



STARHILL
REIT

STARHILL
REAL ESTATE
INVESTMENT
TRUST

the journey continues...

interim report 2008



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Property Portfolio



ABOUT STARHILL REIT

Starhill Real Estate Investment Trust ("Starhill REIT") is currently Malaysia's largest real estate investment trust, with an average market capitalisation of RM1.14 billion (as at 31 December 2007), and comprises four prime properties situated in the heart of Kuala Lumpur's Golden Triangle, namely, Starhill Gallery and the adjoining JW Marriott Hotel Kuala Lumpur, 137 parcels and 2 accessory parcels of retail, office, storage and other spaces within Lot 10 Shopping Centre ("Lot 10 Parcels"), and 60 units of serviced apartments, 4 levels of commercial podium and 2 levels of car parks located within The Residences at The Ritz-Carlton, Kuala Lumpur ("The Residences Properties") (collectively referred to as the "Properties").

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

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

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



ABOUT PINTAR PROJEK SDN BHD

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

KEY HIGHLIGHTS OF STARHILL REIT’S PROPERTY PORTFOLIO

- Strategic location: The Properties are landmarks in Kuala Lumpur, strategically located in the Jalan Bukit Bintang area which forms part of the city’s Golden Triangle. Jalan Bukit Bintang is one of Kuala Lumpur’s main tourist hubs, popularly known as “Bintang Walk”, and attracts a large number of tourists year-round.
- Convenient access: The Properties are located in an area close to numerous hotels and offices, making them easily accessible to tourists and travelers, as well as office workers. Lot 10 Shopping Centre is also linked by an overhead bridge to another popular shopping centre, Sungei Wang Plaza.
- Strong brand recognition: The Properties enjoy high profile status due to their strong branding, spearheaded by Pintar Projek, and their strategic location in Kuala Lumpur’s prime shopping area.
- High occupancy levels: Both Starhill Gallery and Lot 10 Shopping Centre enjoy high occupancy levels, reflecting the demand for high quality space at a prominent location in Kuala Lumpur’s tourist hub. As at 31 December 2007, Starhill Gallery and the Lot 10 Parcels had occupancy rates of 98.47% and 95.65%, respectively.
- Strong tenant base: The Properties are tenanted by high profile, international brand names and prominent local retailers, as a result of Pintar Projek’s marketing efforts to promote the Properties as well-known and sought-after addresses.

Property Portfolio



STARHILL GALLERY

- Property description : Part of a 7-level shopping centre with 5 basements and a 12-level annexe building with 3 basements
- Address : 181 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia

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

Notable tenants include Louis Vuitton, Alfred Dunhill, Audemars Piguet, Boucheron, Van Cleef & Arpels, Celine, Chopard, Christian Dior, Davidoff, DKNY, Fendi, Valentino, Givenchy, Gucci, Kenzo and Salvatore Ferragamo. In addition, Starhill Gallery's Feast Village offers a unique dining experience with 12 upscale restaurants to choose from and an amazing display of modern architecture and mixed culture.



LOT 10 PARCELS

- Property description : 137 parcels and 2 accessory parcels of retail, office, storage and other spaces within Lot 10 Shopping Centre which consists of an 8-storey block with a basement and a lower ground floor, together with a 7-storey annexe building with a lower ground floor
- Address : 50 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia

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

The selection of tenants has been specifically planned according to the nature of business, style of trading, specific floor designation and, most importantly, to optimise business potential and profitability. Notable tenants include Esprit, Guess, Hour Glass, Oris, Timberland, Tissot, Topshop/Topman, Toni & Guy, Swatch and Woo Hing.



JW MARRIOTT HOTEL KUALA LUMPUR

- Property description : A 5-star hotel with 561 rooms located on part of an 8-level podium block and the entire 24-level tower block of Starhill Gallery
- Address : 183 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia

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

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



THE RESIDENCES PROPERTIES

- Property description : 137 parcels and 2 accessory parcels of retail, office, storage and other spaces within Lot 10 Shopping Centre which consists of an 8-storey block with a basement and a lower ground floor, together with a 7-storey annexe building with a lower ground floor
- Address : Lot 1308, Jalan Yap Tai Chi, Seksyen 67, Off Jalan Imbi, 55100 Kuala Lumpur, Malaysia

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

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

Corporate Directory

MANAGER

Pintar Projek Sdn Bhd

MANAGER'S REGISTERED OFFICE/ PRINCIPAL PLACE OF BUSINESS

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

BOARD OF DIRECTORS OF THE MANAGER

Chief Executive Officer

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

Executive Directors

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

Dato' Yeoh Seok Kian

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

Independent Non-Executive Directors

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

Eu Peng Meng @ Leslie Eu

B. Com., FCILT.

MANAGEMENT TEAM

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

COMPANY SECRETARY OF THE MANAGER

Ho Say Keng

PROPERTY MANAGER

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

TRUSTEE

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

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 FINANCIER OF THE FUND

Great Eastern Life Assurance
(Malaysia) Berhad

OCBC Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Board (16.12.2005)

Chief Executive Officer's Statement

for the six months ended 31 December 2007



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

On behalf of the Board of Directors of Pintar Projek Sdn Bhd ("Pintar Projek" or the "Manager"), I have the pleasure of presenting to you the Interim Report and unaudited financial statements of Starhill Real Estate Investment Trust ("Starhill REIT" or the "Trust") for the six months ended 31 December 2007.

FINANCIAL PERFORMANCE & DISTRIBUTION TO UNITHOLDERS

Starhill REIT recorded revenue of RM53.58 million for the six months ended 31 December 2007, an increase of 11.8% or RM5.64 million over RM47.94 million for the previous corresponding six months ended 31 December 2006. Net income for the period grew to RM40.11 million this year, compared to RM35.00 million last year, an increase of 14.6%.

