

MRCB-QUILL REIT  
(FORMERLY KNOWN AS QUILL CAPITA TRUST)  
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2015 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Quarter	To Date	To Date
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	RM	RM	RM	RM
<b>TOTAL INCOME</b>				
Gross revenue	32,175,379	17,348,898	50,784,617	34,533,692
Property operating expenses	(7,861,861)	(3,952,865)	(12,791,570)	(8,124,829)
Net property income	24,313,518	13,396,033	37,993,047	26,408,863
Interest income	143,313	292,774	268,871	405,948
	<u>24,456,831</u>	<u>13,688,807</u>	<u>38,261,918</u>	<u>26,814,811</u>
<b>TOTAL EXPENDITURE</b>				
Manager's fee	(2,103,992)	(1,347,011)	(3,731,913)	(2,694,206)
Trustee's fee	(126,216)	(66,285)	(209,807)	(129,018)
Finance costs	(8,189,215)	(3,565,827)	(11,726,876)	(6,996,320)
Valuation fees	(47,499)	(47,499)	(94,998)	(94,999)
Auditors' remuneration	(31,239)	(30,879)	(62,478)	(61,758)
Tax agent's fee	(6,873)	(4,221)	(11,802)	91,150
Administrative expenses	(319,334)	(65,231)	(512,709)	(205,810)
	<u>(10,824,368)</u>	<u>(5,126,953)</u>	<u>(16,350,583)</u>	<u>(10,090,961)</u>
<b>INCOME BEFORE TAX</b>	<u>13,632,463</u>	<u>8,561,854</u>	<u>21,911,335</u>	<u>16,723,850</u>
Income tax expense	-	-	-	-
<b>NET INCOME FOR THE PERIOD</b>	<u>13,632,463</u>	<u>8,561,854</u>	<u>21,911,335</u>	<u>16,723,850</u>
<b>OTHER COMPREHENSIVE INCOME</b>				
Gain on remeasurement of financial derivatives (a)	1,400,611	70,450	846,795	167,310
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<u>1,400,611</u>	<u>70,450</u>	<u>846,795</u>	<u>167,310</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>15,033,074</u>	<u>8,632,304</u>	<u>22,758,130</u>	<u>16,891,160</u>
<b>Net income for the period is made up as follows:</b>				
Realised	13,632,463	8,561,854	21,911,335	16,723,850
Unrealised	-	-	-	-
<b>EARNINGS PER UNIT (b)</b>				
- after manager's fees (sen)-adjusted for manager's fee payable in units	2.20	2.19	4.31	4.29
- before manager's fees (sen)	2.38	2.54	4.84	4.98
<b>EARNINGS PER UNIT (REALISED) (c)</b>				
- after manager's fees (sen)-adjusted for manager's fee payable in units	2.20	2.19	4.31	4.29
- before manager's fees (sen)	2.38	2.54	4.84	4.98
<b>INCOME DISTRIBUTION</b>				
-Interim income distribution	(13,871,005)	(7,833,375)	(22,017,121)	(15,995,371)
	<u>(13,871,005)</u>	<u>(7,833,375)</u>	<u>(22,017,121)</u>	<u>(15,995,371)</u>
<b>Income distribution per unit</b>				
Gross (sen)				
-Interim distribution of income				
From 24 March 2015 upto 31 March 2015	0.12	-	-	-
From 1 April 2015 upto 30 June 2015	2.10	-	-	-
Total distribution for current quarter ended / cumulative quarter ended 30 June	<u>2.22 (d)</u>	<u>2.01</u>	<u>4.10</u>	<u>4.10</u>

- (a) This relates to the gain on the remeasurement of the fair values of interest rate swaps ("IRs"). (please refer Note B15)
- (b) Earnings Per Unit for the quarter/period is computed based on the Net Income for the quarter/period divided by average units in circulation of 661,381,000/529,502,547 units during the quarter/period. During the quarter/period, manager's fees of RM917,919 (2014: Nil) payable in units was added back in deriving the Earnings Per Unit - after manager's fees.
- (c) Earnings Per Unit (Realised) for the quarter/period is computed based on the Realised Net Income for the quarter/period divided by average units in circulation of 661,381,000/529,502,547 units during the quarter/period. During the quarter/period, manager's fees of RM917,919 (2014: Nil) payable in units was added back in deriving the Earnings Per Unit (Realised) - after manager's fees.
- (d) Income distribution of 2.22 sen per unit being the distributable of income for the period 24 March 2015 to 30 June 2015 will be payable on 28 August 2015 to all unitholders as at book closure date on 6 August 2015. 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 2014 and the accompanying explanatory notes attached to the financial statements.

