

QUILL CAPITA TRUST
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2014 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Quarter	To Date	To Date
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM	RM	RM	RM
TOTAL INCOME				
Gross revenue	17,348,898	17,273,678	34,533,692	34,500,643
Property operating expenses	(3,952,865)	(3,689,760)	(8,124,829)	(7,851,100)
Net property income	13,396,033	13,583,918	26,408,863	26,649,543
Interest income	292,774	158,759	405,948	450,726
	<u>13,688,807</u>	<u>13,742,677</u>	<u>26,814,811</u>	<u>27,100,269</u>
TOTAL EXPENDITURE				
Manager's fee	(1,347,011)	(1,316,076)	(2,694,206)	(2,667,942)
Trustee's fee	(66,285)	(64,724)	(129,018)	(129,972)
Finance costs	(3,565,827)	(3,372,350)	(6,996,320)	(6,829,316)
Valuation fees	(47,499)	67,500	(94,999)	(105,000)
Auditors' remuneration	(30,879)	(30,879)	(61,758)	(91,758)
Tax agent's fee	(4,221)	(4,929)	91,150	(60,758)
Administrative expenses	(65,231)	(113,392)	(205,810)	(198,553)
	<u>(5,126,953)</u>	<u>(4,834,850)</u>	<u>(10,090,961)</u>	<u>(10,083,299)</u>
INCOME BEFORE TAX	8,561,854	8,907,827	16,723,850	17,016,970
Income tax expense	-	-	-	-
NET INCOME FOR THE PERIOD	<u>8,561,854</u>	<u>8,907,827</u>	<u>16,723,850</u>	<u>17,016,970</u>
OTHER COMPREHENSIVE INCOME				
Gain / (Loss) on remeasurement of financial derivatives (a)	70,450	(13,938)	167,310	(35,014)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	8,632,304	8,893,889	16,891,160	16,981,956
Net income for the period is made up as follows:				
Realised	8,561,854	8,907,827	16,723,850	17,016,970
Unrealised	-	-	-	-
EARNINGS PER UNIT (b)				
- after manager's fees (sen)	2.19	2.28	4.29	4.36
- before manager's fees (sen)	2.54	2.62	4.98	5.05
EARNINGS PER UNIT (REALISED) (c)				
- after manager's fees (sen)	2.19	2.28	4.29	4.36
- before manager's fees (sen)	2.54	2.62	4.98	5.05
INCOME DISTRIBUTION				
Interim income distribution	(7,833,375)	(7,886,228)	(15,995,371)	(15,995,371)
Income distribution per unit				
Gross (sen)	2.01	2.02	(d) 4.10	4.10

- (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 2014 to 30 June 2014 will be payable on 29 August 2014 to all unitholders as at book closure date on 8 August 2014. 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 2013 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 2014 (UNAUDITED)

	AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END
	30.06.2014 UNAUDITED RM	31.12.2013 AUDITED RM
NON-CURRENT ASSETS		
Plant and equipment	5,937	9,482
Investment properties	827,847,241	825,560,000
Derivative assets (i)	1,190,494	1,023,184
	<u>829,043,672</u>	<u>826,592,666</u>
CURRENT ASSETS		
Trade and other receivables	3,671,144	2,612,114
Deposits with licensed financial institution	36,376,060	24,738,926
Cash on hand and at banks	3,942,157	6,176,487
	<u>43,989,361</u>	<u>33,527,527</u>
CURRENT LIABILITIES		
Trade and other payables	9,613,856	11,650,980
Security deposits	5,224,251	5,365,479
	<u>14,838,107</u>	<u>17,016,459</u>
NET CURRENT ASSETS	29,151,254	16,511,068
NON-CURRENT LIABILITIES		
Borrowings	319,845,768	304,887,413
Security deposits	4,695,649	4,756,365
	<u>324,541,417</u>	<u>309,643,778</u>
NET ASSETS	<u>533,653,509</u>	<u>533,459,956</u>
Represented by:		
UNITHOLDERS' FUND		
Unitholders' capital	411,712,067	411,712,067
Undistributed and Non-distributable income	121,941,442	121,747,889
	<u>533,653,509</u>	<u>533,459,956</u>
NET ASSET VALUE PER UNIT (before income distribution) (ii)	1.3679	1.3674
NET ASSET VALUE PER UNIT (after provision for distribution) (iii)	1.3269	1.3246
NUMBER OF UNITS IN CIRCULATION	390,131,000	390,131,000

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

(ii) Before the proposed interim distribution of 4.10 sen per unit.