The improved performance was due mainly to rental received from The Residences at The Ritz-Carlton, Kuala Lumpur ("The Residences"), acquired in May 2007, coupled with higher rental rates received from the renewal of existing tenancies and the commencement of new tenancies at Starhill Gallery and Lot 10 Shopping Centre.

On 24 January 2008, the Board of Directors of Pintar Projek declared an interim distribution of 3.4025 sen per unit in respect of the six months ended 31 December 2007, representing approximately 100% of Starhill REIT's net income for the period. The distribution will be paid on 29 February 2008.

The distribution of 3.4025 sen per unit represents an annualised yield of 7.56%, based on Starhill REIT's volume weighted average unit price of RM0.90 for the 5-day period to 24 January 2008. Starhill REIT's distribution for the previous corresponding period ended 31 December 2006 was 3.365 sen per unit.

Chief Executive Officer's Statement

for the six months ended 31 December 2007



OPERATIONS REVIEW

Starhill REIT now owns four prime properties in the heart of Kuala Lumpur's Golden Triangle, namely, 137 parcels and 2 accessory parcels of retail, office, storage and other spaces within Lot 10 Shopping Centre ("Lot 10"), Starhill Gallery and the JW Marriott Hotel Kuala Lumpur, as well as 60 units of serviced apartments, 4 levels of commercial podium and 2 levels of car parks located within The Residences, acquired in May 2007 (collectively, the "Properties"). The combined approved valuation of the Properties currently stands at RM1,295 million.

The Manager's strong focus on the Trust's tenant base continues to be reflected in the high occupancy rates ranging from 95.65% to 98.47% achieved by Starhill REIT's shopping malls during the 6-month period ended 31 December 2007, outperforming average occupancy rates achieved by shopping centres in Kuala Lumpur during the second quarter of 2007 of approximately 83.1%.

The Manager has continued to pursue its strategy of leveraging on the niche markets that Starhill Gallery and Lot 10 occupy in order to differentiate these complexes from other shopping malls. During the period under review, Starhill Gallery hosted uniquely-themed events such as the 10-day watch and jewellery showcase, "A Journey Through Time", which attracted over 100 of the world's leading luxury watch and jewellery brands to the complex in December 2007. These events and developments have the added benefit of exposing the Trust's properties to a global audience and wealth of potential new tenants and customers alike.

OUTLOOK

Starhill REIT's performance will continue to be driven by the Manager's ability to attract high quality tenants to the Trust's properties through its commitment to developing the Properties as desired destinations. The Manager's dedication to building enduring relationships with the

Trust's tenants and retailers has also been critical in fostering a unique environment in each of the Properties, which in turn enables tenants to develop thriving businesses to drive higher rentals and sales turnover, and growth in Starhill REIT's earnings.

The Trust will continue to source investment opportunities in middle to high-end retail real estate located in established markets with favourable demographics and with attractive growth potential in commercial and leisure property sub-sectors both in Malaysia and internationally.

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

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

Date: 27 February 2008

Corporate Events



23 OCTOBER 2007

MEDIA LAUNCH OF "A JOURNEY THROUGH TIME"

Y.B. Datuk Seri Tengku Adnan bin Tengku Mansor, Malaysia's Minister of Tourism, with Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Chief Executive Officer of Pintar Projek Sdn Bhd, at the press conference to announce "A Journey Through Time", a 10-day showcase featuring over 100 luxury watch and jewellery brands from around the world, held in conjunction with the Ministry of Tourism's Visit Malaysia Year 2007.

28 OCTOBER 2007

OPENING OF FIRST JACKIE CHAN CAFÉ AT STARHILL GALLERY

Famed action hero Jackie Chan opened Malaysia's first Jackie Chan Café at Starhill Gallery's Muse Floor, with a percentage of revenue from the Café being donated charities supported by the actor.

Above: Jackie Chan and Tan Sri Dato' (Dr) Francis Yeoh Sock Ping at the official launch of the Jackie Chan Café

22 NOVEMBER 2007

"CLASH OF TIMES"

Starhill Gallery and The Ritz-Carlton, Kuala Lumpur, played host to two of the greatest tennis players of their respective eras, Pete Sampras and Roger Federer, during the Malaysian stop of their three-match "Clash of Times" series in Asia.

Above: Tan Sri Dato' (Dr) Francis Yeoh Sock Ping with Pete Sampras and Roger Federer.

Corporate Events



4 DECEMBER 2007

OFFICIAL LAUNCH OF "A JOURNEY THROUGH TIME"

Forbes Inc and YTL Corporation Berhad, the holding company of Pintar Projek Sdn Bhd's parent company, YTL Land Sdn Bhd, co-hosted a gala dinner to launch "A Journey Through Time", featuring the world's leading luxury watch and jewellery brands. One of the key highlights of the 10-day showcase was the unveiling of the priceless Korloff Noir, the world's biggest brilliant-cut 88-carat black diamond, which has only been exhibited to the public 7 times.

From left to right: Christopher Forbes, Vice Chairman of Forbes Inc; Tan Sri Dato' (Dr) Francis Yeoh, Chief Executive Officer of Pintar Projek Sdn Bhd; and His Royal Highness, Raja Perlis, Tuanku syed Sirajudding Ibni Al-Marhum Tuanku Syed Putra Jamalullail.



13 DECEMBER 2007

STARHILL GALLERY'S WATCH AWARD 2007

Starhill Gallery's "A Journey Through Time" exhibition culminated in the Starhill Gallery Watch Award 2007, created by one of Malaysia's foremost sculptors, Abdul Muthalib Musa, to honour the craftsmanship of the world's most revered watch makers.

