
14. DISTRIBUTION POLICY

The Manager's current policy is to distribute to Unitholders at least 90% of the DI for each Financial Year. The Manager may amend its distribution policy at any time by giving notice to Unitholders.

Barring any unforeseen circumstances, the Manager will distribute an amount equal to 100% of the Starhill REIT's DI for the period from the Completion Date to 30 June 2007, and intends to distribute at least 90% of DI for each financial year thereafter. Distributions will be declared and paid to Unitholders in Ringgit Malaysia.

The Manager intends to make distributions to Unitholders on a semi-annual basis but the Manager may in its discretion change the frequency of any distributions to Unitholders, and the Manager anticipates that the interim and final distributions will be paid within 60 days from the book closure date. The Starhill REIT's first distribution after the Listing Date, however, will be for the period from the Completion Date to 30 June 2006.

For these purposes, and under the terms of the Deed, DI will be:

- (a) the interim unaudited net income after tax of the Starhill REIT in regards to interim distributions; or
- (b) the audited net income after tax of the Starhill REIT, less the interim distributions, in regards to final distributions

for the relevant period adjusted to eliminate the effects of certain Adjustments (as defined below) which have been recorded in the income statement for the relevant financial period.

Adjustments means the effects of: (i) realised gains on disposal of properties / assets; (ii) fair value gains on financial instruments; (iii) deferred tax charges / credits in respect of property valuation movements; and (iv) other non-cash gains, in each case as recorded in the income statement for the relevant distribution period.

In addition, the Manager has the discretion to distribute additional amounts including the equivalent of any realised property gains and realised gains on financial instruments and any amounts previously not distributed (referred to as "Additional DI").

In any case, the total distribution, comprising DI and Additional DI, to be distributed shall be subjected to the following:

- (a) the availability of funds in providing for the amount of total distribution; and
- (b) compliance with the gearing level prescribed by the REIT Guidelines and any applicable borrowing covenants.

Any moneys payable to a Unitholder pursuant to its entitlement of the Starhill REIT's distribution which remain unclaimed after a period of 1 year shall be accumulated in a special account and lodged with the Registrar of Unclaimed Moneys by the Manager or the Trustee. The Trustee shall maintain a record of all unclaimed moneys at its principal place of business in accordance with the provisions of the Unclaimed Moneys Act, 1965.

The above distribution policy is based on current accounting policies applicable to Starhill REIT. In the event of any change in accounting policy, the Manager will review the distribution policy and may make any change to the distribution policy.

15. PURCHASE CONSIDERATION, SALE AND PURCHASE AGREEMENT AND DEBT FACILITY

15.1 SALE AND PURCHASE

The Properties are to be acquired by Starhill REIT pursuant to a conditional Sale and Purchase Agreement entered into between the Vendor and the Trustee on behalf of Starhill REIT on 18 November 2005.

15.2 PURCHASE CONSIDERATION

The Purchase Consideration for the Properties is RM1,150 million and comprises the Cash Consideration and the Consideration Units. The Purchase Consideration will be satisfied on the Completion Date.

15.3 DESCRIPTION OF SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarised as follows:

- the Properties will be sold subject to and with the benefit of the existing tenancies and licence agreements (including the Hotel Lease Agreement which will be novated to the Trustee pursuant to a deed of novation) as from the Completion Date;
- the Trustee shall satisfy the Purchase Consideration by procuring the issue and allotment of the Consideration Units to the Vendor by the Listing Date and the payment of the Cash Consideration to the Vendor not later than seven (7) business days after all the conditions precedent stated in the Sale and Purchase Agreement have been met ("Unconditional Date") or such other date agreed upon between the Vendor and the Trustee. The titles to the Properties together with the transfer instrument to effect the transfer of the Properties in favour of the Trustee shall be presented for registration at relevant land office on the Unconditional Date (or such earlier date permitted by the Vendor subject to the satisfaction of certain conditions).

Provided that the Consideration Units have been listed on the Listing Date, the date of receipt by the Vendor of the full Cash Consideration shall be the Completion Date.

- on completion the security deposits held by the Vendor will be transferred to such person as the Manager may direct or to the Trustee and the Trustee shall become entitled to all of the Vendor's rights, interest and benefits under the tenancy agreements subsisting on Completion. Further, a Deed of Novation between the Vendor, the Hotel Operator and the Trustee shall be executed to novate the Hotel Lease Agreement to the Trustee;
- certain limited representations and warranties are made by the Vendor including in respect of the following:
 - (a) its capacity as Vendor;
 - (b) the Properties (including that there are no encumbrances on the Properties other than the tenancies and Hotel Lease Agreement and a lease over part of the land on which the Retail Properties are located in favour of Tenaga Nasional Berhad for a sub station expiring 15 June 2025);
 - (c) its ownership of the Properties; and
 - (d) the tenancies and leases affecting the Properties and the documents relating to such tenancies and leases;
- completion of the sale and purchase of the Properties is conditional upon certain approvals and consents of the relevant Authorities including, inter alia, unconditional approval in principle for the listing of and quotation for the Units, approval from shareholders of YTL and confirmation of receipt of the proceeds raised from the Offering by the Issuing House appointed by the Manager, being not less than the minimum sum of RM461,600,000; and

- the sale and purchase of the Properties is not divisible and there will not be a partial sale of the Properties unless the Vendor and the Trustee agree on terms and conditions for such a partial sale.

15.4 DEBT FACILITY

The Debt Facility with the Lender, Great Eastern Life Assurance (Malaysia) Berhad, has been arranged by ECM Libra Capital Sdn Bhd. ECM Libra Capital Sdn Bhd will act as facility agent in respect of the Debt Facility.

The Debt Facility is a five-year term loan facility of RM180 million at a fixed interest rate of 4.8% per annum available for a period of six (6) months from the date of the loan agreement for the Debt Facility which will be used to part finance the acquisition of the Properties.

The Debt Facility will have a maturity of five (5) years from the date of the first drawdown under the Debt Facility provided that the Lender may at the request of the Trustee on behalf of Starhill REIT extend the tenure for a further two (2) year period.

Interest on the Debt Facility is payable monthly and the principal is due to be repaid on the final maturity date or the extended maturity date. Prepayments of the Debt Facility at the option of Starhill REIT are permitted subject to certain conditions.

The Debt Facility is secured by a first fixed charge over the Properties (subject to the Hotel Lease Agreement in the case of the Hotel Property) and by an assignment of certain insurance policies relating to the Properties.

Starhill REIT is obliged by the terms of the Debt Facility to comply with certain restrictive covenants including:

- (a) not to sell the Properties at below 80% of their open market value without the consent of the Lender;
- (b) maintain a ratio of the market value of Properties to amount outstanding under the Debt Facility of at least 2:1;
- (c) not to amend the Deed unless required for regulatory purposes without the consent of the facility agent;
- (d) not to make any material property acquisitions or material investments without the consent of the facility agent; and
- (e) not to carry on any other business activities other than property rental and sale in relation to the Properties and its related business and any activities permitted under the Deed, without the consent of the facility agent.

16. PROPOSED UTILISATION OF GROSS PROCEEDS

The total proceeds raised from the Offering is estimated to be RM523,387,020, based on the Retail Offer Price of RM0.98 per Unit and illustrative Institutional Offer Price of RM1.03 per Unit.

The following table sets out the intended application of the total proceeds from the Offering of RM523,387,020.

	Application of proceeds
	<i>(RM'000)</i>
Part finance the Purchase Consideration for the acquisition of the Properties ⁽¹⁾	439,600
Repayment of bank borrowing/working capital ⁽²⁾	61,787
Estimated listing expenses	22,000
Total	523,387

Notes:

- ⁽¹⁾ The balance of the Purchase Consideration for the Properties will be settled by the issuance of Consideration Units and proceeds raised from the Debt Facility.
- ⁽²⁾ The utilisation of proceeds for repayment of bank borrowing/working capital purposes will be adjusted accordingly depending on the actual proceeds raised from the Offering and actual expenses incurred for the Listing.

The proceeds raised from the Offering for satisfying the Purchase Consideration are proposed to be utilised within 5 Market Days of the Listing Date.

The proceeds raised from the Offering for satisfying estimated listing expenses are expected to be utilised within 12 months of the Listing Date.

	<i>(RM'000)</i>
Underwriting fees, brokerage fees and commission ⁽¹⁾	13,500
Professional fees ⁽²⁾	3,700
Regulatory fees	100
Incidental cost for the acquisition of the Properties ⁽³⁾	1,800
Advertising and printing expenses ⁽⁴⁾	2,800
Miscellaneous / Contingencies ⁽³⁾	100
Total estimated expenses of the Offering	22,000

The issue costs will be charged against Unitholders' funds.

Notes:

- (1) Such commissions represent a maximum of approximately 2.55% and 1.5% of the value of the proceeds from the Institutional Offer and the Retail Offer respectively and brokerage fee of 1% payable to the Issuing House.
- (2) Includes financial advisory fees, solicitors' fees and fees for the Reporting Accountants, the Tax Consultant and other professionals' fees.
- (3) Includes legal fees, stamp duty and arranger's fee in relation to the Debt Facility.
- (4) Includes cost of Prospectus production, road show expenses and certain other expenses incurred or in connection with the Offering.

17. PROFORMA BALANCE SHEET

The following table sets forth the proforma balance sheet of Starhill REIT on the assumption that Starhill REIT is in existence on the Listing Date and after application of the total proceeds from the Offering using an assumed price of RM0.98 per Unit for Retail Offer and RM1.03 for Institutional Offer. The information in this table should be read in conjunction with "Reporting Accountants' Letter on Proforma Balance Sheet" as set out in Appendix 5 of this Prospectus.

