

STARHILL REAL ESTATE INVESTMENT TRUST
Established in Malaysia

Interim Financial Report
30 September 2012

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STARHILL REAL ESTATE INVESTMENT TRUST

INTERIM FINANCIAL REPORT

Interim financial report on consolidated results for the financial period ended 30 September 2012.

The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER PRECEDING CURRENT YEAR YEAR CORRESPONDING		CUMULATIVE QUARTER	
	QUARTER 30.09.2012 RM'000	QUARTER 30.09.2011 RM'000	3 MONTHS ENDED 30.09.2012 RM'000	30.09.2011 RM'000
NET REVENUE	28,077	7,990	28,077	7,990
PROPERTY OPERATING EXPENSES	(2,017)	(481)	(2,017)	(481)
NET PROPERTY INCOME	26,060	7,509	26,060	7,509
OTHER INCOME	534	11,313	534	11,313
MANAGER'S FEES	(1,031)	(549)	(1,031)	(549)
TRUSTEE'S FEES	(154)	(119)	(154)	(119)
ADMINISTRATION EXPENSES	(136)	(81)	(136)	(81)
FINANCE COSTS	(2,270)	(2,157)	(2,270)	(2,157)
PROFIT BEFORE TAX	23,003	15,916	23,003	15,916
INCOME TAX EXPENSE	(241)	(484)	(241)	(484)
PROFIT FOR THE PERIOD	22,762	15,432	22,762	15,432

The Condensed Consolidated Income Statement should be read in conjunction with the audited annual financial statements for the year ended 30 June 2012 and the accompanying explanatory notes attached to the interim financial statements.

STARHILL REAL ESTATE INVESTMENT TRUST**INTERIM FINANCIAL REPORT****CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER PRECEDING CURRENT YEAR YEAR CORRESPONDING QUARTER QUARTER 30.09.2012 30.09.2011 RM'000 RM'000		CUMULATIVE QUARTER 3 MONTHS ENDED 30.09.2012 30.09.2011 RM'000 RM'000	
PROFIT FOR THE PERIOD	22,762	15,432	22,762	15,432
OTHER COMPREHENSIVE EXPENSE :				
CURRENCY TRANSLATION DIFFERENCES	(2,785)	-	(2,785)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	19,977	15,432	19,977	15,432
PROFIT FOR THE PERIOD IS MADE UP AS FOLLOWS :-				
REALISED	22,791	15,432	22,791	15,432
UNREALISED	(29)	-	(29)	-
	22,762	15,432	22,762	15,432
EARNINGS PER UNIT (Sen)	1.72	1.31	1.72	1.31
GROSS DISTRIBUTION PER UNIT (Sen)	1.72	1.31	1.72	1.31

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2012 and the accompanying explanatory notes attached to the interim financial statements.

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

	UNAUDITED AS AT 30.09.2012 RM'000	AUDITED AS AT 30.06.2012 RM'000
ASSETS		
INVESTMENT PROPERTIES	1,595,765	1,598,525
Current Assets		
Trade receivables	839	850
Other receivables	142,967	77,762
Fixed deposits	44,052	91,344
Bank balances	1,235	663
	-----	-----
	189,093	170,619
	-----	-----
TOTAL ASSETS	1,784,858	1,769,144
	=====	=====
UNITHOLDERS' FUNDS		
Unitholders' capital	1,291,395	1,291,395
Undistributed income	216,307	215,796
Currency translation reserve	5,560	8,345
	-----	-----
Net Asset Value	1,513,262	1,515,536
	-----	-----
LIABILITIES		
Non-Current Liabilities		
Borrowings	223,471	180,000
Current Liabilities		
Other payables	25,874	25,603
Provision for income distribution	22,251	48,005
	-----	-----
	48,125	73,608
	-----	-----
TOTAL LIABILITIES	271,596	253,608
	-----	-----
TOTAL UNITHOLDERS' FUNDS & LIABILITIES	1,784,858	1,769,144
	=====	=====

STARHILL REAL ESTATE INVESTMENT TRUST

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued

	UNAUDITED AS AT 30.09.2012 RM'000	AUDITED AS AT 30.06.2012 RM'000
Net assets value (RM'000)	1,513,262 =====	1,515,536 =====
Number of units in circulations ('000)	1,324,389 =====	1,324,389 =====
Net asset value per unit (RM)		
- before income distribution	1.1594	1.2207
- after income distribution	1.1426 =====	1.1443 =====

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The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2012 and the accompanying explanatory notes attached to the interim financial statements.

