

**STARHILL REAL ESTATE INVESTMENT TRUST**  
Established in Malaysia

**Interim Financial Report**  
**30 September 2010**

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# STARHILL REAL ESTATE INVESTMENT TRUST

## INTERIM FINANCIAL REPORT

Interim financial report on results for the financial period ended 30 September 2010.

The figures have not been audited.

### CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER PRECEDING YEAR		CUMULATIVE QUARTER	
	CURRENT QUARTER 30.09.2010 RM'000	CORRESPONDING QUARTER 30.09.2009 RM'000	CURRENT YEAR TO DATE 30.09.2010 RM'000	PRECEDING YEAR TO DATE 30.09.2009 RM'000
NET REVENUE	8,244	28,057	8,244	28,057
PROPERTY OPERATING EXPENSES	(442)	(4,710)	(442)	(4,710)
NET PROPERTY INCOME	7,802	23,347	7,802	23,347
OTHER INCOME	10,675	395	10,675	395
TRUST EXPENSES	(683)	(1,018)	(683)	(1,018)
ADMINISTRATION EXPENSES	(190)	(68)	(190)	(68)
BORROWING COST	(2,180)	(2,180)	(2,180)	(2,180)
INCOME BEFORE TAX	15,424	20,476	15,424	20,476
INCOME TAX EXPENSE	-	-	-	-
INCOME FOR THE PERIOD	15,424	20,476	15,424	20,476
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	15,424	20,476	15,424	20,476

**STARHILL REAL ESTATE INVESTMENT TRUST**

**INTERIM FINANCIAL REPORT**

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME – continued**

	<b>INDIVIDUAL QUARTER PRECEDING YEAR</b>		<b>CUMULATIVE QUARTER</b>	
	<b>CURRENT QUARTER 30.09.2010 RM'000</b>	<b>CORRESPONDING QUARTER 30.09.2009 RM'000</b>	<b>CURRENT YEAR TO DATE 30.09.2010 RM'000</b>	<b>PRECEDING YEAR TO DATE 30.09.2009 RM'000</b>
INCOME FOR THE PERIOD IS MADE UP AS FOLLOWS :-				
REALISED	15,424	20,476	15,424	20,476
UNREALISED	-	-	-	-
	-----	-----	-----	-----
	15,424	20,476	15,424	20,476
	=====	=====	=====	=====
<b>EARNINGS PER UNIT (Sen)</b>	1.31	1.74	1.31	1.74
	=====	=====	=====	=====
<b>GROSS DISTRIBUTION PER UNIT (Sen)</b>	1.31	1.74	1.31	1.74
	=====	=====	=====	=====

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The Condensed Statement of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements.

**STARHILL REAL ESTATE INVESTMENT TRUST****INTERIM FINANCIAL REPORT****CONDENSED STATEMENT OF FINANCIAL POSITION**

	<b>AS AT 30.09.2010 RM'000</b>	<b>AS AT 30.06.2010 RM'000</b>
<b>ASSETS</b>		
INVESTMENT PROPERTIES	494,700	494,700
Current Assets		
Available-for-Sale Financial Assets	405,000	-
Investments	-	405,000
Trade receivables	5,806	6,682
Other receivables	22,102	625,567
Fixed deposits	661,238	84,155
Bank balances	66	2,598
	-----	-----
	1,094,212	1,124,002
	-----	-----
<b>TOTAL ASSETS</b>	<b>1,588,912</b>	<b>1,618,702</b>
	=====	=====
<b>UNITHOLDERS' FUNDS</b>		
Unitholders' capital	1,145,895	1,145,895
Undistributed income	228,982	228,982
	-----	-----
Net Asset Value	1,374,877	1,374,877
	-----	-----
<b>LIABILITIES</b>		
Current Liabilities		
Borrowings	180,000	180,000
Other payables	18,611	26,112
Provision for income distribution	15,424	37,713
	-----	-----
	214,035	243,825
	-----	-----
<b>TOTAL LIABILITIES</b>	<b>214,035</b>	<b>243,825</b>
	-----	-----
<b>TOTAL UNITHOLDERS' FUNDS &amp; LIABILITIES</b>	<b>1,558,912</b>	<b>1,618,702</b>
	=====	=====

**STARHILL REAL ESTATE INVESTMENT TRUST**

**INTERIM FINANCIAL REPORT**

**CONDENSED STATEMENT OF FINANCIAL POSITION – continued**

	<b>AS AT 30.09.2010 RM'000</b>	<b>AS AT 30.06.2010 RM'000</b>
Number of units in circulations ('000)	1,178,889 =====	1,178,889 =====
Net asset value per unit (RM)	1.1662 =====	1.1662 =====

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The Condensed Statement of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements.