(iii) After the proposed interim distribution of 4.10 sen per unit.

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 2014 (UNAUDITED)

	Unit holders' Capital		Distributable		Non-Distributable		Total		Unit holders' Funds
	RM	RM	Undistributed Income Realised	Undistributed Income Unrealised	Net Fair Value Gain/(Loss) On Derivatives Unrealised	Undistributed and Non-Distributable Income	RM	RM	
As at 1 January 2014	411,712,067		25,599,301	95,125,404	1,023,184	121,747,889		533,459,956	
Total Comprehensive Income for the period	-		16,723,850	-	167,310	16,891,160		16,891,160	
	411,712,067		42,323,151	95,125,404	1,190,494	138,639,049		550,351,116	
Unit holders' transactions:									
Distribution paid on 10 March 2014	-	(16,697,607)		-	-	(16,697,607)		(16,697,607)	
As at 30 June 2014	411,712,067	25,625,544	25,625,544	95,125,404	1,190,494	121,941,442		533,653,509	
As at 1 January 2013	411,712,067		23,391,562	94,889,632	(1,144,288)	117,136,906		528,848,973	
Total Comprehensive Income for the period	-		17,016,970	-	(35,014)	16,981,956		16,981,956	
	411,712,067		40,408,532	94,889,632	(1,179,302)	134,118,862		545,830,929	
Unit holders' transactions:									
Distribution paid on 12 March 2013	-	(16,697,607)		-	-	(16,697,607)		(16,697,607)	
As at 30 June 2013	411,712,067	23,710,925	23,710,925	94,889,632	(1,179,302)	117,421,255		529,133,322	

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 2013 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 2014 (UNAUDITED)

	CURRENT YEAR TO DATE 30.06.2014 RM	PRECEDING YEAR TO DATE 30.06.2013 RM
OPERATING ACTIVITIES		
Income before tax	16,723,850	17,016,970
Adjustments for:		
Finance costs	6,996,320	6,829,316
Depreciation	3,545	3,858
Interest income	(405,948)	(450,726)
Operating cash flows before changes in working capital	<u>23,317,767</u>	<u>23,399,418</u>
Receivables	(989,285)	5,959,284
Payables	(2,297,244)	(5,755,042)
Cash flows from operations	<u>20,031,238</u>	<u>23,603,660</u>
Income tax paid	-	-
Net cash flows generated from operating activities	<u>20,031,238</u>	<u>23,603,660</u>
INVESTING ACTIVITIES		
Additions to investment properties	(2,287,241)	(185,000)
Interest income	310,411	449,751
Net cash flow (used in) / generated from investing activities	<u>(1,976,830)</u>	<u>264,751</u>
FINANCING ACTIVITIES		
Distribution to unitholders	(16,697,607)	(16,697,607)
Finance costs paid	(6,953,997)	(7,139,449)
Proceeds from borrowings	15,000,000	-
Net cash flows used in financing activities	<u>(8,651,604)</u>	<u>(23,837,056)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,402,804	31,355
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>30,915,413</u>	<u>30,452,227</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>40,318,217</u>	<u>30,483,582</u>
Cash and cash equivalents at end of period comprises:		
Deposits with licensed financial institutions	36,376,060	21,483,500
Cash on hand and at banks	3,942,157	9,000,082
	<u>40,318,217</u>	<u>30,483,582</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes to the financial statements.

**QUILL CAPITA TRUST ("QCT")
EXPLANATORY NOTES FOR PERIOD ENDED 30 JUNE 2014**

A1 BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention except for investment properties and derivative financial instruments which were 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 2013 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

The significant accounting policies adopted in the interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2013 except for the adoption of the following standards which are effective for annual periods beginning on and after 1 January 2014:

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21 Levies

Upon adoption of the above standards and interpretations, there were no material impact on the financial statements in the period of initial application.

A4 AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2013

The audit report of the financial statements for the preceding year ended 31 December 2013 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% (or any other lower percentage at the discretion of the Manager) 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 2014, there was no revaluation of investment properties.

