
24. STRUCTURE OF THE OFFERING

24.1 THE OFFERING

The Offering comprises the Retail Offer and the Institutional Offer. A total of 509,599,000 Units will initially be made available under the Offering. A total of 479,600,000 Units will initially be available to Malaysian and foreign investors under the Institutional Offer and the remaining 29,999,000 Units will initially be offered to the Malaysian Public under the Retail Offer (subject, in each case, to reallocation on the basis described below under the section headed "*Clawback and Reallocation*").

Investors may apply for Units under the Retail Offer or indicate an interest for Units under the Institutional Offer, but not under both. Investors may only receive Units under either the Institutional Offer or the Retail Offer, but not under both. The Retail Offer is open to Malaysian Public. The Institutional Offer will involve the selective marketing of Units to Malaysian and foreign institutional and selected investors and other investors anticipated to have a sizeable demand for such Units. Selected investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares, units and other securities, and corporate entities which regularly invest in shares, units and other securities.

As part of the Institutional Offer process, prospective professional, institutional and other selected investors will be required to specify the number of Units they would be prepared to acquire under the Institutional Offer either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about, 1 December 2005.

Allocation of the Institutional Offer Units pursuant to the Institutional Offer will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investors are likely to buy further, and/or hold or sell, its Institutional Offer Units after the listing of the Units on the Bursa Securities. Such allocation is intended to result in a distribution of the Institutional Offer on a basis which would lead to the establishment of a solid Unitholder base to the benefit of Starhill REIT and the Unitholders as a whole.

Allocation of Retail Offer Units to applicants under the Retail Offer will be based solely on the level of valid applications received under the Retail Offer. In the event of an over-subscription, acceptance of Applications by Malaysian Public shall be subject to ballot to be conducted in a manner as approved by directors of the Manager. Due consideration will be given to the desirability of distributing the Retail Offer Units to a reasonable number of applicants with a view to broadening the investor base and establishing an adequate market in the Units.

The completion of the Retail Offer and Institutional Offer are inter-conditional and subject to the minimum total proceeds of RM461.6 million to be raised from the Offering. The minimum total proceeds has been determined based on the minimum estimated level of funds to be raised to part finance the acquisition of the Properties and listing expenses in relation to the Offering.

If the Units are not allotted pursuant to the Offering, monies paid in respect of any application for the Units will be returned in full without interest and thereafter, Starhill REIT will be terminated in accordance with the Deed.

24.2 PURPOSE OF THE OFFERING

The purpose of the Offering is as follows:

- (i) to part finance the acquisition of the Properties;
- (ii) to provide an opportunity for the Malaysian Public to participate in the Starhill REIT;
- (iii) to provide Starhill REIT access to the capital market to raise funds for future acquisition and growth of Starhill REIT;
- (iv) to provide additional funds to meet the present and future working capital requirements of Starhill REIT; and

- (v) to obtain a listing of and quotation for the entire Units of Starhill REIT on the Main Board of Bursa Securities.

24.3 PRICE PAYABLE ON APPLICATION

Applicants for Retail Offer Units are required to pay, on application, the Retail Offer Price of RM0.98 per Retail Offer Unit, amounting to a total of RM98.00 per board lot of 100 Units.

If the Final Retail Price, as finally determined in the manner described below, is lower than the Retail Offer Price, appropriate refund payments will be made to applicants, without interest.

24.4 BASIS OF ARRIVING AT THE FINAL RETAIL PRICE AND THE REFUND MECHANISM

The Institutional Offer Price is expected to be determined by agreement between the Joint Bookrunners and the Manager on the Price Determination Date, when market demand for the Units will be determined. The Price Determination Date is expected to be on 1 December 2005.

The Final Retail Price will be the lower of the Retail Offer Price or 95% of the Institutional Offer Price in each case rounded up to the nearest sen determined on the Price Determination Date unless otherwise announced, as further explained below, at any time prior to the morning of the last day for lodging applications under the Retail Offer. The Joint Managing Underwriters together with the Joint Bookrunners, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of the Manager, reduce the Retail Offer Price below that stated in this Prospectus at any time prior to the morning of the last day for lodging applications under the Retail Offer. In such a case, notices of the reduction will be published in a local daily newspaper in English and in Bahasa Malaysia not later than the morning of the day which is the last day for lodging applications under the Retail Offer. Upon issue of such a notice, the revised Retail Offer Price will be final and conclusive and the Retail Offer Price, if agreed upon by the Joint Managing Underwriters and the Manager, will be fixed at such revised Retail Offer Price. Such notice will also include confirmation or revision, as appropriate, of any other financial information which may change as a result of such reduction. If applications for Retail Offer Units have been submitted prior to the day which is the last day for lodging applications under the Retail Offer, then if the Retail Offer Price is so reduced, such applications cannot be subsequently withdrawn. In the absence of any notice being published in a local daily newspaper (in English and in Bahasa Malaysia) of a reduction in the Retail Offer Price stated in this Prospectus on or before the morning of the last day for lodging applications under the Retail Offer, the Retail Offer Price, if agreed upon by the Joint Managing Underwriters and the Manager, will under no circumstances be greater than the Retail Offer Price as stated in this Prospectus.

If an application is successful and the Final Retail Price is lower than the Retail Offer Price, a refund of the difference will be made without interest and despatched by ordinary mail to the investors within ten (10) Market Days of the final ballot at the investors' risk. In addition, investors will also be given a written notice of the Final Retail Price and the Institutional Price together with the notice of allotment.

If the Joint Bookrunners and the Manager are unable to reach an agreement on the Institutional Offer Price, the Offering will not become unconditional and will lapse.

24.5 CONDITIONS OF THE RETAIL OFFER

The obligations of the Joint Managing Underwriters under this Agreement are subject to the fulfillment of the following conditions precedent to the satisfaction of the Joint Managing Underwriters on or before a date falling on the third (3) Business Day after the last date of receipt of the application for the Retail Offer Units, which date must not be later than a date falling three (3) months from the date of the Retail Underwriting Agreement or such other later date as the Manager and the Joint Managing Underwriters may agree upon ("Closing Date"):

- (a) Bursa Securities agreeing in principle on or prior to the Closing Date to the admission of Starhill REIT to the Official List of Bursa Securities;
- (b) the execution of the Specified Documents (as defined therein);

- (c) all the conditions precedents to the Sale and Purchase Agreement and Debt Facility Agreement have been fulfilled or otherwise waived save and except for those conditions precedent which can only be fulfilled after the Closing Date;
- (d) the registration of the Prospectus with the SC in accordance with the requirements of the SCA; and
- (e) all other necessary approvals and consents required in relation to the Offering save and except for the final approval of Bursa Securities having been obtained and are in full force and effect until Closing Date.

24.6 CONDITIONS FOR THE INSTITUTIONAL OFFER

The obligations of the Institutional Underwriters to subscribe for the Institutional Offer Units under the Institutional Underwriting Agreement are conditional upon certain conditions being satisfied which are expected to include the following

- (a) the delivery to the Joint Bookrunners and the Senior Co-Lead Manager of certain required documents in form and substance satisfactory to the Joint Bookrunners and the Senior Co-Lead Manager on or before 3 Business Days following the date of execution of the Institutional Underwriting Agreement (or by such later time prior to the Listing Date as may be, or may have been, agreed by the Joint Bookrunners and the Senior Co-Lead Manager);
- (b) the obligations of the Joint Managing Underwriters under the Retail Underwriting Agreement having become and remaining unconditional in accordance with its terms (including if relevant as a result of the waiver of any conditions by the Joint Managing Underwriters), save for the condition therein relating to the obligations of the Joint Bookrunners and the Senior Co-Lead Manager under the Institutional Underwriting Agreement, and the Retail Underwriting Agreement not having been terminated in accordance with its terms or otherwise;
- (c) the Sale and Purchase Agreement having become and remaining unconditional in accordance with its terms (and not having been varied, or the subject of any waiver, other than with prior written approval of the Joint Bookrunners and the Senior Co-Lead Manager), save for any condition therein relating to the confirmation of receipt of proceeds from the Offering having been met or waived;
- (d) the Debt Facility having been unconditionally made available to be drawn down in an amount of not less than RM180,000,000 save for any condition therein relating to the confirmation of receipt of proceeds from the Offering and the allotment of 530,400,000 Units or its nominee having been met or waived; and
- (e) Admission being granted for the listing of the Units on Bursa Securities and not subsequently being revoked.

