relates to rental and other charges due in respect of agreements and are subject to normal trade terms.

The ageing of analysis of the Group's and the Trust's trade receivables is as follows:-

	Gross RM'000	Individual impairment RM'000	Net RM'000
Group/Trust – 2012			
Not past due	173	-	173
Past due more than 180 days	3,491	(2,814)	677
Group/Trust – 2011			
Not past due	133	-	133
Past due more than 180 days	4,138	(2,794)	1,344

The allowance account in respect of receivables is used to record impairment losses. At the end of the financial year, the Trust is satisfied that recovery of the amount is possible.

The Group has significant concentration of credit risk with single customer that related to the major unitholder and subsidiaries of the holding company of the major unitholder, there is no significant amount owing from the single customer.

As at the end of reporting date, the Group's trade receivables were due from two (2011: four) customers.

14. OTHER RECEIVABLES & PREPAYMENTS

	Group		Trust	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deposit	64,757	–	64,757	–
Other receivables	12,078	6,686	557	6,686
Prepayments	927	1,120	191	1,120
	77,762	7,806	65,505	7,806

Included in the deposit is the amount paid to the vendor as deposit for the Proposed Acquisition as disclosed in Note 30 to the Financial Statements.

The amounts due from the companies related to the Manager, which amounted to RM456,183 (2011: RM268,862) are unsecured, interest free and receivable on demand.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Trust	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
CPUs At Cost	–	405,000	–	405,000

173,062,575 Convertible Preferred Unit (“CPU”) in Starhill Global REIT (“SG REIT”) at SGD1.00 per CPU were received on 28 June 2010 as part of sales consideration for the disposal of the retail properties. The principal terms of the CPU are as follows:-

- Subject to the discretion of SG REIT’s Manager, the CPU holders are entitled to receive a discretionary, non-cumulative variable SGD coupon distribution of up to RM0.1322 per CPU, which is equivalent to a distribution rate of 5.65% per annum assuming the CPU distribution is paid in full and based on RM amount of the CPU determined on the date of issuance of the CPU;
- Any CPU distribution or part thereof not due or payable shall not accumulate for the benefit of the CPU holders or entitle the CPU holders to any claims in respect thereof against SG REIT, its Trustee and/or its Manager;
- The CPU rank senior to the units in SG REIT in respect of the entitlement to participate in the distribution of SG REIT and rank senior to the units in respect of the entitlement to receive out of the asset of SG REIT in the event of the commencement of any dissolution or winding up of SG REIT. Upon the dissolution of SG REIT, CPU holders are entitled to receive an amount equivalent to the sum of (i) the number of CPU held by the CPU holder multiplied by the issue price and (ii) any outstanding CPU and special CPU distributions;
- The CPU holder have the right to convert the CPU after a period of three years commencing from the date of issuance of the CPU at a conversion price of SGD0.7266 per unit determined at the date of issuance of the CPU. Any CPU remaining in existence after seven years from the date of issuance of the CPU shall be mandatorily converted into SG REIT units at the conversion price;



Notes to the Financial Statements

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

- The CPU holders do not have a right to attend and vote at meetings of unitholders except during such periods as the CPU or special CPU distribution remains in arrears and unpaid for at least 12 months, or in respect of any resolution which varies or abrogates any right, preference or privilege of the CPU, or in respect of any resolution for the dissolution or winding up of SG REIT; and
- SG REIT's Manager shall have the sole right to redeem any number of CPU on a pro rata basis at the issue price after a period of three years commencing from the date of issuance of the CPU.

The CPU must not be distributed in accordance with the SC's approval vide its letter dated 24 February 2010. In this respect, apart from the possibility that the Trust may retain up to 10% of the CPUs as investment, the CPUs shall only be utilised to acquire hotel assets from the YTL Corporation Group as disclosed in the Note 30 to the Financial Statements.

During the year, the Trust utilised RM364,050,525 nominal values to satisfy part of the purchase consideration for the acquisition of Hospitality Properties and disposed all remaining CPUs to YTL Corporation Berhad.

16. DEPOSITS WITH LICENSED FINANCIAL INSTITUTION

The effective interest rate of deposits placed with a licensed bank was 3.1% (2011: 3.3%) per annum.

