

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Year	Preceding Year Corresponding	Current Year	Preceding Year Corresponding
	Quarter 30.09.2014	Quarter 30.09.2013	To Date 30.09.2014	To Date 30.09.2013
	RM	RM	RM	RM
TOTAL INCOME				
Gross revenue	17,532,454	17,127,901	52,066,146	51,628,544
Property operating expenses	(4,029,966)	(3,649,730)	(12,154,795)	(11,500,830)
Net property income	13,502,488	13,478,171	39,911,351	40,127,714
Interest income	220,395	187,932	626,343	638,658
	<u>13,722,883</u>	<u>13,666,103</u>	<u>40,537,694</u>	<u>40,766,372</u>
TOTAL EXPENDITURE				
Manager's fee	(1,364,203)	(1,353,352)	(4,058,409)	(4,021,294)
Trustee's fee	(63,456)	(63,047)	(192,474)	(193,019)
Finance costs	(3,604,659)	(3,502,220)	(10,600,979)	(10,331,536)
Valuation fees	(47,499)	(52,500)	(142,498)	(157,500)
Auditors' remuneration	(30,879)	(16,879)	(92,637)	(108,637)
Tax agent's fee	(6,129)	(4,629)	85,021	(65,387)
Administrative expenses	327,220	244,487	121,410	45,934
	<u>(4,789,605)</u>	<u>(4,748,140)</u>	<u>(14,880,566)</u>	<u>(14,831,439)</u>
INCOME BEFORE TAX	8,933,278	8,917,963	25,657,128	25,934,933
Income tax expense	-	-	-	-
NET INCOME FOR THE PERIOD	<u>8,933,278</u>	<u>8,917,963</u>	<u>25,657,128</u>	<u>25,934,933</u>
OTHER COMPREHENSIVE INCOME				
(Loss) / Gain on remeasurement of financial derivatives (a)	(115,936)	184,605	51,374	149,592
Adjustment of remeasurement of matured derivatives	-	(23,196)	-	(23,196)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>(115,936)</u>	<u>161,409</u>	<u>51,374</u>	<u>126,396</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	8,817,342	9,079,372	25,708,502	26,061,329
Net income for the period is made up as follows:				
Realised	8,933,278	8,917,963	25,657,128	25,934,933
Unrealised	-	-	-	-
EARNINGS PER UNIT (b)				
- after manager's fees (sen)	2.29	2.29	6.58	6.65
- before manager's fees (sen)	2.64	2.63	7.62	7.68
EARNINGS PER UNIT (REALISED) (c)				
- after manager's fees (sen)	2.29	2.29	6.58	6.65
- before manager's fees (sen)	2.64	2.63	7.62	7.68
INCOME DISTRIBUTION				
Distribution of Income	-	-	(15,995,371)	(15,995,371)
Income distribution per unit				
Gross (sen)	-	-	4.10 (d)	4.10 (e)

- (a) This relates to the (loss) / gain 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) Interim gross distribution of 4.10 sen per unit being the distribution of income for the period 1 January 2014 to 30 June 2014 was paid on 29 August 2014.
- (e) Interim gross distribution of 4.10 sen per unit being the distribution of income for the period 1 January 2013 to 30 June 2013 was paid on 9 September 2013.

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
AS AT 30 SEPTEMBER 2014 (UNAUDITED)

	AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END
	30.09.2014 UNAUDITED RM	31.12.2013 AUDITED RM
NON-CURRENT ASSETS		
Plant and equipment	4,320	9,482
Investment properties	829,354,241	825,560,000
Derivative assets (i)	1,074,558	1,023,184
	<u>830,433,119</u>	<u>826,592,666</u>
CURRENT ASSETS		
Trade and other receivables	6,132,400	2,612,114
Deposits with licensed financial institution	7,780,391	24,738,926
Cash and cash equivalents	2,629,783	6,176,487
	<u>16,542,574</u>	<u>33,527,527</u>
CURRENT LIABILITIES		
Trade and other payables	6,890,650	11,650,980
Security deposits	5,224,421	5,365,479
	<u>12,115,071</u>	<u>17,016,459</u>
NET CURRENT ASSETS	4,427,503	16,511,068
NON-CURRENT LIABILITIES		
Borrowings	303,665,221	304,887,413
Security deposits	4,719,921	4,756,365
	<u>308,385,142</u>	<u>309,643,778</u>
NET ASSETS	<u>526,475,480</u>	<u>533,459,956</u>
Represented by:		
UNITHOLDERS' FUND		
Unitholders' capital	411,712,067	411,712,067
Undistributed and Non-distributable income	114,763,413	121,747,889
	<u>526,475,480</u>	<u>533,459,956</u>
NET ASSET VALUE PER UNIT (before provision for distribution)	1.3495	1.3674
NET ASSET VALUE PER UNIT (after provision for distribution)	1.3266	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) Net Asset Value assuming 100% of realised net income for the current quarter of RM8,933,278 is provided for income distribution.