Proforma balance sheet of Starhill REIT

	Note	As at Listing Date RM'000
Non-current Assets		
Investment Properties.....	1	1,150,000
Current Asset		
Cash in bank.....		61,788
Non-current liability		
Borrowing	2	(180,000)
Net assets		<u>1,031,788</u>
Unitholders' funds		
Units in issue	3	1,053,788
Estimated listing expenses	4	(22,000)
		<u>1,031,788</u>
Number of Units in issue		1,040,000,000
NAV per Unit (RM)		0.99
Gearing (Borrowing/Gross Asset Value).....		14.85%

Notes to the proforma balance sheet of Starhill REIT

- Investment properties are stated at purchase consideration which is apportioned as follows:
 - Lot 10 Property – RM341 million;
 - Starhill Property – RM480 million; and
 - Hotel Property – RM329 million;
- The borrowing is a five-year term loan facility at a fixed interest rate of 4.8% p.a. which will be used to part finance the acquisition of the Properties.
- The Units in issue consist of:

	<u>Number of Units</u>	<u>Price per Unit</u> (RM)	<u>Value</u> (RM)
Promoter Units.....	1,000	1.00	1,000
Retail Offer Units	29,999,000	0.98	29,399,020
Institutional Offer Units	479,600,000	1.03	493,988,000
Consideration Units	530,400,000	1.00	530,400,000
	<u>1,040,000,000</u>		<u>1,053,788,020</u>

4. The estimated listing expenses includes the underwriting and selling commission, professional and other fees as well as all other incidental expenses in relation to the Offering, which will be borne by Starhill REIT. A breakdown of these estimated expenses is set out in Section 16 headed "*Proposed Utilisation of Gross Proceeds*".

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18. THE UNITS

18.1 OWNERSHIP OF UNITS**18.1.1 How to transfer ownership of Units**

A Unitholder may transfer some or all of his/her Units in Starhill REIT to another investor through the CDS by placing his/her orders through Authorised Depository Agents as listed in Appendix 8. All transfers of Units must be effected in accordance with the Central Depositories Act, the business rules of the Bursa Depository including the procedure manual referred to in the rules.

18.2 CLASS OF UNITS

There is only one class of Units in the Starhill REIT. The Units will rank pari passu in all respects with the other existing Units issued, including voting rights and rights to all distributions that may be declared subsequent to the date of allotment of such Units.

18.3 OTHER INFORMATION**18.3.1 Mode of distribution to Unitholders**

Unitholders will receive distributions paid in respect of the Units by a non-negotiable cheque sent to the Unitholder's address.

Unclaimed money

For cheques which are left uncashed by Unitholders upon lapse of the six (6) months' cheque validity period, the Manager may reinvest the amount of the cheque in Units. For other cases, unclaimed monies shall be paid to a special account and the Manager will comply with the Unclaimed Monies Act 1965.

18.3.2 Means by which Unitholders can keep track abreast of developments of fund

Unitholders can keep track of developments of Starhill REIT through annual reports, interim reports and announcements made to Bursa Securities.

18.3.3 Means by which Unitholder can keep track of the market price per Unit/NAV per Unit

Unitholders are able to keep track of the market price per Unit through the website of Bursa Securities and the daily Malaysian newspapers (in English and Bahasa Malaysia). Starhill REIT will also be providing the Unitholders with an annual report and interim report each year on its performance which will also include information on the NAV per Unit.

Starhill REIT's annual report and interim report will be issued to Unitholders within 2 months of the end of each Financial Year and the period it covers.

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19. SALIENT TERMS OF DEED AND RIGHTS AND LIABILITIES OF THE UNITHOLDERS

The following information is a summary of the provisions of the Deed. A copy of the Deed, together with all relevant exemptions and waivers by the SC or Bursa Securities, as the case may be, can be inspected at the registered office of the Manager during normal business hours. The provisions of the Securities Commission Act, the REIT Guidelines, the Unit Trust Guidelines and the Central Depositories Act, the business rules of the Bursa Depository and the Securities Industry (Central Depositories) (Foreign Ownership) Regulations while the Units are deposited with the Bursa Depository pursuant to the Central Depositories Act and the Listing Requirements while the Units are listed on Bursa Securities, as amended from time to time, except to the extent of any express written exemption or waiver (together, the "REIT Regulatory Regime"), affect the terms of the Deed and the rights and obligations of the Trustee, the Manager and the Unitholders.

*Units which are listed on Bursa Securities will be deposited with the Bursa Depository or any other computerised or electronic system of transfer or registration in accordance with the provisions of the Central Depositories Act. For so long as the Units have been prescribed as a **prescribed security** and are deposited with the Bursa Depository pursuant to the Central Depositories Act, a depositor whose name appears in the record of depositors maintained by the Bursa Depository shall be deemed to be a Unitholder and shall, subject to the Central Depositories Act and regulations thereunder, be entitled to the number of Units stated in the record of depositors and all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Units.*

The Deed is a complex document and investors should refer to the Deed and the REIT Regulatory Regime themselves for a detailed understanding of Starhill REIT.

19.1 THE TRUST

The Deed establishing the Starhill REIT was entered into on 18 November 2005 between Pintar Projek Sdn Bhd as the manager of Starhill REIT and Mayban Trustees Berhad as the trustee of Starhill REIT and the Deed took effect on 18 November 2005 upon registration with the SC.

The terms and conditions of the Deed and any supplemental deed are binding on each Unitholder (and persons claiming through or under such Unitholder) as if such Unitholder had been a party to and had executed the Deed and any supplemental deed and had thereby covenanted for such Unitholder and for all such persons to observe and be bound by the provisions of the Deed and had thereby authorised and required the Trustee and the Manager, respectively, to do all such acts and things as the Deed may require or authorise the Manager and the Trustee, respectively, to do.

The Deed is governed by the laws of Malaysia.

Starhill REIT is a real estate investment trust. Each asset of Starhill REIT is vested in, and held by or on behalf of, the Trustee on trust in accordance with the terms of the Deed. The rights of the Unitholders under the Deed are divided into Units.

A Unitholder has no equitable or proprietary interest in any underlying asset of Starhill REIT and is not entitled to the transfer to it of any asset (or part thereof) of Starhill REIT and has no rights, powers or entitlements in respect of any asset of Starhill REIT. A Unitholder's rights are limited to the right to require due administration of Starhill REIT in accordance with the provisions of the Deed. A Unitholder is not entitled to interfere with the powers, authorities or discretions conferred on the Manager or the Trustee by the Deed.

19.2 RIGHTS OF UNITHOLDERS

Subject to the terms of the Deed, the rights of Unitholders include the right to:

- receive income and other distributions attributable to Units held;
- transfer Units;
- receive the annual report and interim fund reports;
- convene, attend and vote at meetings of Unitholders; and
- participate in the winding up of Starhill REIT.

19.3 LIABILITY OF UNITHOLDERS

The Deed contains provisions which are designed to limit the liability of a Unitholder up to the amount of the Unitholder's investment in Starhill REIT. Accordingly, and provided that the Issue Price of relevant Units has been fully paid, no Unitholder, by reason alone of being a Unitholder, will be personally liable to indemnify the Trustee or the Manager or any creditor of either or both of them in the event that the liabilities of the Starhill REIT exceed the assets of Starhill REIT.

19.4 TRUSTEE'S LIEN FOR AMOUNTS OWING

The Trustee has a lien for all amounts owing to the Trustee or the Manager in respect of Units registered in the name of a Unitholder and for amounts the Manager or Trustee may be called upon by law to pay and has paid in respect of such Units. The lien extends to distributions from time to time declared in respect of Units.

19.5 CREATION OF UNITS

A person who wishes to apply for Units must complete and lodge with the Manager a completed application for Units and the application money. The Manager may, in its absolute discretion, accept or refuse, in whole or in part, any application for Units and if it accepts an application, the application money must be paid to the Trustee.

A Unit is regarded as issued or granted to the person entitled to it if and when the person's name is recorded in the register of Unitholders maintained by the Manager. For so long as the Units have been prescribed as a prescribed security and are deposited with the Bursa Depository pursuant to the Central Depositories Act, a depositor whose name appears in the record of depositors maintained by Bursa Depository shall be deemed to be a Unitholder. No rights whatsoever attach to a Unit until it is issued. If it is not contrary to the REITS Regulatory Regime, the Manager may determine not to issue a certificate for a Unit.

19.6 ISSUE OF UNITS

The following is a summary of the provisions of the Deed relating to the issue of the Units.

An initial 1,000 Units have been issued to the Manager for the purpose of establishing the Starhill REIT. The Manager will hold the initial Promoter Units only until the Listing Date and these Units shall be disposed of, the Market Day immediately following the Listing Date.

The Manager has the exclusive right to issue Units for the account of Starhill REIT. The offer of Units for the purpose of the Offering shall be at the Retail Offer Price and the Institutional Offer Price to be determined by the Manager on the Price Determination Date as set out in Section 24 headed "*Structure of the Offering*".

In relation to the initial issue of Units by Starhill REIT, the Manager is not bound to accept an initial application for less than one Unit. No fraction of a Unit shall be issued and the Manager shall in respect of each Unitholder's entitlement to Units round down to the nearest whole Unit and any balance arising from such rounding down shall be retained as part of the Assets.

The Manager may issue further Units by any method permitted under the REIT Guidelines and upon such terms as determined by the Manager, in accordance with the provisions of the SCA, the REIT Guidelines, the Listing Requirements and any other applicable regulatory requirements. Subject to the provisions of the REIT Guidelines, the SCA and any applicable laws, the Manager shall determine the Issue Price for new Units on market-based principles, taking into account the best interests of Starhill REIT and the Unitholders.

Units, when listed on the Bursa Securities, may be traded on the Bursa Securities and settled through the Bursa Depository system.

19.7 REDEMPTION OF UNITS

Unitholders have no right to request the Manager to repurchase or redeem their Units while the Units are listed on Bursa Securities. It is intended that Unitholders may only deal in their listed Units through trading on the Bursa Securities. However, under the Deed, the Manager may decide to make any offer to redeem Units (in which case the redemption price shall be the Market Price or an amount greater or less than the Market Price as determined by the Manager, in each case "Market Price" being the Market Price on the Market Day prior to the day the redemption offer is announced by the Manager). In the event, the Manager decides to make such an offer, the redemption must comply with the REIT Guidelines and the listing requirements of Bursa Securities. Any offer of redemption shall be offered on a pro rata basis to all Unitholders.

19.8 THE MANAGER

The Manager must carry on and conduct its business in a proper, diligent and efficient manner and ensure that Starhill REIT is carried on and conducted in a proper, diligent and efficient manner and in accordance with acceptable and efficacious business practices in the real estate investment trust industry in Malaysia.

Subject to the provisions of the Deed, the Manager is responsible for managing Starhill REIT. The Manager has full and complete powers of management and must manage the Starhill REIT (including all assets, and liabilities of Starhill REIT) for the benefit of the holders of Units.