STARHILL REAL ESTATE INVESTMENT TRUST

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012**

	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<--Non distributable--> Unrealised Income RM'000	Currency Translation Reserve RM'000	Unitholders' Funds RM'000
At 1 July 2012	1,291,395	172,211	43,585	8,345	1,515,536
Operations for the period					
Profit for the period	-	22,762	-	-	22,762
Other comprehensive expense					
Currency translation differences	-	-	-	(2,785)	(2,785)
	-----	-----	-----	-----	-----
Increase / (Decrease) in net assets resulting from operations	-	22,762	-	(2,785)	19,977
Unitholders' transactions					
Provision for income distribution	-	(22,251)	-	-	(22,251)
	-----	-----	-----	-----	-----
Decrease in net assets resulting from Unitholders' transaction	-	(22,251)	-	-	(22,251)
	-----	-----	-----	-----	-----
At 30 September 2012	1,291,395	172,722	43,585	5,560	1,513,262
	=====	=====	=====	=====	=====

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STARHILL REAL ESTATE INVESTMENT TRUST**INTERIM FINANCIAL REPORT****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2011**

	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	Non-distributable Unrealised Income RM'000	Unitholders' Funds RM'000
At 1 July 2011	1,145,895	172,172	38,592	1,356,659
Operations for the period				
Profit for the period	-	15,432	-	15,432
Increase in net assets resulting from operations	-	15,432	-	15,432
Unitholders' transactions				
Provision for income distribution	-	(15,432)	-	(15,432)
Decrease in net assets resulting from unitholders' transactions	-	(15,432)	-	(15,432)
At 30 September 2011	1,145,895	172,172	38,592	1,356,659

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The Condensed Consolidated Statement of Changes in Net Asset Value should be read in conjunction with the audited annual financial statements for the year ended 30 June 2012 and the accompanying explanatory notes attached to the interim financial statements.

STARHILL REAL ESTATE INVESTMENT TRUST**INTERIM FINANCIAL REPORT****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012**

	FOR THE 3 MONTHS ENDED	
	30.09.2012	30.09.2011
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	23,003	15,916
Adjustments for :-		
Interest income	(534)	(11,313)
Interest expense	2,270	2,180
Unrealised loss on foreign currency exchange	34	-
	-----	-----
Operating profit before changes in working capital	24,773	6,783
Net changes in current assets	(65,325)	131
Net changes in current liabilities	349	(855)
Withholding tax paid	(241)	(484)
	-----	-----
Net cash (used in)/from operating activities	(40,444)	5,575
	-----	-----
CASH FLOW FROM INVESTING ACTIVITY		
Interest income	534	11,313
	-----	-----
Net cash from investing activity	534	11,313
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	43,471	-
Interest paid	(2,270)	(2,180)
Distribution paid	(48,005)	(37,713)
	-----	-----
Net cash used in financing activities	(6,804)	(39,893)
	-----	-----
Net decrease in cash and cash equivalent	(46,714)	(23,005)
Effect on exchange rate changes	(6)	-
Cash and cash equivalents at beginning of financial period	92,007	677,119
	-----	-----
Cash and cash equivalent at end of financial period (note a)	45,287	654,114
	=====	=====

STARHILL REAL ESTATE INVESTMENT TRUST

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012 - continued**

Note (a)

Cash and cash equivalent

	As At 30.09.2012 RM'000	As At 30.09.2011 RM'000
Fixed Deposit	44,052	654,003
Bank balances	1,235	111
	-----	-----
	45,287	654,114
	=====	=====

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The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2012 and the accompanying explanatory notes attached to the interim financial statements.

STARHILL REAL ESTATE INVESTMENT TRUST

INTERIM FINANCIAL REPORT

Notes :

Disclosure requirement pursuant to MFRS 134

The condensed consolidated interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 30 June 2012.

A1. Accounting Policies and Methods of Computation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134 “Interim Financial Reporting” and Chapter 9, Part M3 paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The explanatory notes contained herein provide an explanation of the events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2012.