The average maturities of deposits of the Trust ranged from 1 day to 35 days (2011: 1 day to 31 days).

17. UNITHOLDERS' CAPITAL

	2012 No. of units '000	2011 No. of units '000
Authorised:-		
At beginning of the financial year	1,178,889	1,178,889
Issuance of new units	145,500	-
At end of the financial year	1,324,389	1,178,889
Issued and fully paid:-		
At beginning of the financial year	1,178,889	1,178,889
Issuance of new units	145,500	-
At end of the financial year	1,324,389	1,178,889

17. UNITHOLDERS' CAPITAL (CONTINUED)

	2012 RM'000	2011 RM'000
Issued and fully paid:-		
At beginning of the financial year	1,145,895	1,145,895
Issuance of new units	145,500	–
At end of the financial year	1,291,395	1,145,895

18. BORROWING – secured

	Group		Trust	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Term loan				
– Non-current	180,000	180,000	180,000	180,000

The term loan with tenure of five years and bearing a fixed interest rate of 4.75% (2011: 4.75%) per annum. The term loan is secured by a first fixed charge over investment properties as disclosed in Note 11 to the Financial Statements. The term loan shall be repaid in one lump sum on 16 December 2015.

19. OTHER PAYABLES

	Group		Trust	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Other payables	17,313	193	11,100	193
Accruals	8,290	10,718	7,242	10,718
Tenants' deposits				
– Payable within 12 months	–	819	–	819
	25,603	11,730	18,342	11,730

Included in the other payables is the amount owing to the vendor of Tanjong Jara Resort amounted to RM10,757,095 (2011: Nil), comprise the deferred consideration sum of RM10,545,455 and the interest income accrued as disclosed in Note 30 to the Financial Statements.

The amounts due to the Manager and the companies related to the Manager, which amounted to RM6,952,902 (2011: RM9,682,370) are unsecured, interest free and payable on demand.



Notes to the Financial Statements

20. PROVISION FOR INCOME DISTRIBUTION

	Group		Trust	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At beginning of the financial year	37,713	37,713	37,713	37,713
Provision made during the financial year	101,129	76,457	101,129	76,457
Distribution paid during the financial year	(90,837)	(76,457)	(90,837)	(76,457)
At end of the financial year	48,005	37,713	48,005	37,713

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

For the financial year ended 30 June 2012, the Manager has declared a final income distribution of 3.6247 sen per unit (2011: 3.1990 sen per unit), totaling RM48,005,124 (2011: RM37,712,656). Total distribution paid and declared for the financial year ended 30 June 2012 is 7.6359 sen per unit, totaling RM101,129,011, representing approximately 100% of the realised and distributable income after tax (2011: 6.4855 sen per unit, totaling RM76,456,839).

Distribution to unitholders is from the following sources:-

	Group 2012 RM'000	Group 2011 RM'000
Net property income	75,531	28,347
Interest income	17,292	43,692
Other income	28,360	-
	121,183	72,039
Less: Expenses	(13,919)	(12,116)
Less: Withholding tax paid	(1,103)	(1,684)
	106,161	58,239
(Less)/Add:-		
Unrealised gain on fair value on investment property	(5,000)	-
Unrealised loss on foreign currency exchange	15	-
Unrealised (gain)/loss on fair value on trade receivables	(8)	84
Dividend not received from overseas operation	(39)	-
Distribution of preceding financial year's undistributed income	-	18,134
Total income distribution	101,129	76,457
Gross distribution per unit (sen)	7.6359	6.4855
Net distribution per unit (sen)	7.6359	6.4855

21. TRANSACTIONS WITH STOCKBROKING COMPANIES

No transactions with stockbroking companies were made during the financial year.

22. UNITHOLDING BY THE MANAGER

As at 30 June 2012, the Manager did not hold any unit in the Trust.