19.9 MANAGEMENT OF THE TRUST

The Manager must cause all assets of Starhill REIT of an insurable nature and which in the opinion of the Manager are in the normal course of business usually insured to be adequately insured.

A Unitholder may not:

- interfere or seek to interfere with or question the rights, powers, authority or discretion of the Manager or the Trustee;
- claim or exercise any right in respect of any asset or lodge any caveat or other notice affecting any asset; and
- require that any asset be transferred to a Unitholder.

19.10 INVESTMENT BY THE TRUST

Subject to the requirements of the REIT Guidelines, the Manager has absolute discretion as to the entering into and performance of any transaction or contract, the investment of any part of the assets of Starhill REIT (including without limitation, whether to reinvest or distribute the proceeds arising from any disposal of Assets, the purchase, design, construction, repair, maintenance, financing, yielding up, commissioning, building, ownership, leasing, planning, carrying out of works, sale, transfer, exchange, alteration, surrender, abandonment, operation or utilisation of any of the Assets and the procurement of any of those things. Except to the extent that the Manager and the Trustee otherwise agree in respect of the investment in or sale of Assets other than real estate and unlisted companies whose principal assets comprise real estate, the Manager must submit any investment proposal to the Trustee.

Subject to compliance with the requirements of the REIT Guidelines (if any) and the provisions of the Deed, the Trustee must exercise its powers in accordance with proposals of the Manager, except where there are insufficient Assets to give effect to the Manager's proposal.

Under the REIT Guidelines, any material change in investment objectives of Starhill REIT must be approved by a resolution of not less than two-thirds of all Unitholders voting at a Unitholders' meeting duly held and convened in accordance with the Deed.

Under the REIT Guidelines, the Trustee and the Manager must ensure that the total borrowings and liabilities under any financial accommodation (other than for fees and expenses) of Starhill REIT do not exceed 35% of the total Gross Asset Value of Starhill REIT at the time the borrowings are incurred.

19.11 VALUATION OF INVESTMENTS

The Trustee may and must upon the request of the Manager, cause the valuation of any real estate by a qualified valuer. Further, the Trustee must cause and the Manager must direct the Trustee to cause an independent valuation of any real estate of Starhill REIT if the Trustee, the Manager or the Auditor reasonably believes there has been a significant change in the value of that real estate.

Subject to the REIT Guidelines, Assets are to be valued at market value, except where the Manager certifies to the Trustee that there is either no market for the relevant Assets or the market value does not represent fair value. In these circumstances, the method of valuation to be adopted is to be determined by the Manager. Any valuer is to be appointed by the Trustee.

19.12 THE TRUSTEE

Subject to the Deed, the Trustee has all the powers of a natural person acting in his or her personal capacity. Subject to the REIT Guidelines, the Trustee may, with the consent of the Manager, appoint a person who is not an associate of the Manager as its agent, custodian or other person to acquire, hold title to, dispose of or otherwise deal with any asset on behalf of the Trustee and perform any incidental or ancillary action.

19.13 TRUSTEE'S AND MANAGER'S RESPONSIBILITIES AND INDEMNITIES

The Trustee, the Manager and each director and officer of the Trustee and the Manager are not personally liable to a Unitholder or any other person in connection with their office except for their own fraud, negligence, breach of duty or breach of trust or their contravention of any provision of the Securities Commission Act.

Otherwise, each of the Trustee and Manager is not liable to any Unitholder beyond the extent to which it is entitled to be and is in fact reimbursed out of the assets of Starhill REIT actually vested in the Trustee.

Unless otherwise provided by the REIT Guidelines, the Manager or an officer or employee or associate of Manager (including any related corporation (as defined in the Securities Commission Act) or associate (as defined in the Securities Industries Act 1983)) may:

- deal with any related party;
- have an interest in or enter into a contract or transaction with any other person (including one whose shares or other securities form an Asset or any Unitholder) or;
- hold or deal in or have any other interest in an asset

and may retain and is not required to account for any benefit derived by doing so. The doing of any act or acting in any such capacity is not a breach of any of the obligations arising out of the fiduciary relationships between the Trustee, the Manager and the Unitholders.

Subject to the Deed, a related corporation (as defined in the Securities Commission Act) or associate (as defined in the Securities Industries Act 1983) of the Manager or an officer or employee of the Manager may be a Unitholder.

Without prejudice to any indemnity given by law to the Trustee or the Manager but subject to the Deed:

- the Trustee and Manager are each reimbursed out of the assets of the Starhill REIT against any amount incurred in prosecuting or defending any action, suit, arbitration or other dispute resolution procedure in respect of the Starhill REIT except to the extent that such expense or liability arises out of its contravention of any provision of the Securities Commission Act or its own fraud, negligence, breach of duty or breach of trust;

- neither the Trustee nor the Manager is responsible for:
 - any amount incurred by any contravention of the Securities Commission Act or any fraud, negligence, breach of duty or breach of obligation under this deed by the other or any agent or delegate of the other;
 - any amount incurred by relying on any notice, resolution, information, documents, forms or lists unless it reasonably believes such item not to be genuine or not to have been passed, executed or signed by the proper parties;
 - any amounts if a person fails to carry out an agreement with the Trustee or Manager (except where that person is a delegate of the Trustee or the Manager, in which case the Trustee or Manager, as the case may be, will be responsible for such amount); or
 - any amounts by reason of any matter or thing done or suffered or omitted to be done in good faith, and acting reasonably;

except to the extent that such loss is attributable to its own contravention of the Securities Commission Act or its own fraud, negligence, breach of duty or breach of trust;
- each of the Trustee and the Manager is entitled to rely on each other or any third party as to the validity and due authorisation of a document or communication except to the extent of its own contravention of the Securities Commission Act or its own fraud, negligence, breach of duty or breach of trust;
- neither the Trustee nor the Manager will be liable to anyone in respect of any failure to perform or do any act or thing which by reason of:
 - any provision of any law or statute of Malaysia; or
 - of any decree, order or judgement of any competent court,

either the Trustee or the Manager is prevented, forbidden or hindered from doing or performing.

Each of the Trustee and the Manager may take and act upon the opinion or advice of counsel or solicitors and the opinion or information from any persons consulted by the Trustee or the Manager who are believed in good faith to be expert and they will not be liable for any reliance in good faith on such opinion, advice or information.

19.14 RETIREMENT OF TRUSTEE

The Trustee may retire as trustee of Starhill REIT immediately upon the expiry of 3 months' written notice (or any shorter period agreed by the Manager) given by the Trustee to the Manager, provided that the Trustee may not retire until a new trustee has been duly appointed.

On its retirement the Trustee is released from all obligations in relation to Starhill REIT which arise after its retirement. The Trustee must vest the Assets in the new trustee, and give the new trustee all books, documents, records and any other property held by or on behalf of the Trustee relating to Starhill REIT. The new trustee will from the date of its appointment be bound by the acts of the retired trustee.

19.15 REGISTER AND TRANSFERS

The Manager will keep and maintain an up to date register in accordance with the SCA and other applicable regulations.

While the Units are prescribed securities (as defined in the rules of Bursa Depository), Bursa Depository or its nominee company will be registered as the sole Unitholder. A Unitholder whose name appears in the record of Depositors maintained by Bursa Depository will be deemed to be and treated as the absolute owner of the relevant Units as if it were a person included in the register instead of Bursa Depository (or its nominee company) in whose name the Units are registered. A copy of record of Depositors must be provided by the Manager within 5 Market Days or such other

reasonable period of time of a request to the Trustee.

While the Units are prescribed securities, any transfer of the Units will be in accordance with the rules of Bursa Depository.

19.16 AMENDMENT OF THE DEED

Save where an amendment to the Deed has been approved by a resolution of not less than two-thirds of all Unitholders present and validly voting at the relevant Meeting (as defined below), no amendment may be made to the provisions of the Deed unless:

- (a) the Trustee and the Manager reasonably consider that such amendment does not materially prejudice the interests of Unitholders taken as a whole and will not operate to release the Trustee or the Manager from any responsibility to the Unitholders;
- (b) the amendment or replacement:
 - (i) is necessary in order to comply with applicable fiscal, statutory or official requirements (whether or not having the force of law);
 - (ii) is necessary to correct a manifest error or a proven error;
 - (iii) removes or amends a provision or covenant required by the SCA, the REIT Guidelines or the Unit Trust Guidelines where that provision or covenant is altered or deleted by the Securities Commission or if the SCA, the REIT Guidelines or the Unit Trust Guidelines is amended; or
 - (iv) removes or amends a provision required by statute or any relevant Authority where such a provision is no longer required by statute or the relevant Authority, including without limitation any provision specified in the REIT Guidelines or the Unit Trust Guidelines.

19.17 MEETINGS OF UNITHOLDERS

The Trustee or the Manager on behalf of the Trustee may at any time convene a meeting of Unitholders ("Meeting"). The Manager must, within 21 days after an application is delivered to the Manager at its registered office, being an application made by not fewer than 50 Unitholders or one-tenth in number of the Unitholders, whichever is less, convene a meeting of Unitholders.

The Manager may not exercise the voting rights in respect of the Units it or its nominees hold in any Meeting, regardless of the party who requested the Meeting and the matter or matters that are laid before the Meeting. Any related corporation (as defined in the SCA) of the Manager may not exercise the voting rights in respect of the Units it holds in any Meeting.

19.18 TERM OF STARHILL REIT

The term of Starhill REIT ends on the earlier of:

- (a) the expiration of a period of twenty-one (21) years after the death of the last survivor of the issue now living of his majesty, the current Yang di Pertuan Agung of Malaysia or until such further period as the law may permit;
- (b) the date on which Starhill REIT is terminated under the Deed or by law; and
- (c) the date on which Starhill REIT is terminated by the Manager as provided below.

Starhill REIT may be terminated by the Manager in its absolute discretion by giving notice to all Unitholders and the Trustee not less than 3 months in advance in any of the following circumstances:

- (a) if any law is passed which renders it illegal to continue Starhill REIT; or

- (b) if, the Manager, after consulting the Trustee, is of the opinion that it is impracticable or inadvisable to continue Starhill REIT, taking into account factors such as changes in economic climate or taxation law which have caused or are likely to cause Unitholders to be detrimentally affected, and the Manager requests the Trustee to convene a Meeting and in that Meeting, the Manager sets out the action they recommend and a resolution of Unitholders by a majority not less than 75% of the votes cast by Unitholders present and validly voting at the Meeting ("Special Resolution") is passed to terminate Starhill REIT.

