

QUILL CAPITA TRUST  
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2012 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year	Preceding Year Corresponding	Current Year	Preceding Year Corresponding
	Quarter 30.06.2012	Quarter 30.06.2011	To Date 30.06.2012	To Date 30.06.2011
	RM	RM	RM	RM
<b>TOTAL INCOME</b>				
Gross revenue	17,423,962	17,612,932	35,208,147	35,126,547
Property operating expenses	(3,521,462)	(3,551,737)	(8,015,014)	(8,038,154)
Net property income	13,902,500	14,061,195	27,193,133	27,088,393
Interest income	188,110	162,773	385,932	321,056
	<u>14,090,610</u>	<u>14,223,968</u>	<u>27,579,065</u>	<u>27,409,449</u>
<b>TOTAL EXPENDITURE</b>				
Manager's fee	(1,326,899)	(1,301,308)	(2,689,936)	(2,648,796)
Trustee's fee	(63,155)	(63,963)	(127,091)	(126,526)
Finance costs	(3,497,545)	(3,663,429)	(6,954,991)	(7,244,444)
Valuation fees	47,500	(52,500)	(122,500)	(235,000)
Auditors' remuneration	(36,505)	(28,752)	(67,258)	(57,504)
Tax agent's fee	(4,629)	(4,128)	(11,458)	(9,456)
Administrative expenses	(40,807)	58,320	(365,995)	(236,642)
	<u>(4,922,040)</u>	<u>(5,055,760)</u>	<u>(10,339,229)</u>	<u>(10,558,368)</u>
<b>INCOME BEFORE TAX</b>	<u>9,168,570</u>	<u>9,168,208</u>	<u>17,239,836</u>	<u>16,851,081</u>
Income tax expense	-	-	-	-
<b>NET INCOME FOR THE PERIOD</b>	<u>9,168,570</u>	<u>9,168,208</u>	<u>17,239,836</u>	<u>16,851,081</u>
<b>OTHER COMPREHENSIVE INCOME</b>				
(Loss)/Gain on remeasurement of financial derivatives (a)	(2,229,072)	287,854	(809,035)	195,731
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>6,939,498</u>	<u>9,456,062</u>	<u>16,430,801</u>	<u>17,046,812</u>
<b>Net income for the period is made up as follows:</b>				
Realised	9,168,570	9,168,208	17,239,836	16,851,081
Unrealised	-	-	-	-
<b>EARNINGS PER UNIT (b)</b>				
- after manager's fees (sen)	2.35	2.35	4.42	4.32
- before manager's fees (sen)	2.69	2.68	5.11	5.00
<b>EARNINGS PER UNIT (REALISED) (c)</b>				
- after manager's fees (sen)	2.35	2.35	4.42	4.32
- before manager's fees (sen)	2.69	2.68	5.11	5.00
<b>INCOME DISTRIBUTION</b>				
Interim income distribution	(7,924,105)	(7,922,367)	(15,995,371)	(15,605,240)
<b>Income distribution per unit</b>				
Gross (sen)	2.03	2.03	(d) 4.10	4.00

(a) This relates to the gain/(loss) on the remeasurement of the fair values of interest rate swaps ("IRSs").  
( please refer Note B15)

(b) Earnings Per Unit is computed based on Net Income for the period divided by 390,131,000 units in circulation during the quarter.

(c) Earnings Per Unit (Realised) is computed based on Realised Net Income for the period divided by 390,131,000 units in circulation during the quarter.

(d) Income distribution of 4.10 sen per unit being the distribution of income for the period 1 January 2012 to 30 June 2012 will be payable on 29 August 2012 to all unitholders as at book closure date. Please refer to Note B17 for further details of the distribution.

The Condensed Consolidated Statement Of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the financial statements.