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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014 (UNAUDITED)

	Unitholders' Capital		Distributable		Non-Distributable		Total		Unitholders' Funds
	RM	RM	Undistributed Income Realised	Undistributed Income Unrealised	Undistributed Income	Net Fair Value (Loss) / Gain On Derivatives / Unrealised	Undistributed and Non-Distributable Income	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	-		25,657,128	-	51,374		25,708,502	25,708,502	
	411,712,067		51,256,429	95,125,404	1,074,558		147,456,391	559,168,458	
Unitholders' transactions:									
Distribution to unitholders	-	(32,692,978)		-	-		(32,692,978)	(32,692,978)	
As at 30 September 2014	411,712,067	18,563,451	95,125,404	1,074,558			114,763,413	526,475,480	
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	-		25,934,933	-	126,396		26,061,329	26,061,329	
Adjustment of remeasurement of matured derivatives	-	363,911	(1,871,819)		1,507,908		-	-	
	411,712,067	49,690,406	93,017,813	490,016			143,198,235	554,910,302	
Unitholders' transactions:									
Distribution to unitholders	-	(32,692,978)		-	-		(32,692,978)	(32,692,978)	
As at 30 September 2013	411,712,067	16,997,428	93,017,813	490,016			110,505,257	522,217,324	

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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014 (UNAUDITED)

	CURRENT YEAR TO DATE 30.09.2014 RM	PRECEDING YEAR TO DATE 30.09.2013 RM
OPERATING ACTIVITIES		
Income before tax	25,657,128	25,934,933
Adjustments for:		
Finance costs	10,600,979	10,331,536
Depreciation	5,162	5,787
Interest income	<u>(626,343)</u>	<u>(638,658)</u>
Operating cash flows before changes in working capital	35,636,926	35,633,598
Receivables	(3,519,307)	4,689,617
Payables	<u>(2,916,917)</u>	<u>(7,346,450)</u>
Cash flows from operations	29,200,702	32,976,765
Income tax paid	-	-
Net cash flows generated from operating activities	<u>29,200,702</u>	<u>32,976,765</u>
INVESTING ACTIVITIES		
Additions to investment properties	(3,794,241)	(248,650)
Interest income	<u>648,295</u>	<u>660,532</u>
Net cash flow (used in) / generated from investing activities	<u>(3,145,946)</u>	<u>411,882</u>
FINANCING ACTIVITIES		
Distribution to unitholders	(32,692,978)	(32,692,978)
Finance costs paid	(13,867,017)	(13,333,956)
Proceeds from borrowings	15,000,000	117,000,000
Repayment of borrowings	<u>(15,000,000)</u>	<u>(117,000,000)</u>
Cash flows used in financing activities	<u>(46,559,995)</u>	<u>(46,026,934)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(20,505,239)	(12,638,287)
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>10,410,174</u>	<u>17,813,940</u>
Cash and cash equivalents at end of period comprises:		
Deposits with licensed financial institutions	7,780,391	12,113,936
Cash on hand and at banks	<u>2,629,783</u>	<u>5,700,004</u>
	<u>10,410,174</u>	<u>17,813,940</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 NINE MONTH ENDED 30 SEPTEMBER 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 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 2013 and the accompanying explanatory notes attached to these 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 unqualified.

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

Except 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 profit or loss in the statement of comprehensive income.

For the quarter ended 30 September 2014, there was no revaluation of investment properties.

A12 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 30 SEPTEMBER 2014

- (a) On 11 July 2014, an announcement was made to Bursa Malaysia Securities Berhad ("Bursa") that on the said date, Quill Capita Management Sdn Bhd ("QCM") had been notified by Quill Resources Holding Sdn Bhd ("**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 would be sought under the Code from the obligation to carry out the mandatory offer for the remaining Units not already held by them arising from the completion of the Proposed Acquisition ("**Proposed Exemption**").