The consummation of each of the Institutional Offer and the Retail Offer is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Offering will lapse and the Bursa Securities will be notified immediately. Notice of the lapse of the Offering will be caused to be published by the Manager in a local daily newspaper (in English and in Bahasa Malaysia) on the Market Day next following such lapse.

In the above situation, all application monies will be returned to applicants, without interest by ordinary mail within 10 Market Days of the closing date. In the meantime, all application monies will be held in a separate bank account or separate bank accounts with a receiving banker or other bank(s) licensed under the Banking and Financial Institutions Act 1989.

24.7 THE RETAIL OFFER

The Retail Offer is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions described in the section above headed "*Conditions of the Retail Offer*") for the subscription in Malaysia of, initially, 29,999,000 Retail Offer Units (representing approximately 6% of the total number of Units initially available under the Offering at the Retail Offer Price).

Each applicant under the Retail Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Institutional Offer Units under the Institutional Offer, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The Final Retail Price will be published in a local newspaper (in English and in Bahasa Malaysia) following the Price Determination Date.

24.8 THE INSTITUTIONAL OFFER

A total of 479,600,000 Institutional Offer Units will initially be available to investors under the Institutional Offer. These 479,600,000 Institutional Offer Units represent approximately 94% of the Units available under the Offering. Pursuant to the Institutional Offer, the Institutional Offer Units will be offered to institutional, professional and other investors by the Joint Bookrunners or through selling agents appointed by them. Institutional Offer Units will be offered to and placed with professional and institutional investors and other selected investors anticipated to have a sizeable demand for the Institutional Offer Units in Malaysia, Hong Kong, Singapore and the United Kingdom and other jurisdictions outside the United States.

The Units have not been and will not be registered under the United States Securities Act of 1933 as amended and, subject to certain exceptions, may not be offered or sold within the United States or to, or for account of, U.S. persons (as defined in Regulation S).

24.9 CLAWBACK AND RE-ALLOCATION

The allocation of Units between the Retail Offer and the Institutional Offer is subject to adjustment by the Joint Managing Underwriters and the Joint Bookrunners.

In the event the Retail Offer is over-subscribed and there is a corresponding under-subscription in the Institutional Offer, Units may be clawed back from the Institutional Offer and reallocated to the Retail Offer. In the event the Institutional Offer is over-subscribed and there is a corresponding under-subscription in the Retail Offer, Units may be clawed back from the Retail Offer and reallocated to the Institutional Offer.

24.10 LOCK-UP ARRANGEMENTS

Subject to the exceptions described in the following paragraph, the Vendor will irrevocably and unconditionally agree with the Underwriters that it shall not (and shall procure that its nominee, namely YTL and/or YTL's subsidiaries shall not), amongst others, directly or indirectly, offer, lend, charge, pledge, assign, sell or contract to sell, grant any option to purchase, create any encumbrances or otherwise transfer or dispose of any part of its Consideration Units (which amounts to an effective interest in 51% of the enlarged units size of Starhill REIT) conditionally or unconditionally, during the period commencing from the Listing Date and ending on the date falling 180 days after the Listing Date.

The restriction also applies to any transaction or arrangement (including a swap or derivative transaction) with a similar economic effect to any of the foregoing and any publicly announced intention of the Vendor of entering into such arrangements.

The Vendor's lock-up undertaking as described in the preceding paragraph does not apply to the transfer of Consideration Units by the Vendor to YTL and/or its subsidiaries, provided that, each such transferee or nominee have agreed to a lock-up in respect of their respective Consideration Units or, as the case may be, their effective interest in the Consideration Units for the foregoing 180-days period. In addition, any Units acquired by the Vendor or YTL and/or any of its subsidiaries in the open market will not be subject to lock-up agreement.

In addition, each of the Manager and the Trustee will agree with the Underwriters that it will not (and will not cause or permit Starhill REIT to), directly or indirectly, without the prior written consent of each of the Underwriters, offer, issue, sell, contract to sell, hedge, grant any option or right to subscribe or purchase over or in respect of, or otherwise dispose of any new Units or any instruments exchangeable / convertible into Units or carry the rights for subscription or purchase of Units in addition to the Units to be issued under the Offering and the Consideration Units to be issued to the Vendor, for a period of 90 days from and including the Listing Date.

24.11 BROKERAGE AND UNDERWRITING COMMISSION

The Joint Managing Underwriters have agreed to underwrite the Retail Offer Units to be issued to the Malaysian Public. A managing underwriting commission is payable by Starhill REIT at the rate of 1.5% of the total underwritten Retail Offer Units of 29,999,000 at the Final Retail Price per Unit to the respective Joint Managing Underwriters.

Brokerage is payable by the Starhill REIT in respect of the Retail Offer Units made available for application by the Malaysian Public at the rate of 1% of the Final Retail Price per Unit in respect of successful applications which bear the stamp of AmMerchant Bank, member companies of the Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or issuing house.

The Starhill REIT shall bear the underwriting and selling commission payable to the Joint Bookrunners and the Senior Co-Lead Manager at the rate of up to 2.55% of the Institutional Offer Price for the Institutional Offering.

In addition, the Joint Bookrunners and the Senior Co-Lead Manager may charge subscribers to the Institutional Offer Units, brokerage or other similar fees of up to 1% of the Institutional Offer Price which they may retain for their own account.

24.12 SALIENT TERMS OF THE RETAIL UNDERWRITING AGREEMENT FOR THE RETAIL OFFER

Pursuant to the Retail Underwriting Agreement, the Joint Managing Underwriters have agreed to severally but not jointly underwrite up to 29,999,000 Units under the Retail Offer subject to clawback and allocation, for an underwriting commission of 1.5% of the Final Retail Price multiplied by 29,999,000 Units underwritten.

The obligations of the Joint Managing Underwriters under the Retail Underwriting Agreement are conditional on the conditions precedent referred to in Section 24.5 above. If such conditions are not satisfied, the Joint Managing Underwriters may terminate the Retail Underwriting Agreement.

The other salient terms of the Retail Underwriting Agreement are as follows:-

The Joint Managing Underwriters, as the case may be, may at any time, before the Remittance Date (as defined therein) by notice in writing to the Manager terminate its obligations under the Retail Underwriting Agreement if:-

- (a) there is any material breach by the Manager, the Trustee and/or YTL of the warranties, representations, undertakings or obligations herein contained, which is not being capable of remedy or, if capable of remedy, is not remedied by the Manager, the Trustee and/or YTL as the case may be within thirty (30) days of written notice of such breach being given to the Manager, the Trustee and/or YTL as the case may be or where the period between the date when the said written notice is given to the Manager, the Trustee and/or YTL as the case may be, and the Remittance Date is shorter than thirty (30) days, is not remedied within such shorter period;
- (b) any breach of any of the obligations of any party under the Specified Documents (other than the Joint Managing Underwriter to the Retail Underwriting Agreement), which has a Material

Adverse Effect (as defined therein) and if the breach is capable of remedy, is not remedied within the timeframe specified in the Specified Documents;