**QUILL CAPITA TRUST**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE PERIOD ENDED 30 JUNE 2012 (UNAUDITED)**

	<b>AS AT END OF CURRENT QUARTER</b>	<b>AS AT PRECEDING FINANCIAL YEAR END</b>
	<b>30.06.2012 UNAUDITED RM</b>	<b>31.12.2011 AUDITED RM</b>
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Plant and equipment	2,196	406
Investment properties	814,814,800	814,800,000
Derivative assets (i)	-	710,657
	<u>814,816,996</u>	<u>815,511,063</u>
<b>CURRENT ASSETS</b>		
Trade and other receivables	3,119,684	2,500,573
Deposits with licensed financial institution	27,109,778	28,227,032
Cash on hand and at banks	8,516,741	7,582,685
	<u>38,746,203</u>	<u>38,310,290</u>
<b>TOTAL ASSETS</b>	<u><b>853,563,199</b></u>	<u><b>853,821,353</b></u>
<b>UNITHOLDERS' FUNDS AND LIABILITIES</b>		
<b>UNITHOLDERS' FUNDS ATTRIBUTABLE TO UNITHOLDERS OF QCT</b>		
Unitholders' capital	411,712,067	411,712,067
Undistributed and Non-distributable income	93,838,340	93,402,910
<b>TOTAL UNITHOLDERS' FUNDS</b>	<u>505,550,407</u>	<u>505,114,977</u>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	305,165,346	305,013,206
Security deposits	6,641,415	6,121,947
	<u>311,806,761</u>	<u>311,135,153</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	11,976,325	11,842,925
Security deposits	8,135,957	8,952,665
Derivative liabilities (i)	98,378	-
Provision for income distribution	15,995,371	16,775,633
	<u>36,206,031</u>	<u>37,571,223</u>
<b>TOTAL LIABILITIES</b>	<u>348,012,792</u>	<u>348,706,376</u>
<b>TOTAL UNITHOLDERS' FUNDS AND LIABILITIES</b>	<u><b>853,563,199</b></u>	<u><b>853,821,353</b></u>
<b>NET ASSET VALUE PER UNIT (before provision for distribution)</b>	1.3368	1.3377
<b>NET ASSET VALUE PER UNIT (after provision for distribution)</b>	1.2958	1.2947
<b>NUMBER OF UNITS IN CIRCULATION</b>	390,131,000	390,131,000

(i) These relate to the fair values of the IRSs (Note B15).

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the financial statements.

**QUILL CAPITA TRUST**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE**  
**FOR THE PERIOD ENDED 30 JUNE 2012 (UNAUDITED)**

	Unitholders' Capital		Distributable		Non-Distributable		Total	
	RM		Undistributed Income Realised	RM	Undistributed Income Unrealised	RM	Undistributed and Non-Distributable Income	RM
<b>As at 1 January 2011</b>	411,712,067		3,926,827		81,868,685		86,265,202	497,977,269
Total Comprehensive Income for the period	-		16,851,081		-		17,046,812	17,046,812
<b>Unitholders' transactions:</b>								
Provision for distribution	-	(15,605,240)					(15,605,240)	(15,605,240)
<b>As at 30 June 2011</b>	<u>411,712,067</u>		<u>5,172,668</u>		<u>81,868,685</u>		<u>87,706,774</u>	<u>499,418,841</u>
<b>As at 1 January 2012</b>	411,712,067		4,926,229		89,273,932		93,402,910	505,114,977
Total Comprehensive Income for the period	-		17,239,836		-		16,430,801	16,430,801
<b>Unitholders' transactions:</b>								
Provision for distribution	-	(15,995,371)					(15,995,371)	(15,995,371)
<b>As at 30 June 2012</b>	<u>411,712,067</u>		<u>6,170,694</u>		<u>89,273,932</u>		<u>93,838,340</u>	<u>505,550,407</u>

The Condensed Consolidated Statement of Changes in Net Asset Value should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the financial statements.