If at any time after the Listing Date, the Units are unconditionally suspended from the Official List of Bursa Securities and not readmitted for a continuous period of 90 Market Days after such suspension, Starhill REIT will, notwithstanding any rights, powers or duties of the Manager or the Trustee and directions given by or resolutions of Unitholders, immediately determine and its winding up will immediately commence upon the end of such 90 Market Days.

If at any time Starhill REIT is removed from the Official List of Bursa Securities, Starhill REIT will, notwithstanding any rights, powers or duties of the Manager or the Trustee and any directions given by or resolutions of Unitholders, immediately determine and its winding up will immediately commence upon such removal.

If any exemption granted by the SC in respect of repurchase of Units is varied or revoked and the Manager determines that the likelihood of the Manager's obligation to satisfy a repurchase request is increased, Starhill REIT will, notwithstanding any rights, powers or duties of the Manager or the Trustee and any directions given by or resolutions of Unitholders, immediately determine and its winding up will immediately commence.

19.19 PROCEDURE ON WINDING UP OF STARHILL REIT

In winding up Starhill REIT in circumstances described in Section 19.18 above, the Trustee must:

- (1) send a notice to the Unitholders and if deemed appropriate by the Manager, publish an advertisement in a national language newspaper published daily and circulating generally throughout Malaysia giving notice of the commencement of the winding up;
- (2) realise all realisable Assets;
- (3) pay any amount due to it and the Manager under the Deed;
- (4) pay all costs of the Trustee in its capacity as Trustee of Starhill REIT including, but not limited to, liabilities owed to any Unitholder who is a creditor of Starhill REIT; and
- (5) subject to any special rights or restrictions attached to any Unit or the direction in writing of all Unitholders, distribute the net proceeds of realisation among the Unitholders pro rata in accordance with the number of Units held by each Unitholder.

The Trustee must not distribute an Asset to a Unitholder in specie.

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20. THE MANAGER

20.1 BACKGROUND INFORMATION

The Manager, Pintar Projek Sdn Bhd, is incorporated in Malaysia under the Act on 1 September, 1994. The Manager has 2 shareholders, namely YTL Land and Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir. YTL Land owns 70% and Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir owns 30%, of the shares in the Manager. As at the Latest Practicable Date, the paid-up capital of the Manager is RM1,500,000 and its registered office is at 11th Floor, Yeoh Tiong Lay Plaza, 55 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia.

20.2 FUNCTIONS, DUTIES AND RESPONSIBILITIES

The general functions, duties and responsibilities of the Manager include, but are not limited to, 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 the activities in relation to the assets of such Starhill REIT in accordance with the provisions of the Deed;
- (d) to set the strategic direction of Starhill REIT and submit proposals to the Trustee on the acquisition, divestment or enhancement of assets of Starhill REIT;
- (e) to issue an annual report and interim report of Starhill REIT to Unitholders within 2 months of Starhill REIT's financial year end and the end of the period it covers, respectively; and
- (f) to ensure that Starhill REIT is managed within the ambit of the Deed, the Securities Commission Act, the other securities laws, the Listing Requirements, the REIT Guidelines and other applicable laws.

The Manager may appoint a person, including an associate of the Manager, as its delegate, attorney, agent or sub-agent to exercise its powers and perform its obligations in accordance with the REIT Guidelines and the Deed.

Prior to any proposed delegation of a function by the Manager, the Manager must obtain any approval of the SC and/or the Trustee required under the REIT Guidelines.

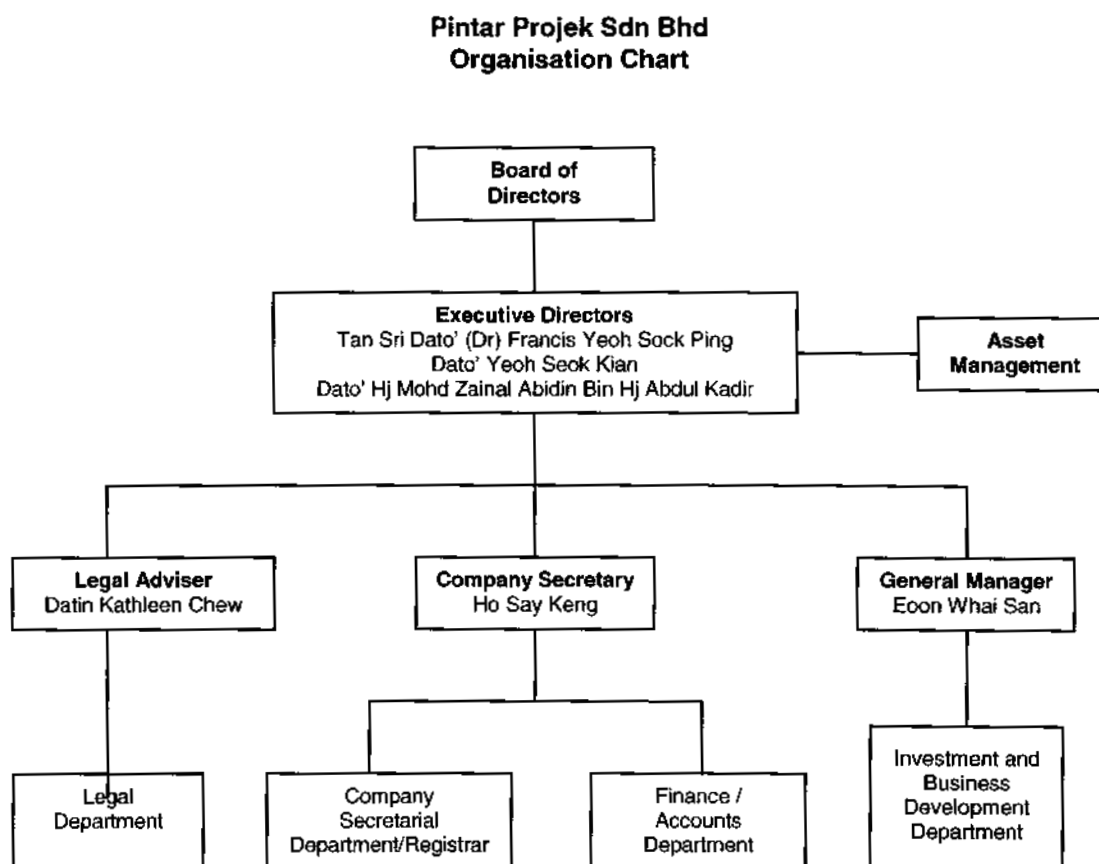
20.3 ORGANISATIONAL STRUCTURE OF THE MANAGER

The following table summarise the shareholding structure of the Manager.

Name of Shareholders	Percentage Shareholding (as at Latest Practicable Date)
YTL Land	70%
YBhg Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir*	30%
Total	<u>100%</u>

*Y Bhg Dato' Hj Mohd Zainal Abidin bin Hj Abdul Kadir is a Bumiputera

The following diagram sets out the operational structure of the Manager:



20.4 FINANCIAL INFORMATION OF THE MANAGER

The following is a summary of the past performance of the Manager based on audited financial statements of the last five (5) financial years ended 30 June 2005:

	2001	2002	2003	2004	2005
	<i>(RM)</i>	<i>(RM)</i>	<i>(RM)</i>	<i>(RM)</i>	<i>(RM)</i>
Issued and paid-up capital	10,000	10,000	10,000	10,000	1,500,000
Shareholders' funds	3,487	2,373	1,072	(301)	1,488,584
Turnover.....	-	-	-	-	-
Pretax loss	(491)	(1,114)	(1,301)	(1,373)	(1,115)
After tax loss	(491)	(1,114)	(1,301)	(1,373)	(1,115)

The Manager incurred loss for the past five (5) financial years ended 30 June 2005 mainly due to the Manager still being a dormant company.

20.5 MANAGER'S FEES, COSTS AND EXPENSES

The Manager is entitled to the Base Fee and Performance Fee.

The fees of the Manager shall be payable monthly in arrears and accrue daily.

The Manager is further entitled to be reimbursed all costs and expenses incurred in managing Starhill REIT, subject to the provisions of the Deed, as highlighted in Section 3.7 headed "Fees, Charges and Expenses."

In addition, the Manager will be entitled to the following fees:

- (a) an acquisition fee of 1.0% of the acquisition price of any asset (other than the Properties) being real estate or any unlisted company whose principal assets are real estate purchased by the Trustee for Starhill REIT (pro rated if applicable to the proportion of the interest of Starhill REIT in the asset acquired); and
- (b) a divestment fee of 0.5% of the sale price of any Asset being real estate or any unlisted company whose principal assets are real estate sold or divested by the Trustee (pro rated if applicable to the proportion of the interest of Starhill REIT in the asset sold).

The Manager may charge a Unitholder fees for performing any service or undertaking any task at the request of the Unitholder where no obligation to perform that service or undertake that task is expressly provided for in the Deed, the Securities Commission Act, the REIT Guidelines or the Unit Trust Guidelines.

20.6 RETIREMENT OR REMOVAL OF THE MANAGER

The Manager may retire as manager of Starhill REIT at any time after giving 3 months' written notice (or any shorter period agreed by the Trustee) to the Trustee.

If the Manager;

- (a) is not eligible to be appointed or to act as manager of the Starhill REIT under the SCA;
- (b) fails or refuses to act as manager of the Starhill REIT in accordance with the provisions or covenants of the Deed or the provisions of the SCA;
- (c) has ceased to exist;
- (d) is not validly appointed;
- (e) is required to be removed by the Unitholders by way of a Special Resolution passed at a meeting of Unitholders convened for that purpose on the grounds that the Manager is in material breach of its obligations under the Deed and the Manager has failed to remedy such material breach within such time period as shall have been specified by the Trustee and the Trustee has determined that such failure to remedy the breach has a material adverse effect on Starhill REIT; or
- (f) has a receiver appointed over the whole or a substantial part of its assets or undertaking and such event materially and adversely affects the ability of the Manager to discharge its obligations under the Deed, or a petition is presented for the winding up of the Manager (other than for the purpose of and followed by a reconstruction, unless during or following such reconstruction the Manager becomes or is declared to be insolvent),

the Trustee may as soon as practicable after becoming aware of any of the above events take all reasonable steps to have the Manager removed from office.