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

In relation to the above, as announced to Bursa on 22 September 2014, KAF Investment Bank Berhad had been appointed by Trustee as the Independent Adviser to advise the non-interested Unitholders on the fairness and reasonableness of the Proposed Exemption pursuant to Paragraph 16.1 of Practice Note 9 of the Malaysian Code on Take-overs and Mergers, 2010.

As QCM and its Board are presumed to be persons acting in concert with the Quill Group, the Board is required to abstain from deliberation and making a recommendation on the Proposed Exemption to the Unitholders. In this connection, the Trustee shall table the Proposed Exemption for the consideration of the non-interested Unitholders of QCT.

- (b) As announced to Bursa on 9 September 2014, the Valuer had via its letter dated 9 September 2014 informed QCM that it has revised the market value of the Property from RM750,000,000 to RM740,000,000 pursuant to comments by the Securities Commission ("SC"). The downward adjustment of the market value represents approximately 1.33% of the initial market value. Arising from the aforesaid revision, the purchase consideration for the Property shall be adjusted to RM740,000,000 in accordance with the terms of the SPA, and shall be satisfied by the Trustee on behalf of QCT as follows:

- (i) RM476,000,000 (instead of RM486,000,000) in cash; and
- (ii) RM264,000,000 by the issuance of 206,250,000 Consideration Units at an issue price of RM1.28 per Consideration Unit.

As previously announced, the cash portion of the purchase consideration, together with the expenses for the Proposals and asset enhancement initiatives, is proposed to be funded through a combination of proceeds from the Proposed Placement and borrowings. In view of the revision in the purchase consideration, the amount of borrowings to be utilised for the above purposes shall be reduced accordingly.

In addition to the above, the Board also wishes to clarify that the Proposed Authority, in which QCM proposes to allot and issue up to 3% of the total Units in circulation for the purpose of the payment of Management Fee, shall entail the allotment and issuance of up to 20,387,000 new Units representing up to 3% of the total Units in circulation after the Proposed Acquisition and Proposed Placement.

A13 SIGNIFICANT EVENTS SUBSEQUENT TO THE QUARTER ENDED 30 SEPTEMBER 2014

- (a) As announced to Bursa on 8 October 2014, the Trustee, acting solely in the capacity as trustee for and on behalf of QCT, and MSP had, via a supplemental letter dated 8 October 2014, mutually agreed to extend the Conditional Period by a period of 3 months, thereby amending the last day of the Conditional Period from 9 October 2014 to 9 January 2015 ("Extended Conditional Period"), to fulfil all the Conditions Precedent in the SPA.

For the purpose of clarification, the period for fulfilment of the condition precedent in clause 4.1(h) of the SPA, which is set out in Section 2.3(v)(h) of the announcement dated 10 April 2014 (ie. the Trustee having received the proceeds from the Proposed Placement or from the underwriting of the Units in relation to the Proposed Placement), shall not be automatically extended by a further period of 3 months after the expiry of the Extended Conditional Period.

- (b) As announced to Bursa on 13 October 2014, the SC has, via its letter dated 10 October 2014, approved the following shareholding structure of QCM:
- (i) the transfer by CRPL of its 40% equity interest in QCM to MRCB;
 - (ii) the transfer by CCSB of its 20% equity interest in QCM to GJSB;
 - (iii) the transfer by CCSB of its 9% equity interest in QCM to QRHSB; and
 - (iv) the transfer by CCSB of its 1% equity interest in QCM to MRCB.

A13 SIGNIFICANT EVENTS SUBSEQUENT TO THE QUARTER ENDED 30 SEPTEMBER 2014 (CONT'D)