A12 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 30 JUNE 2014

- (a) As announced to Bursa Malaysia Securities Berhad ("**Bursa**") on 10 April 2014, Maybank Trustees Berhad, solely in its capacity as Trustee for and on behalf of QCT, had on 10 April 2014 entered into a conditional Sale and Purchase Agreement ("**SPA**") with MRCB Sentral Properties Sdn Bhd ("**MSP**"), a wholly-owned subsidiary of Malaysian Resources Corporation Berhad ("**MRCB**"), for the proposed acquisition of all that parcel of land together with the deck structure, including the road(s) constructed on part of the deck, held under Geran 46222, Lot 73, Seksyen 70, Bandar Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan ("**Land**"), together with a commercial development erected thereon known as Platinum Sentral, consisting of 5 blocks of 4 to 7 storey commercial building comprising office-cum retail space, a multi-purpose hall and 2 levels of car park together with 637 car park bays ("**Platinum Sentral**"), and all such plant and equipment, fixtures and fittings attached to the Land and/or Platinum Sentral (collectively, the "**Property**") for a purchase consideration of RM750,000,000 ("**Purchase Consideration**") ("**Proposed Acquisition**").

A12 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 30 JUNE 2014 (CONT'D)

In conjunction with the Proposed Acquisition, the Board also proposes to undertake the following :

- (i) Proposed Placement to partially finance the Proposed Acquisition, defray expenses relating to the Proposals and fund asset enhancement initiatives;
- (ii) Proposed Authority to give the Board flexibility in allotting and issuing new Units to the Manager as payment of management fee. Pursuant thereto, certain clauses in the Deed of Trust constituting QCT dated 9 October 2006, as amended by the first supplemental deed dated 27 August 2009 and the second supplemental deed dated 28 May 2013 entered into between the Manager and the Trustee (the "Deed") shall be amended to allow the Proposed Authority;
- (iii) Proposed Increase in Fund Size to accommodate the increase in Units pursuant to the Proposed Acquisition, Proposed Placement and Proposed Authority; and
- (iv) Proposed Change of Name from "Quill Capita Trust" to "MRCB-Quill REIT".

(Collectively referred to as the "Proposals")

The existing shareholders of Quill Capita Management Sdn Bhd ("QCM"), namely Quill Resources Holding Sdn Bhd ("QRHSB"), Coast Capital Sdn Bhd ("CCSB") and CapitaLand RECM Pte. Ltd. ("CRPL"), together with MRCB, had on even date entered into the following share sale agreements:

- (i) agreement between CRPL and MRCB in respect of the disposal by CRPL of its entire 40% stake in QCM to MRCB for a cash consideration of RM5,739,352;
- (ii) agreement between CCSB and MRCB in respect of the disposal by CCSB of 1% stake in QCM to MRCB for a cash consideration of RM143,483.80; and
- (iii) agreement between CCSB and QRHSB in respect of the disposal by CCSB of 9% stake in QCM to QRHSB for a cash consideration of RM1,291,354.20.

The above share sale agreements shall collectively be referred to as the "Proposed Shares Disposals".

Following the Proposed Shares Disposals, CRPL will cease to be a shareholder of QCM while MRCB, QRHSB and CCSB will hold 41%, 39% and 20% equity interest in QCM respectively. Approval will be sought from the Securities Commission Malaysia ("SC") for the change in shareholding structure of the Manager as a result of the Proposed Shares Disposals.

Further to the announcement to Bursa on 10 April 2014 in respect of the Proposals, the Valuation Report for the Property in respect of the Proposed Acquisition has been submitted to the SC on 24 April 2014; and accordingly announced to Bursa on 24 April 2014.

As announced to Bursa on 8 July 2014, the application to the SC in respect of the Proposals has been submitted on 8 July 2014.

A12 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 30 JUNE 2014 (CONT'D)

- (b) As announced to Bursa on 23 April 2014, the Board of Directors of QCM, had on 22 April 2014 been notified that the existing shareholders of CCSB, namely Shahinuddin Bin Shariff and Muhammad Irfan bin Shahinuddin, had entered into a share sale agreement with Global Jejaka Sdn Bhd ("GJSB") for the disposal of their collective 100% equity interest in CCSB to GJSB. Approval will be sought from the SC for the change in shareholding structure in CCSB.

On 21 May 2014, announcement was made to Bursa that the Board of Directors of QCM had on 20 May 2014 been notified of the following:

- (a) the existing shareholders of Coast Capital Sdn Bhd ("CCSB"), namely Shahinuddin Bin Shariff and Muhammad Irfan bin Shahinuddin, had entered into a deed of revocation with Global Jejaka Sdn Bhd ("GJSB") to revoke the share sale agreement in respect of the disposal of their collective 100% equity interest in CCSB and GJSB; and
- (b) CCSB had entered into a share sale agreement with GJSB to dispose of its entire 20% equity interest in QCM to GJSB.