In addition, the Manager may be removed from office pursuant to the SCA or the REIT Guidelines.

20.7 BOARD OF DIRECTORS

The Directors are entrusted with the responsibility for the overall management of the Manager. The following table sets forth information regarding the directors of the Manager:

Name	Age	Address	Position
Y Bhg Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	51	No. 3 Lorong 16/7B 46350 Petaling Jaya, Selangor	Chief Executive Officer
Y Bhg Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir	65	No. 1 Jalan 14/28 46100 Petaling Jaya, Selangor	Executive Director
Y Bhg Dato' Yeoh Seok Kian	48	No. 3 Lorong 16/7B 46350 Petaling Jaya, Selangor	Executive Director
Y Bhg Dato' (Dr) Yahya Bin Ismail	77	No. 3, Jalan Laksamana 12/1 40000 Shah Alam Selangor Darul Ehsan	Independent Non-executive Director
Eu Peng Meng @ Leslie Eu	70	No. 13 Jalan Pakat Ukay Heights 68000 Ampang, Selangor	Independent Non-executive Director

Further information on the directors is set out below:

Y Bhg Tan Sri Dato' (Dr) Francis Yeoh Sock Ping

Y Bhg Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Malaysian, aged 51, was appointed to the board of the Manager on 10 March 2005 as the Chief Executive Officer. Y Bhg Tan Sri Dato' (Dr) Francis Yeoh had his secondary education in Victoria Institution, Malaysia in which he was the Head Boy. He obtained his Bachelor of Science (Hons) Degree in Civil Engineering from Kingston University, United Kingdom in 1978. Y Bhg Tan Sri Francis Yeoh was appointed to the board of YTL on 6 April 1984 as an Executive Director and has been the Managing Director of YTL since April 1988. He currently serves as a Member of the Malaysian Pacific Basin Economic Council (PBEC), Commonwealth Partnership for Technology Management (CPTM), The Capital Markets Advisory Council, The Nature Conservancy Asia Pacific Council and the Asia Business Council. He is also the Trustee of the Asia Society. He is also a board Member of SEI for Advanced Studies in Management – Wharton School, the Council Member of INSEAD and a Member of the Asia Regional Advisory Board of London Business School. On 13 February 2004, he was conferred the degree of Honorary Doctorate of Engineering by Kingston University, United Kingdom. He was appointed to the board of YTL Power International Berhad on 18 October 1996 and has been the Group Managing Director of that company since then. On 19 March 1992 and 10 May 2001, he was appointed to the board of YTL Cement Berhad and YTL Land & Development Berhad respectively. He also serves on the board of YTL Industries Berhad, YTL e-Solutions Berhad, YTL Foundation, Wessex Water Limited and Wessex Water Services Limited.

Y Bhg Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir

Y Bhg Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir, Malaysian, aged 65, was appointed to the board of the Manager on 10 March 2005 as a non-independent executive director. He was in the teaching profession from 1964 to 1981 prior to entering into business arena as a property developer in May 1981. Y Bhg Dato' Hj Mohd Zainal Abidin was appointed to the board of YTL Cement Berhad on 3 February 1987 as a Non-Independent Non-Executive Director. He also sits on the board of several private limited companies including Pakatan Perakbina Sdn Bhd, Seri Yakin Sdn Bhd and Syarikat Pelanchongan Pangkor Laut Sdn Bhd. Since 1981, he has been actively involved in the business of property development via Pakatan Perakbina Sdn Bhd.

Y Bhg Dato' Yeoh Seok Kian

Y Bhg Dato' Yeoh Seok Kian, Malaysian, aged 48, was appointed to the board of the Manager on 10 March 2005 as a non-independent executive director. Y Bhg Dato' Yeoh Seok Kian graduated from Heriot-Watt University, Edinburgh, United Kingdom in 1981 with a Bachelor of Science (Hons) Degree in Building and is a graduate of the Advance Management Programme conducted by Wharton Business School, University of Pennsylvania in 1984. Y Bhg Dato' Yeoh Seok Kian is a fellow of the Faculty of Building, United Kingdom as well as a member of the Chartered Institute of Building (UK). He is the current President of the Council of Bukit Bintang Shopping Centres. He was appointed to the board of YTL on 24 June 1984 as an Executive Director and he is currently the Deputy Managing Director of YTL. He is also a director of YTL Power International Berhad since 21 October 1996. On 3 February 1987 and 10 May 2001, he was appointed to the board of YTL Cement Berhad and YTL Land & Development Berhad respectively. He also serves on the board of YTL Industries Berhad, YTL Vacation Club Berhad, The Kuala Lumpur Performing Arts Centre and Wessex Water Limited.

YBhg Dato' (Dr) Yahya Bin Ismail

YBhg Dato' (Dr) Yahya Bin Ismail, Malaysian, aged 77, was appointed to the board of the Manager on 18 May 2005 as an independent non-executive director.

YBhg Dato' (Dr) Yahya Bin Ismail holds a Bachelor of Veterinary Science degree from University of Sydney, Australia which he obtained in 1957 and a diploma in Tropical Veterinary Medicine from Edinburgh University, United Kingdom which he obtained in 1963. 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 Chairman since 1986.

YBhg Dato' (Dr) Yahya Bin Ismail was also a Director of YTL Corp and YTL Power International Berhad since 6 April 1984 and 31 October 1996 respectively. He also sits on the board of several companies including YTL Industries Berhad since 27 August 1990, Shell Refining Company (FOM) Berhad since 1978, Killinghall Malaysia Berhad since 15 July 1978, Southern Bank Berhad since 1983 and Metroplex Berhad since 1993.

Eu Peng Meng @ Leslie Eu

Eu Peng Meng @ Leslie Eu, Malaysian, aged 70, was appointed to the board of the Manager on 10 March 2005 as a non-executive independent director. Mr Leslie Eu graduated with a Bachelor of Commerce degree from the Republic of Ireland. He is a Fellow of the Chartered Institute of Logistics and Transport and was one of the founding directors of Global Maritime Ventures Berhad. He has been in the shipping business for more than 40 years. Mr Eu 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. He was appointed by the United Nations Conference on Trade and Development as one of the 13 experts to assist the developing nations to establish their maritime fleets. Mr Leslie Eu presently serves on the board of Malaysian Bulk Carriers Berhad, Global Maritime Ventures Berhad, Lloyds Register of Shipping (M) Bhd, YTL, YTL Land & Development Berhad, YTL Cement Berhad and few other local companies.

20.8 KEY PERSONNEL

Save for the following personnel, the Manager has no other employees as at the Latest Practicable Date. However, the Manager intends to procure staff for its operations upon Listing.

Y Bhg Tan Sri Dato' (Dr) Francis Yeoh Sock Ping

Y Bhg Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, aged 51, is the Chief Executive Officer of Pintar Projek Sdn Bhd. He will also be responsible for the strategic acquisitions of Starhill REIT.

Pursuant to the REIT Guidelines, the Chief Executive Officer of a management company shall be a full-time officer. In this respect, a waiver has been sought from the SC to allow Y Bhg Tan Sri Dato' (Dr) Francis Yeoh Sock Ping to assume the position as the Chief Executive Officer of the Manager even though he is holding executive positions in several companies within the YTL Group. The waiver sought is currently pending decision from the SC.

Datin Kathleen Chew Wai Lin

Datin Kathleen Chew Wai Lin, Malaysian, aged 46, is the Legal Advisor of the Manager as well as the Group Legal Advisor for YTL Group. She holds a LL.B (Hons) Degree from the University of Birmingham and was called to the English Bar at Gray's Inn, London in 1982 and joined YTL in 1988. Prior to joining YTL, she was a partner in the law firm of Abdul Aziz Ong & Co in Kuala Lumpur.

Ho Say Keng

Ho Say Keng, Malaysian, aged 47, is the Company Secretary of the Manager as well as the Company Secretary/Accountant of the YTL Group. She is a fellow of the Chartered Association of Certified Accountants and is also a registered member of the Malaysian Institute of Accountants. She obtained her Diploma of Commerce (Financial Accounting) from Kolej Tuanku Abdul Rahman in 1981. She joined YTL in May 1986 and her responsibilities include co-ordination of the YTL Group's treasury, banking, corporate finance and company secretarial matters.

Eoon Whai San

Eoon Whai San, Malaysian, aged 49, is the General Manager of both the Manager and YTL Land. He holds an ABE Diploma in Business Administration P1 from TL Management Centre. Prior to joining the YTL Group in 1987, he was a general manager of Transmotel Sdn Bhd and an area sales manager of Panduan Telefon (M) Sdn Bhd.

The Manager believes that there is no immediate need to appoint an executive officer at this stage to oversee the management of the Starhill REIT's investment in real estate-related assets and non-real estate assets given that the current focus of Starhill REIT is on real estate assets. However, should there be a change in the focus of investment of the Starhill REIT, a suitable officer shall be appointed to oversee the management of such investments. The officer shall be duly appointed by the Manager, approved by the Trustee and licensed under the Securities Industry Act, 1983. The said appointment shall in any case comply with the REIT Guidelines.

20.9 INDEMNITY TO THE MANAGER

In accordance with and subject to the provisions of the Deed, the Manager is entitled to be reimbursed from the Assets against liabilities incurred in actions relating to the Deed or Starhill REIT save where such liabilities arise from its negligence, fraud, breach of duty or breach of trust.

20.10 CORPORATE GOVERNANCE

The following is a statement on corporate governance practices to be adopted by the Manager.

Introduction

The Directors are firmly committed to ensuring that the Manager implements and operates good corporate governance practices. In developing its system of corporate governance, the Directors have been guided by the measures recommended by the REIT Guidelines and the Listing Requirements. The board has also ensured its full compliance with the REIT Guidelines.

The Board

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

Board Balance

The board currently has five (5) directors comprising three (3) executive members and two (2) non-executive members, both of whom are independent. This is in compliance with the requirement for at least one-third of the board to be independent.

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

Although all Directors have an equal responsibility for the Manager's operations, the role of the independent non-executive directors is particularly important in 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 and no individual or group of individuals dominates the board's decision-making.

Board Meetings

Board meetings will be scheduled at least four (4) times per annum to review the operations of Starhill REIT and to approve the interim and annual financial statements of Starhill REIT. Additional meetings are held as and when urgent issues and important decisions need to be taken between the scheduled meetings.