**QUILL CAPITA TRUST**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2012 (UNAUDITED)**

	<b>CURRENT YEAR TO DATE 30.06.2012 RM</b>	<b>PRECEDING YEAR TO DATE 30.06.2011 RM</b>
<b>OPERATING ACTIVITIES</b>		
Income before tax	17,239,836	16,851,081
Adjustments for:		
Finance costs	6,954,991	7,244,444
Depreciation	710	600
Interest income	(385,932)	(321,056)
Operating cash flows before changes in working capital	<u>23,809,605</u>	<u>23,775,069</u>
Receivables	(642,793)	(188,516)
Payables	(351,928)	1,829,841
Cash flows from operations	<u>22,814,884</u>	<u>25,416,394</u>
Income tax paid	-	-
Net cash flows from operating activities	<u>22,814,884</u>	<u>25,416,394</u>
<b>INVESTING ACTIVITIES</b>		
Subsequent expenditure on investment properties	(14,800)	-
Purchase of plant & equipment	(2,500)	-
Interest income	405,140	318,838
Net cash flows generated from investing activities	<u>387,840</u>	<u>318,838</u>
<b>FINANCING ACTIVITIES</b>		
Distribution to unitholders	(16,775,633)	(16,307,476)
Finance costs paid	(6,610,289)	(6,932,185)
Net cash flows used in financing activities	<u>(23,385,922)</u>	<u>(23,239,661)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(183,198)</u>	<u>2,495,571</u>
<b>CASH AND BANK BALANCES AT BEGINNING OF PERIOD</b>	<u>35,809,717</u>	<u>30,805,342</u>
<b>CASH AND BANK BALANCES AT END OF PERIOD</b>	<u>35,626,519</u>	<u>33,300,913</u>
Cash and cash equivalents at end of period comprises:		
Deposits with licensed financial institutions	27,109,778	24,675,530
Cash on hand and at banks	8,516,741	8,625,383
	<u>35,626,519</u>	<u>33,300,913</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes to the financial statements.

**QUILL CAPITA TRUST**  
**EXPLANATORY NOTES FOR PERIOD ENDED 30 JUNE 2012**

**A1 BASIS OF PREPARATION**

The financial statements have been prepared under the historical cost convention except for investment properties and derivative financial instruments which are stated at fair value and presented in Ringgit Malaysia (RM).

The financial statements comply with the Malaysian Financial Reporting Standards ("MFRS") 134 "Interim Financial Reporting", provisions of the Trust Deed and the Securities Commission's Guidelines on Real Estate Investment Trusts and should be read in conjunction with QCT's audited financial statements for the financial year ended 31 December 2011 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

**A2 BASIS OF CONSOLIDATION**

The consolidated financial statements include the financial statements of QCT and its special purpose entities ("SPEs"). The SPEs were established for the specific purpose of raising financing on behalf of QCT. 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 the SPE's operations and net assets.

**A3 CHANGES IN ACCOUNTING POLICIES**

These unaudited interim financial statements are for part of the period covered by QCT's first annual financial statements prepared under the MFRS framework. Accordingly, QCT has applied MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards in the transition to the MFRS framework on 1 January 2012. The MFRS did not result in any financial impact to QCT as the accounting policies adopted under the previous FRS framework were already in line with the requirements of the MFRS framework.

**A4 AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2011**

The audit report of the financial statements for the preceding year ended 31 December 2011 was not qualified.

**A5 SEASONALITY OR CYCLICALITY OF OPERATIONS**

The business operations of QCT may be affected by seasonal or cyclical factors, including but not limited to changes in rental demand and supply of properties which depend on market conditions, economic cycle, financial performance of its tenants, availability of credit facilities and interest rate environment.

**A6 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.

#### **A7 CHANGES IN ESTIMATES OF AMOUNTS REPORTED**

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

#### **A8 CHANGES IN DEBT AND EQUITY**

Save as disclosed in note B14, there were no repurchase, resale and repayment of debt and equity instruments for the current quarter .

#### **A9 INCOME DISTRIBUTION POLICY**

In line with the Trust Deed dated 9 October 2006, effective from financial year 2009, QCT intends to distribute at least 90% of its distributable income at least semi-annually or at such other intervals as the manager may determine.

#### **A10 SEGMENT REPORTING**

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

#### **A11 VALUATION OF INVESTMENT PROPERTIES**

The investment properties are valued by independent registered valuers and the differences between the valuations and the book values of the respective properties are charged or credited to the profit or loss in the statement of comprehensive income.

For the quarter ended 30 June 2012, there was no revaluation of investment properties.

#### **A12 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 30 JUNE 2012**

There were no significant events during the quarter ended 30 June 2012 not otherwise disclosed in the financial statements.

#### **A13 SIGNIFICANT EVENTS SUBSEQUENT TO THE QUARTER ENDED 30 JUNE 2012**

There were no significant events subsequent to the quarter ended 30 June 2012.

#### **A14 CHANGES IN CONTINGENT LIABILITIES**

There are no contingent liabilities to be disclosed.