23. UNITHOLDERS RELATED TO THE MANAGER

	<----- 2012 ----->		
	No. of units held '000	Percentage of total units %	Market Value RM'000
YTL Corporation Berhad	747,464	56.44	762,413
YTL Power International Berhad	43,090	3.25	43,952
Business & Budget Hotels (Kuantan) Sdn. Bhd.	18,750	1.42	19,125
Megahub Development Sdn. Bhd.	18,250	1.38	18,615
East-West Ventures Sdn. Bhd.	62,500	4.72	63,750
Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	24,250	1.83	24,735
	914,304	69.04	932,590

	<----- 2011 ----->		
	No. of units held '000	Percentage of total units %	Market Value RM'000
YTL Corporation Berhad	747,084	63.37	661,169
YTL Power International Berhad	43,090	3.66	38,135
	790,174	67.03	699,304

The market value of the units held by the companies related to the Manager is determined by using the closing market value of the Trust as at 30 June 2012 of RM1.02 per unit (2011: RM0.89 per unit).

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

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Notes to the Financial Statements

24. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

The following significant transactions which have been transacted with companies related to the Manager and the major unitholder are as follows:-

	2012 RM'000	Group 2011 RM'000
Transactions with companies related to the Manager and the major unitholder		
Business & Budget Hotels (Penang) Sdn. Bhd.		
Acquisition of investment property	100,000	-
Lease rental of investment property	5,148	-
Business & Budget Hotels (Kuantan) Sdn. Bhd.		
Acquisition of investment property	75,000	-
Lease rental of investment property	3,767	-
Cameron Highlands Resort Sdn. Bhd.		
Lease rental of investment property	2,511	-
Niche Retailing Sdn. Bhd.		
Rental of premises	-	39
Niseko Village K.K.		
Acquisition of investment property	231,889	-
Lease rental of investment property	8,248	-
Prisma Tulin Sdn. Bhd.		
Acquisition of investment property	100,000	-
Lease rental of investment property	5,148	-
Star Hill Hotel Sdn. Bhd.		
Lease rental of investment properties	32,739	29,946
Star Hill Living.Com Sdn. Bhd.		
Rental of premises	-	(315)
Trendy Retailing Sdn. Bhd.		
Rental of premises	-	36
Transaction with company related to the Manager and the major unitholder		
YTL Corporation Berhad		
Disposal of CPUs	42,675	-
YTL Land Sdn. Bhd.		
Acquisition of investment property	50,000	-
Rental of car park space	1,596	1,596

24. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	2012 RM'000	Group 2011 RM'000
Transactions with subsidiaries of holding company of the major unitholder		
East-West Ventures Sdn. Bhd.		
Acquisition of investment property	250,000	-
Lease rental of investment property	12,085	-
Megahub Development Sdn. Bhd.		
Acquisition of investment property	73,000	-
Syarikat Pelanchongan Pangkor Laut Sendirian Berhad		
Acquisition of investment property	97,000	-
Lease rental of investment property	5,273	-

The Manager is of the opinion that these transactions are conducted in the normal course of business and have been established on terms and conditions negotiated by the related parties.

25. OPERATING LEASE ARRANGEMENT

The Group leases out its investment properties as follows:-

- (I) for JW Marriott Hotel and The Residences at The Ritz-Carlton, Kuala Lumpur, the lease term are twenty and twenty years respectively; and
- (II) for other investment properties newly acquired during the financial year, the average tenure is a lease term of fifteen years.

All lease arrangements are provided with a step-up rate of 5% every five years and an option to grant the respective lessees to renew the lease for a further term similar to the original lease agreements.

The future minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are analysed as follows:-

	Group		Trust	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Not later than 1 year	111,364	31,962	95,824	31,962
Later than 1 year and not later than 5 years	567,113	130,423	488,247	130,423
Later than 5 years	1,009,672	323,819	866,898	323,819
	1,688,149	486,204	1,450,969	486,204

Notes to the Financial Statements

26. FINANCIAL RISK MANAGEMENT

The Group's and the Trust's operation are subject the following risks:-

- (a) Credit risk;
- (b) Liquidity risk;
- (c) Interest rate risk; and
- (d) Foreign currency exchange risk.

(a) Credit risk

Credit risk is the risk of a financial loss to the Group and the Trust if a lessee or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Trust's exposure to credit risk arises principally from its receivables from lessees or other financial assets (including cash & bank balances), the Group and the Trust minimise credit risk by dealing with high credit rating counterparties.