Access to and Supply of Information and Advice

The Directors have full and unrestricted access to all information pertaining to the business and affairs of Starhill REIT, both as a full board and in their individual capacity, to enable them to discharge their duties. There are matters specifically reserved for the board's decision to ensure that the direction and control of the Manager is firmly in its hands. Prior to board meetings, all Directors receive the agenda together with a full set of board papers containing information relevant to the business of the meeting. This allows the Directors to obtain further explanations/clarifications, where necessary, in order to be properly briefed before the meetings.

All Directors have full access to the advice and services of the company secretary who ensures that board procedures are adhered to at all times during meetings and advises the board on matters including corporate governance issues and the directors' responsibilities in complying with relevant legislation and regulations. The Directors may, if they consider necessary, obtain independent professional advice from external consultants, at the Manager's expense.

Appointments to the Board

There is a transparent procedure for the appointment of new Directors to the board. The chief executive officer makes recommendations on the suitability of candidates nominated for appointment to the board and 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. The board reviews annually the required mix of skills and experience and other qualities, including core competencies which non-executive directors should bring to the board.

Directors' Remuneration

A transparent procedure for determining executive remuneration and for fixing the remuneration packages of individual directors has been established. The Manager has adopted the objective recommended by the REIT Guidelines to determine the remuneration for directors so as to attract and retain directors of the calibre needed to successfully carry on the Manager's operations.

In general, the component parts of remuneration are structured so as to link rewards to corporate and individual performance, in the case of executive directors. In the case of non-executive directors, the level of remuneration reflects the experience and responsibilities undertaken by the particular non-executive concerned.

Financial Reporting

The Directors are responsible for ensuring that financial statements are drawn up in accordance with the provisions of the Act and applicable approved accounting standards in Malaysia. In presenting the financial statements, the Manager has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also strive to ensure that financial reporting presents a fair and understandable assessment of the position and prospects of Starhill REIT. Interim financial statements must be 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 to members of the board on their findings which are included as part of Starhill REIT's financial reports with respect to each year's audit on the statutory financial statements. From time to time, the auditors highlight matters that require attention to the board.

20.11 CONFLICTS OF INTERESTS

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.

Any transaction carried out on behalf of Starhill REIT shall be executed on terms which are the best available for Starhill REIT and which are no less favourable to Starhill REIT than an arm's length transaction between independent parties.

Cash or other liquid assets of Starhill REIT may only be placed in a current or deposit account with any party related to the Manager or the Trustee or any delegate of either of them if:

- (a) the party is an institution licensed or approved to accept deposits; and
- (b) the terms of the deposit are the best available for Starhill REIT and are no less favourable to Starhill REIT than an arm's length transaction between independent parties.

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

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

The Manager must not, without the prior approval of the Trustee, invest any moneys 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.

20.12 RELATED PARTY TRANSACTIONS

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; and
- (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; and
 - (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. The announcement must provide full details of at least the following:

- (a) the proposed transaction;
- (b) the value of the real estate as assessed by an approved valuer;
- (c) whether the consent of the Trustee and the SC, where applicable, has been obtained; and
- (d) the acquisition or disposal price.

Where the transaction is conditional upon the approval of Unitholders, the Unitholders' approval must be sought prior to completion of the transaction.

The Trustee must ensure that the prior approval of the 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).

At the meeting held to determine the transaction, the Manager and its related parties must not vote on the resolution.

The appointment or renewal of appointment of any delegate who is a related party must:

- (a) be made on terms which are the best available to Starhill REIT and which are no less favourable to the Starhill REIT than an arm's length transaction between independent parties; and
- (b) be approved by the independent directors of the Manager.

Save as disclosed in this Prospectus, the Trustee has not entered into any other transaction with the Manager or any related party of the Manager in connection with the setting up of Starhill REIT.

The following are related parties of the Manager who have entered or will enter into arrangements with Starhill REIT:

- (a) the Vendor pursuant to the Sale and Purchase Agreement;
- (b) the Hotel Operator pursuant to the Hotel Lease Agreement;
- (c) tenants in the Retail Properties including the subsidiaries of YTL, namely Autodome, YTL L&D, Syarikat Pembinaan Yeoh Tiong Lay Sdn Bhd and YTL e-Solutions Berhad; and
- (d) YTL Land, the car park operator pursuant to the Car Park Agreement.

20.13 THE MANAGER'S POLICY WITH RESPECT TO DEALING WITH CONFLICT OF INTEREST SITUATION

All transactions carried out for or on behalf of Starhill REIT are to be executed on terms that are the best available to Starhill REIT and which are no less favourable than on an arm's length transactions between independent parties.

To deal with conflict of interest situations, the Manager will be a dedicated manager to Starhill REIT and will not manage any other real estate investment trust or be involved in any other real property business.

20.14 MANAGER VOTING

Under the REIT Guidelines, the Manager and its related parties are prohibited from voting their Units at any meeting of Unitholders convened unless an exemption is obtained from the SC.

20.15 POWERS OF THE MANAGER TO REMOVE AND REPLACE THE TRUSTEE

The Trustee may be removed from office by the Manager if a resolution that the Trustee should be removed is passed at a meeting of Unitholders by way of Special Resolution.

Additionally, the Manager may take steps to remove and replace the Trustee in accordance with the provisions of the SCA and the REIT Guidelines.

The Manager, subject to any approval required by the Securities Commission Act, the Act or by law, must by deed appoint a new trustee on the removal of the Trustee.

20.16 RELATIONSHIP BETWEEN THE MANAGER AND THE VENDOR OF REAL ESTATE PURCHASED OR TO BE PURCHASED BY STARHILL REIT

The Vendor of the Properties is YTL Land, a shareholder of the Manager with a 70% shareholding.

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21. THE TRUSTEE

21.1 BACKGROUND INFORMATION

The Trustee of Starhill REIT is Mayban Trustees Berhad (5004-P), a company incorporated in Malaysia and registered as a trust company under the Trust Companies Act 1949 and having its registered office at 34th Floor, Menara Maybank, 100 Jalan Tun Perak, 50050 Kuala Lumpur, Malaysia. The Trustee is qualified to act as a trustee for collective investment schemes approved under the Securities Commission Act pursuant to the REIT Guidelines. As at the Latest Practicable Date, the Trustee had a paid-up share capital of RM500,000.

21.2 FUNCTIONS, DUTIES AND RESPONSIBILITIES

The Trustee's functions, duties and responsibilities are set out in the Deed. The general function, duties and responsibility of the Trustee include, but are not limited to, the followings:

- (a) acting as trustee of Starhill REIT and, therefore, safeguarding the rights and interests of the Unitholders;
- (b) holding the Assets of Starhill REIT on the Deed for the benefit of the Unitholders; and
- (c) exercising all the powers of a trustee and the powers that are incidental to the ownership of the Assets of Starhill REIT.

The Trustee has covenanted in the Deed that it will exercise all due diligence and vigilance in carrying out its functions and duties, and in safeguarding the rights and interests of Unitholders.

21.3 GENERAL INFORMATION ON THE TRUSTEE

As at the Latest Practicable Date, the Trustee employs 14 executives and 9 non-executives. The Trustee's employees have been employed by the Trustee for an average of 7 years. The element of continuous employment reflects an intrinsic characteristic of the provisions of trust services. The work done in respect of each client is under supervision of a trust officer who reports to his/her immediate supervisor who in turn reports to the Chief Executive Officer of the Trustee. The Trustee has a compliance officer who reports to the Maybank Group Compliance Officer, whose responsibilities includes ensuring that the Trustee's business is carried on in accordance with the relevant laws, regulations and rules and the standards of good corporate governance.

The Trustee has been engaged in trust business and the administration of unit trusts funds for more than 14 years and as at the Latest Practicable Date, the Trustee acts as trustee for 37 unit trusts in Malaysia. The Trustee is also the existing trustee to another Malaysian REIT.

21.4 FINANCIAL INFORMATION OF THE TRUSTEE

The following is a summary of the past performance of the Trustee based on audited financial statement for the past 4 financial years ended 30 June:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
	<i>(RM'000)</i>	<i>(RM'000)</i>	<i>(RM'000)</i>	<i>(RM'000)</i>
Paid up share capital.....	500.0	500.0	500.0	500.0
Shareholders' fund.....	9,201.5	10,034.9	10,338.8	12,372.7
Turnover.....	5,131.0	5,533.3	6,581.7	7,002.7
Pre tax profit/loss.....	3,730.4	3,929.4	4,743.9	5,731.0
Taxation.....	1,043.0	1,116.0	1,290.0	1,537.1
After tax profit/loss.....	2,687.3	2,813.4	3,453.9	4,193.9
Net dividends paid/payable.....	1,980.0	3,150.0	2,160.0	-
	<i>(RM)</i>	<i>(RM)</i>	<i>(RM)</i>	<i>(RM)</i>
Net earnings per share.....	26.87	28.13	34.54	41.94
Net dividends per share.....	19.80	31.50	21.60	-

21.5 DIRECTORS AND MANAGEMENT

The following table sets forth information regarding the board of directors of the Trustee as of the Latest Practicable Date:

Name	Designation
YB Dato' Richard Ho Ung Hun	Independent Director & Chairman
Mr Teh Soon Poh	Independent Director
En Mohd Zulkifli Itam	Non-Independent Director
Mr Tong Hon Keong	Non-Independent Director

As at the Latest Practicable Date, the Trustee has employed 23 members of staff comprising 14 executives and 9 non-executives. The Chief Executive Officer is Ms Surindar Kaur A/P Gian Singh. She is supported by Pn Maziah Yong (Head of Unit Trust and Retail), Ms Quek Yen Leng (Head of Accounts and Administration), Ms Geeta Manocha (Head of Business Development) and Pn Safiah Begum Ashedoff (Head of Corporate Trusts and Clubs).

21.6 TRUSTEE'S FEE

Starhill REIT will pay the Trustee an annual trustee fee that accrues daily at a rate of 0.03% per annum of the Gross Asset Value and is payable semi-annually in arrears.

21.7 TRUSTEE'S STATEMENT OF RESPONSIBILITY

The Trustee has given its willingness to assume (a) the position as trustee of the Trust and (b) all the obligations in accordance with the Deed and all relevant laws, regulations and rules, and also its willingness to provide an indemnity to the Manager for the benefit of the Unitholders for any loss incurred as a result of any non-performance of the Trustee.