As announced on 8 July 2014, an application to the SC in respect of the proposed change in shareholders / shareholdings in QCM has been submitted on 8 July 2014.

A13 SIGNIFICANT EVENTS SUBSEQUENT TO THE QUARTER ENDED 30 JUNE 2014

On 11 July 2014, an announcement was made to Bursa that on the said date, QCM had been notified by QRHSB that QRHSB, together with Quill Land Sdn Bhd ("QLSB"), Quill Properties Sdn Bhd ("QPSB") and Quill Estates Sdn Bhd ("QESB") (collectively, the "Quill Group"), had on 18 June 2014 sought a ruling from the SC that MRCB, MSP and the Quill Group (collectively, the "PAC Group") are not regarded as persons acting in concert in relation to QCT pursuant to the Proposals ("Proposed Ruling"). The SC has, via its letter dated 10 July 2014, declined the Proposed Ruling.

As the PAC Group is expected to hold more than 33% of the enlarged unitholders' capital of QCT upon completion of the Proposed Acquisition, a mandatory offer obligation under the Malaysian Code on Take-Overs and Mergers 2010 ("Code") would be triggered.

In light of the above, an exemption will be sought under the Code from the obligation to carry out the mandatory offer.

A14 CHANGES IN CONTINGENT LIABILITIES

There are no contingent liabilities to be disclosed.

A15 CAPITAL COMMITMENTS

The amount of capital commitment not provided for in the financial statement as at 30 June 2014 are as follows:

	As at 30 June 2014 RM
Approved and contracted for :	
Investment properties	5,876,729

B1 REVIEW OF PERFORMANCE

Quarter and year todate results

QCT recorded total revenue of RM17.35 million and property operating expenses of RM3.95 million respectively for the current quarter ended 30 June 2014. Realised income of RM8.56 million was achieved. Borrowing costs of RM3.57 million and manager's fee of RM1.35 million were incurred during the quarter.

As compared with the preceding year corresponding quarter ("2Q 2013"), the revenue is about 0.4% higher mainly due to higher recoveries and rental rate increases of some properties. Property operating expenses is higher by 7.1% due to higher repair and maintenance costs. The higher property operating expenses resulting in lower net property income by 1.4%. Finance costs is higher by 5.7% during the current quarter mainly due to write back of credit facility costs in 2Q 2013. Excluding the effect of the said write back, finance costs would be marginally higher by 2% during the current quarter mainly due to interest from the RM15 million CPs (Note B14(a)) drawdown in March 2014. Administrative expenses are lower by 42.5% mainly due to lower AGM expenses in the current quarter. Valuation fee is higher in the current quarter mainly due to write back of mid year valuation fee in 2Q 2013. Without the said write back, the valuation fee would be 9.5% lower due to lower valuation fee estimated for year 2014. The realised income of RM8.56 million is 3.9% lower than 2Q 2013 mainly due to lower net property income, higher finance costs and valuation fee, net of savings in administrative expenses in the current quarter. Without the effects of the write backs in 2Q 2013 as mentioned above, the realised income would be 0.8% lower than 2Q 2013.

As compared with the immediate preceding quarter ("1Q 2014"), revenue of RM17.35 million is higher by 1.0% mainly due to higher recoveries. Property operating expenses is lower by 5.3% due to lesser repair costs incurred. The higher revenue net of savings in property operating expenses resulted in a higher net property income by 2.9%. Finance costs are higher by 3.9% mainly due to interest resulting from the RM15 million CPs (Note B14(a)) drawdown in March 2014. Tax agent fee is higher in the current quarter mainly due to write back of over-accrued fee in 1Q 2014. Administrative expenses are lower by 53.6% mainly due to accrual of GST advisory fee in the preceding quarter. The realised income of the current quarter is higher by 4.9% mainly due to higher net property income, higher interest income and lower administrative expenses.

As compared to preceding year cumulative quarter ("YTD 2Q 2013"), revenue of RM34.53 million was higher by 0.1% mainly due to rental rate increases of some properties and higher recoveries. Property operating expenses is higher by 3.5% mainly due to higher repair and maintenance costs; thus resulted in lower net property income by 0.9%. Finance costs is higher by 2.4% due to interest resulting from the RM15 million CPs (Note B14(a)) drawdown in March 2014, and write back of credit facility costs in YTD 2Q 2013. Tax agent fee is lower mainly due to write back of over-accrued fee in the current year cumulative quarter. The realised income of RM16.72 million is lower by 1.7% mainly due to lower net property income, higher finance costs net of lower tax agent fee.