The accounting policies and methods of computation adopted by the Group in the interim financial report are consistent with those adopted in the latest audited annual financial statements.

Subsequent to the last financial year end, the Group has adopted the MFRS Framework issued by the MASB and the adoption was carried out in accordance to MFRS 1 “First-time adoption of Malaysian Financial Reporting Standards”, using 1 July 2011 as the Transition Date.

The adoption of MFRS, amendments to MFRSs and Interpretation Committee Interpretations do not have significant financial impacts on the interim financial report of the Group upon their initial application.

A2. Seasonality or Cyclicity of Operations

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

A3. Unusual Items

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

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 B15.

STARHILL REAL ESTATE INVESTMENT TRUST

INTERIM FINANCIAL REPORT

Notes : - continued

A6. Income Distribution

A final distribution of 3.6247 sen per unit (which is tax exempt at the Trust level under Section 61A, Income Tax Act, 1967), totalling RM48,005,124, in respect of the six month period ended 30 June 2012 was paid during the financial quarter.

A7. Segment Information

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

	Malaysia RM'000	Japan RM'000	Total RM'000
External revenue	24,218	3,859	28,077
Property expenses	(1,156)	(861)	(2,017)
Net property income	23,062	2,998	26,060
Other income	534	-	534
Total income	23,596	2,998	26,594
Trust and administration expenses	(1,308)	(13)	(1,321)
Finance costs	(2,270)	-	(2,270)
Profit before tax	20,018	2,985	23,003

No segment information is prepared for the corresponding financial period ended 30 September 2011 as the Group's activities were predominantly in Malaysia.

A8. Events after the interim period

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

A9. Changes in the Composition of the Group

There was no change in the composition of the Group for the current quarter ended 30 September 2012 and the fund size stands at 1,324,388,889.

A10. Changes in Contingent Liabilities

There were no contingent liabilities to be disclosed.

STARHILL REAL ESTATE INVESTMENT TRUST

INTERIM FINANCIAL REPORT

Disclosure requirements pursuant to Part M3 paragraph 9.44 of Chapter 9 of the Main Market Listing Requirements of Bursa Securities

B1. Review of Performance

Comparison with Preceding Year Corresponding Quarter

For the current financial period ended 30 September 2012, the Group recorded a revenue and profit before tax of RM28.077 million and RM23.003 million, respectively, representing an increase of 251.40% and 44.53%, respectively as compared to the preceding year corresponding period ended 30 September 2011 of RM7.990 million and RM15.916 million, respectively.

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

Comparison with Preceding Quarter

	Current Quarter 30.09.2012 RM'000	Preceding Quarter 30.06.2012 RM'000
Revenue	28,077	28,022
Realised profit after tax	22,251	22,829

The Group's revenue for the current financial quarter ended 30 September 2012 increased to RM28.077 million, representing an increase of 0.20% as compared to the preceding quarter ended 30 June 2012.

The Group's realised profit after tax for the financial quarter ended 30 September 2012 decreased to RM22.251 million from RM22.829 million recorded in the preceding quarter ended 30 June 2012, representing a decrease of 2.53%. The decrease was mainly due to higher interest earned from short term deposits in the preceding quarter.

B2. Audit Report of the preceding financial year ended 30 June 2012

The Auditor's Report on the financial statements of the financial year ended 30 June 2012 did not contain any qualification.

B3. Significant Changes in the State of Affairs

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

STARHILL REAL ESTATE INVESTMENT TRUST

INTERIM FINANCIAL REPORT

Notes : continued

B4. Portfolio Composition

As at 30 September 2012, Starhill REIT's composition of investment portfolio is as follows:

	Fair value as at 30.09.2012 RM'000	% of fair value to NAV as at 30.09.2012 %
<u>Real Estate – Commercial</u>		
(i) JW Marriott Hotel, Kuala Lumpur	349,700	23
(ii) The Residences at The Ritz-Carlton, Kuala Lumpur	223,881	15
(iii) The Ritz-Carlton, Kuala Lumpur	253,017	17
(iv) Pangkor Laut Resort	98,365	7
(v) Tanjong Jara Resort	88,050	6
(vi) Vistana Kuala Lumpur	101,207	7
(vii) Vistana Penang	101,778	7
(viii) Vistana Kuantan	75,980	5
(ix) Cameron Highlands Resort	50,649	3
(x) Hilton Niseko*	253,138	17
	----- 1,595,765 =====	

Note :

* Translated on 30 September 2012 at the exchange rate of JPY100 : RM3.9536

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

B5. Change in Net Asset Value (“NAV”)

The total NAV and NAV per unit of the Group as at 30 September 2012 were RM1,513,261,745 and RM1.1426, respectively. The decrease in total NAV and NAV per unit was mainly due to the recognition of unrealised foreign exchange loss on Hilton Niseko, Japan.

