

QUILL CAPITA TRUST
EXPLANATORY NOTES FOR QUARTER ENDED 31 MARCH 2008

A1 BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention except for investment 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 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 2007

The audit report of the financial statements for the preceding year ended 31 December 2007 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

Save as disclosed in note B9, there were no repurchase, resale and repayment of debt and equity instruments 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

The investment properties were valued based on valuations performed by independent registered valuers on 1 December 2007. 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 for the financial year ended 31 December 2007.

There were no valuations of the investment properties during the quarter, except for the three properties acquired in March 2008.

A11 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 31 MARCH 2008

Acquisition of three properties

On 15 January 2008, Mayban Trustees Berhad ("Trustee") entered into Sale 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 Section 13, for a total consideration of RM94.54 million.

The SPA for Quill Building 5 - IBM was completed on 14 March 2008 and announcement to Bursa Malaysia Securities Berhad was made on the same day.

The SPAs for Quill Building 8 -DHL and Quill Building 10 - HSBC Section 13 were duly completed on 25 March 2008 and announcement to Bursa Malaysia Securities Berhad was made on the the same day.

A12 SIGNIFICANT EVENTS SUBSEQUENT TO THE QUARTER ENDED 31 MARCH 2008

There were no significant events subsequent to the quarter ended 31 March 2008.

A13 CHANGES IN CONTINGENT LIABILITIES

There is no contingent liabilities to be disclosed.

A14 CAPITAL COMMITMENTS

The amount of capital commitment not provided for in the financial statements as at 31 March 2008 is are follows:

	RM
Approved and contracted for :	
Investment properties	900,293
Approved and not contracted for :	
Investment properties	132,961,760

B1 REVIEW OF PERFORMANCE

QCT recorded RM11.379 million and RM7.10 million of revenue and profit before tax respectively for the quarter ended 31 March 2008.

B2 COMPARISON WITH PRECEDING QUARTER

		Current Quarter ended 31 March 2008	(Restated) Preceding Quarter ended 31 Dec 2007
		RM	RM
Total Revenue	*	11,379,456	11,142,638
Profit before tax		7,100,512	64,164,439
Profit after tax	#	7,100,512	64,164,439
Provision for income distribution		-	9,636,236

* The total revenue for the quarter is higher than the preceding quarter due mainly to higher rental income and revenue generated from the three properties acquired in March 2008.

The profit after tax is lower than the preceding quarter due mainly to revaluation surplus of RM57.106 million credited to the P & L in December 2007. If the revaluation surplus is excluded, the profit after tax for the quarter would be higher than the preceding quarter mainly due to higher rental income and revenue generated from the three properties acquired in March 2008.

Please refer to Note B 13 for details of the restated amount.

B3 PROSPECTS

The Manager expects the investment properties of QCT to continue enjoy good occupancy and rental 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 PROFIT FORECAST /PROFIT GUARANTEE VARIANCE

a) Profit forecast

The unaudited results for the 1st quarter ended 31 March 2008 is in line with the projections in the Circular to Unitholders dated 16 July 2007 ("Circular"), save for the additional revenue and profits from the three properties acquired in March 2008 which were not projected in the Circular.

The unaudited results for the 1st quarter ended 31 March 2008 is in line with the expectation of the Trust.

b) Profit guarantee

QCT is not involved in any arrangement involving it providing profit guarantee.

B5 TAXATION

A breakdown of the tax components is as follows:

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

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.

B5 TAXATION (cont'd)

As QCT intends to distribute 100% of its total income for the year to its unitholders, no provision for tax has been made in the current quarter and period to date.

A reconciliation of the 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	7,100,512	7,100,512
Taxation at Malaysian statutory tax of 26%	1,846,133	1,846,133
Expenses not deductible for tax purposes	-	-
Income exempted from tax	(1,846,133)	(1,846,133)
Underprovision of prior year tax	-	-
Write-back of over provision	-	-
Tax expense for the period	-	-

B6 PROFIT 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 PROPOSALS

There were no corporate proposals during the quarter and period to date .

