

QUILL CAPITA TRUST
EXPLANATORY NOTES FOR QUARTER ENDED 30 SEPTEMBER 2007

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 Financial Reporting Standards in Malaysia, 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 entity ("SPE"). The special purpose entity is established for the specific purpose of raising financing on behalf of QCT for the acquisition of real estate properties and single-purpose companies. QCT does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with QCT and the SPE's risks and rewards, QCT concludes that it controls the SPE. SPEs controlled by QCT were established under the terms that impose strict limitations on the decision-making powers of the SPE's management resulting in QCT receiving all of the benefits related to SPE's operations and net assets.

A3 AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2006

The audit report of the financial statements for the preceding year ended 31 December 2006 was not qualified.

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 quarter under review, 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

151,440,000 new units were issued by way of private placement and listed on the main board of Bursa Malaysia Securities Berhad on 3 September 2007. The proceeds of the said placement will be utilised for :

- settlement of purchase consideration of Wisma Technip and the retail and carpark lots of Plaza Mont' Kiara, the SPAs of which were duly completed on 3 September 2007 ;
- capital expenditure
- working capital of QCT
- defraying expenses for the private placement and property acquisition related expenses
- paring down future borrowing

Save as disclosed, there was no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter and year to date.

A8 INCOME DISTRIBUTION POLICY

In line with the Trust deed dated 9 October 2006, the Trust intends to distribute 100% of its distributable income at least semi-annually or at any such interval as may be determined by the Manager.

A9 SEGMENT REPORTING

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

A10 VALUATION OF INVESTMENT PROPERTIES

For the quarter under review, there were no changes in the fair value of the investment properties of QCT.

A11 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 30 SEPTEMBER 2007

i) Completion of acquisition of new properties

On 3 September 2007, the SPAs for the purchase of Wisma Technip for RM 125 million and commercial shops and carpark lots of Plaza Mont' Kiara for RM 90 million were duly completed.

The announcement on the completion of the SPAs were made on 3 September 2007 to Bursa Malaysia Securities Berhad.

ii) Proposed private placement

The Manager has, in the Circular to Unitholders dated 16 July 2007, proposed issuance of up to 251,440,000 new units in QCT, the proceeds of which will be utilised for:

- settlement of purchase consideration of Wisma Technip and the retail and carpark lots of Plaza Mont' Kiara, the SPAs of which were duly completed on 3 September 2007;
- capital expenditure
- working capital of QCT
- defraying expenses for the private placement and property acquisition related expenses
- paring down future borrowing

The proposed private placement of new units was approved at the unitholders meeting convened on 8 August 2007, and the first tranche of 151,440,000 new units were listed on Bursa Malaysia Securities Berhad on 3 September 2007. Gross proceeds received amounted to RM 225.9 million.

iii) Proposed increase in Fund Size

The Manager's proposal to increase the fund size of QCT from 238,691,000 to the proposed fund size of up to 490,131,000 units is to accommodate the increase in units pursuant to the proposed private placement.

The said proposal was approved by the unitholders at the Unitholders' meeting convened on 8 August 2007.

SIGNIFICANT EVENTS (CONT'D)

iv) Proposed amendment to the Deed of Trust of QCT

The Manager, in the Circular to Unitholders dated 16 July 2007, proposed to amend the Deed to effectively increase the potential investment opportunities for QCT in the Malaysian property market and allow more flexibility in the selection of QCT portfolio mix to achieve optimal returns for unitholders. The Manager had proposed to amend the objectives and authorised investments clauses in the Deed, by way of a supplemental deed.

The proposal was approved by the unitholders at the Unitholders' Meeting convened on 8 August 2007, and the Deed had since been amended.

A12 SIGNIFICANT EVENT SUBSEQUENT TO THE QUARTER ENDED 30 SEPTEMBER 2007

There were no significant events subsequent to the quarter ended 30 September 2007.

A13 CHANGES IN CONTINGENT LIABILITIES

There is no contingent liabilities to be disclosed.

B1 REVIEW OF PERFORMANCE

QCT recorded RM7.39 million and RM4.9 million of revenue and profit before tax respectively for the quarter ended 30 Sept 2007.

B2 COMPARISON WITH PRECEDING QUARTER

	Current Quarter ended 30 Sept 2007	Preceding Quarter ended 30 June 2007
	RM	RM
Total Revenue *	7,389,531	5,718,374
Profit before tax	4,900,604	3,670,630
Profit after tax	4,900,604	3,677,980
Provision for income distribution	-	-

*The total revenue for the quarter ended 30 Sept 2007 was more than the revenue of the preceding quarter mainly due to rentals from the 2 newly acquired properties, Wisma Technip and the commercial and carpark lots of Plaza Mont ' Kiara that have accrued to QCT from 3 September 2007, and the reclassification of costs recoverable from tenants out from the revenue of the last quarter .

B3 PROSPECTS

Barring unforeseen circumstances, QCT is expected to achieve performance for FY 2007 in line with the projections made in the prospectus dated 10 December 2006, and the forecast as disclosed in the Circular to Unitholders dated 16 July 2007.

B4 Variances

The results for the third quarter ended 30 September 2007 is within the expectation of the Trust and is in line with the projections disclosed in the prospectus dated 10 December 2006 and the forecast as disclosed in the Circular to Unitholders dated 16 July 2007.