	Current Quarter 30.09.2012 RM	Preceding Quarter 30.06.2012 RM
NAV	1,513,261,745	1,515,536,193
NAV per unit	1.1426	1.1443

STARHILL REAL ESTATE INVESTMENT TRUST

INTERIM FINANCIAL REPORT

Notes : continued

B6. Change in Market Value

On 28 September 2012, Starhill REIT market value closed at RM1.03 per unit, an increase of 0.98% compared to the closing market value of RM1.02 per unit on 29 June 2012.

B7. Prospects

The Manager, after considering the strength of the real estate portfolio invested, is optimistic that the Group is expected to achieve satisfactory performance for the financial year ending 30 June 2013.

B8. Utilisation of Proceeds Raised from Issuance of New Units

There was no issuance of new units during the financial quarter.

B9. Circumstances Affecting Interest of Unitholders

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

B10. Material Litigation

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

B11. Maintenance Costs and Major Capital Expenditure

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

B12. 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 Group.

B13. 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.

STARHILL REAL ESTATE INVESTMENT TRUST

INTERIM FINANCIAL REPORT

Notes : continued

B14. Corporate Development

As at the date of this report, there is no corporate proposal announced and pending completion except for the following: -

On 13 June 2012, it was announced that the following wholly-owned subsidiaries and trusts of Starhill REIT:-

- (a) Starhill Hospitality (Australia) Pty Ltd as the Trustee for Starhill Hospitality REIT (Sydney) Trust, Starhill Hospitality REIT (Brisbane) Trust, Starhill Hospitality REIT (Melbourne) Trust; and
- (b) Starhill Hotel (Sydney) Pty Ltd, Starhill Hotel (Brisbane) Pty Ltd and Starhill Hotel (Melbourne) Pty Ltd.

had entered into three (3) separate Hotel Business and Property Sale Agreements (“SPAs”) with the respective sellers, namely Commonwealth Managed Investments Limited, 30 Pitt Street Pty Limited, 515 Queen Street Pty Limited and Lonex Pty Limited to acquire the following hotel properties for a total cash consideration of AUD415 million (equivalent to RM1,332 million at the exchange rate of RM3.21 : AUD1.00), subject to the terms and conditions as set out in the SPAs:-

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

(hereinafter referred to as the “Proposed Acquisition”).

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

The Trust had received approvals from the Foreign Investment Review Board of Australia and the Controller of Foreign Exchange Administration of Bank Negara Malaysia for remittances in respect of the Proposed Acquisition vide their letter dated 31 July 2012 and 12 October 2012, respectively.

The parties have on 5 November 2012 agreed to extend the SPAs’ cut-off date to 30 November 2012.

STARHILL REAL ESTATE INVESTMENT TRUST

INTERIM FINANCIAL REPORT

Notes : continued

B15. Borrowings and Debt Securities

The Group's borrowings from financial institutions as at 30 September 2012 are as follows:-

	Long term RM'000
Secured	223,471 =====

The borrowing of RM180 million with a tenure of five years and bears a fixed interest rate of 4.75% per annum is secured by a first fixed charge over certain investment properties. The borrowing shall be repaid in one lump sum on 16 December 2015.

During the current financial period, On 7 July 2012, the Trust was granted a term loan facility of up to RM1,650 million. The facility bears an interest rate of 1.25% per annum above the cost of funds and is secured by a first legal charge over investment properties. The borrowing shall be repaid by bullet payment in full on the fifth anniversary from date of first drawdown.

B16. Income Distribution

No distribution has been declared for the current financial quarter. A provision was made to distribute approximately 100% of the realised and 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.

B17. 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 MFRS 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 2012 and of its financial performance and cash flows for the financial quarter/period ended on that date.

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: 22 November 2012