

QUILL CAPITA TRUST
EXPLANATORY NOTES FOR QUARTER ENDED 30 SEPTEMBER 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 Trust 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 entities ("SPEs"). The special purpose entities are 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. A 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 factors, except for changes in demand and supply of properties which depend on market conditions.

A5 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

During the current quarter under review, there were no unusual items due to their nature, size or incidence that affects the assets, liabilities, equity, net income or cash flows of QCT.

A6 CHANGES IN ESTIMATES OF AMOUNTS REPORTED

There were no changes in the estimates of amounts reported during the current quarter.

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, QCT intends to distribute 100% of its distributable income for the first three financial years at least semi-annually, or at such other intervals as the Manager may determine.

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 income statement for the financial year ended 31 December 2007.

No valuation of the investment properties was carried out during the quarter.

A11 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 30 SEPTEMBER 2008

Acquisition of a special purpose entity - Boromir Capital Sdn. Bhd (formerly known as Haruman Idaman Sdn. Bhd.)

On 11 July 2008, the Securities Commission ("SC") approved the acquisition of a special purpose entity, Boromir Capital Sdn.Bhd. to facilitate the implementation of a RM134 million CPs/MTNs programme. The announcement was made to Bursa Malaysia Securities Berhad on 16 July 2008.

A12 SIGNIFICANT EVENTS SUBSEQUENT TO THE QUARTER ENDED 30 SEPTEMBER 2008

There were no significant events subsequent to the quarter ended 30 September 2008.

A13 CHANGES IN CONTINGENT LIABILITIES

There are no contingent liabilities to be disclosed.

A14 CAPITAL COMMITMENTS

The amount of capital commitment not provided for in the financial statements as at 30 September 2008 are as follows:

	RM
Approved and contracted for :	
Investment properties	132,436,508
Approved and not contracted for :	
Investment properties	279,759

B1 REVIEW OF PERFORMANCE

QCT recorded RM13.768 million and RM6.835 million of revenue and profit before tax respectively for the quarter ended 30 September 2008.

B2 COMPARISON WITH PRECEDING QUARTER

	Current Quarter ended 30 Sept 2008 RM	Preceding Quarter ended 30 June 2008 RM
Total Revenue	13,768,822	13,695,110
Profit before tax	6,835,524	6,749,408
Profit after tax	6,835,524	6,749,408
Provision for income distribution	# 7,577,041	6,007,891

There has been no material deviation of the revenue, profits before and after tax for the quarter as compared with the preceding quarter .

Provision for income distribution is made up of distributable income for the period from 24 June 2008 to 30 June 2008 of RM714,517 and RM6,835,524 for the period from 1 July 2008 to 30 September 2008.

B3 PROSPECTS

The Manager expects the investment properties of QCT to continue to 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 value 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 third quarter ended 30 September 2008 is in line with the forecast as announced on 21 April 2008 ("Forecast 2008") and is in line with the expectation of QCT.

b) Profit guarantee

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

B5 TAXATION

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 more than 90% 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	6,835,524	20,685,443
Taxation at Malaysian statutory tax of 26%	1,777,236	5,378,215
Expenses not deductible for tax purposes	-	-
Income exempted from tax	(1,777,236)	(5,378,215)
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 current quarter and period to date.

B9 BORROWINGS AND DEBT SECURITIES

<u>CPs</u>	Current Quarter RM
Face value of CPs issued	115,900,000
Discount on CPs	(2,275,865)
Cash proceeds	113,624,135
Accretion of interest expense on CPs	1,476,452
	115,100,587
Transaction costs	(545,101)
	114,555,486
Amortisation of transaction costs	69,402
	114,624,888
<u>MTNs</u>	
Face value of MTNs issued	64,000,000
Transaction costs	(2,000,000)
	62,000,000
Amortisation of transaction costs	12,699
	62,012,699

a Commercial Papers ("CPs") / Medium Term Notes ("MTNs") programmes ("CPs/MTNs Programme")

(i) CPs/MTNs Programme of up to RM118 million ("RM118 million Programme")

On 3 November 2006, QCT has through its SPE, Gandalf Capital Sdn. Bhd., established a 7 year RM118 million CPs/MTNs Programme ("RM118 million 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 - DHL, Quill Building 2 - HSBC, Quill Building 3 - BMW and Quill Building 4 - DHL 2 ("Quill Buildings").