The performance of QCT for the quarter and period ended 30 June 2014 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 2013.

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 2013 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

The Klang Valley's office stock increased from 104.24 mil sq ft in 4Q 2013 to 105.932 mil sq ft in 1Q 2014. Average occupancy rate remained at 80% and rental rates were generally stable for the quarter as healthy demand kept pace with the incoming new supply.

(Sources : The Malaysian Quarterly, 1st Quarter 2014 - by Jones Lang Wootton)

Review of retail market - Klang valley

The total existing supply of retail space in Klang Valley was registered at 57.947 mil sq ft at the end of 1Q 2014, reflecting a 4.2% quarter on quarter ("q-o-q") growth. Demand remained fairly healthy with a total net take-up of 0.999 mil sq ft in 1Q 2014 compared with 0.654 mil sq ft in the previous quarter. However average occupancy rate declined by 1.9% q-o-q to 85.5% as there was a significant amount of new supply entering the market which will take some time to be fully occupied.

(Sources : The Malaysian Quarterly, 1st Quarter 2014 - by Jones Lang Wootton)

Review of retail market - Penang

The existing supply of the retail space in Penang State remained at 11.67 mil sq ft as there were no new completions in 1Q 2014 while the average occupancy rate of retail space increased by 0.4% q-o-q to 66.7% with a net take-up of 0.132 mil sq ft. Rentals and market value of retail spaces in Penang have remained stable in 1Q 2014.

(Sources : The Malaysian Quarterly, 1st Quarter 2014 - by Jones Lang Wootton)

B4 PROSPECTS

Despite the incoming office supply in the Klang Valley, the steady demand for commercial space in Klang Valley will keep the office rental market competitive and will likely lead to stable average occupancy rates. The Manager will continue to explore acquisition opportunities as well as to focus on active asset management and capital and portfolio management initiatives.

Based on the lease expiry profile, 31% of the total net lettable area is due for renewal in 2014. As at the second quarter, 24% of these leases that are due in 2014 have been renewed, while the balance are only due for renewal in the third and fourth quarter. The Manager has initiated discussions with tenants on the renewals due in the third and fourth quarter with the intention to lock in the tenancies ahead of their expiry.

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 2014.

(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 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 period to date.

B10 STATUS OF CORPORATE PROPOSALS

There were no corporate proposals during the current quarter and there is no further updates to the corporate exercise save as disclosed in Note A12.

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 2014

As at 30 June 2014, QCT's portfolio comprised of ten buildings as follows:

Investment properties	Cost of Investment	Market Value /Net Carrying amount as at 30 June 2014	Market value /Net Carrying amount as % of NAV
	RM	RM	
<u>Commercial buildings</u>			
1 QB1 -DHL 1 & QB 4-DHL2	109,100,000	125,000,000	23.42%
2 QB 2- HSBC	107,500,000	119,000,000	22.30%
3 QB 3- BMW	59,400,000	73,060,000	13.69%
4 Wisma Technip	125,000,000	163,387,241	30.62%
5 Part of Plaza Mont' Kiara	90,000,000	110,000,000	20.61%
6 QB5- IBM	43,000,000	45,200,000	8.47%
7 QB10-HSBC Section 13	22,740,000	26,500,000	4.97%
8 Tesco Building Penang	132,000,000	139,500,000	26.14%
<u>Industrial building</u>			
9 QB 8 -DHL XPJ	28,800,000	26,200,000	4.91%
	<u>717,540,000</u>	<u>827,847,241</u>	

There were no changes to the total number of buildings held by QCT since the preceding financial year ended 31 December 2013.

Capital expenditure of RM2,218,000 was 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 2014
	RM
Non-Current Liabilities:	
<u>RM270 million CP/MTN Programme</u>	
Face value of CPs and MTNs issued	205,000,000
Discount	(2,744,178)
Cash proceeds	202,255,822
Interest expense on CPs	1,760,959
	<u>204,016,781</u>
Transaction costs b/f	(376,089)
Transaction costs on CP issued in current quarter	(54,995)
Amortisation of transaction costs during the period	79,266
	<u>203,664,963</u>
<u>RM150 million Term Loan</u>	
Term Loan drawdown	117,000,000
Transaction cost c/f	(917,498)
	<u>116,082,502</u>
Amortisation of transaction costs during the period	98,303
	<u>116,180,805</u>
Total:	<u>319,845,768</u>

B14 BORROWINGS AND DEBT SECURITIES (cont'd)

(a) 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.