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally security deposits are obtained and credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. The Trust uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 30 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for receivables as at the end of the reporting period by geographic region was:-

	2012 RM'000	2011 RM'000
Domestic	850	1,477

Inter-company balances

The Trust provides unsecured advances to subsidiaries and where necessary makes payments for expenses on behalf of its subsidiaries. The Trust monitors the results of the subsidiaries regularly. As at 30 June 2012, the maximum exposure to credit risk is represented by their carrying amounts in the Statements of Financial Position.

Management has taken reasonable steps to ensure that inter-company receivables are stated at the realisable values. As at 30 June 2012, there was no indication that the advances extended to the subsidiaries are not recoverable.

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Trust will encounter difficulty in meeting its financial obligations due to shortage of fund. The Group's and the Trust's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Trust maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

The table below summarises the maturity profile of the Group's and the Trust's financial liabilities as at the end of the reporting period based on contractual undiscounted repayment obligations:-

	<----- 2012 ----->			
	Contractual Cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000
Group				
<i>Financial liabilities</i>				
Borrowing	209,569	8,550	8,550	192,469
Other payables	25,603	25,603	–	–
	235,172	34,153	8,550	192,469
Trust				
<i>Financial liabilities</i>				
Borrowing	209,569	8,550	8,550	192,469
Other payables	18,342	18,342	–	–
	227,911	26,892	8,550	192,469
	<----- 2011 ----->			
	Contractual Cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000
Group/Trust				
<i>Financial liabilities</i>				
Borrowing	218,119	8,550	8,550	201,019
Other payables	11,730	11,730	–	–
	229,849	20,280	8,550	201,019

Notes to the Financial Statements

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk

The Group's and the Trust's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

The interest rate profile of the Group's and the Trust's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:-

	Group		Trust	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Fixed rate instruments				
<i>Financial assets</i>				
Available-for-sale financial assets	–	405,000	–	405,000
<i>Financial liabilities</i>				
Borrowing	180,000	180,000	180,000	180,000
Floating rate instruments				
<i>Financial assets</i>				
Deposits with licensed financial institution	91,344	676,460	91,344	676,460

The Group and the Trust does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

A change of 50 basis points in interest rate at the end of the reporting period would have increased equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

Group/Trust	Equity		Profit or loss	
	50 bp increase RM'000	50 bp decrease RM'000	50 bp increase RM'000	50 bp decrease RM'000
2012				
Floating rate instruments	–	–	457	(457)
Cash flow sensitivity (net)	–	–	457	(457)
2011				
Floating rate instruments	–	–	3,382	(3,382)
Cash flow sensitivity (net)	–	–	3,382	(3,382)

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Foreign currency exchange risk

The Group is exposed to foreign currency risk arising from Japanese Yen (“JPY”). The Group has investment in foreign operations whose net assets are exposed to foreign currency translation risk.

The table illustrates the impact on the other comprehensive income and profit after tax resulting from currency sensitivities (on the basis all other variables remain constant).

	Group		Trust	
	Increase in other comprehensive income RM’000	Increase in profit after tax RM’000	Increase in other comprehensive income RM’000	Increase in profit after tax RM’000
2012				
5% changes on JPY exchange rate	21,233	–	–	16,573

Comparative information is not presented because the investment property in Japan was acquired during the financial year. Prior to financial year ended 30 June 2012, the Trust’s activities are predominantly in one industry segment and occur predominantly in Malaysia, thus no exposure to foreign currency translation risk.

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:-

- Loans and receivables (“L&R”);
- Available for sales (“AFS”); and
- Other financial liabilities measured at amortised cost (“OL”).

Group	Note	Carrying amount RM’000	L&R RM’000
2012			
<i>Financial assets</i>			
Current			
Trade receivables	13	850	850
Other receivables & deposits	14	76,835	76,835
Cash and cash equivalents	16	92,007	92,007
		169,692	169,692



Notes to the Financial Statements

27. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

Group	Note	Carrying amount RM'000	OL RM'000
2012			
<i>Financial liabilities</i>			
Non-current Borrowing	18	180,000	180,000
Current Other payables	19	25,603	25,603
		205,603	205,603

Trust	Note	Carrying amount RM'000	L&R RM'000
2012			
<i>Financial assets</i>			
Non-current Amount due from subsidiary	12	194,339	194,339
Current			
Trade receivables	13	850	850
Other receivables & deposits	14	65,314	65,314
Amount due from subsidiary	12	3,634	3,634
Cash and cash equivalents	16	91,457	91,457
		355,594	355,594