- (c) An announcement has been made to Bursa on 15 October 2014, that the SC had, via its letter dated 14 October 2014, which was received on 15 October 2014, approved the following:
- (i) the increase in approved fund size of QCT by up to 309,869,000 new Units from 390,131,000 Units to a maximum of 700,000,000 Units for the following purposes:
 - a) Proposed acquisition of a parcel of freehold land together with the deck structure and a commercial development erected thereon known as Platinum Sentral to be partly satisfied by 206,250,000 Consideration Units;
 - b) Proposed placement of between 55,000,000 new Units and 85,000,000 new Units to partly finance the cash portion for the Proposed Acquisition; and
 - c) Proposed authority to allot and issue up to 20,387,000 new Units for the purpose of the payment of Management Fee to QCM in the form of Units.
 - (ii) the listing of and quotation for the new Units on the Main Market of Bursa Securities;
 - (iii) valuation of the Property to be acquired by QCT valued at RM740,000,000;
 - (iv) exemption from Paragraph 3.04 (b) of the REIT Guidelines in relation to the requirement of a management company being a subsidiary of companies as prescribed under the said paragraph; and
 - (v) exemption from Paragraph 14.04(a)(i), (ii) and (iii) of the REIT Guidelines in relation to obtaining unitholders' approval on the precise terms and conditions of an issue of units.

The approval of the SC is subject to the following conditions:

- (i) In relation to the Proposed Acquisition and Proposed Placement:
 - (1) the SC be informed of the date of the date of listing of the new Units on the Main Market of Bursa Securities; and
 - (2) the issuance and the listing of the new Units on the Main Market of Bursa Securities must be completed within 6 months from the date of SC's approval. The approval would be deemed lapsed if QCM fails to do so within the stipulated time frame.
 - (ii) In relation to the Proposed Authority, the SC is to be informed on the following with regard to each issuance of QCT units:
 - (1) the actual number of new Units to be issued and listed as part payment of Management Fees; and
 - (2) the basis of arriving at such number of new Units.
- (d) As announced on 21 October 2014, the Securities Commission Malaysia had vide its letter dated 20 October 2014 authorised the CP/MTN Programmes with a combined aggregate nominal value of up to RM450.0 million.

Hong Leong Investment Bank Berhad ("HLIB") has been appointed as the Principal Adviser, Lead Arranger and Lead Manager for the CP/MTN Programmes.

Murud Capital Sdn Bhd ("MCSB") (Formerly known as Gandalf Capital Sdn Bhd) as the issuer, is a special purpose company wholly owned and established by QCT to raise financing on behalf of QCT.

A13 SIGNIFICANT EVENTS SUBSEQUENT TO THE QUARTER ENDED 30 SEPTEMBER 2014 (CONT'D)

The CP/MTN Programmes shall be secured by a list of securities, inter-alia, a third party first ranking legal charge over a freehold land held under GRN 46222, Lot 73 Section 0070, Town and District of Kuala Lumpur, Federal Territory of Kuala Lumpur together with five (5) blocks of four (4) to seven (7) storey commercial building consisting of office-cum retail space, a multi-purpose hall together with two (2) levels of car park erected thereon (“**Property**”).

The proceeds raised from the issuance of the Senior CP/MTN and the Junior CP/MTN shall be utilised by MCSB, amongst others, to advance to QCT to part finance the acquisition of the Property, to finance its investment activities, and to refinance its existing/future borrowings.

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 condensed consolidated financial statements as at 30 September 2014 are as follows:

	As at 30 September 2014
	RM
Approved and contracted for :	
Investment properties	4,369,729

B1 REVIEW OF PERFORMANCE

Quarter and year todate results

QCT recorded total revenue of RM17.53 million and property operating expenses of RM4.03 million respectively for the current quarter ended 30 September 2014. Realised income of RM8.93 million was achieved. Borrowing costs of RM3.60 million and manager's fee of RM1.36 million were incurred during the quarter.

As compared with the preceding year corresponding quarter ("3Q 2013"), the revenue was about 2.4% higher mainly due to higher recoveries and rental rate increases of some properties. Property operating expenses were higher by 10.4% due to higher repair and maintenance costs. Notwithstanding the higher property operating expenses, the property income increased by 0.2%. Finance costs were higher by 2.9% during the current quarter mainly due to interest on RM15 million CPs (Note B14(a)) drawdown in March 2014, and charging of the related transaction costs to the profit & loss in the current quarter upon repayment of the RM15 million CPs on 5 September 2014. Interest income was higher by 17.2% due mainly to placements on the RM15 million CPs drawdown. The credit balance in administrative expenses was due mainly to write back of over-accrued professional fee in the current quarter. Valuation fee was lower due to over accrual of valuation fee in 3Q 2013. The realised income of RM8.93 million was 0.2% higher than 3Q 2013 mainly due to higher net property income, higher interest income, lower valuation fee and savings in administrative expenses in the current quarter, net of higher financing costs.