- (c) the termination of any of the Specified Documents;
- (d) in the reasonable opinion of the Joint Managing Underwriters, after prior consultation with the Manager to the extent that is practicable, any of the following shall have occurred:-
 - (i) any event beyond the reasonable control of the Joint Managing Underwriters (including without limitation, acts of government, war (whether war declared or not), acts of warfare, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy, civil war, hijacking, terrorism, riot, uprising against constituted authority, civil commotion, disorder, rebellion, organized armed resistance to the government, insurrection, revolt, military or usurped power, sabotage, strikes, lockouts, natural catastrophe including but not limited to earthquakes, fire, explosion, floods, storm, lightning tempest, accident, or other Acts of God), which interfere with the Properties and/or has or is likely to have the effect of rendering any material part of the Retail Underwriting Agreement incapable of performance or which would have or can be reasonably expected to materially and adversely affect the success of the Proposed Offering (as defined therein) and the distribution or sale of the Units;
 - (ii) any change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates that would have or can be reasonably expected to materially and adversely affect the success of the Proposed Offering and the distribution or sale of the Units;
 - (iii) any change in law or regulation in any relevant jurisdiction which in the reasonable opinion of the Joint Managing Underwriter, would have or can be reasonably expected to materially and adversely affect the success of the Proposed Offering and the distribution or sale of the Units;
 - (iv) any government acquisition of any of the Properties, which would have or can be reasonably expected to materially and adversely affect the success of the Proposed Offering and the distribution or sale of the Units;
 - (v) any imposition of moratorium, suspension or material restriction on trading of securities on Bursa Securities due to exceptional financial circumstances or otherwise, which would have or can be reasonably expected to materially and adversely affect the success of the Proposed Offering and the distribution or sale of the Units;
 - (vi) any material adverse change, or any development involving a prospective material adverse change, in the condition (financial or otherwise) or in the earnings, business, operations or trading position or prospects of the Starhill REIT, which would have or can be reasonably expected to materially and adversely affect the success of the Proposed Offering and the distribution or sale of the Units; or
 - (vii) any of the tax rulings on stamp duty or other tax matters obtained by the Starhill REIT or the Manager, the Trustee or YTL in connection with the Proposed Offering is revoked or varied, which would have or can be reasonably expected to materially and adversely affect the success of the Proposed Offering and the distribution or sale of the Units; or
 - (viii) any tax law or other change or development involving a change or prospective change in taxation which would have or can be reasonably expected to materially and adversely affect the success of the Proposed Offering and the distribution or sale of the Units on the Retail Offer and/or the Proposed Offering, the Starhill REIT or the Units (or the transfer of any Units) or an investment in the Units

For the avoidance of doubt and notwithstanding the prior consultation with the Manager, the Joint Managing Underwriters' right of termination under item (d) above shall not be affected by the prior consultation with the Manager for any reason whatsoever;

- (e) the approval of Bursa Securities for the admission of the Starhill REIT to the official list of the Main Board of the Bursa Securities or for the listing of and quotation for the Units on the Main Board of the Bursa Securities is withdrawn or procured but subject to the conditions not reasonably acceptable to the Joint Managing Underwriters; or
- (f) the listing of and quotation for the Units do not take place within three (3) months from the date of the Prospectus or such extended date as may be agreed by the Joint Managing Underwriters acting reasonably for any reason whatsoever.

24.13 INSTITUTIONAL UNDERWRITING AGREEMENT FOR THE INSTITUTIONAL OFFER

Due to the nature of the bookbuilding exercise and that the Institutional Offer Price can only be determined after the completion of the bookbuilding exercise, the Institutional Underwriting Agreement would only be entered into after the completion of the bookbuilding exercise and the Price Determination Date.

In this regard, a waiver was sought and granted by the SC from having to comply with Clause 8.03(1) of the REIT Guidelines.

See Section 25 headed "*Approvals/Conditions and Exemptions/Variations Granted by the SC*" in this Prospectus for further details about the abovesaid waiver.

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25. APPROVALS/CONDITIONS AND EXEMPTIONS/VARIATIONS GRANTED BY THE SC

25.1 APPROVALS/CONDITIONS

The SC vide its letter dated 26 August 2005 and 29 September 2005 approved the establishment and flotation of Starhill REIT on the Main Board of Bursa Securities. The conditions imposed by the SC and status of compliance are as follows:

	Conditions Imposed	Status of Compliance																															
1.	<p>Terms</p> <p>i. Acquisitions of the following real estates by Starhill REIT:</p> <table border="1" data-bbox="347 584 1241 1265"> <thead> <tr> <th data-bbox="357 584 502 750">Real Estate</th> <th data-bbox="502 584 630 750">Vendor</th> <th data-bbox="630 584 805 750">Purchase consideration (RM)</th> <th data-bbox="805 584 1029 750">Number of Units issued at RM1.00 each as consideration</th> <th data-bbox="1029 584 1241 750">Amount of cash paid of consideration (RM)</th> </tr> </thead> <tbody> <tr> <td data-bbox="357 750 502 862">Lot 10 Property</td> <td data-bbox="502 750 630 862">YTL Land</td> <td data-bbox="630 750 805 862">341,000,000</td> <td data-bbox="805 750 1029 862" rowspan="3">530,400,000</td> <td data-bbox="1029 750 1241 862" rowspan="3">619,600,000</td> </tr> <tr> <td data-bbox="357 862 502 1019">Starhill Property</td> <td data-bbox="502 862 630 1019"></td> <td data-bbox="630 862 805 1019">480,000,000</td> </tr> <tr> <td data-bbox="357 1019 502 1176">Hotel Property</td> <td data-bbox="502 1019 630 1176"></td> <td data-bbox="630 1019 805 1176">329,000,000</td> </tr> <tr> <td data-bbox="357 1176 502 1265"></td> <td data-bbox="502 1176 630 1265"></td> <td data-bbox="630 1176 805 1265">1,150,000,000</td> <td data-bbox="805 1176 1029 1265">530,400,000</td> <td data-bbox="1029 1176 1241 1265">619,600,000</td> </tr> </tbody> </table> <p>ii. 509,599,000 Units to be offered for subscription via a public offering to be allocated as follows:-</p> <table border="1" data-bbox="391 1384 1173 1870"> <thead> <tr> <th data-bbox="391 1384 917 1422"></th> <th data-bbox="917 1384 1173 1422">Number Of Units</th> </tr> </thead> <tbody> <tr> <td data-bbox="391 1422 917 1467">Places</td> <td data-bbox="917 1422 1173 1467"></td> </tr> <tr> <td data-bbox="391 1467 917 1624">Reserved for private placement via book building to potential local and foreign investors (who are deemed public).</td> <td data-bbox="917 1467 1173 1624">479,600,000</td> </tr> <tr> <td data-bbox="391 1624 917 1668">Malaysian Public</td> <td data-bbox="917 1624 1173 1668"></td> </tr> <tr> <td data-bbox="391 1668 917 1870">Available for applications by Malaysian citizens, companies, societies, co-operative and institutions of which at least 30% is set aside for Bumiputera citizens, companies, societies, co-operative and institutions.</td> <td data-bbox="917 1668 1173 1870">29,999,000</td> </tr> </tbody> </table> <p>iii. issuance of 1,000 units in Starhill REIT at RM1.00 per unit to the Manager as Promoter's Units; and</p>	Real Estate	Vendor	Purchase consideration (RM)	Number of Units issued at RM1.00 each as consideration	Amount of cash paid of consideration (RM)	Lot 10 Property	YTL Land	341,000,000	530,400,000	619,600,000	Starhill Property		480,000,000	Hotel Property		329,000,000			1,150,000,000	530,400,000	619,600,000		Number Of Units	Places		Reserved for private placement via book building to potential local and foreign investors (who are deemed public).	479,600,000	Malaysian Public		Available for applications by Malaysian citizens, companies, societies, co-operative and institutions of which at least 30% is set aside for Bumiputera citizens, companies, societies, co-operative and institutions.	29,999,000	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p>
Real Estate	Vendor	Purchase consideration (RM)	Number of Units issued at RM1.00 each as consideration	Amount of cash paid of consideration (RM)																													
Lot 10 Property	YTL Land	341,000,000	530,400,000	619,600,000																													
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Reserved for private placement via book building to potential local and foreign investors (who are deemed public).	479,600,000																																
Malaysian Public																																	
Available for applications by Malaysian citizens, companies, societies, co-operative and institutions of which at least 30% is set aside for Bumiputera citizens, companies, societies, co-operative and institutions.	29,999,000																																

	Conditions Imposed	Status of Compliance
	iv. Listing of and quotation for the entire 1,040,000,000 Units on the Main Board of Bursa Securities.	To be complied
2.	Conditions	
	i. The Manager or its adviser to provide satisfactory evidence of compliance with Clause 4.02(4) of the REIT Guidelines before the listing of Starhill REIT on Bursa Securities;	Complied
	ii. The Manager must maintain 30% Bumiputera equity at all times;	Noted
	iii. The Manager or its adviser must inform SC upon completion of the proposals;	To be complied
	iv. SC's approval for the proposed candidates for the Chief Executive Officer and members of the Board of Directors is subject to there being no adverse findings from the vetting process conducted on all the candidates. The Manager or its adviser must inform the SC the date of appointment of the Chief Executive Officer and the Board of Directors of the Manager within 2 weeks after the appointment is made effective;	Complied
	v. The Manager or its adviser to submit the draft Offering Circular and deed of Starhill REIT at least 30 days before the date of the Offering Circular and deed;	Complied
	vi. The Manager or its adviser to inform the SC the listing date of Starhill REIT prior to the listing of the fund;	To be complied
	vii. The listing of Starhill REIT must be completed within six (6) months from the date of approval. SC's approval is deemed to lapse if the Manager fails to do so within the stipulated timeframe;	To be complied
	viii. The Manager and Trustee to submit an operational audit report to the SC, six (6) months after Starhill REIT is listed. The appointment and scope of work is subject to the SC's clearance; and	To be complied
	ix. The Manager, Trustee and Starhill REIT to fully comply with all the relevant requirements in the REIT Guidelines, SCA and any notices that is issued from time to time (where relevant).	Noted

25.2 EXEMPTIONS/VARIATIONS GRANTED

The SC had on 26 August 2005 and 29 September 2005 approved the following exemptions/variations from the REIT Guidelines:

25.2.1 Variation from Clause 7.03(1) of the REIT Guidelines which will allow DBS Bank Limited and the Hongkong and Shanghai Banking Corporation Limited to act as the Joint Bookrunners together with ECM Libra for the offering of the Units to the foreign investors.