Trust	Note	Carrying amount RM'000	OL RM'000
<i>Financial liabilities</i>			
Non-current Borrowing	18	180,000	180,000
Current Other payables	19	18,342	18,342
		198,342	198,342

27. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

Group/Trust	Note	Carrying amount RM'000	L&R RM'000	AFS RM'000
2011				
<i>Financial assets</i>				
Current				
Trade receivables	13	1,477	1,477	–
Other receivables & deposits	14	6,686	6,686	–
Available-for-sale financial assets	15	405,000	–	405,000
Cash and cash equivalents	16	677,119	677,119	–
		1,090,282	685,282	405,000

Group/Trust	Note	Carrying amount RM'000	OL RM'000
<i>Financial liabilities</i>			
Non-current			
Borrowing	18	180,000	180,000
Current			
Other payables	19	11,730	11,730
		191,730	191,730

(b) Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Trust's investment in unquoted CPU due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

The carrying amounts of other financial liabilities approximate the fair value as there is no change in the market interest rate for similar financing facilities. The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future cash flows, discounted at the market rate of interest at the end of the reporting period

Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are as follows:-

Borrowings	4.75%
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Notes to the Financial Statements

28. PORTFOLIO TURNOVER RATIO ("PTR")

	Group		Trust	
	2012	2011	2012	2011
PTR	0.2 times	N/A	0.14 times	N/A

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

29. MANAGEMENT EXPENSE RATIO ("MER")

	Group		Trust	
	2012	2011	2012	2011
	%	%	%	%
MER	0.36	0.26	0.30	0.26

MER is calculated based on the total of all the fees and expenses incurred by the Group and the Trust in the financial year and deducted directly from the income (including the manager's fees, the trustee's fees, the auditors' remuneration and other professional fees and expenses) and all the expenses not recovered from and/or charged to the Group and the Trust (including the costs of printing, stationery and postage), to the average net asset value of the Group and the Trust during the financial year calculated on a quarterly 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 the Group's and the Trust's MER against other real estate investment trusts.

30. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Acquisition of Malaysia and Japan hotel properties

During the last financial year, as part of the Rationalisation Exercise to reposition the Trust as a full-fledged hospitality REIT, Maybank Trustees Berhad, the trustee of the Trust had entered into several agreements for the proposed acquisitions which entails the acquisitions of the following hospitality related properties ("Hospitality Properties") for a total indicative purchase consideration of RM1,054 million, to be satisfied via a combination of cash, issuance of new units in the Trust and CPU issued by Starhill Global REIT which are currently held by the Trust valued at SGD1.00 per CPU:-

- (i) Cameron Highlands Resort;
- (ii) Hilton Niseko;
- (iii) Vistana Penang;
- (iv) Vistana Kuala Lumpur;
- (v) Vistana Kuantan;
- (vi) The Residences at The Ritz-Carlton, Kuala Lumpur (54 units);
- (vii) The Ritz-Carlton, Kuala Lumpur;
- (viii) Pangkor Laut Resort; and
- (ix) Tanjong Jara Resort.

30. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(a) Acquisition of Malaysia and Japan hotel properties (continued)

The Trust completed the acquisitions on 15 November 2011 and 22 December 2011.

Tanjong Jara Beach Hotel Sdn. Bhd., the vendor of Tanjong Jara Resort has, via its letter dated 21 June 2011, notified the Manager and the Trustee that a fire at the Property on 15 June 2011 had damaged one block of the buildings comprising 12 rooms/villas. The vendor undertakes at its costs and expenses to reinstate the damaged portion of the Tanjong Jara Resort with completion by 30 June 2012. As a result, the Trust has deferred part of the purchase consideration amounted to RM10,545,455. The vendor has via its letter dated 11 May 2012, notified the Manager and the Trustee that the date of completion will be extended to 31 December 2012.

(b) Disposal of CPU

The compliance to clause 8.22(d) of the REIT Guidelines in relation to Trust's investments in CPUs which must not exceed 10% of the CPUs issued by Starhill Global REIT was completed on 26 March 2012 following the disposal of 17,498,325 units of CPUs to YTL Corporation Berhad for a total disposal consideration of RM42,674,915 pursuant to the entry into a sale and purchase agreement by the Trust and YTL Corporation Berhad on even date.