**STARHILL REAL ESTATE INVESTMENT TRUST**

**INTERIM FINANCIAL REPORT**

**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010**

<b>3 months ended 30 September 2010</b>	<b>Unitholders' Capital RM'000</b>	<b>Distributable Undistributed Income</b>		<b>Unitholders' Funds RM'000</b>
		<b>Realised RM'000</b>	<b>Unrealised RM'000</b>	
As at 1 July 2010	1,145,895	190,306	38,676	1,374,877
Operations for the period				
Net income for the period	-	15,424	-	25,424
Increase in net assets resulting from operations	-	15,424	-	25,424
Unitholders' transactions				
Provision for income distribution	-	(15,424)	-	(25,424)
Decrease in net assets resulting from unitholders' transactions	-	(15,424)	-	(25,424)
As at 30 September 2010	1,145,895	190,306	38,676	1,374,877

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**STARHILL REAL ESTATE INVESTMENT TRUST**

**INTERIM FINANCIAL REPORT**

**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010 – continued**

<b>3 months ended 30 September 2009</b>	<b>Unitholders' Capital RM'000</b>	<b>Distributable Undistributed Income</b>		<b>Unitholders' Funds RM'000</b>
		<b>Realised RM'000</b>	<b>Unrealised RM'000</b>	
As at 1 July 2009	1,145,895	2	274,360	1,420,257
Operations for the period				
Net income for the period	-	20,476	-	20,476
Increase in net assets resulting from operations	-	20,476	-	20,476
Unitholders' transactions				
Provision for income distribution	-	(20,476)	-	(20,476)
Decrease in net assets resulting from unitholders' transactions	-	(20,476)	-	(20,476)
As at 30 September 2009	1,145,895	2	274,360	1,420,257

The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the audited annual financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements.



**STARHILL REAL ESTATE INVESTMENT TRUST**

**INTERIM FINANCIAL REPORT**

**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010**

	<b>3 months ended</b>	
	<b>30.09.2010</b>	<b>30.09.2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Net cash generated from operating activities	603,769	19,018
	=====	=====
Net cash generated from investing activities	10,675	395
	=====	=====
Net cash used in financing activities	(39,893)	(42,929)
	=====	=====
Net decrease in cash and cash equivalent	574,551	(23,516)
Cash and cash equivalents at beginning of financial period	86,753	98,399
	-----	-----
Cash and cash equivalent at end of financial period (note a)	661,304	74,883
	=====	=====

**Note (a)**

Cash and cash equivalent

	<b>As At</b>	<b>As At</b>
	<b>30.09.2010</b>	<b>30.09.2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed Deposit	661,238	74,118
Bank balances	66	765
	-----	-----
	661,304	74,883
	=====	=====

The Condensed Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements.

# STARHILL REAL ESTATE INVESTMENT TRUST

## INTERIM FINANCIAL REPORT

Notes :

### Disclosure requirement pursuant to FRS 134

The condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Trust for the financial year ended 30 June 2010.

#### A1. Accounting Policies and Methods of Computation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standards (“FRS”) “Interim Financial Reporting” and Chapter 9, Part K Rule 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The accounting policies and methods of computation adopted by the Trust in the interim financial report are consistent with those adopted in the latest 1 audited annual financial statements except for the adoptions of new and revised FRSs, amendments to FRSs and Interpretation Committee (“IC”) interpretations which were effective for financial period beginning 1 July 2010.

The adoption of the new and revised FRSs, amendments to FRSs and IC Interpretations do not have significant financial impacts on the Trust other than the effects of the following FRSs:

##### FRS 101 (revised) “Presentation of Financial Statements”

The revised FRS 101 requires all non-owner changes in equity to be presented either in a single statement of comprehensive income, or in two statements which comprise a separate income statement and statement of comprehensive income. The Trust had elected to present the statement of comprehensive income in two statements if there is any comprehensive income being recognised in the period.

There is no impact on the financial position of the Trust since these changes affect only the presentation of items of income and expenses. The Trust has adopted the standard retrospectively.

##### FRS 7 “Financial Instruments: Disclosures”

FRS 7 requires extensive disclosure of qualitative and quantitative information about exposure to risks from financial instruments. Such information will be disclosed in the audited financial statements of the Trust.