25.2.2 Variation from Clause 12.01(2) of the REIT Guidelines which will allow for the calculation of the Management Fees and Trustee Fees to be based on the Gross Asset Value of Starhill REIT.

25.2.3 Variation from Clause 10.01(1) of the REIT Guidelines, which will allow Starhill REIT to invest in the following instruments:

- (a) debt securities issued by, or fully guaranteed by the Government of Malaysia;

(b) commercial paper or other debt securities issued by companies or institutions with a credit rating of not less than:-

- (i) A/P1 : by Rating Agency Malaysia Berhad and
- (ii) A/MARC-1 : by Malaysian Rating Corporation Berhad.

25.2.4 Exemption from Clause 15.02(1) of the REIT Guidelines, which will allow the Manager and Trustee to impose reasonable charges to the Unitholders for copies of the following documents:

- (a) the deed and the supplementary deed of the fund (if any);
- (b) the current Offering Circular and the supplementary Offering Circular of the fund (if any);
- (c) the latest annual report and the interim reports of the fund (if any);
- (d) each material contract or document referred to in the Offering Circular;
- (e) all reports, letters or other documents, valuations and statements by any expert, any part of which is extracted or referred to in the Offering Circular;
- (f) the audited accounts of the management company and the fund for the last five financial years or from the date of incorporation/commencement (if less than five years) preceding the date of Offering Circular;
- (g) latest audited accounts of the management company and the fund for the current financial year (where applicable); and
- (h) any consent given by experts or persons named in the Offering Circular as having made a statement that is included in the Offering Circular or on which a statement made in the Offering Circular is based, for inspection by investors and the unit holders at all times during the ordinary business hours of the management company and the trustee.

25.2.5 Variation from Clause 4.05(9) of the REIT Guidelines, which will allow the appointment of Dato' (Dr) Yahya Bin Ismail as the Independent Director of the Manager notwithstanding that Dato' (Dr) Yahya Bin Ismail is also a Director of another unit trust fund.

25.2.6 Variation from Clause 10.08(3) of the REIT Guidelines, which will allow the Manager to pledge the Properties to the Lender, pursuant to the Debt Facility, above the permitted level.

25.2.7 Exemption from compliance with Clause 8.03(1) of the REIT Guidelines, which will allow for the underwriting of the Institutional Offer Units to be executed after the issuance of the Offering Circular.

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26. GENERAL INFORMATION

26.1 CONSENTS

The written consent of the Reporting Accountants to the inclusion in this Prospectus of its names and letters relating to Section 11 headed "*Profit Forecast and Projections*" and Section 12 headed "*Proforma Historical Financial Information*" in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of the Independent Property Valuer and Property Market Consultant to the inclusion in this Prospectus of its name, valuation certificate and report in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of the Tax Consultant to the inclusion in this Prospectus of its name and letter in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of each of the Joint Managing Underwriters, the Joint Bookrunners, Malaysian solicitors to the Manager and Malaysian solicitors to the Joint Managing Underwriters and the Joint Bookrunners in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

26.2 DIRECTORS' DECLARATION

This Prospectus has been seen and approved by the Directors of the Manager and they collectively and individually accept full responsibility for the accuracy of all information contained herein and confirm that, having made all enquiries which are reasonable in the circumstances, that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

The information pertaining to the Trustee was provided by the management and/or directors of the Trustee. The responsibility of the Directors of the Manager is therefore restricted to the accurate reproduction of such relevant information as included in this Prospectus.

26.3 DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Manager and/or the Trustee during normal business hours for a period of twelve (12) months from the date of this Prospectus:

- (a) the Deed;
- (b) the Independent Valuer's valuation report for the Properties;
- (c) the Reporting Accountants' letter relating to the profit forecast for the financial period ending 30 June 2006 and the profit projection for financial years 2007 and 2008 as included herein;
- (d) the Reporting Accountants' letter relating to the proforma historical financial statements for the past five financial years ended 30 June 2005 as included herein;
- (e) the Reporting Accountants' letter relating to the proforma balance sheet;
- (f) the Tax Consultant's letter on taxation of the Starhill REIT and Unitholders;
- (g) the audited financial statements of the Manager for the last five financial years ended 30 June 2005; and
- (h) the letters of consent referred to in Section 26.1 headed "*Consents*" of this Prospectus.

- (i) the material contracts referred to in Section 26.4 headed "*Material Contracts*" of this Prospectus.

26.4 MATERIAL CONTRACTS

Save as referred to above under Section 26.3 headed "*Documents for Inspection*" and the following agreements:

- (a) the Sale and Purchase Agreement;
- (b) the Property Management Agreement;
- (c) the Car Park Agreement;
- (d) the Debt Facility Agreement; and
- (e) the Retail Underwriting Agreement,

there are no other material contracts (including contracts not reduced into writing), not being contracts entered into in the ordinary course of business which have been entered into by Starhill REIT.

26.5 REAL ESTATE PURCHASED OR TO BE PURCHASED OUT OF THE PROCEEDS OF THE OFFERING

Other than acquisition of the Properties, there is no transaction, directly or indirectly, relating to any real estate purchased or to be purchased out of proceeds of the Offering.

26.6 MATERIAL LITIGATION AND ARBITRATION

As at the Latest Practicable Date, the Manager is not engaged in any material litigation and arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Manager and the Directors do not know of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Manager.

As at the Latest Practicable Date, the Trustee is not engaged in any material litigation and arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Trustee and the board of directors of the Trustee do not know of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Trustee.

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1. APPENDIX – VALUATION CERTIFICATE



MOHD AZMI ARIFFIN
ERICS PISM Dip. P.A. (M)
Registered Valuer

S. GOPALA KRISHNAN SMS PJK
ERICS PISM ARVA
Registered Valuer

B9 Jalan Ampang Utama 2/2
One Ampang Avenue, 68000 Ampang
Selangor Darul Ehsan, Malaysia

Telephone : 03-4256 6666
Facsimile : 03-4252 5252

Website : www.azmigroup.com.my
E-Mail : azmico@azmigroup.com.my

SC 0035/05/MAA/SGK & SC 0036/05/MAA/SGK

Our Reference :

Your Reference :

18 NOV 2005

The Board of Directors
YTL Land Sdn. Bhd.
11th Floor, Yeoh Tiong Lay Plaza
55 Jalan Bukit Bintang
55100 KUALA LUMPUR

Dear Sirs,

VALUATION CERTIFICATE

1. PART OF LOT 10 SHOPPING CENTRE :

LOT 10 PROPERTY - NO. 50 JALAN SULTAN ISMAIL, 50250 KUALA LUMPUR

2. STARHILL CENTRE :

2.1 STARHILL PROPERTY - NO. 181 JALAN BUKIT BINTANG, 55100 KUALA LUMPUR

2.2 HOTEL PROPERTY - NO. 183 JALAN BUKIT BINTANG, 55100 KUALA LUMPUR

(Hereinafter referred to as "the Subject Properties")

Instructions

We have been instructed by YTL Land Sdn. Bhd. ("YTL Land") to ascertain the Market Value (as defined herein) in the leasehold interest (for Lot 10 Property) and freehold interest (for Starhill Centre) of the Subject Properties for the purpose of the proposed disposal of the Subject Properties by YTL Land into Starhill Real Estate Investment Trust ("Starhill REIT") to be established and listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Proposed Disposal").

