

QUILL CAPITA TRUST
EXPLANATORY NOTES FOR QUARTER ENDED 31 DECEMBER 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, except for changes in demand and supply of properties in the market conditions.

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

- (i) On 3 September 2007, 151,440,000 new units of the Trust were issued and listed on Bursa Malaysia Securities Berhad .There was no new issuance of equity during the quarter.
- (ii) The total debt as at the end of the quarter ended 31 December 2007 was RM 89.86 million.

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

The investment properties were valued based on valuations performed by independent registered valuers. The difference between the valuations and the book value of the respective properties were credited to the revaluation surplus account in the P&L accounts.

A11 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 31 DECEMBER 2007

There were no significant events during the quarter ended 31 December 2007.

A12 SIGNIFICANT EVENTS SUBSEQUENT TO THE QUARTER ENDED 31 DECEMBER 2007

(i) Proposed acquisition of three new properties

On 15 January 2008, MTB as Trustee has entered into Sales and Purchase Agreements ("SPAs") with Quill Group of companies, to acquire three new properties namely, Quill Building 5- IBM , Quill Building 8 - DHL , and Quill Building 10 - HSBC, for a total consideration of RM 94.54 million.

The proposed acquisition was announced on 15 Jan 2008 to Bursa Malaysia Securities Berhad.

(ii) Placement of up to 251,440,000 new units in QCT

As previously announced, 151,440,000 new units in QCT had been issued and listed on Bursa Malaysia Securities Berhad on 3 September 2007. There is a balance of 100,000,000 units to be issued to raise funds for paring down future borrowings, which will be utilised for future acquisitions. A condition stipulated in the Securities Commission's ("SC") approval letter dated 28 June 2007 was that the subsequent tranche(s) of up to 100,000,000 units be issued within 6 months . On 12 December 2007, an application was made to SC requesting for an extension of time for the issuance.

SC has, vide its letter dated 19 December 2007 and received by QCT on 2 January 2008, given its approval for an extension of time of six months to 27 June 2008 to complete the placement of the subsequent tranche(s) of up to 100,000,000 units.

The said approval from SC was announced to Bursa Malaysia Securities Berhad on 3 January 2008.

A13 CHANGES IN CONTINGENT LIABILITIES

There were no contingent liabilities to be disclosed.

B1 REVIEW OF PERFORMANCE

QCT recorded RM 12.07 million and RM 64.16 million of revenue and profit before tax respectively for the quarter ended 31 December 2007.

There was a revaluation surplus of RM 57.106 million credited to the P&L during the quarter .

B2 COMPARISON WITH PRECEDING QUARTER

		Current Quarter ended 31 Dec 2007 RM	Preceding Quarter ended 30 Sept 2007 RM
Total Revenue	*	12,072,171	7,389,531
Profit before tax		64,164,439	4,900,604
Profit after tax	#	64,164,439	4,900,604
Provision for income distribution		9,636,236	-

* The total revenue for the quarter is higher than the preceding quarter due mainly to(i) rental generated from Wisma Technip and retail shops and carpark lots of Plaza Mont' Kiara which commenced 3 September 2007, and (ii) reclassification of costs recoverable from tenants from costs to revenue . There is no P&L impact resulting from the said reclassification.

The profit after tax is higher than the preceding quarter mainly due to : i) operating profits generated from Wisma Technip and retail shops and carpark lots of Plaza Mont Kiara which commenced on 3 September 2007, and (ii) revaluation surplus of Rm 57.106 million credited to the P&L in December 2007.

B3 PROSPECTS

The unaudited results for the year ended 31 December 2007 is in line with the forecast as disclosed in the Circular to Unitholders dated 16 July 2007. See Note B4 for further explanation.

The Manager expects the investment properties of QCT to continue to enjoy reasonably good occupancy and rentals as the tenancies are mainly long term leases with quality tenants who are mainly subsidiaries of multinational companies ("MNCs").

The Manager plans to continue to seek additional income growth and enhancement to the values of QCT's portfolio through its acquisition and growth strategies, active asset management and capital management strategies.

B4 VARIANCES

The results for the fourth quarter ended 31 December 2007 is within the expectation of the Trust and is in line with the forecast in the Circular to Unitholders ("Circular") dated 16 July 2007, save for (i) revaluation surplus of RM 57.106 million not included in the forecast, and (ii) certain operating expenses lower than forecast.

The profits after tax (excluding revaluation surplus) of RM 19.268 million is 5.6% higher than the RM 18.248 million forecast in the Circular mainly due to lower operating costs and higher interest income from deposits.

The profits after tax (excluding revaluation surplus) of RM 19.268 million is 34.5% higher than the RM 14.322 million as projected in the Prospectus dated 10 December 2006 mainly due to net operating income generated from Wisma Technip and retail shops and carpark lots of Plaza Mont' Kiara which commenced 3 September 2007 and were not forecast in the Prospectus.

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 QCT intends to distribute 100% of its distributable income in 2007, no provision for tax has been made in the period to date. Please refer to Note B 12 for further details of the proposed 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	7,058,151	19,271,346
Taxation at Malaysian statutory tax of 27%	1,905,701	5,203,263
Expenses not deductible for tax purposes	-	-
Income exempted from tax	(1,905,701)	(5,203,263)
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 were no disposals 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 were no purchases or disposals 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 and A 12 (ii) above, there were no other corporate proposals in the period to date.

B9 BORROWING AND DEBT SECURITIES

	Current Quarter RM
Face value	91,900,000
Discount	(1,777,975)
Net discounted value	<u>90,122,025</u>
Less : Transaction costs	(545,101)
Add: Amortisation of interest expense	<u>283,304</u>
	<u><u>89,860,228</u></u>

QCT has through its wholly owned special purpose entity, Gandalf Capital Sdn Bhd, drawdown net proceeds of RM 90,067,992 of Commercial papers (CPs) from the CPs/MTNs programme on 1 December 2006 , of which RM 90 million 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 twice this year, on 31 May 2007 and 3 December 2007 respectively. 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, on 18 April 2007, an Interest Rate Swap ("IRS") arrangement (swapping floating rate for fixed rate) 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 is 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 were no pending material litigations as at the latest practicable date from the date of issuance of this report.