Financial Statements

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Manager's Report

The Directors of Pintar Projek Sdn. Bhd., the Manager of Starhill Real Estate Investment Trust ("Starhill REIT" or "Trust"), is pleased to present their Report to the Unitholders of Starhill REIT together with the unaudited financial statements of Starhill REIT for the six months period ended 31 December, 2007.

PRINCIPAL ACTIVITY OF THE MANAGER

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

THE TRUST AND ITS INVESTMENT OBJECTIVE

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

Starhill REIT was listed on the Main Board of Bursa Malaysia Securities Berhad on 16 December, 2005 and is an income and growth type fund. The investment objective of Starhill REIT is to own and invest in real estate and real estate-related assets, whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate. At the end of the six months period ended 31 December, 2007, Starhill REIT owns 137 parcels and 2 accessory parcels of retail, office, storage and other spaces within Lot 10 Shopping Centre ("Lot 10 Parcels"), Starhill Gallery, JW Marriott Hotel Kuala Lumpur, and part of The Residences at The Ritz-Carlton, Kuala Lumpur ("The Residences Properties") (Lot 10 Parcels, Starhill Gallery, JW Marriott Hotel Kuala Lumpur and The Residences Properties collectively referred to as "Properties").

BENCHMARK RELEVANT TO THE TRUST

Management Expense Ratio ("MER")

	2007	2006
MER for the financial period ended 31 December	0.17%	0.16%

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

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

MANAGER'S INVESTMENT STRATEGIES AND POLICIES

INVESTMENT STRATEGIES

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

i Operating Strategy

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

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

ii Acquisition Strategy

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

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

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

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

iii Capital Management Strategy

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

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

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

Manager's Report

INVESTMENT POLICIES

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

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

PERFORMANCE OF THE TRUST

	01.07.2007 to 31.12.2007 RM'000	01.07.2006 to 31.12.2006 RM'000
Net revenue	53,577	47,940
Income before taxation	40,113	34,996
Distribution per unit (sen)	3.4025	3.3650

The Trust recorded RM53.577 million and RM40.113 million of revenue and income before taxation respectively for the six months period ended 31 December, 2007, representing an increase of 11.76% and 14.62% recorded in previous corresponding period ended 31 December, 2006. The increases in revenue and income before taxation were mainly contributed by rental received from The Residences Properties acquired in May 2007 and higher rental rates received from the renewal of existing tenancies and commencement of new tenancies from Starhill Gallery and Lot 10 Parcels.

Analysis of net asset value since the last financial year ended 30 June 2007.

	At 31 December, 2007	At 30 June, 2007
Total net asset value (RM'000)	1,145,897	1,145,902
Net asset value per unit (RM)	0.972	0.972

COMPOSITION OF INVESTMENT PORTFOLIO

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

	RM'000	%
Real Estate		
Commercial		
• Lot 10 Parcels	341,000	25
• Starhill Gallery	480,000	35
• JW Marriott Hotel Kuala Lumpur	329,000	24
• The Residences Properties	125,000	9
	1,275,000	93
Others		
Deposits with licensed financial institution	101,522	7
	1,376,522	100

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

LOT 10 PARCELS

Address/Location	50, Jalan Sultan Ismail, 50250 Kuala Lumpur.
Title details	Pajakan Negeri No. 11008 for Lot No. 1247, Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Property type	Shopping centre
Description	137 parcels and 2 accessory parcels of retail, office, storage and other spaces within a shopping centre which consists of an 8-storey block with a basement and a lower ground floor, together with a 7-storey annexe building with a lower ground floor.
Age	Approximately 17 years
Tenure	The land is a 99-year leasehold land expiring 29 July, 2076.
Status of holdings	Leasehold (Approval obtained in 30 July, 1977)
Unexpired lease remaining period	Approximately 69 years
Tenancy period	1 to 3 years, and rent review will be carried out prior to expiry of each lease.
Net lettable area	184,023 square feet
Existing use	Commercial building
Parking spaces	730 bays
Date of acquisition	16 December, 2005
Cost of acquisition	RM341,000,000
Major tenants (based on monthly rental payable)	(a) Autodome Sdn Bhd (b) Esprit De Corp (Malaysia) Sdn Bhd (c) F.J. Benjamin Fashions Sdn Bhd
Average occupancy rates	95.65%
Rental received	RM12,895,650
Maintenance cost and capital expenditure	Maintenance cost incurred amounted to RM2,582,304 and no capital expenditure was incurred during the financial period.
Encumbrances/Limitation in title/interest	The property is charged to a financial institution to secure a term loan facility of RM180 million and the usage of land is restricted to commercial buildings and/or residential properties
Approved valuation	RM341,000,000
Date of last valuation	1 March, 2005
Basis of valuation	Income and comparison approach
Net book value	RM341,000,000

STARHILL GALLERY

Address/Location	181, Jalan Bukit Bintang, 55100 Kuala Lumpur.
Title details	Grant No. 28678 for Lot No. 1267 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Property type	Shopping centre
Description	Part of a 7-level shopping centre with 5 basements and a 12-level annexe building with 3 basements.
Age	Approximately 12 years
Status of holdings	Freehold
Tenancy period	1 to 3 years, and rent review will be carried out prior to expiry of each lease.
Net lettable area	295,410 square feet
Existing use	Commercial building
Parking spaces	1,162 bays
Date of acquisition	16 December, 2005
Cost of acquisition	RM480,000,000

Manager's Report

STARHILL GALLERY (contd.)