B5 TAXATION

The breakdown of the tax components is as follows:

	Current Quarter RM	Period To Date RM
Provision for current quarter's profits	-	-
Write- back of over provision	-	-
Under provision of prior year tax expense	-	2,650
Tax expense/(write -back) for the period	-	2,650

Previously, undistributed income of a REIT would be subject to income tax whereas the income distributed would be exempt from tax. With the amendment to Section 61A of the Income Tax Act 1967, effective from Year of Assessment 2007, the undistributed income of a REIT will also be exempt from income tax provided that the REIT distributes 90% or more of its total income for the year. If the REIT is unable to meet the 90% distribution criteria, the entire taxable income of the REIT for the year would be subject to income tax.

As mentioned in the prospectus dated 11 Dec 2006, QCT intends to distribute 100% of its distributable income in 2007.

For the income distribution paid on 17 September 2007 (the "Cumulative Distribution "), 99.63% of the distributable income for the period 1 January 2007 to 27 August 2007 was distributed. As such, the 90% criteria is met and thus no provision for tax has been made in the period to date . Please refer to Note B12 for further details of the distribution.

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 RM	Period To Date RM
Income before taxation	4,900,604	12,213,195
Taxation at Malaysian statutory tax of 27%	1,323,163	3,297,563
Expenses not deductible for tax purposes		
Income exempted from tax	(1,323,163)	(3,297,563)
Underprovision of prior year tax		2,650
Write-back of over provision		
Tax expense for the period	-	2,650

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 to date.

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

Save as disclosed in Note A 7 above , there was no other corporate proposals in the period -to-date .

B9 BORROWING AND DEBT SECURITIES

	Current Quarter RM
Face value	91,900,000
Discount	(1,812,368)
Net discounted value	<u>90,087,632</u>
Less : Transaction costs	(748,810)
Add: amortisation of interest expense	<u>1,208,246</u>
	<u><u>90,547,068</u></u>

QCT has through its wholly owned special purpose vehicle, Gandalf Capital Sdn Bhd, drawdown net proceeds of RM 90,067,992 from the CPs/MTNs programme on 1 December 2006, of which RM 90M was utilised to part finance the acquisition of Quill Building 1, Quill Building 2 , Quill Building 3 and Quill Building 4 (" Quill Buildings") .

The said CPs were rolled over on 31 May 2007. The Manager is of the opinion that the CPs/MTNs will be available throughout the period. The effective interest rate on QCT's borrowings is 3.995% until 30 November 2011.

B10 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

As part of the active interest rate management strategy of QCT, the Manager has recommended to the Trustee that it should enter into an interest rate swap ("IRS") arrangement to lock in fixed interest rate from the current floating interest rate .

Pursuant to the Manager's recommendation, the Trustee has authorised the Manager to enter into an IRS arrangement based on RM 90 million of the underlying CPs. On 18 April 2007, the IRS arrangement was entered into by the Manager with a licensed financial institution ("The Bank") whereby the interest rate is fixed at 3.745% until 30 November 2011. As such, QCT will pay a fixed rate of 3.995% p.a from 31 May 2007 to 30 November 2011 (including a credit spread of 0.25% p.a) .

The said IRS was announced on 18 April 2007 to Bursa Securities Malaysia Berhad.

The net difference between the floating rate and the fixed rate will be settled between QCT and The Bank semi-annually. Where the fixed rate is higher than the floating rate, the net difference will be payable by QCT to The Bank and where the fixed rate is lower than the floating rate, the net difference will be paid by The Bank to QCT .

The net difference between the fixed rate and the floating rate is charged to the P&L over the 6 -month period.

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 Trust Deed dated 9 October 2006, for the first three financial years from 2006 to 2008, QCT intends to distribute 100% of its distributable income at least semi-annually, or at such other intervals as the Manager may determine.

There was a distribution originally scheduled to take place by 30 August 2007 in relation to the distributable income for the period 1 January 2007 to 30 June 2007 (the "Scheduled Distribution") . However, in conjunction with the placement of new units as disclosed in Note A 7 and Note A 11 above as well as in the Circular to Unitholders dated 16 July 2007 , the Manager has paid on 17 September 2007, in lieu of the Scheduled Distribution, a distribution of the distributable income for the period from 1 January 2007 to 27 August 2007, the day immediately preceding the date on which the new units are issued under the proposed placement of new units (which was on 28 August 2007) , (the "Cumulative Distribution ") .

The Cumulative Distribution is a means to ensure fairness to existing unitholders , and at the same time to avoid the additional costs of making two distributions within a short span of time. By implementing the Cumulative Distribution, the distributable income accrued by QCT up to the day preceding the date of issue of new units (which, at that point in time, were entirely attributable to the existing units), were only distributed in a single distribution in respect of the existing units . The new units were not entitled to the Cumulative Distribution.

Details of the Cumulative Distribution which was paid on 17 September 2007 are as follows:

	RM
Rental income from 1/1/07 to 27/8/07 :	15,655,946
Interest income from 1/1/07 to 27/8/07:	271,239
	<u>15,927,185</u>
Expenses:	(6,365,166)
Tax :	(2,650)
Total distributable income for the period 1/1/07 to 27/8/07	<u><u>9,559,369</u></u>
Distributed income for the period 1/1/07 to 27/8/07	9,523,771
(approximately 99.63% of the total distributable income)	
of which :	
Taxable distributable income:	9,252,532
Tax exempt distributable income:	271,239
Total units in circulation as at 27/8/07	238,691,000
Gross DPU (sen)	3.99
Net DPU (sen)	**

** Income distributed to individuals, non-resident companies, foreign institutional investors and unitholders other than resident companies are subject to withholding tax.

Other than the Cumulative Distribution as mentioned above which was paid on 17 September 2007, there is no other income distribution declared during the quarter . The distributable income from 28/8/07 onwards will be included in the next income distribution.

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 : 12 November 2007