(c) Acquisition of Australia hotel properties

During the year, the Trust's indirect wholly-owned subsidiaries and trusts entered into three separate Sales and Purchase Agreements for the acquisition of the following hotels' properties and the business assets for a total cash consideration of Australian Dollar 415 million, equivalent to approximately RM1,341 million ("Proposed Acquisition"):-

- (i) Sydney Harbour Marriott;
- (ii) Melbourne Marriott; and
- (iii) Brisbane Marriott.

The Proposed Acquisition is expected to be funded through a combination of bank borrowings and existing cash of the Trust.

31. SEGMENTAL REPORTING

The Group has a single operating segment operate in two main geographical areas:-

- (i) Malaysia
- (ii) Japan

The Manager monitors the operating results of its business units separately to make strategic decision.



Notes to the Financial Statements

31. SEGMENTAL REPORTING (CONTINUED)

The Group's segmental result for the financial year ended 30 June 2012 is as follows:-

	Malaysia RM'000	Japan RM'000	Total RM'000
External revenue	72,612	8,248	80,860
Property expenses	(3,634)	(1,695)	(5,329)
Net property income	68,978	6,553	75,531
Interest income	17,292	–	17,292
Other income	28,360	–	28,360
Total income	114,630	6,553	121,183
Trust and administration expenses	(4,325)	(1,011)	(5,336)
Finance costs	(8,583)	–	(8,583)
Profit before tax	101,722	5,542	107,264
Income tax expense	(1,103)	–	(1,103)
Profit after tax	100,619	5,542	106,161
Non-current assets	1,342,627	255,898	1,598,525
Current assets	157,811	12,808	170,619
Total assets	1,500,438	268,706	1,769,144
Non-current liabilities	180,000	–	180,000
Current liabilities	66,347	7,261	73,608
Total liabilities	246,347	7,261	253,608

Comparative information is not presented because the investment property in Japan was acquired during the financial year. Prior to financial year ended 30 June 2012, the Trust's activities are predominantly in one industry segment and occur predominantly in Malaysia.

The following are major customers with revenues equal or more than 10 per cent of the Group's total revenue:-

	Revenue	
	2012 RM'000	2011 RM'000
Common control companies:-		
under the major unitholder	57,561	29,946
under the holding company of the major unitholder	17,358	–
	74,919	29,946

32. CAPITAL COMMITMENT

	Group		Trust	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Contracted but not provided for	1,274,413	1,054,000	–	1,054,000

The above commitments are related to the acquisition of investment properties disclosed in Note 30 to the Financial Statements.

33. CAPITAL MANAGEMENT

The Manager optimises Starhill REIT's capital structure and cost of capital within the borrowing limits prescribed by the REIT Guidelines issued by the SC via a combination of debt and equity funding for future acquisitions and improvement works at the Properties.

The capital management strategy for the Group and the Trust 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.

The REIT Guidelines require that the total borrowing of a real estate investment trust (including borrowings through issuance of debt securities) should not exceed 50% of its total asset value. The Manager reviews the capital structure of the Group on a regular basis and monitors capital using a gearing ratio, which is total borrowings divided by total assets.

	Group		Trust	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total borrowing	180,000	180,000	180,000	180,000
Total assets	1,769,144	1,586,102	1,760,372	1,586,102
Gearing Ratio (%)	10.17	11.35	10.23	11.35

The Trust is not subject to externally imposed capital requirements for the financial years ended 30 June 2012 and 30 June 2011.

34. 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 2012.



Supplementary Information

on the Disclosure of Realised and Unrealised Profits or Losses

The breakdown of the undistributed income of the Group and the Trust as at 30 June 2012, into realised and unrealised profits, pursuant to the directive issued by Bursa Malaysia Securities Berhad ("Bursa Securities") on 25 March 2010 and 20 December 2010 is as follows:-

	Group		Trust	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total undistributed income				
– Realised	172,211	172,172	172,174	172,172
– Unrealised	43,585	38,592	50,456	38,592
	215,796	210,764	222,630	210,764

The determination of realised and unrealised profits is complied based on the Guidance of Special Matter No.1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements" issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely complying with the disclosure requirement stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

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