**MRCB-QUILL REIT**  
**(FORMERLY KNOWN AS QUILL CAPITA TRUST)**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2015 (UNAUDITED)**

	<b>AS AT END OF CURRENT QUARTER</b>	<b>AS AT PRECEDING FINANCIAL YEAR END</b>
	<b>30.06.2015 UNAUDITED RM</b>	<b>31.12.2014 AUDITED RM</b>
<b>NON-CURRENT ASSETS</b>		
Plant and equipment	11,074	17,376
Investment properties	1,588,118,481	837,700,000
Derivative assets (i)	2,070,988	1,224,193
	<u>1,590,200,543</u>	<u>838,941,569</u>
<b>CURRENT ASSETS</b>		
Trade and other receivables	5,817,000	6,142,148
Deposits with licensed financial institution	30,276,210	14,863,008
Cash and cash equivalents	5,905,335	8,425,988
	<u>41,998,545</u>	<u>29,431,144</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	16,747,975	12,241,188
Security deposits	2,697,351	2,263,561
	<u>19,445,326</u>	<u>14,504,749</u>
<b>NET CURRENT ASSETS</b>	22,553,219	14,926,395
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	718,461,739	305,113,452
Security deposits	14,750,664	7,503,503
	<u>733,212,403</u>	<u>312,616,955</u>
<b>NET ASSETS</b>	<u>879,541,359</u>	<u>541,251,009</u>
Represented by:		
<b>UNITHOLDERS' FUND</b>		
Unitholders' capital	751,276,357	411,712,067
Undistributed and Non-distributable income	128,265,002	129,538,942
	<u>879,541,359</u>	<u>541,251,009</u>
<b>NET ASSET VALUE PER UNIT (before provision for distribution)</b>	1.3299	1.3874
<b>NET ASSET VALUE PER UNIT (after provision for distribution)</b>	1.2966	1.3446
<b>NUMBER OF UNITS IN CIRCULATION</b>	661,381,000	390,131,000

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

(ii) Net Asset Value assuming 95.33% of realised net income from 24/3/2015 upto 30/6/2015 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 2014 and the accompanying explanatory notes attached to the financial statements.

**MRCB-QUILL REIT**  
**(FORMERLY KNOWN AS QULL CAPITA TRUST)**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE**  
**FOR THE PERIOD ENDED 30 JUNE 2015 (UNAUDITED)**

	Unitholders' Capital		Distributable		Non-Distributable		Total		Unitholders' Funds
	RM	RM	Undistributed Income Realised	Undistributed Income Unrealised	Undistributed Income Unrealised	Net Fair Value (Loss) / Gain On Derivatives Unrealised	Undistributed and Non-Distributable Income	RM	
<b>As at 1 January 2015</b>	411,712,067		27,069,066	101,245,683	1,224,193		129,538,942	541,251,009	
Issuance of new units on 30 March 2015	342,000,000		-	-	-		-	342,000,000	
Issuance of new units expenses	(2,435,710)		-	-	-		-	(2,435,710)	
Total Comprehensive Income for the period	-	21,911,335	48,980,401	101,245,683	846,795	2,070,988	22,758,130	22,758,130	
	751,276,357		48,980,401	101,245,683	2,070,988		152,297,072	903,573,429	
<b>Unitholders' transactions:</b>									
Distribution to unitholders	-	(24,032,070)		-	-		(24,032,070)	(24,032,070)	
<b>As at 30 June 2015</b>	751,276,357		24,948,331	101,245,683	2,070,988		128,265,002	879,541,359	
<b>As at 1 January 2014</b>	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	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	
<b>Unitholders' transactions:</b>									
Distribution to unitholders	-	(16,697,607)		-	-		(16,697,607)	(16,697,607)	
<b>As at 30 June 2014</b>	411,712,067		25,625,544	95,125,404	1,190,494		121,941,442	533,653,509	

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 2014 and the accompanying explanatory notes attached to the financial statements.