As compared with the immediate preceding quarter ("2Q 2014"), revenue of RM17.53 million was higher by 1.1% mainly due to higher rental income of some properties. Property operating expenses were higher by 2.0% due to higher repair and maintenance costs incurred. Notwithstanding the higher property operating expenses, the net property income increased marginally by 0.8%. Interest income was lower by 24.7% due mainly to lower placements resulting from the repayment of the RM15 million CPs. Finance costs were higher by 1.1% mainly due to interest costs resulting from the RM15 million CPs (Note B14(a)) drawdown in March 2014, and charging of the related transaction costs to the profit & loss in the current quarter upon repayment of the said RM15 million CPs on 5 September 2014. Tax agent fee was marginally higher in the current quarter mainly due to write back of over-accrued fee in 2Q 2014. Without the effect of the write back of professional fee in the current quarter, administrative expenses were lower mainly due to lower meeting expenses incurred during the current quarter and higher professional fee in 2Q 2014 resulting from accrual of GST advisory fee. The realised income of the current quarter was higher by 4.3% mainly due to higher net property income and lower administrative expenses.

As compared to preceding year cumulative quarter ("YTD 3Q 2013"), revenue of RM52.07 million was higher by 0.8% mainly due to rental rate increases of some properties and higher recoveries. Property operating expenses were higher by 5.7% mainly due to higher repair and maintenance costs. Net property income reduced by 0.5% mainly due to the higher property operating expenses. Interest income were lower by 1.9% due mainly to higher interest income earned from earnest deposit in YTD 3Q 2013. Finance costs were higher by 2.6% due to interest resulting from the RM15 million CPs (Note B14(a)) drawdown in March 2014, and charging of the related transaction costs to the profit & loss during the current quarter. The finance costs of YTD 3Q 2013 were also lower due to one-off write back of credit facility costs. Tax agent fee was lower mainly due to write back of over-accrued fee in the current year cumulative quarter. Administrative expenses were lower due mainly to the write back of professional fees and printing costs in the current year cumulative quarter. The realised income of RM25.66 million was lower by 1.1% mainly due to lower net property income, lower interest income, higher finance costs net of lower tax agent fee and savings in administrative expenses.

The performance of QCT for the quarter and period ended 30 September 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

Rental and occupancy rates are expected to remain stable in the short term as substantial number of completions mapped out for this year is anticipated to come on stream only in the second half of the year. The occupancy rate of the office market was resilient in 2Q 2014 with the city centre and city fringe recording marginal quarter-to-quarter increases of 0.2% and 0.8% to 83.4% and 83.7%, respectively. Meanwhile, the office market's overall average rental remained unchanged at RM6.08 psf. The city fringes recorded a 0.4% rise to RM5.57 psf while in the city centre the average rentals in both the Golden Triangle and Central Business District remained unchanged at RM6.38 psf and RM4.80 psf, respectively.

(Sources : The Edge – Knight Frank Klang Valley Office Monitor 2Q 2014)

Review of retail market - Klang Valley

Overall occupancy rates of Klang Valley retail space remained stable at 89% despite a marginal drop of 0.1% from the previous quarter. The general market for the coming quarter is anticipated to observe a healthy growth with spaces within the newly completed malls in this quarter slowly to be filled up as well as most upcoming retail centres in 2014 is expected to be completed only in the 2nd half of 2014. Rentals rate for retail spaces are also expected to remain stable.

(Sources : First Quarter of 2014 Retail Sector in - by C H Williams Talhar & Wong Sdn Bhd)

Review of retail market - Penang

Rentals and prices have generally remained stable or increased steadily for the newer and better performing retail shopping centres. Retail spaces in the older buildings and secondary locations continue to experience downward pressure on rentals.

(Sources : WTW Property Market 2014 - by C H Williams Talhar & Wong Sdn Bhd)

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 30 September 2014, 40% of these leases have been renewed while 3% has not been renewed. This leaves a balance of 57% of these leases that is due for renewal in the fourth quarter. The Manager is currently in final stages of negotiation for the renewal of the balance of the 57% leases due for renewal in the fourth quarter.