To date, CPs/MTNs totalling RM205 million were issued by Kinabalu, details as follows:

- RM12 million nominal values of CPs issued on 5 September 2011. 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 issued on 5 September 2011 for 3 years, at interest rate of 4.9% p.a..
- RM118 million nominal values of CPs issued on 30 November 2011. The effective interest rate for the RM118 million CP is 3.34% p.a. due to the IRS arrangement as disclosed in Note B15.
- RM15 million nominal values of CPs issued on 3 March 2014 at the interest rate of 3.75% p.a.. Transaction cost of the programme attributable to the CPs drawdown amounted to RM54,995 were to be amortised from 3 March 2014 to the maturity of the programme.

The transaction costs relating to the programme are amortised from the dates of issuance of the CPs/MTNs to the maturity of the programme.

The RM270 million Programme is a secured borrowings.

(b) Fixed Rate Term Loan Facility Up to RM150 million ("RM150 million Term Loan")

On 18 July 2013, QCT through its SPE, Trusmadi Capital Sdn. Bhd. ("Trusmadi") (formerly known as Boromir Capital Sdn. Bhd.), established a RM150 million fixed rate term loan facility agreement for five years ("RM150 million Term Loan").

On 13 September 2013, Tranche 1 of the facility of RM117 million at interest rate of 4.6% was drawdown to repay the RM117 million MTN outstanding under the RM134 million CP/MTN Programme which matured in September 2013. Tranche 2 will be used for capital expenditure and investments at the interest rate at MGS + 1.4% per annum.

The transaction costs relating to the programme are amortised over the tenure of the programme.

The RM150 million Programme is a secured borrowings.

There was no drawdown of the facility during the quarter.

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 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.
- (ii) 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 profit or loss 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 2014 are as follows:

	Fair values of derivative assets/(liabilities) as at 30 June 2014
	RM
- less than one year	-
- one to three years	1,190,494
- more than three years	-
Total	<u>1,190,494</u>

QCT was eligible to apply hedge accounting for its IRSs with effect from 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

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.

An interim income distribution of RM15,995,371 or 4.10 sen per unit, being 95.6% of the realised income for the period 1 January 2014 to 30 June 2014 is proposed. The proposed interim income distribution has been approved by the Board and the Trustee on 22 July 2014, will be payable on 29 August 2014.

The details of the proposed interim distribution are as follows:

	RM
Gross revenue from 1 January 2014 to 30 June 2014	34,533,692
Interest income from 1 January 2014 to 30 June 2014	405,948
Property operating expenses and trust expenses from 1 January 2014 to 30 June 2014	(18,215,790)
	<u>16,723,850</u>
Gross interim distribution (RM)	<u>15,995,371</u>
(approximately 95.6% of RM16,723,850, being realised income after taxation for the period 1 January 2014 to 30 June 2014)	

of which,

	RM	
Taxable distribution of income:	15,589,423	4.00 sen per unit
Tax exempt distribution of income:	405,948	0.10 sen per unit
	<u>15,995,371</u>	<u>4.10 sen per unit</u>

The proposed interim income distribution will be recognised in the period it is declared and paid.

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 2014	As at 31 March 2014
NAV (RM)	533,653,509	525,021,204
Number of units in circulation (unit)	390,131,000	390,131,000
NAV per unit (RM) (after provision for distribution)	1.3269	1.3248
Market price (RM)	1.17	1.10

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 higher undistributed and non-distributable income, resulting from distributable income retained and net fair value gain on derivatives.

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.
- (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 2014 are :

	RM
Base fee	918,385
Performance fee	428,626
	<u>1,347,011</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 transaction 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 2014 amounted to RM66,285.

B21 UNITHOLDINGS BY THE MANAGER

As at 30 June 2014, 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 2014 RM
HLIB 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 2014 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 Dr. Mohamed Arif Bin Nun	10,000	0.00%	11,700
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 2014 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 30 June 2014 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	3,427,210	6,722,751
Amortisation of transaction costs and credit facility costs	138,617	273,569
Total finance costs	<u>3,565,827</u>	<u>6,996,320</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	1,616	3,545
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 2014 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 22 July 2014.

BY ORDER OF THE BOARD

DATO 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: 22 July 2014