The effective interest rate on the said RM91.9 million CPs is 3.995% p.a. until 30 November 2011, resulting from an Interest Rate Swap as disclosed in Note B10 (i).

On 14 March 2008, CPs of nominal value of RM24 million were issued to raise proceeds of RM23.9 million which were utilised to part finance the acquisition of Quill Building 5 - IBM. The said CPs have been rolled over to 15 December 2008 at an interest rate of 3.98% p.a .

The effective interest rate of the said RM 24 million CPs will be 4.14% with effect from 15 December 2008 to 30 November 2011 due to the IRS arrangement as disclosed in Note B 10 (iii).

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

B9 BORROWING AND DEBT SECURITIES (cont'd)

(ii) CP/MTN Programme of up to RM134 million (RM134 million Programme")

On 30 July 2008, QCT through its SPE , Boromir Capital Sdn Bhd ("Boromir") , established a 7 year CP/MTN Programme of up to RM134 million ("RM134 million CPs/MTNs Programme").

On 15 September 2008, RM64 million of MTNs were issued under the RM134 million CPs/MTNs Programme. Proceeds from the MTNs issuance were used mainly to repay the amount drawdown from the Loan Facilities of RM59.24 million.

The interest rate on the MTNs issued is at 5.2% p.a for 5 years till year 2013 and thereafter at 6.2% p.a until year 2015.

The effective interest rate on the MTNs is 6 -month KLIBOR + 0.47% due to the IRS arrangement as disclosed in Note B 10 (ii).

Transaction costs relating to the RM134 million CPs/MTNs Programme is estimated at RM2 million.

b Loan Facilities

RM290 million Loan Facilities

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

The total amount drawdown of RM59.24 million was utilised to finance the acquisition of Quill Building 8 - DHL, Quill Building 10 - HSBC Section 13, and part payment for Tesco building.

The interest rates on the loan drawdown during the period ranged from 4.70% p.a to 4.90% p.a.

The amount drawdown from the Loan Facilities was fully repaid on 15 September 2008 and the Loan Facilities were terminated on the same day.

RM80 million Loan Facilities

On 16 October 2008, QCT obtained loan facilities totalling RM80 million ("RM80 million Loan Facilities ") with RM40 million each from HwangDBS and Aseambankers Malaysia Berhad ("Aseam").

The said RM80 million Loan Facilities will be drawdown to part finance the acquisition of Tesco building, the completion of which is expected to be in the 4th quarter of 2008.

The interest is 0.9% above the lenders' effective costs of funds ("ECOF") at the time of drawdown.

B10 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Other than as disclosed below, QCT has no financial instruments with off balance sheet risks as at 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 following Interest Rate Swap ("IRS") arrangements have been entered into :

- (i) On 18 April 2007, an IRS swapping floating rate for fixed rate for RM90 million 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).
- (ii) On 15 September 2008, an IRS swapping fixed rate for floating rate for RM64 million was entered into by the Manager with a licensed financial institution (the " Bank") whereby QCT will pay a floating rate of 6- month KLIBOR plus 0.47% whilst the Bank will pay a fixed rate of 5.2% p.a to QCT.
- (iii) On 10 October 2008, an IRS swapping floating rate for fixed rate for RM25.5 million was entered into by the Manager with a licensed financial institution (the "Bank"). The said IRS will commence on 15 December 2008 and matures on 30 November 2011. QCT will pay a fixed rate of 3.89% p.a and the Bank will pay to QCT a floating rate of 6 -month KLIBOR.

The difference between the floating rate and the fixed rate will be settled between QCT and the Bank semi-annually, and are charged or credited to the income statement over the 6 month period.

B11 CHANGES IN MATERIAL LITIGATION

There is no pending material litigation as at 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.

QCT had, on 6 June 2008, announced an income distribution of RM13,108,402 (or 3.36 sen per unit) being the distributable income for the period from 1 January 2008 to 23 June 2008. The income distribution was paid on 18 July 2008.

There is no declaration of income distribution in the current quarter. However, a provision for income distribution of RM7,577,041 has been made, being 100% of QCT's distributable income for the period from 24 June 2008 to 30 September 2008.

Income distribution to resident individuals, non-resident individuals, resident institutional investors, non-resident institutional investors and non-resident companies are subject to withholding tax.

B13 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 October 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 October 2008