#### **A15 CAPITAL COMMITMENTS**

There were no capital commitment as at 30 June 2012.

## **B1 REVIEW OF PERFORMANCE**

### **Quarter and year to date results**

QCT recorded total revenue of RM17.42 million and property operating expenses of RM3.52 million respectively for the current quarter ended 30 June 2012. Realised income of RM9.17 million was achieved. Finance costs of RM3.50 million and manager's fee of RM1.33 million were incurred during the quarter.

As compared with the preceding year corresponding quarter, the revenue is about 1.1% lower mainly due to some vacant space, net of rental rate increases of some properties. Property operating expenses are lower marginally by 0.9%. Finance costs is 4.5% lower due to lower interest costs during the quarter resulting from the Manager's active interest rate management strategy to refinance QCT's borrowings and its ability to procure cheaper financing costs. Administrative expenses are higher by about 170.0% due to write back of professional fees in the preceding year corresponding quarter. Valuation fee is lower by 190.5% due to write back of valuation fee accrued for mid-year valuation not conducted. Notwithstanding the lower net property income, the realised income of RM9.17 million is marginally higher than the preceding year corresponding quarter, mainly due to lower finance cost and valuation fee.

As compared with the immediate preceding quarter, revenue of RM17.42 million is lower by 2.0% due mainly to expiry of tenancy of QB10 - HSBC. However, property operating expenses were lower by 21.6% due to lesser repair cost incurred, resulting in a higher net property income by 4.6% despite the lower revenue. Finance costs are higher marginally by 1.2% in 2Q 2012 compared with the previous quarter mainly due to a downward adjustment in amortisation of transaction costs in 1Q 2012 for 2011. Administrative expenses were lower by 87.5% mainly due to one-off professional fee incurred in 1Q 2012. The realised income of the current quarter is higher by 13.6% mainly due to higher net property income and lower administrative expenses incurred.

The performance of QCT for the quarter and period ended 30 June 2012 is in line with the investment objective of QCT.

## **B2 INVESTMENT OBJECTIVES AND STRATEGIES**

The investment objective of QCT is to acquire and invest in commercial properties primarily in Malaysia with a view to provide long-term growth and sustainable distribution of income to unitholders to achieve long-term growth in the net asset value per unit. There has been no change in the investment objective of QCT since the date of QCT's Annual Report for 2011.

The Manager will continue to focus on its portfolio management and acquisition growth strategy, active asset management strategy and capital management strategy to achieve the objective of QCT. There has been no change in the strategies employed by the Manager since the date of QCT's Annual Report for 2011 as they remain relevant in the current market conditions.

## **B3 REVIEW OF THE MARKETS IN WHICH QCT INVESTS IN DURING THE PERIOD AND GENERAL ASSESSMENT OF THE FUTURE PROSPECTS OF THESE MARKETS**

### **Review of Office Market - Klang Valley**

With the completion of more than 2.2 million sq ft of office space in 1Q 2012, occupancy rates particularly those in city fringes showed a substantial decline. The overall occupancy rate in the city centre dropped by 4.7% to 80.5% this quarter compared to previous quarter, while in the city fringes also registered a decline q-o-q to 74% from 88%.

### **B3 REVIEW OF THE MARKETS IN WHICH QCT INVESTS IN DURING THE PERIOD AND GENERAL ASSESSMENT OF THE FUTURE PROSPECTS OF THESE MARKETS (CONT'D)**

#### Review of retail market - Klang Valley

Total supply of retail market space as at 1Q 2012 was 46.49 million sq ft. Occupancy rates were stable in 1Q 2012, with overall average occupancy at 88.5%. A slight improvement was witnessed in the suburban areas, where a number of 2011 completions recorded improvements in occupancy while city centre occupancy rates declined slightly to 89.9% from 90.6% in the previous quarter save for occupancy at the leading centres.

#### Review of retail market - Penang

The retail sector in Penang will continue to expand with overall existing supply increasing slightly to approximately 9.5 million sq. ft. of net lettable area while the overall occupancy rate stands at 74% as at end 2011.