We are pleased to certify that we have conducted two formal Report & Valuations and valued the legal interests in the Subject Properties as at the date of valuation on 1 March 2005 for each individual property.

This Certificate has been prepared for inclusion in the Prospectus of Starhill REIT to be dated **22 NOV 2005** in conjunction with the admission of Starhill REIT to the Official List of the Main Board of Bursa Securities and listing of and quotation for 1,040,000,000 units comprising 530,400,000 units to be issued to YTL Land and/or its nominees pursuant to the Proposed Disposal, 509,599,000 units to be issued pursuant to the public offering and 1,000 units to be issued as promoter units.

BASIS OF VALUATION

All the Report & Valuation has been prepared based on the *Guidelines on Asset Valuations* issued by the Securities Commission, and professional standards prescribed by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

The basis of valuation for the purpose of the Report & Valuation is Market Value as defined in the *Malaysian Valuation Standards* issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

By Market Value is meant in STANDARD 1 – Market Value Basis of Valuation as *the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.*

All the necessary title searches have been conducted at the Registry of Titles, Wilayah Persekutuan Kuala Lumpur. All the Report & Valuation has been prepared with reference to all the records of tenancies, records of Income Statement, and relevant information as provided by YTL Land as at 1 March 2005, being the cut-off date. All data and information thus obtained from the said sources are deemed correct for the purpose of these valuations.

RELIANCE OF THIS LETTER

For the purpose of this Prospectus, we have prepared this letter which summarises our reports and outlines key factors which have been considered in arriving at our opinion of the respective Market Value. This letter does contain all the necessary data and support information included in our reports. For further information to that contained, herein, reference should be made to the said reports.

We have provided YTL Land with two comprehensive formal Report & Valuation of the Subject Properties. The valuations and market information are not guarantees or predictions and must be read in consideration of the following:-

- The reports contain conclusions of the estimated values based on factual information and estimates regarding the Subject Properties as provided by YTL Land and furnished in the reports. Whilst we have endeavoured to ensure the accuracy of the factual information, it has not independently verified all information provided by YTL Land. We believe that every investor, before making an investment in Starhill REIT, should review the reports to understand the complexity of the methodologies and the variables involved.
- We have adopted the Income (or Investment) and Comparison Approaches in assessing the Market Value of the Subject Properties.

The reports were undertaken based upon information available as at 1 March 2005. We accept no responsibility for subsequent changes in information as to tenancy details, income, expenses or market conditions.

SUBJECT PROPERTIES

The Subject Properties comprise two (2) purpose-built commercial buildings located in Section 67, Town, and District, of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur. The respective buildings are described as Part of Lot 10 Shopping Centre and Starhill Centre. Further details are tabulated as below:

Reference No.	Subject Properties	Land Area	Area as at 28.02.05	Type of Properties
SC 0035/05/MAA/SGK	LOT 10 PROPERTY	Not applicable	<p>Strata Titled Area of building – 559,551 sq. ft.</p> <p>Strata Titled Area of subject parcels – 430,384 sq. ft.</p> <p>(which excludes Parcel 1, in area 11,947 sq. m. or 128,596 sq. ft., owned by Isetan of Japan Sdn. Bhd., and Parcel 89, in area 48 sq. m. or 571 sq. ft., to be retained by YTL Land)</p>	<p>One hundred and thirty-seven (137) Parcels, and two (2) Accessory Parcels of retail, office, storage and other spaces, each held under a separate document of strata title, forming part only of a sub-divided purpose-built commercial (retail) building comprising one (1) Basement, a Lower Ground Floor, and an 8-storey Block, together with a 7-storey Annexe Block with a Lower Ground Floor, known as LOT 10 SHOPPING CENTRE.</p>

Reference No.	Subject Properties	Land Area	Area as at 28.02.05	Type of Properties
SC 0036/05/MAA/SGK	STARHILL CENTRE	12,338 sq. m. (132,805 sq. ft.)	<p>STARHILL PROPERTY</p> <p>Gross Floor Area - sq ft</p> <p>STARHILL SHOPPING CENTRE 504,571</p> <p>CAR PARK - Podium Block 281,542</p> <p>- Annexe Building <u>208,701</u></p> <p>994,814</p> <p>HOTEL PROPERTY 493,358</p>	<p>A mixed purpose-built commercial complex comprising a 31-storey Main Building, and a 12-level Annexe Building providing for:</p> <p>(i) a seven-level shopping centre together with five (5) Basements located on the Podium Block of the Main Building, and a 12-level Annexe Building with three (3) Basements, collectively known as STARHILL SHOPPING CENTRE ("Starhill Property"), and</p> <p>(ii) a Hotel Block occupied by a 561-room 5-star hotel known as J.W. MARRIOTT HOTEL KUALA LUMPUR located on part of the Podium Block, and the whole of the 24-level Tower Block, of the Main Building ("Hotel Property").</p>

Brief details of the Subject Properties are as follows:

SC 0035/05/MAA/SGK – LOT 10 PROPERTY	
Property	One hundred and thirty-seven (137) Parcels, and two (2) Accessory Parcels, each issued with a separate document of strata title bearing Strata Title Registration Nos. PN 11008/M1/B2/2 – PN11008/M1/3/88 (consists of 87 parcels) ⁽¹⁾ and PN11008/M1/3/90 - PN 11008/M1/7/139 (consists of 50 parcels and 2 accessory parcels) ⁽²⁾ and forming part of a sub-divided building known as Lot 10 Shopping Centre which is erected on the land held under Master Title Pajakan Negeri 11008 for Lot No. 1247 Section 67, Town, and District, of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Net Lettable Area	174,018 square feet
Tenure	A 99-year leasehold interest expiring on 29 July 2076.
Registered Owner	YTL Land
Category of Land Use	Building
Express Condition	<p>i) Tanah yang dipajakkan ini hendaklah digunakan hanya atau lain-lain Pihak Berkuasa. untuk kompleks perdagangan/ kediaman; dan</p> <p>ii) Tuan tanah hendaklah membayar, menyelesaikan segala cukai, bayaran-bayaran, taksiran-taksiran dan sebarang apa juga bayaran yang mungkin dikenakan dari semasa ke semasa ke atas tanah yang telah dipajakkan ini atau sebahagian daripadanya atau apa-apa bangunan di atasnya, samada yang dikenakan oleh Dewan Bandaraya Kuala Lumpur.</p>
Restriction in Interest	Nil
Encumbrances	Nil
Description	<p>The subject property comprises one (1) Basement, a Lower Ground Floor, and an 8-storey Block, together with a 7-storey Annexe Block with a Lower Ground Floor, of retail, office, storage and car park spaces forming part only of the sub-divided building known as Lot 10 Shopping Centre, and bearing postal address No. 50 Jalan Sultan Ismail, 50250 Kuala Lumpur. It is issued with a Certificate of Fitness for Occupation by the Dewan Bandaraya Kuala Lumpur on 14 November 1992 (Main Block) and on 11 January 1994 (Annexe Block).</p> <p>It is strategically located at the junction of Jalan Sultan Ismail and Jalan Bukit Bintang, and within the area more popularly known as Bintang Walk, which is considered as Asia's answer to the Champs Elysees in Paris, and Knightsbridge in London. Bintang Walk, which was designed, financed and implemented by the YTL Group group some 5 years ago at the cost of RM10.226 million, and approved and encouraged by City Hall, and the Ministry of Tourism, Malaysia, is now internationally recognised as an icon for Kuala Lumpur. It has, as expected, brought life back into this 100-year old historical retail street, with an improved pedestrian walkway, trendy alfresco cafes and restaurants.</p> <p>Prominent landmarks within the immediate vicinity would include the premises of The Regent of Kuala Lumpur, Wisma KLIH, Wisma Peladang, KL Plaza/Menara Berjaya, Starhill Shopping Centre/J.W. Marriott Hotel, The Westin Kuala Lumpur, Grand Plaza Park Royal Hotel, Bangunan Yayasan Selangor, Sungei Wang Plaza, Bukit Bintang Plaza, Wisma SPS, Imbi Plaza, Low Yat Plaza, Bangunan Amoda, Melia Hotel, Plaza Berjaya and Berjaya Times Square.</p> <p>The site comprises a parcel of commercial ("Building") land, irregular in shape, and contains a land area of 10,138 sq. m. (109,125 sq. ft.).</p> <p>The subject property, which commenced business operations on 10 October 1990, is now approximately 15 years in age and is well-maintained, and in excellent state of decorative repairs. It is attractively designed and meets accepted international standards of a one-stop shopping centre. It incorporates newer, better and more contemporary designs with wide pedestrian frontages and large atriums. In addition, with completion of a refurbishment and renovation programme in October 1996, the bold green exterior has been retained but the provision of a state-of-the-art bubble lift that brings the dynamic outdoors to the heart of the shopping centre is added. The interior design now boasts of organic and stainless steel mouldings, clear glass and intricate brass decorative elements together with new artistic light fittings and flooring. Lot 10 Property also has all that to ensure shoppers' comfort and convenience. Equipped to the full with lifts, escalators, state-of-the-art security and alarm systems, it offers shoppers the best environment to shop and dine. In addition, Lot 10 Property is also conveniently linked via an overhead bridge above Jalan Sultan Ismail to Sungei Wang Plaza.</p> <p>To ensure the convenience of parking and smoother traffic flows, Lot 10 Property offers excellent parking facilities on four (4) levels of car parks (5th – 7th Floor, and Roof Level) with 693 car parking bays. In addition, there are also 17 VVIP surface parking bays, and 20 loading bays in the Basement.</p>