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 SEPTEMBER 2014

As at 30 September 2014, QCT's portfolio comprises of ten buildings as follows:

Investment properties	Cost of Investment	Market Value /Net Carrying amount as at 30 September 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	23.74%
2 QB 2- HSBC	107,500,000	119,000,000	22.60%
3 QB 3- BMW	59,400,000	73,060,000	13.88%
4 Wisma Technip	125,000,000	164,894,241	31.32%
5 Part of Plaza Mont' Kiara	90,000,000	110,000,000	20.89%
6 QB5- IBM	43,000,000	45,200,000	8.59%
7 QB10-HSBC Section 13	22,740,000	26,500,000	5.03%
8 Tesco Building Penang	132,000,000	139,500,000	26.50%
<u>Industrial building</u>			
9 QB 8 -DHL XPJ	28,800,000	26,200,000	4.98%
	<u>717,540,000</u>	<u>829,354,241</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 RM1,507,000 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 September 2014
	RM
Non-current Liabilities:	
<u>RM270 million CP/MTN Programme</u>	
Face value of CPs and MTNs issued	205,000,000
Discount	(2,968,419)
Cash proceeds	202,031,581
Interest expense on CPs	671,871
	<u>202,703,452</u>
Transaction costs b/f	(376,089)
Transaction costs on CP issued during the period	(54,995)
Amortisation of transaction costs during the period	162,896
	<u>202,435,264</u>
Redeemed on 5 September 2014	(15,000,000)
	<u>187,435,264</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	147,455
	<u>116,229,957</u>
Total:	<u>303,665,221</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.

Todate, 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.; and were since repaid on 5 September 2014. Balance of the transaction costs relating to the RM15 million CPs amounted to RM54,995 were charged to profit and loss during the quarter.

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 are 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 are 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 September 2014 are as follows:

	Fair values of derivative assets/(liabilities) as at 30 September 2014
	RM
- less than one year	-
- one to three years	1,074,558
- more than three years	-
Total	<u><u>1,074,558</u></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 was made on 29 August 2014.

No income distribution is proposed for the quarter ended 30 September 2014.

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 September 2014	As at 30 June 2014
NAV (RM)	526,475,480	533,653,509
Number of units in circulation (unit)	390,131,000	390,131,000
NAV per unit (RM) (after provision for distribution)	1.3266	1.3269
Market price (RM)	1.16	1.17

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 income distribution made in the current quarter.

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 September 2014 are :

	RM
Base fee	926,702
Performance fee	437,501
	<u>1,364,203</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 September 2014 amounted to RM63,456.

B21 UNITHOLDINGS BY THE MANAGER

As at 30 September 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 September 2014 RM
HLIB Nominee (Tempatan) Sdn. Bhd. for :			
-Quill Properties Sdn. Bhd.	45,997,000	11.79%	53,356,520
-Quill Land Sdn. Bhd.	48,767,000	12.50%	56,569,720
-Quill Estates Sdn. Bhd.	22,276,000	5.71%	25,840,160
HSBC Nominees (Asing) Sdn. Bhd. for CapitaCommercial Trust	<u>117,040,000</u>	30.00%	135,766,400
	<u>234,080,000</u>	60.00%	271,532,800

The Manager's directors' direct unitholding in QCT:

	No. of units	Percentage of total units	Market Value as at 30 September 2014 RM
Dato' Dr. Low Moi Ing, J.P	50,000	0.01%	58,000
Dato' Michael Ong Leng Chun	55,000	0.01%	63,800
Datuk Dr. Mohamed Arif Bin Nun	10,000	0.00%	11,600
Aw Hong Boo (Alternate to Dato' Dr. Low Moi Ing, J.P)	50,000	0.01%	58,000

The Manager's directors' indirect unitholding in QCT:

	No. of units	Percentage of total units	Market Value as at 30 September 2014 RM
Dato' Dr. Low Moi Ing, J.P	117,040,000 (a)	30.00%	135,766,400
Dato' Michael Ong Leng Chun	117,040,000 (b)	30.00%	135,766,400

(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 September 2014 of RM1.16 per unit.

B23 UNITHOLDERS CAPITAL

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

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	3,423,877	10,146,628
Amortisation of transaction costs and credit facility costs	180,782	454,351
Total finance costs	<u>3,604,659</u>	<u>10,600,979</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	1,617	5,162
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 September 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 25 November 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: 26 November 2014