(Sources : The Edge/Knight Frank Klang Valley Office Monitor 4Q 2011, CH Williams Talhar & Wong Property Report 2012, CB Richard Ellis (Malaysia) Sdn Bhd-1Q2012 Market View Kuala Lumpur Retail)

### **B4 PROSPECTS**

The overall office demand-supply is expected to be moderate this year due to the entry of new supply to the market. However, the Manager will continue to explore acquisition opportunities as well as to focus on active asset management and capital and portfolio management initiatives.

For leases due for renewal in 2012 which amounts to 38% of total Net Lettable Area, 14% has been renewed, 6% did not renew and 18% is not due for renewal as at the second quarter. For leases that have not been renewed, the Manager is actively sourcing for replacement tenants. The Manager is confident that QCT will be able to achieve sustainable income distribution for the year.

### **B5 REVENUE RECOGNITION**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to QCT and the revenue can be reliably measured.

Revenues from the rental of investment properties, service charges, car park income and utilities recovery are recognised on an accrual basis.



**B6 PROFIT FORECAST / PROFIT GUARANTEE VARIANCE**

**a) Profit forecast**

There has been no profit forecast issued by QCT for the financial year 2012.

**b) Profit guarantee**

QCT is not involved in any arrangement whereby it provides profit guarantee.

**B7 TAXATION**

Under Section 61A of the Income Tax Act 1967, the undistributed income of a REIT are exempted 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 at least 90% of its total income for the year to its unitholders, no provision for tax has been made in the current quarter.

**B8 PROFIT ON SALE OF INVESTMENTS IN UNQUOTED SECURITIES/PROPERTIES**

There were no disposal of investments in unquoted securities/properties during the current quarter and the period to date.

**B9 PARTICULARS OF PURCHASE OR DISPOSAL OF INVESTMENT IN QUOTED SECURITIES**

There were no purchase or disposal of investments in quoted securities during the current quarter and the period to date.

**B10 STATUS OF CORPORATE PROPOSALS**

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

**B11 UTILISATION OF PROCEEDS RAISED FROM ANY NEW ISSUANCE**

There were no issuance of new units during the quarter and period to date.

**B12 CIRCUMSTANCES WHICH MATERIALLY AFFECT ANY INTEREST OF THE UNITHOLDERS**

As at the date of this report, the directors of the manager are not aware of any circumstances not otherwise disclosed in this report which would materially affect interest of the unitholders.

### B13 COMPOSITION OF INVESTMENT PORTFOLIO AS AT 30 JUNE 2012

As at 30 June 2012, QCT's portfolio comprised of ten buildings as follows:

Investment properties	Cost of Investment	Market Value/Net Carrying amount as at 30 June 2012	Market value/Net Carrying amount as % of NAV
	RM	RM	
<u>Commercial buildings</u>			
1 QB1 - DHL 1 & QB 4 - DHL2	109,100,000	122,800,000	24.29%
2 QB 2 - HSBC	107,500,000	118,000,000	23.34%
3 QB 3 - BMW	59,400,000	72,500,000	14.34%
4 Wisma Technip	125,000,000	156,000,000	30.86%
5 Part of Plaza Mont' Kiara	90,000,000	110,000,000	21.76%
6 QB5 - IBM	43,000,000	45,000,000	8.90%
7 QB10 - HSBC Section 13	22,740,000	26,500,000	5.24%
8 Tesco Building Penang	132,000,000	139,000,000	27.49%
<u>Industrial building</u>			
9 QB 8 - DHL XPJ	28,800,000	25,014,800	4.95%
	<u>717,540,000</u>	<u>814,814,800</u>	

There were no changes to the total number of buildings held by QCT since the preceding financial year ended 31 December 2011.

There were no capital expenditure incurred during the quarter. Maintenance costs were normal expenses incurred for the upkeep of the buildings.

### B14 BORROWINGS AND DEBT SECURITIES

	As at end of current quarter ended 30 June 2012
	RM
<b>Non-current liabilities:</b>	
<u>RM134 million CP/MTN Programme</u>	
Face value of MTNs issued	117,000,000
Transaction costs c/f	(450,182)
	<u>116,549,818</u>
Amortisation of transaction costs during the period	135,055
	<u>116,684,873</u>
<u>RM 270 million CP/MTN Programme</u>	
Face value of CPs and MTNs issued	190,000,000
Discount	(2,392,000)
Cash proceeds	187,608,000
Interest expense on CPs	1,534,000
	<u>189,142,000</u>
Transaction costs c/f	(704,787)
Amortisation of transaction costs during the period	43,260
	<u>188,480,473</u>
<b>Total Non-Current Borrowings</b>	<u><u>305,165,346</u></u>