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22. THE PROPERTY MANAGER

22.1 THE PROPERTY MANAGER

The Property Manager is Azmi & Co Building Services Sdn Bhd incorporated in Malaysia under the Act on 8 January 1999. As at Latest Practicable Date, it has a paid-up capital of RM150,000 and its registered office is at Suite 1603, 16th Floor Wisma Lim Foo Yong No. 86, Jalan Raja Chulan, 50200 Kuala Lumpur.

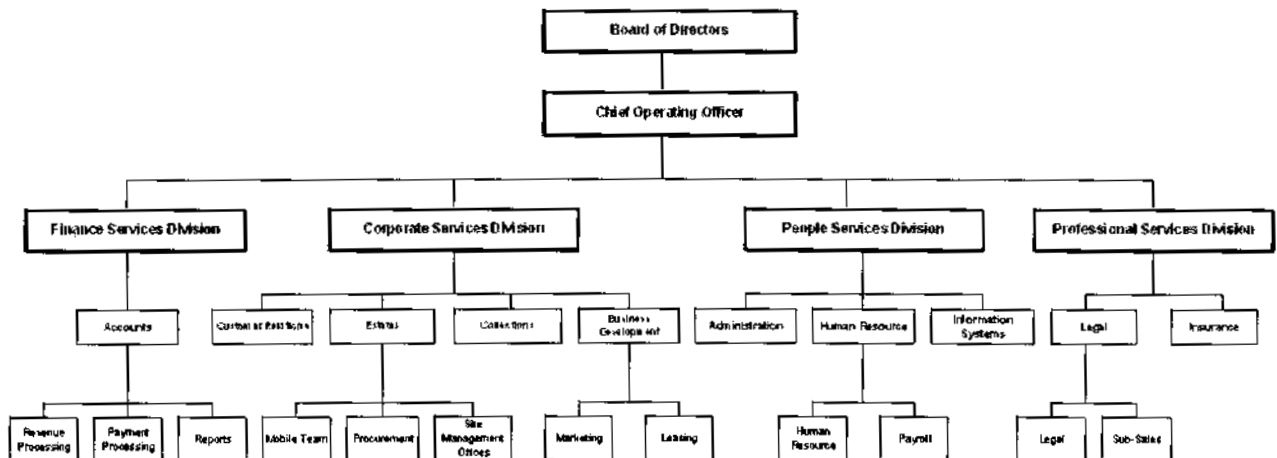
The Property Manager is registered with the Board of Valuers, Appraisers & Estate Agents, Malaysia (firm registration No. PM(1) 0004) and with Ministry of Finance, Malaysia (firm registration no. 465-00010050).

The Property Manager is principally engaged in the business of property management and has managed a portfolio of properties which extend from residential properties (flats, apartments and condominiums) to purpose-built commercial complexes (offices and shopping complexes) in the Klang Valley and the States of Johor and Penang. The Property Manager has 6 years of experience in the business of property management while its principals have been involved in the business of property management for 27 years.

The Property Manager has approximately 0.60 million sq ft and 0.57 million sq ft of Net Lettable Area of retail space and office space respectively under its management as at 1 June 2005. As at the same date, the Property Manager's portfolio also includes a total of 7,390 units of flats/apartments/condominiums.

22.2 ORGANISATIONAL STRUCTURE OF THE PROPERTY MANAGER

The following diagram sets out the organizational structure of the Property Manager:



22.3 KEY PERSONNEL OF THE PROPERTY MANAGER

As of the Latest Practicable Date, the Property Manager employed 86 members of staff.

The profiles of the key personnel of the Property Manager are as follows:

Mohd. Azmi Ariffin, aged 65, is the Chairman and Managing Director of Azmi & Co Building Services Sdn Bhd ("ACBS"), and the Azmi Group of Companies. He obtained the Professional Diploma of the Royal Institution of Chartered Surveyors ("RICS") in Valuation Surveying from the College of Estate Management, London, United Kingdom in 1965. He is a Fellow of the RICS, a Fellow of the Institution of Surveyors, Malaysia, and a Registered Valuer (V 011) and a Registered Estate Agent (E 67) with the Board of Valuers, Appraisers and Estate Agents, Malaysia. Prior to, and since, the establishment of ACBS in 1999, Azmi has acquired the depth of knowledge, experience and skills in all aspects of property management functions whilst personally involved in the management of the Company's portfolio of properties, which extend from residential properties (flats, apartments and condominiums) to purpose-built commercial complexes (offices and shopping centres). He was also in Government service from July 1965 to October 1973, initially as a Valuation Officer with the Treasury Valuation Division (now the Valuation and Property Services Department,

Ministry of Finance, Malaysia), and subsequently, its Regional Director of Valuation in the States of Negeri Sembilan/Melaka, and Selangor. In November 1973, Azmi joined University of Technology, Malaysia as an Associate Professor, and holding the post of Head of Department, Valuation and Property Management, in the Faculty of Surveying during which time (until December 1983) he established, and developed, the degree course leading to the Bachelor of Surveying (Property Management).

S. Gopala Krishnan, aged 72, is the Executive Director of Azmi & Co. Building Services Sdn. Bhd. (ACBS) and the Azmi Group of Companies. He first obtained the Professional Diploma of the Chartered Auctioneers and Estate Agents Institute, London, United Kingdom in 1964 and, in 1967, he obtained the Professional Diploma of the Royal Institution of Chartered Surveyors, in Valuation Surveying from the College of Estate Management, London, United Kingdom. He is a Fellow of the Royal Institution of Chartered Surveyors, a Fellow of the Institution of Surveyors Malaysia, and a Registered Valuer (V054) and a Registered Estate Agent (E68) with the Board of Valuers, Appraisers and Estate Agents, Malaysia. Prior to his joining Azmi & Co. in 1988, he had served the Malaysian Government, firstly as an Assessor with the Department of Inland Revenue (1954 – 1958) and, subsequently, in the Treasury Valuation Division (now known as Valuation and Property Services Department, Ministry of Finance, Malaysia) as Regional Director of Valuation in the various states of Malaysia. He retired as the Assistant Director-General of Valuation in 1988. During his time with the Government, and since joining Azmi & Co, he has acquired an in-depth knowledge and vast experience and skill in the various fields of valuation and property management.

Feisal Mohd. Azmi, aged 39, is the Chief Operating Officer of Azmi & Co Building Services Sdn Bhd (ACBS) and has 14 years of experience as a property professional. Having obtained his degree in Bachelor of Land Economy (Hons) from the University of Aberdeen, Scotland in 1989, he then went on to work at King & Co, a London-based professional firm of Chartered Surveyors which specialises in Rating and Rent-Reviews where he qualified as a Professional Member of the Royal Institution of Chartered Surveyors (RICS) in 1992. On returning to Kuala Lumpur, Malaysia in the same year, he took up the position of Graduate Valuer in Azmi & Co Sdn Bhd and worked his way up to the post of Valuation Manager, widening the scope of his experience in the valuation, land acquisition and research fields. He was appointed Deputy Chief Operating Officer of ACBS in July 2004, and since July 2005, holds the post of Chief Operating Officer. During his tenure with ACBS, he has been responsible for the various aspects of property management functions in relation to the ACBS's portfolio of properties, which extend from residential properties (flats, apartments and condominiums) to purpose-built commercial complexes (offices and shopping centres).

Faiza Saleh, aged 37, is currently the Corporate Services Manager for Azmi & Co Building Services Sdn Bhd (ACBS). She holds a Bachelor Degree in Electronic Engineering and a Higher Diploma in Business Administration and possesses twelve (12) years of working experience in various fields including holding the post of Engineer with Tele Dynamic Sdn Bhd and Dataprep Holding Bhd, and Head of Department, Human Resource and Administration, in Jupiter Air Services and Medical Online Sdn Bhd. As the Corporate Services Manager for ACBS, Faiza reports directly to the Chief Operating Officer and personally oversees various aspects of property management functions in relation to the ACBS's portfolio of properties. Her other responsibilities also include overseeing the Procurement and Customer Services Departments.

Shamila Bashir Abdul Kariem Bashir, aged 30, is the Legal and Insurance Manager for Azmi & Co Building Services Sdn Bhd since May 2004. She holds a Bachelor of Laws (LLB) from Bond University of Australia and completed Level 1 of Fellow, Life Management Institute – Insurance and Financial Services Industry. She possesses more than seven years of working experience in the insurance and legal profession wherein she has worked with Beckett & Mackereth of Australia, Bashir & Co of Malacca and subsequently with Allianz Life Insurance Malaysia Bhd. As the Legal and Insurance Manager for Azmi & Co Building Services Sdn Bhd, Shamila is responsible for advising and executing all legal matters that arise in respect of ACBS and its portfolio of properties, especially as regards to tenancy and various service agreements. In addition, she is also responsible for advising on insurance matters that arise in respect of ACBS and the properties under its management, more specifically, the placement or renewal of all relevant insurance policies and supervising the submission of claims to insurers.

Abdul Muthalib Syed Aboo Tahir, aged 46, is the Accounts Assistant Manager of Azmi & Co Building Services Sdn Bhd. He holds a London Chamber of Commerce Higher Group Diploma in Accounting (LCCI Higher) and possesses twenty-five years of working experience in the Accounting field. He has worked as an Accounts Officer for REGNIS (M) Sdn Bhd (Singer, USA) and SB Development Sdn Bhd. Subsequently, he worked as an Accounts Manager for Mint Hotel of Kuala Lumpur. As the Accounts Assistant Manager for ACBS, he oversees the accounts department of the company and the properties under its management.

The directors of the Property Manager and their respective designations as at the Latest Practicable Date are as follows:

<u>Name</u>	<u>Designation</u>
Mohd Azmi Ariffin	Chairman / Managing Director
S. Gopala Krishnan	Executive Director

22.4 PROPERTY MANAGEMENT AGREEMENT

The Managed Properties will be managed by the Property Manager pursuant to the Property Management Agreement.

The Property Management Agreement was entered into on 18 November 2005 by the Trustee, the Manager and the Property Manager pursuant to which the Property Manager was appointed to operate, maintain, manage and market the Managed Properties, subject to the overall management of the Manager.