##### FRS 139 “Financial Instruments : Recognition and Measurement”

FRS 139 sets out the new requirements for the recognition and measurement of the Trust’s financial instruments.

Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments at the end of each reporting period reflects the designation of the financial instruments. The Trust determines the classification at initial recognition and re-evaluates its designation at each year end except for those financial instruments measured at fair value through profit or loss.

# STARHILL REAL ESTATE INVESTMENT TRUST

## INTERIM FINANCIAL REPORT

### Notes : - continued

#### *Financial Assets*

(a) Loans and receivables

Prior to 1 July 2010, loans and receivables were stated at gross proceeds less allowance for doubtful debts. Under FRS 139, loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised, impaired or through the amortisation process.

(b) Available-for-Sale

Prior to 1 July 2010, available-for-sale financial assets such as other investments were accounted for at cost less impairment losses. Under FRS139, available-for-sale financial asset is measured (a) at fair value initially and subsequently with unrealised gains or losses recognised directly in equity until the investment is derecognised or impaired or (b) at cost if the unquoted instrument is not carried at fair value because its fair value cannot be reliably measured.

#### *Financial Liabilities*

Prior to 1 July 2010, borrowings are stated at the proceeds received less directly attributable transaction costs. Under FRS 139, borrowings are initially measured at fair value plus directly attributable transaction costs and subsequently at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised or through the amortisation process.

In accordance with the transitional provisions of FRS 139, the above changes are applied prospectively and the comparatives as at 30 June 2010 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the balance sheet as at 1 July 2010.

The effects arising from the adoption of the new standard as described above, other than those disclosed in the statement of changes in equity are as follows:

	As perviously reported RM'000	Effect on adoption of FRS 139 RM'000	As Restated RM'000
<u>Current Assets</u>			
Available-for-sale investment	-	405,000	405,000
Investments	405,000	(405,000)	-

# STARHILL REAL ESTATE INVESTMENT TRUST

## INTERIM FINANCIAL REPORT

Notes : - continued

### **A2. Seasonality or Cyclicity of Operations**

The business operations of the Trust are not affected by any material seasonal or cyclical factors.

### **A3. Exceptional or Unusual Items**

During the current financial quarter, there was no item of an exceptional or unusual nature that affects the assets, liabilities, equity, net income or cash flows of the Trust.

### **A4. Changes in estimates of amounts reported**

This is not applicable as there were no estimates previously reported.

### **A5. Changes in Debt and Equity Securities**

There was no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current financial quarter. The outstanding debts are disclosed in Note B9.

### **A6. Income Distribution**

A final income distribution (which is tax exempt at Trust level under Section 61A of the Income Tax Act, 1967) of 3.1990 sen per unit, totalling RM37,712,656 representing approximately 100% of the realised and distributable income after tax in respect of the six months financial period from 1 January 2010 to 30 June 2010, was paid during the current financial quarter.

### **A7. Segment Information**

No segment information is prepared as the Trust's activities are predominantly in one industry segment and occur predominantly in Malaysia.

### **A8. Material Events Subsequent to the end of the interim period**

There was no material event subsequent to the end of the current financial quarter.

### **A9. Changes in the Composition of the Trust**

There is no change in composition of the Trust during the current financial quarter and the fund size stands at 1,178,888,889 units.

### **A10. Changes in Contingent Liabilities**

There were no contingent liabilities to be disclosed.

# STARHILL REAL ESTATE INVESTMENT TRUST

## INTERIM FINANCIAL REPORT

### Disclosure requirements per Appendix 9B, Part K of Chapter 9 of the Main Market Listing Requirements of Bursa Securities

#### B1. Review of Performance

The Trust recorded RM8.244 million and RM15.424 million of revenue and income before tax respectively for the current financial quarter ended 30 September 2010, representing a decrease of 70.61% and 24.67% respectively as compared to previous corresponding quarter ended 30 September 2009.

The decrease was due to a Proposed Rationalisation undertaken to reposition the Trust as a full-fledged hospitality REIT. In connection with the Proposed Rationalisation, the Trust disposed of the Lot 10 Parcels and Starhill Gallery on 28 June 2010. The Trust is now focusing on the acquisition of hotel properties located both in Malaysia and internationally which will provide yield accretive returns to the Unitholders.

#### Comparison with Preceding Quarter

	<b>Current Quarter 30.09.2010 RM'000</b>	<b>Preceding Quarter 30.06.2010 RM'000</b>
Revenue	8,244	26,645
Income (loss) before tax	15,424	(29,216)
Income (loss) after tax before provision for income distribution	15,424	(29,216)

The Trust's revenue for the current financial quarter ended 30 September 2010 decreased to RM8.244 million, representing a decrease of 69.06%. The decrease was due to the disposal of the Lot 10 Parcels and Starhill Gallery.