## **B14 BORROWINGS AND DEBT SECURITIES (CONT'D)**

### **(a) 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 Programme").

In 2008, MTNs totalling RM117 million were issued to finance the acquisition of certain investment properties of QCT, as follows:

- On 15 September 2008, RM64 million of the MTNs were issued at interest rate of 5.2% p.a for 5 years till year 2013. The effective interest rate is 4.36% p.a due to the IRS arrangements as disclosed in Note B15.
- On 7 November 2008, MTNs of RM45 million were issued for 5 years to 2013 at interest rate of 5.2% p.a.
- On 9 December 2008, RM8 million of MTNs were issued for 2 years to 2010 at interest rate of 5% p.a.

The RM8 million MTNs matured in December 2010 and were redeemed using proceeds from issuance of new MTNs of RM8 million from the RM134 million Programme at interest rate of 4.2%, which will mature in 2013.

This programme is a secured borrowings.

### **(b) CP/MTN Programme of up to RM270 million ("RM270 million Programme")**

On 18 July 2011, QCT through its SPE, Kinabalu Capital Sdn. Bhd. ("Kinabalu"), established a CPs/MTNs programme of up to RM270 million ("RM270 million Programme") for five years.

On 5 September 2011, CPs/MTNs totalling RM72 million were issued by Kinabalu, details as follows:

- RM12 million nominal values of CPs. The effective interest rate for the RM12 million CPs is 3.34% p.a due to the IRS arrangement as disclosed in Note B15.
- RM60 million of MTNs for 3 years, at interest rate of 4.9% p.a.

The proceeds from the issuance were utilised for the full repayment of the RM80 million 5-year Term Loan Facilities of Samwise Capital Sdn. Bhd.

- On 30 November 2011, RM118 million nominal values of CPs were issued. The effective interest rate for the RM118 million CP is 3.34% p.a due to the IRS arrangement as disclosed in Note B15.

The proceeds from the issuance were utilised to fully redeem the RM118 million CP/MTN programme procured by Gandalf Capital Sdn Bhd which matured in November 2011.

The RM270 million Programme is a secured borrowings.

## B15 DERIVATIVE FINANCIAL INSTRUMENTS

As part of the active interest rate management strategy of QCT, the following Interest Rate Swap ("IRS") arrangements have been entered into and are still in place as at the reporting date:

- (i) On 18 August 2008, an IRS arrangement swapping fixed rate for floating rate for a notional amount of RM64 million ("IRS No. 2") was entered into in relation to the RM64 million nominal value MTNs issued by the Manager with the Bank. Pursuant to IRS No. 2, QCT will pay a floating rate to the Bank whilst the Bank will pay a fixed rate of 5.2% p.a to QCT. IRS No. 2 commenced on 15 September 2008 and will mature on 17 September 2013.
- (ii) On 5 November 2008, an IRS arrangement swapping floating rate for fixed rate for a notional amount of RM64 million ("IRS No. 4") was entered into in relation to the RM64 million nominal value MTNs issued by the Manager with the Bank. Pursuant to IRS No. 4, QCT will pay a fixed rate of 4.36% p.a to the Bank whilst the Bank will pay a floating rate to QCT. IRS No. 4 commenced on 16 March 2009 and will mature on 17 September 2013.
- (iii) On 21 November 2011, an IRS arrangement swapping floating rate for fixed rate for a notional amount of RM65 million ("IRS No. 5") was entered into in relation to part of the RM130 million CPs issued by Kinabalu. Pursuant to IRS No. 5, QCT will pay a fixed rate of 3.34% p.a. to the Bank whilst the Bank will pay a floating rate to QCT. IRS No. 5 commenced on 30 November 2011 and will mature on 5 September 2016.
- (iv) On 21 November 2011, an IRS arrangement swapping floating rate for fixed rate for a notional amount of RM65 million ("IRS No. 6 ") was entered into in relation to part of the RM130 million CPs issued by Kinabalu. Pursuant to IRS No. 6, QCT will pay a fixed rate of 3.34% p.a. to the Bank whilst the Bank will pay a floating rate to QCT. IRS No. 6 commenced on 30 November 2011 and will mature on 5 September 2016.