Major tenants (based on monthly rental payable)	(a) Autodome Sdn Bhd (b) Cortina Watch Sdn Bhd (c) Louis Vuitton (M) Sdn Bhd
Average occupancy rates	98.47%
Rental received	RM18,602,829
Maintenance cost and capital expenditure	Maintenance cost amounted to RM2,700,000 and no capital expenditure was incurred during the financial period.
Encumbrances/Limitation in title/interest	The property is charged to a financial institution to secure a term loan facility of RM180 million and there is no restriction and/or condition attached to the title.
Approved valuation	RM480,000,000
Date of last valuation	1 March, 2005
Basis of valuation	Income and comparison approach
Net book value	RM480,000,000

JW MARRIOTT HOTEL KUALA LUMPUR

Address/Location	183, Jalan Bukit Bintang, 55100 Kuala Lumpur.
Title details	Grant No. 28678 for Lot No. 1267 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Property type	Hotel
Description	A 5 star hotel with 561 rooms located on part of a 8-level podium block and the entire 24-level tower block of Starhill Gallery.
Age	Approximately 10 years
Status of holdings	Freehold
Tenancy period	The property is leased for a term expiring on 31 December, 2023.
Existing use	Commercial building
Date of acquisition	16 December, 2005
Cost of acquisition	RM329,000,000
Sole tenant	Star Hill Hotel Sdn Bhd
Rental received	RM10,345,500
Encumbrances/Limitation in title/interest	The property is charged to a financial institution to secure a term loan facility of RM180 million and there is no restriction and/or condition attached to the title.
Approved valuation	RM329,000,000
Date of last valuation	1 March, 2005
Basis of valuation	Income and comparison approach
Net book value	RM329,000,000

THE RESIDENCES PROPERTIES

Address/Location	Lot 1308, Jalan Yap Tai Chi, Seksyen 67 Off Jalan Imbi, 55100 Kuala Lumpur.
Title details	Geran 47693, Lot No. 1308 Seksyen 67, Bandar Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Property type	Serviced apartment
Description	60 units of serviced apartments, 4 levels of commercial podium, 1 level of facilities deck and 2 levels of basement car park.
Age	Approximately 2 years
Status of holdings	Freehold
Tenancy period	The property is leased for a term expiring on 30 June, 2031.
Existing use	Commercial building
Date of acquisition	16 May, 2007
Cost of acquisition	RM125,000,000

THE RESIDENCES PROPERTIES (contd.)

Sole tenant	Star Hill Hotel Sdn Bhd
Rental received	RM4,200,000
Encumbrances/Limitation in title/interest	There is no registered encumbrance
Approved valuation	RM145,000,000
Date of last valuation	25 September, 2006
Basis of valuation	Investment and comparison method.
Net book value	RM125,000,000

REVIEW OF THE PROPERTY MARKET

During the six months period ended 31 December 2007, Lot 10 Parcels and Starhill Gallery (“Properties Parcels”) owned by Starhill REIT recorded good average occupancy rates of 95.65% and 98.47% respectively which are higher than the average occupancy rate recorded at 83.1% for shopping centers within Kuala Lumpur in the second quarter 2007. (Source: Valuation & Property Services Department, Q2 2007 Report).

The high occupancy rates reflect well on the quality and yield-accretive Properties Parcels owned by Starhill REIT and the success of operating and marketing strategies implemented.

PROSPECTS OF THE MALAYSIAN PROPERTY MARKET

THE MALAYSIA ECONOMY

According to Finance Ministry Economic Report 2007/2008, Malaysian economy is expected to remain resilient on the back of well-diversified and broad-based structures. The economy has accelerated from 5.8% in second quarter to 6.7% in third quarter 2007. The government expects the economy to expand by 6% in 2007 and between 6% to 6.5% in 2008.

Reflecting an improved quality of life, the per capita income in 2008 is expected to increase by 6.9% to reach RM23,864 and in terms of purchasing power parity equivalent to USD14,206, an 13.9% increase from 2007 of USD13,289 while the inflation is expected to maintain between 2% and 2.5%. (Source: News Straits Time, 3rd December 2007).

The services sector grew by 10.5% in third quarter compared to 9.2% in second quarter 2007 while the consumer consumption rose 14% in third quarter against 13.1% in second quarter 2007 on stable job market conditions according to Bank Negara. The services sector is forecast to sustain solid growth at 8.6% in 2008 compared with 9% in 2007 underpinned by tourism, transportation, finance and banking, property, education, health and ICT activities according to Bank Negara. (Source: The Star 29 November 2007).

Leading the sectors’ growth was the wholesale and retail trade sub-sector, which is expected to strengthen by 11.6% in 2007, compared with 7.1% in 2006 while the accommodation and restaurants sub-sector is expected to grow by 9.4% in 2007 compared 6% in 2006.

The Government also raised the allowable share of foreign ownership in fund and REIT management companies from 49% to 70% and this move is expected to encourage more foreign investments into Malaysia.

A record 20.7 million foreign tourists visited Malaysia in 2007, surpassing the target of 20.1 million set by the Tourism Ministry. The Government has set new targets of 21 million tourists arrivals by 1st week of January 2008 and 21.5 million by 31st August 2008 (Source: The Star, 29th December 2007).

The Ministry has targeted tourists spending of RM50 billion in 2008 from RM44.5 billion in 2007, this will augurs well for the retail industry in 2008 (Source: News Straits Times, 7th January 2008).

The government will introduce 32 tourism projects and programs, with an estimated investment value of RM16 billion in 2008 and is projecting annual tourism growth to average 8% per annum with tourist arrivals touching 23.6 million by 2010 and average receipts heading to RM59.4 billion.

Manager's Report

SHOPPING CENTRES (Retail Sector)

The retail sector is expected to continue its momentum on the back of managed inflationary pressure and higher tourism activities.

The total retail space in Malaysia stood at 8.1 million square meter as at second quarter 2007 of which Kuala Lumpur accounts for 23.5% of the retail space. (Source: Valuation & Property Services Department, Second quarter 2007 Report).