**MRCB-QUILL REIT  
(FORMERLY KNOWN AS QUILL CAPITA TRUST)  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 30 JUNE 2015 (UNAUDITED)**

	<b>CURRENT YEAR TO DATE 30.06.2015 RM</b>	<b>PRECEDING YEAR TO DATE 30.06.2014 RM</b>
<b>OPERATING ACTIVITIES</b>		
Income before tax	21,911,335	16,723,850
Adjustments for:		
Finance costs	11,726,876	6,996,320
Depreciation	6,302	3,545
Interest income	(268,871)	(405,948)
Operating cash flows before changes in working capital	<u>33,375,642</u>	<u>23,317,767</u>
Receivables	737,679	(989,285)
Payables	6,541,439	(2,297,244)
Cash flows from operations	<u>40,654,760</u>	<u>20,031,238</u>
Income tax paid	-	-
Net cash flows generated from/(used in) operating activities	<u>40,654,760</u>	<u>20,031,238</u>
<b>INVESTING ACTIVITIES</b>		
Additions to investment properties	(750,418,481)	(2,287,241)
Interest income	249,835	310,411
Net cash flow (used in) / generated from investing activities	<u>(750,168,646)</u>	<u>(1,976,830)</u>
<b>FINANCING ACTIVITIES</b>		
Distribution to unitholders	(24,032,070)	(16,697,607)
Finance costs paid	(12,125,785)	(6,953,997)
Proceeds from borrowings	424,000,000	15,000,000
Repayment of borrowings	(5,000,000)	-
Payment of financing expenses	-	-
Proceeds from issuance of new units	342,000,000	-
Expenses paid on issuance of new units	(2,435,710)	-
Cash flows generated from/(used in) financing activities	<u>722,406,435</u>	<u>(8,651,604)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	12,892,549	9,402,804
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>23,288,996</u>	<u>30,915,413</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>36,181,545</u>	<u>40,318,217</u>
Cash and cash equivalents at end of period comprises:		
Deposits with licensed financial institutions	30,276,210	36,376,060
Cash on hand and at banks	5,905,335	3,942,157
	<u>36,181,545</u>	<u>40,318,217</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes to the financial statements.

**MRCB-QUILL REIT  
(FORMERLY KNOWN AS QUILL CAPITA TRUST)  
EXPLANATORY NOTES FOR SIX MONTH ENDED 30 JUNE 2015**

**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 MRCB-Quill Reit's ("MQReit") audited financial statements for the financial year ended 31 December 2014 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 MQReit and its special purpose entities ("SPEs"). The SPEs were established for the specific purpose of raising financing on behalf of MQReit. A SPE is consolidated if, based on an evaluation of the substance of its relationship with MQReit and the SPE's risks and rewards, MQReit concludes that it controls the SPE. SPEs controlled by MQReit were established under terms that impose strict limitations on the decision-making powers of the SPE's management resulting in MQReit 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 2014.

**A4 AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2014**

The audit report of the financial statements for the preceding year ended 31 December 2014 was unqualified.

**A5 SEASONALITY OR CYCLICALITY OF OPERATIONS**

The business operations of MQReit were not materially affected by seasonal or cyclical factors during the current quarter. Seasonal or cyclical factors include but are 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 MQReit.

**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 the above and 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, MQReit 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 MQReit'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 2015, there was no revaluation of investment properties.

## **A12 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 30 JUNE 2015**

(A) As announced on 21 April 2015, the third supplemental deed dated 2 April 2015 governing QCT ("Third Supplemental Deed") has been registered by and lodged with the SC on 14 April 2015 and 20 April 2015 respectively. The Third Supplemental Deed takes effect from 14 April 2015 and the name of QCT has been changed from "Quill Capita Trust" to "MRCB-Quill REIT".

As announced on 25 May 2015, the management company of MRCB-Quill Reit (formerly known as Quill Capita Trust) has changed its name from Quill Capita Management Sdn Bhd to MRCB Quill Management Sdn Bhd.