The differences between the floating rate and the fixed rate of the respective IRSs are settled between QCT and the Bank semi-annually and are charged or credited to the profit or loss in statement of comprehensive income accordingly.

The risk associated with the IRSs above would be credit risk, which is the counterparty risk of the financial institutions with whom the IRSs were contracted. However, the Manager has taken precaution to mitigate this risk by entering the IRSs contracts with reputable licensed financial institutions.

The fair values of the IRSs and the maturity profile as at 30 June 2012 are as follows:

	Fair values of derivative assets/(liabilities) as at 30 June 2012 RM
- less than one year	-
- one to three years	634,719
- more than three years	(733,097)
Total	<u>(98,378)</u>

QCT was eligible to apply hedge accounting for its IRSs wef 1 October 2010, and changes in fair values of the IRSs since then were recognised in other comprehensive income. Prior to adoption of hedge accounting, the fair value changes of the IRSs were recognised in the profit or loss.

## B16 CHANGES IN MATERIAL LITIGATION

The manager is not aware of any pending material litigation as at the date of issuance of this report.

## B17 INCOME DISTRIBUTION

The distribution policy of QCT is to distribute at least 90% of its distributable income at least semi-annually or at such other intervals as the Manager may determine.

A provision for income distribution of RM15,995,371 or 4.10 sen per unit, being 92.8% of the realised income for the period 1 January 2012 to 30 June 2012 has been made. The proposed distribution will be payable on 29 August 2012.

The details of the proposed interim distribution are as follows:

	RM	
Gross revenue from 1 January 2012 to 30 June 2012	35,208,147	
Interest income from 1 January 2012 to 30 June 2012	385,932	
Property operating expenses and trust expenses from 1 January 2012 to 30 June 2012	(18,354,243)	
	<u>17,239,836</u>	
Gross interim distribution (RM) (approximately 92.8% of RM17,239,836, being realised income after taxation for the period 1 January 2012 to 30 June 2012)		<u>15,995,371</u>

of which,

	RM	
Taxable distribution of income:	15,609,439	4.00 sen per unit
Tax exempt distribution of income:	385,932	0.10 sen per unit
	<u>15,995,371</u>	<u>4.10 sen per unit</u>

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

Resident and non-resident individuals	10%
Resident and non-resident institutional investors	10%
Resident companies (flow through)	0%
Non - resident companies	25%

## B18 CHANGES IN NAV AND MARKET PRICE SINCE THE LAST REPORTING DATE

	As at 30 June 2012	As at 31 March 2012
NAV (RM)	505,550,407	506,535,014
Number of units in circulation (unit)	390,131,000	390,131,000
NAV per unit (RM) (after provision for distribution)	1.2958	1.2984
Market price (RM)	1.17	1.13

NAV per unit is arrived at by dividing the NAV with the number of units in circulation as at the date of reporting.

The changes in NAV per unit is mainly due to loss on remeasurement of fair values of interest rate swaps.

The Manager believes that the movement in market price is due mainly to changes in market sentiment.

## B19 MANAGER'S FEE AND SOFT COMMISSION

Pursuant to the Trust Deed, the Manager is entitled to receive from QCT the following fees:

- (i) Base fee of 0.4% per annum of the gross asset value, payable monthly in arrears;
- (ii) Performance fee of 3% per annum on the net investment income, payable semi-annually in arrears. However, for the first five years after the date of listing on 8 January 2007, no performance fee shall be payable in the event that QCT fails to achieve a minimum annualised distributable income per unit of 6 sen (after deducting performance fee);
- (iii) Acquisition fee of 1% of the acquisition value of any asset, being authorised investments, acquired by QCT; and
- (iv) Divestment fee of 0.5% of the disposal value of any asset divested by QCT.

Total fees accrued to the Manager (inclusive of 6% service tax) for the quarter ended 30 June 2012 are :

	RM
Base fee	893,525
Performance fee	433,374
	<u>1,326,899</u>

There were no other fees paid to the Manager save as disclosed above.

During the quarter, the Manager did not receive any soft commission from its brokers/dealers by virtue of transactions conducted for QCT.