B9 BORROWING AND DEBT SECURITIES

	Current Quarter RM
Face value of CPs issued	115,900,000
Discount	(1,854,209)
Cash proceeds	114,045,791
Accretion of interest expense	1,214,097
	115,259,888
Transaction costs	(637,637)
	114,622,251
Amortisation of transaction costs	115,670
	114,737,921
Loan Facilities	51,540,000
Total	166,277,921

On 3 November 2006, QCT has through its SPE , Gandalf Capital Sdn. Bhd. , established a 7 year RM118 million Commercial Papers ("CPs")/ Medium Term Notes (" MTNs") programme ("CPs/MTNs Programme") to raise funds from the private debt securities market to part finance acquisitions of its investment properties.

On 1 December 2006, CPs of nominal value of RM91.9 million were issued to raise net proceeds of RM90.1 million which were utilised to part finance the acquisition of Quill Building 1, Quill Building 2 , Quill Building 3 and Quill Building 4 (" Quill Buildings") .

The effective interest rate on the said CPs is 3.995% p.a until 30 November 2011, resulting from an Interest Rate Swap as disclosed in Note B 10 .

B9 BORROWING AND DEBT SECURITIES (cont'd)

On 14 March 2008, CPs of nominal value of RM24 million were issued, the proceeds of which were utilised to part finance the acquisition of Quill Building 5 - IBM . The said CPs matured on 14 April 2008 and were rolled over to 13 June 2008 at an interest rate of 3.83% p.a.

The Manager is of the opinion that the CPs/MTNs will be available throughout the period of the CPs/MTNs Programme.

On 29 February 2008 , QCT obtained loan facilities of totalling RM290 million ("Loan Facilities") with RM145 million each from HwangDBS Investment Bank Berhad ("HwangDBS") and Malayan Banking Berhad ("MBB").

On 25 March 2008, QCT made a drawdown of RM25.77 million each from its Loan Facilities with HwangDBS and MBB. The amount drawdown totalling RM51.54 million was used to finance the acquisition of Quill Building 8 - DHL and Quil Building 10 - HSBC Section 13.

The interest rates on the loans drawdown of RM25.77 million from each of HwangDBS and MBB are 4.73% p.a and 4.63% p.a respectively.

The loan facilities are secured by :

- (a) Lienholders caveat(s) in favour of HwangDBS as security agent over the titles to Wisma Technip, Quill Building 8 - DHL and Quill Building 10 - HSBC Section 13 and any future properties to be acquired where individual titles to such properties are available; and
- (b) assignment in favour of HwangDBS as security agent of all benefits, rights and interest over the retail units and carpark lots comprised in Plaza Mont' Kiara belonging to QCT, Quill Building 5 - IBM and any future properties to be acquired where individual titles to such properties are not available.

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 was 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 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 difference will be payable by QCT to The Bank and where the fixed rate is lower than the floating rate, the difference will be paid by The Bank to QCT .

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

B11 MATERIAL LITIGATION

There is 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.

Based on QCT's intention as above, a provision for distribution of income of RM7,100,512 being 100% of QCT's distributable income for the quarter has been made. However, the distribution of the amount provided will be declared and paid at a later date as the Manager may determine.

B13 CHANGES IN COMPARATIVES

The comparable amounts in Note B2 have been restated to conform with current period presentation :

	Preceding Quarter ended 31 Dec 2007	Adjustment	(Restated) Preceding Quarter ended 31 Dec 2007
	RM	RM	RM
Total revenue	12,072,171	(929,533)	11,142,638

The adjustment of RM 929,533 represents costs recoverable from tenants which were reclassified in December 2007 from costs accounts to revenue account. The amount was related to the period from January 2007 to August 2007.

There was no impact on the Profit and Loss for the financial year ended 31 December 2007 resulting from the reclassification.

B14 AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors of the Manager in accordance with a resolution of directors dated 21 April 2008.

BY ORDER OF THE BOARD

LEE FONG YONG
COMPANY SECRETARY (MAICSA No. 7005956)
Quill Capita Management Sdn Bhd
(Company No: 737252-X)
(As Manager of Quill Capita Trust)
Kuala Lumpur

Dated : 21 April 2008