According to Regroup Associates, there are currently 120 shopping centers and hypermarkets in the Klang Valley with 36.34 million square feet of lettable space. (Source: The Edge, 10th September 2007).

Retail sales is expected to reach 8% to 15% for high-end retailers while the mass-market brands were optimistic of growing between 15% and 30% in 2007 supported by strong consumer spending and tourist arrivals. The Malaysia Retailers Association is expecting the average retail sales to grow 10% in 2007 which translate to RM65.45 billion. (Source: The Star, 17th September 2007).

Regroup Associates estimated retail sales to grow at 8% for the next 2 years to reach RM69 billion in 2008 and RM75 billion in 2009 (Source: Business Times, 23 October 2007).

HOTELS (Leisure Industry)

Hotel occupancy and average room rate are expected to continue their record-setting streak in 2008, and potentially earn some RM19 billion in revenue from foreign tourists alone.

Hotels in the Klang Valley are expected to fill an average 75% to 76% of the available rooms and rake in an average room rate (ARR) of RM295 per night in 2008. (Source: Business Times, 23rd December 2007).

In 2008, the government plans to focus on longer-haul and higher-yield segments, supported by private-sector initiatives to develop niche products to meet the demands of high-end tourists and has extended Visit Malaysia Year 2007 to August 2008. Also, in the recent 2008 Budget, the Finance Ministry allocated a larger amount of RM858 million for the implementation of various tourist programmes, including the provision and upgrading of tourism facilities as well as the diversification of tourism products. This figure is far bigger than the RM149 million set aside for promotional efforts under the 2007 Budget.

With these aggressive and focused promotional activities, tourist arrivals are expected to increase to 21.5 million and bring in receipts of RM49 billion in 2008.

Starhill REIT will continue to develop and implement effective management, marketing and operating strategies to enhance the revenue of the Properties Parcels and improve the yields and returns of the Fund backed by positive economic growth.

Aimed to build up a stable and yield accretive generating assets, Starhill REIT will continuously strive to explore acquisitions and capital growth opportunities in Malaysia or even globally.

DISTRIBUTION OF INCOME

The Manager has declared a first interim income distribution (which is tax exempt at Starhill REIT level under Section 61A of the Income Tax Act 1967) of 3.4025 sen per unit, totaling RM40,111,694, representing approximately 100% of the income after taxation in respect of the six months period ended 31 December, 2007, which translates to a yield of 3.51% based on the six months weighted average market price of RM0.97 as at 31 December, 2007.

The effect of the income distribution in terms of the net asset value per unit as at 31 December, 2007 is as follows:

	Before distribution RM	After distribution RM
Net asset value per unit	1.006	0.972

BREAKDOWN OF UNITHOLDINGS

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

Unit class	No of Unitholders	%	No of Units held '000	%
5,000 and below	3,184	64.12	6,688	0.57
5,001 to 10,000	677	13.63	5,882	0.50
10,001 to 50,000	682	13.73	17,674	1.50
50,001 to 500,000	342	6.89	50,488	4.28
500,001 and above	81	1.63	1,098,157	93.15
	4,966	100.00	1,178,889	100.00

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

DIRECTORS

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

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

DIRECTORS' BENEFITS

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

For the financial period ended 31 December, 2007, no director has received or become entitled to receive any benefit by reason of a contract made by Pintar Projek Sdn. Bhd. for Starhill REIT or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the notes to the financial statements.

DIRECTORS' INTERESTS

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

	Balance at 01.07.2007	No. of units acquired	No. of units acquired	Balance at 31.12.2007
Direct interest				
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir	20,000	–	–	20,000
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE	870,000	–	–	870,000

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

Manager's Report

MANAGER'S REMUNERATION

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

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

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

SOFT COMMISSION

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

RESERVES AND PROVISIONS

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

INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

OTHER STATUTORY INFORMATION

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

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

In their opinion,

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

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: 24 January 2008
Kuala Lumpur

Statement by Manager

In the opinion of the directors of PINTAR PROJEK SDN. BHD., the accompanying financial statements are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the provisions of the Companies Act, 1965, the Securities Commission's Guidelines on Real Estate Investment Trusts, the provisions of the deed dated 18 November, 2005 and the supplementary deed dated 19 April, 2007 so as to give a true and fair view of the state of affairs of STARHILL REAL ESTATE INVESTMENT TRUST as at 31 December, 2007 and of the results of operations and cash flows of STARHILL REAL ESTATE INVESTMENT TRUST for the period ended on that date.

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

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

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

Dated: 24 January 2008
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 at Kuala Lumpur
on 24 January 2008

Before me:

Commissioner for Oaths

Trustee's Report

to the Unitholders of Starhill Real Estate Investment Trust

We have acted as Trustee of STARHILL REAL ESTATE INVESTMENT TRUST ("the Fund") for the financial period ended 31 December, 2007. To the best of our knowledge, PINTAR PROJEK SDN. BHD., the Manager, has managed the Fund in the period under review:

- a within the limitation imposed on the investment powers of the Manager and the Trustee under the Deed, other applicable provisions of the Deed, the Securities Commission's Guidelines on Real Estate Investment Trusts, the Capital Market & Services Act 2007 and other applicable laws;
- b that the valuation of the Fund is carried out in accordance with the Deed and any regulatory requirements; and
- c that the income distributions declared and paid are in line with the investment objectives of the Fund.