## B20 TRUSTEE'S FEE

Trustee's fee is payable to Maybank Trustees Berhad (Formerly known as Mayban Trustees Berhad) ("Trustee"), which is computed at 0.03% per annum on the first RM2.5 billion gross asset value and 0.02% per annum on the gross asset value in excess of RM2.5 billion, payable monthly in arrears.

Trustee's fee accrued to the Trustee for the quarter ended 30 June 2012 amounted to RM63,155.

## B21 UNITHOLDINGS BY THE MANAGER

As at 30 June 2012, the Manager did not hold any units in QCT.

## B22 UNITHOLDINGS BY PARTIES RELATED TO THE MANAGER

	No. of units	Percentage of total units	Market Value as at 30 June 2012 RM
HLG Nominee (Tempatan) Sdn. Bhd. for :			
-Quill Properties Sdn. Bhd.	45,997,000	11.79%	53,816,490
-Quill Land Sdn. Bhd.	48,767,000	12.50%	57,057,390
-Quill Estates Sdn. Bhd.	22,276,000	5.71%	26,062,920
HSBC Nominees (Asing) Sdn. Bhd. for CapitaCommercial Trust	117,040,000	30.00%	136,936,800
	<u>234,080,000</u>	<u>60.00%</u>	<u>273,873,600</u>

The Manager's directors' direct unitholding in QCT:

	No. of units	Percentage of total units	Market Value as at 30 June 2012 RM
Dato' Dr. Low Moi Ing, J.P	50,000	0.01%	58,500
Dato' Michael Ong Leng Chun	55,000	0.01%	64,350
Datuk Hj Abdul Karim Bin Abu Bakar	1,000	0.00%	1,170
Datuk Dr. Mohamed Arif Bin Nun	50,000	0.01%	58,500
Aw Hong Boo (Alternate to Dato' Dr. Low Moi Ing, J.P)	50,000	0.01%	58,500

The Manager's directors' indirect unitholding in QCT:

	No. of units	Percentage of total units	Market Value as at 30 June 2012 RM
Dato' Dr. Low Moi Ing, J.P	117,040,000 (a)	30.00%	136,936,800
Dato' Michael Ong Leng Chun	117,040,000 (b)	30.00%	136,936,800

(a) Deemed interested by virtue of her direct shareholding in Quill Properties Sdn. Bhd., Quill Land Sdn. Bhd. and Quill Estates Sdn. Bhd.

(b) Deemed interested by virtue of his direct shareholding in Quill Properties Sdn. Bhd., Quill Land Sdn. Bhd., and Quill Estates Sdn. Bhd.

The market value of the units is computed based on the closing price as of 29 June 2012 of RM1.17 per unit.

## B23 UNITHOLDERS CAPITAL

	No. of units	
	Current Quarter	Preceding Quarter
Approved fund size	490,131,000	490,131,000
Issued and fully paid	390,131,000	390,131,000

There was no movement in the number of units during the current quarter.

**B24 FINANCE COSTS INCURRED DURING THE QUARTER AND YEAR TO DATE**

	Current Quarter RM	Cumulative Quarter RM
Interest expenses	3,308,012	6,613,053
Amortisation of transaction costs and credit facility costs	189,533	341,938
Total finance costs	<u>3,497,545</u>	<u>6,954,991</u>

**B25 OTHER INCOME AND EXPENSES**

For the current quarter and year to date, the following were credited or charged to the profit or loss in the statement of comprehensive income:

	Current Quarter RM	Cumulative Quarter RM
Depreciation	410	710
Provision for / write off of receivables	-	-
Provision for / write off of inventories	-	-
Gain/loss on quoted and unquoted investment or properties	-	-
Impairment of assets	-	-
Foreign exchange gain or loss	-	-
Exceptional items	-	-

**B26 RESPONSIBILITY STATEMENT AND STATEMENT BY THE DIRECTORS OF THE MANAGER**

The Manager is responsible for the preparation of the quarterly report.

In the opinion of the directors of the Manager, the quarterly report has been prepared in accordance with MFRS 134: Interim Financial reporting and Paragraph 9.44 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of QCT as at 30 June 2012 and of its financial performance and cash flows for the quarter ended on that date and duly authorised for release by the Board of the Manager on 13 July 2012.

**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**

**Date: 13 July 2012**