Subject to the rights of termination under the Property Management Agreement, the initial term of the Property Management Agreement is 5 years from the Completion Date. The Property Manager may request to extend its appointment on terms and fees payable to be then agreed by the Manager and the Property Manager, subject to the approval of the Trustee.

22.5 PROPERTY MANAGER'S SERVICES

The services provided by the Property Manager for the Managed Properties under its management include the following:

- property management services, including co-ordinating tenants' fitting-out requirements, provision of property maintenance services, arranging for adequate insurances;
- lease management services, including administration of rental collection, initiating lease renewals and negotiation of terms; and
- marketing and marketing co-ordination services.

22.6 FEES

Under the Property Management Agreement, the Property Manager is entitled to the following fees for managing the Managed Properties:

- (a) in respect of the first RM30,000 of the annual Gross Receipts relating to the Managed Properties, 5% per annum of such Gross Receipts;
- (b) in respect of the next RM30,001 to RM100,000 of the annual Gross Receipts relating to the Managed Properties, 3% per annum of such Gross Receipts; and
- (c) in respect of amounts above RM100,000 of the annual Gross Receipts relating to the Managed Properties, 2% per annum of such Gross Receipts.

The Property Manager will be paid its fees monthly in arrears.

22.7 FIXED OPERATING COSTS

Under the Property Management Agreement, the Property Manager is to be paid Fixed Operating Costs of RM450,000 per month payable on a monthly basis in advance in respect of the Starhill Property.

The Fixed Operating Costs cover the following categories of expenses in respect of the Managed Properties:

- (a) charges for supply of water, gas, electricity, telephone, disposal of sewerage and all other utility services supplied to or consumed in the relevant Property (including usage charges) other than those the sole responsibility of and directly payable by the tenants/licensees or other occupants of the relevant Property to the relevant authorities under the tenancies;
- (b) the normal cost of operating, maintaining, testing and repairing the sanitary, security, sprinklers or other fire protection equipment, lighting, heating, cooling, air conditioning or ventilation equipment, lifts, escalators, signs, public address and sound systems, building automated system, generators, roller shutters, closed circuit television, and any other security systems installed, or supplied on, in or to the relevant Property from time to time;
- (c) the costs of maintaining any landscaping forming part of the relevant Property;
- (d) the costs of cleaning the relevant Property, the disposal of garbage, waste and refuse from the relevant Property and the control and prevention of pests within the Property;
- (e) the costs of provision of security services for the relevant Property; and
- (f) all costs of engaging contractors for the provision of maintenance, security, cleaning, protection and other services referred to in sub paragraphs (b), (c), (d) and (e) above for the relevant Property from time to time,

and exclude expenses falling under Property Costs.

22.8 PROPERTY COSTS

The Manager will reimburse the Property Manager for the Property Costs that have been incurred to the extent they have not been satisfied from Gross Receipts.

22.9 PROPERTY MANAGER'S OFFICE PREMISES

A suitable vacant office space as designated by the Manager will be provided to the Property Manager in either of the Retail Property free of charge for use by the Property Manager's personnel.

22.10 TERMINATION

The Manager may terminate the appointment of the Property Manager in relation to all the Managed Properties on the occurrence of certain specified events, which include the liquidation or insolvency of the Property Manager.

The Manager may also terminate the appointment of the Property Manager specifically in relation to a Managed Property under its management in the event of the sale of such Managed Property, but the Property Management Agreement will continue to apply with respect to the other Managed Property managed by the Property Manager under the terms of the Property Management Agreement.

In addition, if the Manager or the Property Manager within 30 days of receipt of written notice fails to remedy any material breach (which is capable of remedy) of its obligations in relation to the Property Management Agreement, the other party may terminate the Property Management Agreement.

Additionally, either the Manager or the Property Manager shall be entitled to terminate the appointment of the Property Management Agreement by giving not less than three (3) months written notice.

The Manager or the Property Manger may immediately terminate the Property Management Agreement on the occurrence of certain specified insolvency events, which include the liquidation or insolvency of the other party.

22.11 ASSIGNMENT

The Property Manager is not entitled to assign, transfer or novate its rights, benefits and obligations under the Property Management Agreement except with the prior written consent of the Manager and the Trustee.

22.12 EXCLUSION OF LIABILITY

In addition, the Trustee (in its capacity as trustee of Starhill REIT) and the Manager shall indemnify the Property Manager against all claims and liabilities it may suffer on providing the services in accordance with the Property Management Agreement save to the extent arising by the negligence or default by the Property Manager.

22.13 NO RESTRICTION ON PROPERTY MANAGER

The Property Manager may provide services similar to those covered under the Property Management Agreement to other parties operating in the same or similar business as Starhill REIT, or in other businesses.

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23. TAXATION

The following statements are by way of a general guide to investors only and do not constitute tax advice. Investors are therefore advised to consult their professional advisers concerning possible taxation or other consequences of purchase, holding, selling or otherwise disposing of the Units under the laws of their country of incorporation, establishment, citizenship, residence or domicile.

Investors should note that the following statements on taxation are based on advice received by the Manager regarding the law and practice in force at the date of this Prospectus. As is the case with any investment, these can be no guarantee that the tax position prevailing at the time an investment is made in Starhill REIT will continue indefinitely.

23.1 TAXATION OF STARHILL REIT

23.1.1 Income Tax

Rental income received by Starhill REIT from properties in Malaysia will be subject to Malaysian income tax at 28%.

Interest income, if any, received by Starhill REIT is subject to Malaysian income tax at 28%. However, pursuant to paragraph 35 of Schedule 6 of the ITA, interest received by Starhill REIT from:

- (a) securities or bonds issued or guaranteed by the Government; or
- (b) debentures, other than convertible loan stocks, approved by the Securities Commission; or
- (c) Bon Simpanan Malaysia issued by the Central Bank of Malaysia,

is exempt from tax.

Paragraph 35A of Schedule 6 of the ITA also exempts income of a unit trust in respect of interest derived from Malaysia and paid or credited by any bank or financial institution licensed under the Banking and Financial Institution Act, 1989, or the Islamic Banking Act, 1983.

Where, however, the income of Starhill REIT subject to tax is distributed to the Unitholder in a basis period (which is generally the financial year) for a year of assessment, Starhill REIT shall be exempt from income tax in respect of the amount distributed pursuant to Section 61A(1) of the ITA. In order for the amount distributed to qualify for tax exemption, the distribution must be made not later than two months after the close of the financial year which forms the basis period for a year of assessment of Starhill REIT.

The gross rental income of Starhill REIT shall be treated as gross income from a source consisting of a business. As such all expenses wholly and exclusively incurred in the production of the gross rental income shall be deductible against the gross rental income. Capital expenditure incurred by Starhill REIT in plant and machinery shall be eligible for capital allowances (tax depreciation) under Schedule 3 of the ITA. Where capital expenditure has been incurred on the construction or purchase of a building which qualifies as an industrial building (e.g. factory or hotel), Starhill REIT shall also be eligible to claim industrial building allowance.

Where the amount of the allowable deductions exceeds the gross rental income of Starhill REIT for a year of assessment, the excess shall be disregarded and is not available to be carried forward to the following year or subsequent years of assessment.

Where by reason of an absence or insufficiency of adjusted income from rent (i.e. gross rental income less allowable expenses) for a year of assessment and effect cannot be given or be given in full to the capital allowance for that year of assessment, the unabsorbed capital allowance is not available to be carried forward for set-off against the adjusted income of any subsequent years of assessment.

23.1.2 Real Property Gains Tax ("RPGT")

Gains realised from the sale of properties by Starhill REIT will not be subject to income tax but will be subject to RPGT where applicable. The rates of RPGT applicable on such gains are as follows:-

Category of disposals	Rate of RPGT
Disposal within two years after the date of acquisition	30%
Disposal in the third year after the date of acquisition	20%
Disposal in the fourth year after the date of acquisition	15%
Disposal in the fifth year after the date of acquisition	5%
Disposal in the sixth year after the date of acquisition	NIL

23.1.3 Stamp Duty

Where Starhill REIT acquires real property, Starhill REIT will be exempt from stamp duty in respect of all instruments of transfer of the real property to Starhill REIT under the Stamp Duty (Exemption) (No.4) Order 2004.

23.2 TAXATION OF UNIT HOLDERS

23.2.1 Income Tax

Where the income distributed by Starhill REIT comprises "DI" (as defined in Section 3.9), the Unitholders will be taxed on their respective share of the income distributed by Starhill REIT that has been exempted from income tax pursuant to Section 61A(1) of the ITA. Resident individual Unitholders will be taxed at scale rates ranging from 0% to 28% while companies and non-resident Unitholders will be taxed at 28%.

Where Starhill REIT distributes income comprising "DI" to a non-resident Unitholder, Starhill REIT shall upon distributing their respective share of the income that has been exempted from income tax pursuant to Section 61A(1) of the ITA, deduct therefrom income tax at the rate of 28% and shall within one month after distributing such income pay the amount of the tax so deducted to the Director General of Inland Revenue Board. The non-resident Unitholder will, therefore, not be subject to any further Malaysian tax, in addition to the income tax deducted at source upon distribution.

Where the income distributed by Starhill REIT comprises "Additional DI" (as defined in Section 3.9) which is non-taxable income to Starhill REIT, such income will continue to be non-taxable at the Unitholder level. The Unitholders, whether resident or non-resident, will not be subject to tax on this income. Starhill REIT will not be required to deduct any withholding tax upon distributing the "Additional DI" to non-resident Unitholders.

Non-resident Unitholders may also be subject to taxes in their respective tax jurisdictions depending on the provisions of the relevant tax legislation and any existing double taxation arrangements with Malaysia and should consult their own tax advisors if they are in any doubt about their own position.

23.2.2 RPGT

Any gains realised by resident Unitholders (other than dealers in securities, insurance companies or financial institutions) on the transfer or sale of the Units are treated as capital gains and will not be subject to Malaysian taxes including RPGT. Non-resident Unitholders will also not be liable to Malaysian taxes on such gains realised.

23.2.3 Stamp Duty

The transfer of units of a unit trust is exempt from stamp duty pursuant to First Schedule, Item 32 Exemption Para (C) of the Stamp Act 1949.

23.2.4 Estate Duty

There is no Malaysian estate duty payable in respect of the Units passing on death of individual Unitholders as estate duty was abolished with effect from 1 November 1991.

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