For Mayban Trustees Berhad

Tracy Hazel Siguji
Head Unit Trust & Retail

Dated: 24 January 2008
Kuala Lumpur

Income Statement

for the six months period ended 31 December 2007 (unaudited)

	Note	01.07.2007 to 31.12.2007 RM'000	01.07.2006 to 31.12.2006 RM'000
TOTAL INCOME			
Net revenue	3	53,577	47,940
Property operating expenses	4	(8,760)	(8,549)
Net property income		44,817	39,391
Interest income		1,551	1,624
		46,368	41,015
TRUST EXPENSES			
Manager's fees	5	1,602	1,430
Trustee's fee	6	207	189
Borrowing costs	7	4,361	4,359
Auditors' remuneration		10	5
Tax agent's fee		5	5
Administration expenses		70	31
		6,255	6,019
INCOME BEFORE TAXATION		40,113	34,996
TAXATION	8	-	-
NET INCOME FOR THE PERIOD		40,113	34,996
NET INCOME FOR THE PERIOD IS MADE UP OF THE FOLLOWING:			
Realised		40,113	34,996
Unrealised		-	-
		40,113	34,996
EARNINGS PER UNIT	9		
- after manager's fees (sen)		3.40	3.37
- before manager's fees (sen)		3.54	3.50
NET INCOME DISTRIBUTION			
Interim income distribution per unit			
- Gross (sen)		3.4025	3.3650
(2006: paid on 27 February, 2007)			

The notes set out on pages 28 to 38 form an integral part of these financial statements.

Balance Sheet

as at 31 December 2007 (unaudited)

	Note	31.12.2007 RM'000	Audited 30.06.2007 RM'000
ASSETS			
Non-current assets			
Investment properties	10	1,275,000	1,275,000
Current assets			
Trade receivables	11	3,708	2,384
Other receivables	12	89	174
Deposits with licensed financial institution	13	101,522	84,842
Cash at bank		133	942
		105,452	88,342
Total assets		1,380,452	1,363,342
UNITHOLDERS' FUNDS AND LIABILITIES			
Unitholders' funds			
Unitholders' capital	14	1,145,895	1,145,901
Undistributed income		2	1
Total unitholders' funds		1,145,897	1,145,902
Non-current liabilities			
Borrowing	15	180,000	180,000
Other payables	16	10,121	6,294
		190,121	186,294
Current liabilities			
Other payables	16	4,322	5,766
Provision for income distribution	17	40,112	25,380
		44,434	31,146
Total liabilities		234,555	217,440
Total unitholders' funds and liabilities		1,380,452	1,363,342
	Note	31.12.2007	30.06.2007
Net assets value (RM'000)		1,145,897	1,145,902
Number of units in circulation ('000)	14	1,178,889	1,178,889
Net asset value per unit (RM)			
- before income distribution		1.006	1.034
- after income distribution		0.972	0.972

The notes set out on pages 28 to 38 form an integral part of these financial statements.

Statement of Changes in Net Asset Value

for the six months period ended 31 December 2007 (unaudited)

	Unitholders' Capital RM'000	Distributable Undistributed Income RM'000	Total Unitholders' Funds RM'000
At 1 July, 2006	1,022,756	1	1,022,757
Operations for the period from 1 July, 2006 to 30 December, 2006			
Net income for the period	–	34,996	34,996
Increase in net assets resulting from operations	–	34,996	34,996
Unitholders transactions			
Listing expenses (Note 18)	95	–	95
Provision for income distribution (Note 17)	–	(34,996)	(34,996)
Increase in net assets resulting from unitholders transactions	95	(34,996)	(34,901)
At 31 December, 2006	1,022,851	1	1,022,852
At 1 July, 2007	1,145,901	1	1,145,902
Operations for the period from 1 July, 2007 to 31 December, 2007			
Net income for the period	–	40,113	40,113
Increase in net assets resulting from operations	–	40,113	40,113
Unitholders transactions			
Acquisition expenses (Note 18)	(6)	–	(6)
Provision for income distribution (Note 17)	–	(40,112)	(40,112)
Increase in net assets resulting from unitholders transactions	(6)	(40,112)	(40,118)
At 31 December, 2007	1,145,895	2	1,145,897

The notes set out on pages 28 to 38 form an integral part of these financial statements.

Cash Flow Statement

for the six months period ended 31 December 2007 (unaudited)

	01.07.2007 to 31.12.2007 RM'000	01.07.2006 to 31.12.2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before taxation	40,113	34,996
Adjustments for:		
Allowance for doubtful debts	–	139
Bad debts written off	16	–
Interest income	(1,551)	(1,624)
Interest expenses	4,356	4,356
Operating profit before changes in working capital	42,934	37,867
Increase in receivables	(1,256)	(1,247)
Increase in payables	2,384	619
Net cash generated from operating activities	44,062	37,239
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	1,551	1,624
Payment of acquisition/listing expenses	(6)	95
Net cash generated from investing activities	1,545	1,719
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(4,356)	(4,356)
Distribution paid	(25,380)	(35,905)
Net cash used in financing activities	(29,736)	(40,261)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	15,871	(1,303)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	85,784	97,991
CASH AND CASH EQUIVALENTS AT END OF PERIOD	101,655	96,688

NOTES TO CASH FLOW STATEMENT

	31.12.2007 RM'000	31.12.2006 RM'000
a Cash and cash equivalents at end of period comprise:		
Deposits with licensed financial institution	101,522	96,554
Cash at bank	133	134
	101,655	96,688

The notes set out on pages 28 to 38 form an integral part of these financial statements.

