

EXPLANATORY NOTES FOR QUARTER ENDED 31 DECEMBER 2006

A1 BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention except for investment in real estate properties which is stated at fair value.

The financial statements comply with the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities , applicable provisions of The Deed and the Securities Commission's Guidelines on Real Estate Investment Trusts.

A2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of QCT and its wholly owned special purpose vehicle, which QCT has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. The financial statements of the special vehicle has been prepared for the same reporting date as QCT.

Wholly-owned special purpose vehicle is consolidated from the date of acquisition , being the date on which QCT obtained control , and continues to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisition of wholly owned special purpose vehicle is accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of acquisition is measured as the aggregate of the fair values at the date of exchange , of the assets given , liabilities incurred or assumed , and equity instruments issued , plus any costs directly attributable to the acquisition.

Any excess of the costs of the acquisition over QCT's interest in the net fair value of the identifiable assets, liabilities, and contingent liabilities represents goodwill . Any excess of QCT's interest in the net fair value of the assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement .

A3 AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2006

There was no audited report for the preceding year ended 31 December 2005 as QCT was established on 12 October 2006.

A4 SEASONALITY OR CYCLICALITY OF OPERATIONS

The business operations of QCT are not materially affected by any seasonal or cyclical factor.

A5 EXCEPTIONAL OR UNUSUAL ITEMS

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

A6 CHANGES IN ESTIMATES OF AMOUNTS REPORTED

This is not applicable as there was no estimate of amounts reported.

A7 CHANGES IN DEBT AND EQUITY SECURITIES

During the period, QCT, through its wholly owned special purpose vehicle, Gandalf Capital Sdn Bhd, drawdown RM 90,067,992 from the Commercial Papers/Medium Term Notes ("CP/MTN") programme to part finance acquisition of its investment properties.

A8 INCOME DISTRIBUTION

There will be a distribution of RM 1,178,634 to be made on 28 February 2007 . Provision was made to distribute 100% of distributable income for the period ended 31 December 2006 in accordance with the Trust Deed dated 9 October 2006.

A9 SEGMENT REPORTING

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

A10 VALUATION OF INVESTMENT PROPERTIES

The real estate properties were purchased by QCT on 1 December 2006 for RM 276,000,000 which approximate the fair market value as at 31 December 2006.

A11 MATERIAL EVENTS

There was no material events subsequent to the end of the period 31 December 2006 to the date of this report.

A12 CHANGES IN CONTINGENT LIABILITIES

There is no contingent liabilities to be disclosed.

B1 REVIEW OF PERFORMANCE

QCT recorded a RM 1,972,386 and RM 1,193,634 of revenue and profit before tax respectively for the period ended 31 December 2006.

B2 COMPARISON WITH PRECEDING QUARTER

There was no comparison with preceding quarter as this is the first financial report prepared by QCT.

B3 PROSPECTS

The Manager expects the investment properties of QCT to continue enjoying good occupancy and rentals as the tenancies are mainly long term leases with quality tenants who are mainly subsidiaries of MNCs.

The Manager plans to achieve the key objectives of QCT while seeking additional income growth and enhancement to the value of QCT's properties over time through the following strategies :

- a) acquisition growth and portfolio management strategy
- b) active asset management strategy
- c) capital management strategy

B4 VARIANCES

The unaudited income before taxation for the period was RM 1,193,634 which is close to the RM 1,173,000 per original forecast in the prospectus dated 11 December 2006 (variance of 1.7%), as a result of interest of CPs/MTNs being lower than forecasted, and accruals of certain expenses being higher than forecasted.

B5 TAXATION

Under the Income Tax Act 1967, the income of a real estate investment trust which is equal to an amount of distribution made to unitholders is exempted from income tax at trust level.

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

| | current quarter | period to date |
|--|-----------------|----------------|
| | RM | RM |
| Income tax before taxation | 1,193,634 | 1,193,634 |
| Taxation at Malaysian statutory tax of 28% | 334,218 | 334,218 |
| Expenses not deductible for tax purposes | 14,426 | 14,426 |
| Income exempted from tax | (333,644) | (333,644) |
| Tax expense for the period | 15,000 | 15,000 |

B6 PROFITS ON SALE OF INVESTMENTS IN UNQUOTED SECURITIES /PROPERTIES

There was no disposal of investments in unquoted securities during the current quarter and the period todate.

B7 PARTICULARS OF PURCHASE OR DISPOSAL OF INVESTMENT IN QUOTED SECURITIES

There was no purchase or disposal of investment in quoted securities during the current quarter and the period- to-date.

B8 STATUS OF CORPORATE PROPOSAL

there was no corporate proposals in the period -to-date .

B9 BORROWING AND DEBT SECURITIES

| | |
|---|-----------------------|
| | current quarter RM |
| Proceeds raised from issuance of CPs/MTNs | 90,067,992 |
| Less : Transaction costs | 839,880 |
| Add: amortisation of interest expense | 305,334 |
| | <u>89,533,446</u> |

QCT has through its wholly-owned special purpose vehicle, Gandalf Capital Sdn Bhd ,drawdown RM 90,067,992 million from the Commercial Papers / Medium Term Notes (CPs/MTNs) Programme in December 2006 to part finance the acquisition of its initial portfolios of real estate properties . The Manager is of the opinion that the CPs/MTNs will be available throughout the period. The actual interest/coupon rates for the 6 months period from 1 Dec 2006 was at 4.02% p.a

B10 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

QCT has no financial instruments with off balance sheet risks as at the latest practicable date from the date of issuance of this report they may materially affect the position or business of QCT.

B11 MATERIAL LITIGATION

There was no pending material litigation as at the latest practicable date from the date of issuance of this report.

B12 INCOME DISTRIBUTION

In line with the new tax transparency regime introduced by the Government through the Finance Act 2004 income distributed to unitholders by the trust is exempt from tax at the trust level. However, unitholders will be taxed at their respective tax rates on the income distributed . Income distributed to non-resident will be subject to withholding tax .

A provisional income distribution for the quarter has been provided for in the results .
(previous quarter : nil)

Provision:
Distribution per unit 0.4938 sen

Although the income were accrued for the period December 2006, and QCT was listed on 8 January 2007, the distribution is payable to all unitholders as at Book Closure Date .

B13 DISTRIBUTION PER UNIT - PROVISIONAL

| | current quarter ended 31/12/2006 | year to date ended 31/12/2006 |
|--|-------------------------------------|----------------------------------|
| Provision for income distribution (RM) | 1,178,634 | 1,178,634 |
| number of units issued as at 8 Jan 2007 | 238,691,000 | 238,691,000 |
| Basic earnings per unit (sen) * | 0.4938 | 0.4938 |
| Distribution per unit (DPU) (sen) ** | 0.4938 | 0.4938 |
| Annualised Distribution per unit (DPU) (sen) *** | 5.9255 | 5.9255 |
| Diluted earnings per unit | N/A | N/A |

* Basic Earnings per unit is calculated based on the total number of units issued as at 8 January 2007 of 238,691,000 units

** DPU per unit is calculated based on the total number of units issued as at 8 January 2007 of 238,691,000 units

*** Annualised DPU is presented for ease of comparison purpose only.

BY ORDER OF THE BOARD

LEE FONG YONG
COMPANY SECRETARY
Quill Capita Management Sdn Bhd
(Company No: 737252-X)
(As Manager of Quill Capita Trust)
Kuala Lumpur

Dated : 26-Jan-2007