Notes:

- (1) Comprises of strata titles bearing Strata Title Registration Nos. PN 11008/M1/B2/2 – PN 11008/M1/B2/11, PN 11008/M1/B1/12 – PN 11008/M1/B1/14, PN 11008/M1/1/15 – PN 11008/M1/1/37, PN11008/M1/2/38 - PN11008/M1/2/64, PN11008/M1/3/65 - PN11008/M1/3/88
- (2) Comprises of strata titles bearing Strata Title Registration Nos. PN11008/M1/3/90 - PN11008/M1/3/93, PN11008/M1/4/94 - PN11008/M1/4/114, PN11008/M1/5/115 – PN11008/M1/5/134, PN11008/M1/6/135 - PN11008/M1/6/137 and PN11008/M1/7/138 - PN 11008/M1/7/139. There is no separate strata title for the two accessory parcels.

SC 0036/05/MAA/SGK – STARHILL CENTRE	
Property	Grant No. 28678 for Lot No. 1267 Section 67, Town, and District, of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Net Lettable Area	280,005 square feet
Tenure	Freehold
Registered Owner	YTL Land
Category of Land Use	Not stated
Express Condition	Subject to the conditions and agreements expressed or implied in Selangor Land Grant No. 1900 and to such restrictions in interest expressed therein and shown by memorial hereon, and to such registered interests as are shown by memorial hereon.
Restriction in Interest	Nil
Encumbrances	Nil
Description	<p>Starhill Centre is a mixed purpose-built commercial complex comprising a 31-level Main Building, and a 12-level Annexe Building providing for a seven-level shopping centre, together with five (5) Basements, located on the Podium Block of the Main Building, and a 12-level Annexe Building with three (3) Basements, collectively known as Starhill Shopping Centre, and a Hotel Block occupied by a 561-room 5-star hotel known as J.W. Marriott Hotel Kuala Lumpur located on part of the Podium Block, and the whole of the 24-level Tower Block, of the Main Building. The whole Starhill Centre development is issued with a Certificate of Fitness for Occupation by the Dewan Bandaraya Kuala Lumpur on 18 September 2002.</p> <p>It is strategically located on Jalan Bukit Bintang, and within the area more popularly known as Bintang Walk, which is considered as Asia's answer to the Champs Elysees in Paris, and Knightsbridge in London. Bintang Walk, which was designed, financed and implemented by the YTL Group some 5 years ago at the cost of RM10.226 million, and approved and encouraged by City Hall, and the Ministry of Tourism, Malaysia, is now internationally recognised as an icon for Kuala Lumpur. It has, as expected, brought life back into this 100-year old historical retail street, with an improved pedestrian walkway, trendy alfresco cafes and restaurants.</p> <p>Prominent landmarks within the immediate vicinity include the premises of The Regent of Kuala Lumpur, Wisma KLIH, Wisma Peladang, KL Plaza/Menara Berjaya, The Westin Kuala Lumpur, Grand Plaza Park Royal Hotel, Bangunan Yayasan Selangor, Sungei Wang Plaza, Bukit Bintang Plaza, Wisma SPS, Imbi Plaza, Low Yat Plaza, Bangunan Amoda, Melia Hotel, Plaza Berjaya and Berjaya Times Square.</p> <p>The site comprises a parcel of commercial ("Building") land, near-regular in shape, and contains a land area of 12,338 sq. m. (132,805 sq. ft.).</p> <p>Starhill Centre offers excellent parking facilities on five (5) Basement levels of the Main Building with 562 parking bays, and the whole of the Annexe Building with 600 parking bays.</p> <p>Brief details on each component of Starhill Centre follows :</p> <p>STARHILL PROPERTY</p> <p>The subject property, which commenced business operations in September 1995, comprises a seven (7)- level shopping centre together with five (5) Basements located on the Podium Block of the Main Building, and a 12-level Annexe Building with three (3) Basements, collectively known as Starhill Shopping Centre and bearing postal address No. 181 Jalan Bukit Bintang, 55100 Kuala Lumpur.</p> <p>The subject property is approximately 10 years in age and is well-maintained, and in excellent state of decorative repairs. It is attractively designed and meets accepted international standards of a comprehensive shopping and entertainment centre. The architecture is regal, with a rotunda that signifies its formality and which draws focus to its classical overtones. The warm colour of the building complements the cool tranquility set by green glass windows and geodesic dome.</p>

	<p>As of date of valuation, YTL Land is embarking on plans to launch a brand new experience at the Starhill Centre that will bring Malaysia one step closer to establishing itself as the retail icon of Malaysia. The new Starhill Centre, when completed, will re-emerge with a cosmetic and identity change, housed in a cutting-edge environment that will celebrate the latest and best in fashion, art, food, beauty, and living – making Kuala Lumpur a retail destination of choice. Iconic designer David Rockwell of New York has created a whole new shopping environment like no other. The design theme, inspired by the elegance of nature, captures the spirit of wellness. Pillars that intersperse the centre become sculptural forms, combining nature and art in a unique way. The exterior elevation of the building makes a definitive retail statement with flagship stores and glass store fronts washing the interior with the freshness of natural light through atriums, while the spectacular glass entrance makes a statement that will be visible from the corner of Bukit Bintang.</p> <p>In addition, YTL Group also has capitalised on the synergies that existed between the J.W. Marriott Hotel And Starhill Shopping Centre by removing barriers (walls and glass partitions) between the two, offering an integrated and seamless shopping experience for the local and international travellers and shoppers alike. Hotel guests can access the shopping centre just next door, and shoppers can enjoy a 5-star deluxe experience a quick step away. And, YTL Group did not stop there. Not only did they create all those amazing facilities, YTL Group went one step further and connected them as well. Earlier, in July 2004, YTL Group completed the sky bridge that connects Starhill Centre with The Ritz-Carlton Hotel, and The Residences of The Ritz-Carlton, the latter being only one of its kind in Asia and a new landmark of residential luxury that allows those who seek an exclusive lifestyle to call The Residences home.</p>
Description	<p>HOTEL PROPERTY</p> <p>The Hotel Property was the first Marriott property in Malaysia, opening on 12 July, 1997. The Hotel Property is situated in the heart of the Golden Triangle, Kuala Lumpur's prime business and shopping district, adjacent to the Starhill Property, and anchoring Bintang Walk, a popular shopping strip with a range of restaurants and entertainment outlets. The Hotel Property is approximately an hour's drive from the Kuala Lumpur International Airport at Sepang.</p> <p>The Hotel Property commenced operations since 12 July 1997 and in order to ensure hotel guests continue to receive the ultimate in comfort, service and facilities, refurbishment works were undertaken on 15 July 2002 and duly completed on 30 October 2003 at a total cost of RM17.25 million.</p> <p>The Hotel Property comprises part of the 8-level Podium Block and a twenty four (24)-level Tower Block of the Main Building with five hundred and sixty one (561) rooms. Guest rooms are located over the top 24 levels of the building, with hotel facilities and offices occupying the lower 9 levels.</p> <p>The Hotel Property is targeted mainly towards business travellers and comprises 561 guest rooms, including 70 suites, most of which are equipped with broadband facilities, multi-line telephone with voice-mail, facsimile and computer modem capabilities and television with international satellite.</p> <p>Recreational facilities comprise a 245-square metre gymnasium with aerobics room, sauna, whirlpool and steam room, as well as swimming pool, tennis court, jogging track and health spa.</p> <p>Other facilities include conference and meeting rooms, which comprise one grand ballroom and 22 meeting rooms targeted for business meetings, creative events and social occasions with the capacity to cater to up to 1,200 people, as well as a fully-equipped business centre.</p>