Notes to the Financial Statements

for the six months period ended 31 December 2007

1 GENERAL INFORMATION

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

a Basis of preparation

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

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

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

The adoption of the relevant new or revised Financial Reporting Standards (“FRS”), effective for the financial year beginning on or after 1 July, 2007 are as follows:

FRS 117 Leases
FRS 124 Related Party Disclosures
FRS 107 Cash Flow Statements
FRS 112 Income Taxes
FRS 118 Revenue
FRS 134 Interim Financial Reporting
FRS 137 Provisions, Contingent Liabilities and Contingent Assets
FRS 139 Financial Instruments: Recognition and Measurement (effective date yet to be determined by Malaysian Accounting Standards Board)

The Trust has not early adopted the deferred FRS 139 for the financial period, the adoption of the others new / revised FRSs mentioned above do not have significant impact on the Trust. The financial statements have been amended as required, in accordance with the relevant transitional provisions in the respective FRSs.

FRS 117 Leases

The adoption of the revised FRS 117 requires the Trust to reassess the accounting policy relating to the reclassification of the leases of land and building. Property leased out under the operating lease is presented on the balance sheet according to the nature of the assets. Rental income from operating lease is recognised over the period of lease. Property held under operating lease that would otherwise meet the definition of an investment property is classified as an investment property. Thus the Trust continues to classify the asset held under lease as investment property.

b Investment properties

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

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

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

c Trade and other receivables

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

d Cash and cash equivalents

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

e Other payables

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

f Provisions

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

g Borrowing

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

Notes to the Financial Statements

for the six months period ended 31 December 2007

h Income tax

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

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

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

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

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

i Revenue recognition

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

i Rental income and service charges

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

ii Carpark income

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

iii Interest income

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

j Financial instruments

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

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

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

3 NET REVENUE

	01.07.2007 to 31.12.2007 RM'000	01.07.2006 to 31.12.2006 RM'000
Rental income	46,044	40,353
Service charges	4,544	4,680
Carpark income	2,511	2,500
Other interest income	82	73
Maintenance income	342	440
Other income	70	33
Gross revenue	53,593	48,079
Less:		
Bad debts written off	(16)	–
Allowance for doubtful debts	–	(139)
	53,577	47,940

4 PROPERTY OPERATING EXPENSES

	01.07.2007 to 31.12.2007 RM'000	01.07.2006 to 31.12.2006 RM'000
Service charges and fixed operating costs	5,282	5,282
Property management fees	728	705
Assessment and quit rent	2,534	2,270
Insurance and others	216	292
	8,760	8,549

For the six months period ended 31 December, 2007, property management fees of RM728,477 (2006: RM705,071) was paid to the Property Manager, Azmi & Co. Building Services Sdn. Bhd., in accordance to the Valuers, Appraisers and Estate Agent Acts 1981.

5 MANAGER'S FEES

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

	01.07.2007 to 31.12.2007 RM'000	01.07.2006 to 31.12.2006 RM'000
i Base fee	691	628
ii Performance fee	911	802
	1,602	1,430

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

Notes to the Financial Statements

for the six months period ended 31 December 2007

6 TRUSTEE'S FEE

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

7 BORROWING COSTS

	01.07.2007 to 31.12.2007 RM'000	01.07.2006 to 31.12.2006 RM'000
Interest expense on term loan (Note 15)	4,356	4,356
Incidental cost incurred to obtain the term loan facility:		
- Facility fee	5	3
	4,361	4,359

8 TAXATION

There is no taxation charged for the six months period ended 31 December, 2007 (2006: Nil). 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 the Income Tax Act, 1967. The Trust has sufficient capital allowances to set off the net income undistributed at the end of the financial period.

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

	01.07.2007 to 31.12.2007 RM'000	01.07.2006 to 31.12.2006 RM'000
Income before taxation	40,113	34,996
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	10,831	9,799
Expenses not deductible for tax purposes	74	94
Utilisation of capital allowances	(2,654)	(2,227)
Income exempted from tax	(8,251)	(7,666)
Tax expense for the period	-	-

9 EARNINGS PER UNIT

- The earnings per unit after manager's fees has been calculated based on the income after taxation for the period of RM40,112,511 (2006: RM34,996,310) and the weighted average number of units in circulation during the period of 1,178,888,889 (2006: 1,040,000,000).
- The earnings per unit before manager's fees has been calculated based on the income after taxation before deduction of manager's fees for the period of RM41,714,698 (2006: RM36,426,910) and the weighted average number of units in circulation during the period of 1,178,888,889 (2006: 1,040,000,000).

10 INVESTMENT PROPERTIES

	31.12.2007 RM'000	30.06.2007 RM'000
At 1 July 2007/1 July 2006	1,275,000	1,150,000
Acquired during the period/year	–	125,000
At end of the period/year	1,275,000	1,275,000
Analysis of investment properties:		
Freehold land and building	934,000	934,000
Long term leasehold land and building - 99-year term expiring on 29 July, 2076	341,000	341,000
	1,275,000	1,275,000

Investment properties amounting to RM1,150 million (30.06.2007: RM1,150 million) are charged as security for a term loan granted to the Trust as disclosed in Note 15.

11 TRADE RECEIVABLES

	31.12.2007 RM'000	30.06.2007 RM'000
Trade receivables	3,891	2,567
Less: Allowance for doubtful debts	(183)	(183)
	3,708	2,384

12 OTHER RECEIVABLES

	31.12.2007 RM'000	30.06.2007 RM'000
Other receivables	89	119
Prepayments	–	55
	89	174

13 DEPOSITS WITH LICENSED FINANCIAL INSTITUTION

The effective interest rate of the deposits placed with a licensed bank is at a weighted-average interest rate of 3.48% (30.06.2007: 3.47%) per annum.

The average maturities of deposits of the Trust ranged from 1 day to 33 days (30.06.2007: 1 day to 46 days).