The preceding quarter recorded a loss after tax of RM29.216 million as a result of recognising RM39.650 million loss on disposal of the Lot 10 Parcels and Starhill Gallery.

#### B2. Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Trust for the quarter under review.

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# STARHILL REAL ESTATE INVESTMENT TRUST

## INTERIM FINANCIAL REPORT

Notes : continued

### B3. Portfolio Composition

As at 30 September 2010, Starhill REIT's composition of investment portfolio is as follows:

	Fair value as at 30.09.2010 RM'000	Total Portfolio %
<b><u>Real Estate - Commercial</u></b>		
JW Marriott Hotel Kuala Lumpur	349,700	39
The Residences Properties	145,000	16
	-----	-----
	494,700	55
<b><u>Non-Real Estate-Related assets</u></b>		
Convertible Preference Units in Starhill Global REIT	405,000	45
	-----	-----
	899,700	100
	=====	=====

There were no changes in the portfolio composition for the current quarter.

### B4. Change in Net Asset Value ("NAV")

The total NAV and NAV per unit of the Trust as at 30 September 2010 were RM1,374,878,118 and RM1.1662 respectively. There were no material changes in the total NAV and NAV per unit as compared to the immediate preceding quarter.

### B5. Change in Market Value

On 30 September 2010, Starhill REIT market value closed at RM0.865 per unit, an increase of 1.17% compared to the opening market value of RM0.855 per unit on 30 June 2010.

### B6. Prospects

The Manager, after considering the strength of the real estate portfolio invested, is optimistic that the Trust is expected to achieve satisfactory performance for the financial year ending 30 June 2011.

### B7. Circumstances Affecting Interest of Unitholders

There were no unusual circumstances which materially affected any interest of the unitholders.

# STARHILL REAL ESTATE INVESTMENT TRUST

## INTERIM FINANCIAL REPORT

### Notes : continued

#### **B8. Material Litigation**

There were no material litigation pending as at the date of this report.

#### **B9. Maintenance Costs and Major Capital Expenditure**

There was no maintenance costs and capital expenditure incurred during the financial quarter.

#### **B10. Soft Commission**

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

#### **B11. Taxation**

The Trust has paid and provided approximately 100% of the realised and distributable income to unitholders, which income at the Trust level is exempted from tax in accordance with the Section 61A, Income Tax Act, 1967 , thus no tax is payable during the financial quarter.

#### **B12. Corporate Development**

As at the date of this announcement, there are no corporate proposals announced and pending completion.

#### **B13. Borrowings and Debt Securities**

The borrowing of RM180 million with a tenure of five years and bears a fixed interest rate of 4.8% per annum is secured by a first fixed charge over investment properties. The borrowing shall be repaid in one lump sum on 16 December 2010.

#### **B14. Income Distribution**

No distribution has been declared for the current financial quarter. A provision is made to distribute approximately 100% of the distributable income during the current financial quarter pursuant to the provision in the Trust Deed dated 18 November 2005 to distribute at least 90% of the distributable income for each financial year.

# STARHILL REAL ESTATE INVESTMENT TRUST

## INTERIM FINANCIAL REPORT

Notes : continued

### B15. Unitholding by the Manager and Parties Related to the Manager

As at 30 September 2010, the Manager did not hold any units in Starhill REIT. The related parties of the Manager held units in Starhill REIT as follows :-

	30.09.2010	
	Number Of Units ‘000	Market Value RM’000
YTL Corporation Berhad	747,084	646,228
YTL Power International Berhad	43,090	37,272
Tan Sri Dato’ (Dr) Francis Yeoh Sock Ping, CBE, FICE	870	753
Dato’ Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir	70	61

The market value of the units held by the parties related to the Manager is based on the closing market price of Starhill REIT at RM0.865 per unit as at 30 September 2010.

### B16. Statement by the Directors of the Manager

In the opinion of the Directors of the Manager, this quarterly report has been prepared in accordance with FRS 134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Starhill REIT as at 30 September 2010 and of its financial performance and cash flows for the financial quarter/period ended on that date.

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By Order of the Board  
HO SAY KENG  
Secretary  
Pintar Projek Sdn Bhd  
Company No : 314009-W  
(As the Manager of Starhill Real Estate Investment Trust)

Kuala Lumpur  
Dated: 25 November 2010