Income

The investment policy adopted by YTL Land, which also manages the Subject Properties, is to hold the investment and to let out all commercial space. Following this policy, rental income, therefore, accounts for most of the income derived from the Subject Properties. In addition, there is also significant non-rental income from other sources within the Subject Properties. The table below highlights income sources for financial year ended 30 June ("FY") 2002, 2003, 2004 and the period for 8 months from 1 July 2004 up to 28 February 2005:

	FY 2002 (RM'000)			FY 2003 (RM'000)			FY 2004 (RM'000)			8 months ended 28.02.2005 (RM'000)		
	LOT 10 Property	STARHILL Property	Hotel Property	LOT 10 Property	STARHILL Property	Hotel Property	LOT 10 Property	STARHILL Property	Hotel Property	LOT 10 Property	STARHILL Property	Hotel Property
	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
Rental income	19,389	12,830	11,291	20,575	17,343	11,291	21,244	21,563	14,291	14,840	14,858	11,085
Service charges	2,299	3,471	5,770	2,675	3,934	6,609	2,612	2,441	-	1,861	-	1,861
Car park operations	1,680	1,445	-	1,878	1,737	-	1,782	1,593	-	1,145	971	-
Other maintenance income	164	201	365	273	344	617	243	225	468	222	144	366
	23,532	17,947	11,291	25,401	23,358	11,291	25,861	25,822	14,291	17,868	15,973	11,085
			52,770			60,050			65,994			44,926

Property Operating Expenses

The property operating expenses consist of (i) Property Cost, being for the costs of assessment, quit rent, insurance, and property maintenance borne by YTL Land as the "Landlord" or "Owner", and (ii) Operating Cost, being for the costs of operations and maintenance of the common areas of the Subject Properties, and borne by the tenants in the form of service charges paid monthly together with the rent. The table below sets out the breakdown of property operating expenses:

	FY 2002 (RM'000)			FY 2003 (RM'000)			FY 2004 (RM'000)			8 months ended 28.02.2005 (RM'000)		
	LOT 10 Property	STARHILL Property	Hotel Property	LOT 10 Property	STARHILL Property	Hotel Property	LOT 10 Property	STARHILL Property	Hotel Property	LOT 10 Property	STARHILL Property	Hotel Property
	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
Property Cost	1,677	1,594	1,509	1,622	1,648	1,515	1,492	1,919	1,512	1,012	1,409	883
Operating cost	3,217	6,099	14	2,873	6,799	-	3,017	6,706	-	1,905	4,446	-
Total operating expenses	4,894	7,693	1,523	4,495	8,447	1,515	4,509	8,625	1,512	2,917	5,855	883
			14,110			14,557			14,646			9,855

Tenancy Details

The tenancies at the Lot 10 Property and Starhill Property are, generally, for a term of not more than three (3) years, with an option to renew for a similar or lesser term. In line with normal commercial practice, tenancy renewals are generally on the same terms and conditions as the original tenancies except for the rental rate, which generally will be revised to prevailing market rent. At the Hotel Property, however, it is let out on a long lease for a period of 19 years and 1 month, commencing 1 December 2004 and expiring on 31 December 2023, with rent reviews after the expiry of 3 years from 1 December 2004 and, thereafter, at every 5-yearly intervals.

The rent reserved in each tenancy in Lot 10 Property and Starhill Property is exclusive of service charges, the latter being payment of the tenant's contribution to all outgoing, costs and expenses of the Landlord paid or payable by the Landlord for management, repair and maintenance of common areas in the Subject Properties and the provision of services and facilities therein. Both are payable monthly in advance. In the event of increased outgoing (quit rent, assessment, rates, property taxes, etc.), the Landlord shall be entitled to increase the rent, such increase to be calculated on the basis of the area of the demised premises which bears to the total built-up area of the Subject Properties. Similarly, if any of the outgoing, costs and expenses within the definition of service charges is increased, the Landlord shall be entitled to increase the service charges by such amount as the additional costs shall be properly attributable to the demised premises as determined by the Landlord. At the Hotel Property, there is, however, no provision for payment of service charges by Star Hill Hotel Sdn Bhd as the Lessee, who shall be responsible to keep the interior including walls, flooring and the ceiling and the Landlord's fixtures and fittings therein in clean and tenantable repair and condition.

A number of tenancies, however, have provisions in their tenancy agreements for the payment of turnover rent. This turnover rent is determined and calculated based on a specified percentage of the monthly gross sale receipts of the tenant, and is payable in addition to or in lieu of base rental value or such other combinations provided for in the tenancy agreements. As at 28 February 2005, only about 9 tenancy agreements in Starhill Property, and 7 in Lot 10 Property, contain provisions for the payment of turnover rent.

A brief summary of the tenancies as at 28 February 2005 is as follows:

Subject Property	Occupancy (%)	Monthly Rental (RM – p.s.f.)	Monthly Service Charge (RM – p.s.f.)	Major and Notable Tenants	% of total NLA	% of total monthly rental income (%)
LOT 10 PROPERTY	98	Lower Ground Floor: 3.53 – 10.00	0.77 – 2.00	<u>Major Tenants</u>	14.8	5.0
		Ground Floor: 18.00 – 35.00	2.00	Autodome Sdn Bhd	1.5	4.2
		First Floor: 6.00 – 27.00	2.00	Esprit De Corp (Malaysia) Sdn Bhd	1.5	3.4
		Second Floor: 5.00 – 20.00	1.50 - 2.00	F.J. Benjamin Fashions Sdn Bhd		
		Third Floor: 4.00 – 18.00	2.00	<u>Notable Tenants</u>		
		Fourth Floor (Prestige): 4.00 – 11.00	2.00	Armani Exchange, The Body Shop, Guess, Hour Glass, Marlboro Classic, Nike, Renoma, Timberland, Toni & Guy and Swatch.		
		Basement (Storage Space): 2.20 – 3.50	0.00	Eateries such as Delifrance, Dome Café, San Francisco Café and Societe Café.		
		Annexe Block – Retail: 4.50 – 6.33	1.00			
		Annexe Block – Office: 6.00	1.00			
		<u>Total Gross Monthly Rental</u> - RM1,915,692.05				
STARHILL CENTRE	100	STARHILL PROPERTY:		<u>Major Tenants</u>	76.0	67.4
		Lower Ground Floor: 6.00 – 10.00	1.50	Autodome Sdn Bhd	2.4	6.3
		Ground Floor: 4.00 – 36.00	2.00 – 2.50	Cortina Watch Sdn Bhd	1.0	1.8
		Upper Ground Floor: 6.00 – 28.00	2.00	Apcot PP (M) Sdn Bhd		
		First Floor: 3.75 – 20.00	2.00 – 2.50	<u>Notable Tenants</u>		
		Second Floor: 5.00 – 9.00	2.00	Alfred Dunhill, Audemars Piguet, Celine, Chopard, Polo Ralph Lauren, Christian Dior, Davidoff, DKNY, Fendi, Versace, Givenchy, Gucci, Kenzo, Salvatore Ferragamo and Louis Vuitton.		
		Third Floor: 3.00 – 5.00	1.50			
		Fourth Floor: 3.00 – 5.00	1.50 – 2.00			
		Storage: 1.10 – 2.20	0.00	Eateries such as Shock! And Sentidos Tapas.		
		Annexe Building: 2.00 – 3.00	0.00			
<u>Total Gross Monthly Rental</u> - RM2,659,638.00						
STARHILL CENTRE	Not Applicable	HOTEL PROPERTY: <u>Rental per month</u> -RM1,710,000	Nil	Star Hill Hotel Sdn. Bhd. (as Lessee)	Not Applicable	Not Applicable

Valuation Rationale

In arriving at the Market Value of the Subject Properties, we have considered the underlying factors as likely to affect property values (the state, and trend, of the national and local economy, property market condition, and others), and more importantly, the competitive strengths of the individual features of the Subject Properties :

- Strategic and prime location

The Subject Properties are "landmark" properties strategically located in the Jalan Bukit Bintang area, forming part of the "Golden Triangle" area of Kuala Lumpur and within the area more popularly known as "Bintang Walk", a popular shopping strip with a range of restaurants and entertainment outlets.