Notes to the Financial Statements

for the six months period ended 31 December 2007

14 UNITHOLDERS' CAPITAL

	31.12.2007 No. of units '000	30.06.2007 No. of units '000
Authorised:		
At 1 July, 2007/1 July, 2006	1,178,889	1,040,000
Created during the period/year	–	138,889
At end of the period/year	1,178,889	1,178,889

	31.12.2007 Amount RM'000	30.06.2007 Amount RM'000
Issued and fully paid:		
At 1 July, 2007/1 July, 2006	1,145,901	1,022,756
Consideration for acquisition of investment property	–	125,000
Acquisition/listing expenses (Note 18)	(6)	(1,855)
At end of the period/year	1,145,895	1,145,901

	31.12.2007 Units '000	30.06.2007 Units '000
Issued and fully paid:		
At 1 July, 2007/1 July, 2006	1,178,889	1,040,000
Units issued for acquisition of investment property	–	138,889
At end of the period/year	1,178,889	1,178,889

15 BORROWING

	31.12.2007 RM'000	30.06.2007 RM'000
Term loan	180,000	180,000

The term loan is secured by a first fixed charge over investment properties as disclosed in Note 10. The term loan has a tenure of five years at a fixed interest rate of 4.8% (30.06.2007: 4.8%) per annum. The term loan shall be repaid in one lump sum on 16 December, 2010 and the interest is payable monthly.

16 OTHER PAYABLES

	31.12.2007 RM'000	30.06.2007 RM'000
Other payables	80	57
Accruals	1,682	1,146
Tenants' deposits		
- Payable within 12 months	2,560	4,563
- Payable after 12 months	10,121	6,294
	14,443	12,060
Represented by:		
Current liabilities	4,322	5,766
Non-current liabilities	10,121	6,294
	14,443	12,060

17 PROVISION FOR INCOME DISTRIBUTION

	31.12.2007 RM'000	30.06.2007 RM'000
At 1 July, 2007/1 July, 2006	25,380	35,904
Provision made during the period/year	40,112	72,690
Distribution paid during the period/year	(25,380)	(83,214)
At end of the period/year	40,112	25,380

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

Distribution to unitholders for the six month period ended 31 December, 2007 amounting RM40,111,694 (31.12.2006: RM34,996,000) are from the following sources:

	01.07.2007 to 31.12.2007 RM'000	01.07.2006 to 31.12.2006 RM'000
Net property income	44,817	39,391
Interest income	1,551	1,624
	46,368	41,015
Less: Expenses	(6,255)	(6,019)
	40,113	34,996
Distribution to unitholders	40,112	34,996
Gross distribution per unit (sen)	3.4025	3.3650
Net distribution per unit (sen)	3.4025	3.3650

Notes to the Financial Statements

for the six months period ended 31 December 2007

18 LISTING/ACQUISITION EXPENSES

	31.12.2007 RM'000	30.06.2007 RM'000
At 1 July, 2007/1 July, 2006	22,695	20,840
Addition during the period/year	6	1,950
Over-provision	-	(95)
At end of the period/year	22,701	22,695

The acquisition expenses incurred was in relation to the issuance of 138,888,889 new units during the last financial year ended 30 June 2007, breakdown of the expenses are as follows:

	01.07.2007 to 31.12.2007 RM'000	01.07.2006 to 30.06.2007 RM'000
Underwriting fees, brokerage fees and commissions	-	-
Professional fees	-	1,880
Miscellaneous	6	70
	6	1,950

These expenses are deducted directly against the unitholders' funds. Included in last financial year ended 30 June, 2007 was the acquisition expenses of RM1,250,000 paid to the Manager pursuant to the Deed in respect of the acquisition of The Residences Properties.

19 TRANSACTIONS WITH STOCKBROKING COMPANIES

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

20 UNITHOLDING BY THE MANAGER

As at 31 December, 2007, the Manager did not hold any unit in the Trust.

21 UNITHOLDERS RELATED TO THE MANAGER

	Number of units held '000	31.12.2007 Percentage of total units %	Market Value RM'000
YTL Corporation Berhad	742,968	63.02	683,530
YTL Power International Berhad	43,090	3.66	39,643
	786,058	66.68	723,173

The market value of the units held by the companies related to the Manager is determined by using closing market value of Starhill REIT as at 31 December, 2007 of RM0.92 per unit.

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

22 TRANSACTIONS WITH COMPANIES RELATED TO THE MANAGER

	01.07.2007 to 31.12.2007 RM'000	01.07.2006 to 31.12.2006 RM'000
Rental charged to:		
Autodome Sdn. Bhd.	12,328	13,215
Star Hill Hotel Sdn. Bhd.	14,612	10,323
Syarikat Pembinaan Yeoh Tiong Lay Sdn. Bhd.	157	189
YTL e-Solutions Berhad	406	395
YTL Land & Development Berhad	215	209
YTL Land Sdn. Bhd.	2,855	2,844
YMax Sdn. Bhd.	31	–

The Manager is of the opinion that these transactions are conducted in the normal course of business and are under terms that are not less favourable than those arranged with third parties. During the six months period ended 31 December 2007, there is no outstanding due from the companies related to the Trust (2006: RM40,616).

23 FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

a Interest rate risk

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

b Credit risk

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

c Liquidity and cash flow risk

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

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

	31.12.2007		30.06.2007	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Term loan	180,000	171,756	180,000	171,756

Notes to the Financial Statements

for the six months period ended 31 December 2007

24 PORTFOLIO TURNOVER RATIO

	31.12.2007	31.12.2006
Portfolio turnover ratio ("PTR")	–	–

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

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

25 MANAGEMENT EXPENSE RATIO

Management Expense Ratio ("MER")

	31.12.2007	31.12.2006
MER for the financial period	0.17%	0.16%

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

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

26 CURRENCY

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

27 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The unaudited financial statements for the six months period ended 31 December, 2007 were authorised for issue by the Board of Directors of Pintar Projek Sdn. Bhd. in accordance with a resolution of the directors on 24 January, 2008.



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