Both the Lot 10 Property and the Starhill Property ("Retail Properties") are easily accessible by roads and are well-served by public transport facilities. Furthermore, accessibility to the Retail Properties have been enhanced with the introduction with the KL Monorail in 2003 (the Bukit Bintang Station of the KL Monorail is sited near the side entrance of the Lot 10 Property).

- Proximity to numerous tourists and business travellers

The Subject Properties are located in an area close to numerous hotels, thereby accessible to tourists and business travellers.

Lot 10 Property is linked to an overhead bridge to Sungei Wang Plaza, which is one of the more popular shopping malls in Malaysia, and which attracts a large number of shoppers.

Jalan Bukit Bintang, where the Subject Properties are located, is one of Kuala Lumpur's tourist hubs, and as a result, the Subject Properties attract a large number of tourists – local and foreign.

In addition, the area near the Subject Properties also includes a large number of executives and office workers from and nearby buildings.

- High profile of Retail Properties

The Retail Properties enjoy a high profile as a result of the YTL Group's marketing efforts to date. Due to the high profile, the Retail Properties are a recognized and desired address for retail tenants.

- Bintang Walk, the entertainment hub of Kuala Lumpur

Bintang Walk, which is located in the heart of Kuala Lumpur on Jalan Bukit Bintang, is designed as a new entertainment hangout in the city and attracts a high volume of human traffic – by day, and by night. The Subject Properties are located within Bintang Walk.

The popularity of Jalan Bukit Bintang has already spilled over to the Jalan Imbi area, and an improving public transportation network in the form of the recently introduced monorail system will make access even easier, thereby increasing the number of visitors to the area.

- High occupancy levels

High occupancy levels reflect the quality and demand for space in the Lot 10 Property. As at 30 June, 2004, the occupancy rate of the Lot 10 Property was 95% (compared with the market occupancy rate of 75% in the Jalan Bukit Bintang area). During the same period, the occupancy of Starhill Property was 86% (excluding the space formerly occupied by Tangs Department Store). The occupancy rate, as at the material date of valuation, is 98%, and 100%, for the Lot 10 Property and the Starhill Property, respectively.

- Quality tenant base

The major tenants of the Retail Properties, are mainly foreign brand names and prominent local stores. These quality tenants enhance the stability of the Retail Properties' rental income as they generally have significant long-term space requirements in Kuala Lumpur.

- Anchor tenant

The anchor tenant is the key to the success of a shopping centre. It contributes enormously to the centre's cumulative attraction potential and is the generative source of retail activity. It also sets the stage for retail compatibility. Because the anchor is the most important component of a shopping centre, this tenant is usually able to extract favourable rental rates and tenancy terms. However, in the case of the Subject Properties, the Starhill Property has no anchor tenant, whilst in the Lot 10 Property, the anchor tenant, ISETAN of JAPAN, operates on its **own** premises in Parcel 1 of the sub-divided building. This is an added advantage to the Retail Properties for, unlike other shopping centres, the Retail Properties are in a position to extract full rental value for the whole of their properties available for lettings. Granting preferential (low) rent rates, as in the case of most other shopping centres, would only mean averaging down the overall rental yields, and hence, their capitalized value.

Valuation Methodology

In determining the Market Value of the Subject Properties, we have adopted the Income (or Investment), and Comparison, Approaches to value. The Income Approach is considered of primary importance in ascertaining the value of income-producing properties, such as the Subject Properties, since value may be defined as "the present worth of future rights to income, or utility". Thus, in the present report, the Income Approach is expected to provide the most reliable index of value.

The value estimate under the Income Approach is derived by ascertaining the economic rent of the property (i.e. that income which is ascribable to the property under its highest and best use), deducting all reasonable operating expenses (as would be expected to be experienced under typical management), and then capitalizing the resultant net income by an appropriate rate of capitalization to obtain the present value of the forecasted income stream.

As a secondary method of valuation, we have also assessed the Market Value of the Subject Properties by cross-checking the Market Value obtained by the Income Approach with the Comparison Approach to value. Under this Comparison Approach, an estimate of value is derived by comparing the Subject Properties with other "bench mark" properties of similar size, quality and location that have been transacted or valued in recent times.

Below are some of the salient valuation assumptions adopted in determining the Market Value of the Subject Properties :

Subject properties	Total Lettable Area ^(a)	Occupancy ^(a)	Yield	PV ^(b)
	<i>square feet.</i>	<i>%</i>	<i>%</i>	<i>%</i>
Lot 10 Property	174,018	98.00	Rental Revenue and Service Charge 7.00 (Term) 7.50 (Reversion) 3.00 (ASF)	7.50
			Car Park 8.00 (Term) 8.50 (Reversion) 3.00 (ASF)	8.50
			Other Maintenance Income 8.50 (Term) 9.00 (Reversion) 3.00 (ASF)	9.00
Starhill Property	280,005	100.00	Rental Revenue and Service Charge 6.50 (Term), 7.00 (Reversion)	7.00
			Car Park 7.50 (Term) 8.00 (Reversion)	8.00
			Other Maintenance Income 8.00 (Term) 8.50 (Reversion)	8.50
Hotel Property	Not applicable	Not applicable	6.50 (Term) 7.00 (Reversion)	7.00

Notes:

- (a) Based on the record of tenancies as at 28 February 2005, being the cut-off date, as provided by YTL Land
- (b) Rate adopted to discount capitalised value of future income flow to present level.
- (c) ASF or Annual Sinking Fund, being applicable to Lot 10 Property only, which is of leasehold interest. The said sum is set aside annually from the income flow and is invested at the stated accumulative rate of interest with the view of recouping the capital invested in the property at the end of the leasehold interest.

Other assumptions :

- All vacant lots are assumed to be let out at current Rental Value and are valued to the end of the lease period or in perpetuity, as the case may be.
- All month-to-month tenancies are assumed to be let out and valued to the end of the lease period or in perpetuity, as the case may be, at current Rental Value.
- Service Charge shall remain constant during the Term, and Reversion, periods.
- Tenancies on turnover rent are considered minimal, and where turnover data is available, an estimated income above base rent is determined and capitalised for the remaining term of the existing tenancy. It is assumed, however, that, on reversion, the tenancy will be on current Rental Value.

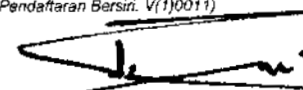
5. For estimating Car Park/Other Maintenance Income, reliance is based on actual income received, with an allowance for an increase on reversion at the end of Financial Year 2005.
6. The value attributable to Owner-Occupied Areas is ignored. It is assumed that the such areas would continue to be owner-occupied, for which no rental income is receivable.


Conclusion

Taking into consideration all relevant factors, it is our opinion that the Subject Properties can command an aggregate Market Value of **RM1,150 million** as at 1 March 2005, as tabulated below :

Subject Properties	Type of Properties	Market Value (RM)
LOT 10 PROPERTY	One hundred and thirty-seven (137) Parcels, and two (2) Accessory Parcels of retail, office, storage and other spaces, each held under a separate document of strata title, forming part only of a sub-divided purpose-built commercial (retail) building comprising one (1) Basement, a Lower Ground Floor, and an 8-storey Block, together with a 7-storey Annexe Block with a Lower Ground Floor, known as Lot 10 Shopping Centre.	341 million
STARHILL CENTRE	<p><u>STARHILL PROPERTY</u></p> <p>A seven(7)-level shopping centre together with five (5) Basements located on the Podium Block of the Main Building, and a twelve (12)-level Annexe Building with three (3) Basements, collectively known as Starhill Shopping Centre.</p> <p><u>HOTEL PROPERTY</u></p> <p>A Hotel Block occupied by a 561-room 5-star hotel known as J.W. Marriott Hotel Kuala Lumpur located on part of the Podium Block, and the whole of the 24-level Tower Block, of the Main Building.</p>	480 million
	TOTAL	1,150 million

Yours faithfully
 AZMI & CO SDN. BHD. (77155-D)
 (No. Pendaftaran Bersit. V(1)0011)


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 Registered Valuer (V-011)


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