(B) As announced on 25 February 2015, the Trustee, acting solely in the capacity as trustee for and on behalf of QCT, had entered into a sale and purchase agreement with Aldwych Capital Sdn Bhd (formerly known as Superplas Trading Sdn Bhd) for the disposal of a 5-storey office building together with 1 level of basement car park located at No. 2A, Lorong 13/6A, Section 13, 46200 Petaling Jaya, Selangor erected on a parcel of leasehold land held under Pajakan Negeri 3699, Lot 57 Seksyen 13, in the town of Petaling Jaya, District of Petaling and state of Selangor ("QB10-Section 13") for a cash consideration of RM27.3 million.

The proposed disposal is expected to be completed by 3rd quarter 2015.

**A13 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 30 JUNE 2015**

There were no significant events subsequent to the quarter ended 30 June 2015.

**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 June 2015 are as follows:

	As at 30 June 2015
	RM
Approved and contracted for :	
Investment properties	<u>3,876,168</u>

## **B1 REVIEW OF PERFORMANCE**

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

MQRreit recorded total revenue of RM32.18 million and property operating expenses of RM7.86 million respectively for the current quarter ended 30 June 2015. Realised income of RM13.63 million was achieved. Finance costs of RM8.19 million and manager's fee of RM2.10 million were incurred during the quarter.

As compared with the preceding year corresponding quarter ("2Q 2014"), the revenue is higher by 85.5% mainly due to additional revenue arising from the acquisition of Platinum Sentral on 30 March 2015, higher revenue from Plaza Mont' Kiara ("PMK") and rental rate increases for some properties. Property operating expenses is higher by 98.9% due to acquisition of Platinum Sentral and higher repair and maintenance expenses for Plaza Mont Kiara. Overall, the net property income increased by 81.5%. Finance costs is higher by 130.0% during the current quarter mainly due to interest on additional borrowings drawdown on 30 March 2015 (note B14(c)). Interest income is lower by 51.1% mainly due to lower bank balances in the current quarter, after the payment of interim distribution on 15 April 2015. Administrative expenses is higher mainly due to AGM expenses incurred in the current quarter. The realised income of RM13.63 million is 59.2% higher than 2Q 2014 mainly due to higher net property income net of higher finance costs, manager's fee and administrative expenses in the current quarter.

As compared with the immediate preceding quarter ("1Q 2015"), revenue of RM32.18 million is higher by 72.9% mainly due to additional revenue arising from the acquisition of Platinum Sentral on 30 March 2015 and higher revenue from PMK in the current quarter. Property operating expenses is higher by 59.5% due to acquisition of Platinum Sentral and higher repair and maintenance expenses for PMK. Overall, the net property income increased by 77.7%. Interest income is higher by 14.1% mainly due to higher bank balance in the current quarter. Finance costs is higher by 131.5% mainly due to interest on the additional borrowings drawdown on 30 March 2015 (Note B14(c)) for the acquisition of Platinum Sentral. The realised income of the current quarter is higher by 64.7% mainly due to higher net property income and higher interest income, net of higher manager's fee and trustee's fee, finance costs and administrative expenses.

As compared to preceding year cumulative quarter ("YTD 2Q 2014"), revenue of RM50.78 million is higher by 47.1% mainly due additional revenue arising from the acquisition of Platinum Sentral on 30 March 2015, higher revenue from PMK, and rental rate increases of some properties. Property operating expenses is higher by 57.4% mainly due to acquisition of Platinum Sentral and higher repairs and maintenance expenses from PMK. Overall, the net property income increased by 43.9%. Finance costs is higher by 67.6% due to additional borrowings drawdown (Note B14(c)). Tax agent fee is higher mainly due to write back of over-accrued fee in the preceding year cumulative quarter. The realised income of RM21.91 million is higher by 31.0% mainly due to higher net property income, net of higher finance costs, manager's fee, trustee's fee and administrative expenses.

The performance of MQRreit for the period ended 30 June 2015 is in line with the investment objective of MQRreit.

## **B2 INVESTMENT OBJECTIVES AND STRATEGIES**

The investment objective of MQRreit 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 MQRreit since the date of the Annual Report for 2014.

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 MQRreit. There has been no change in the strategies employed by the Manager since the date of the Annual Report for 2014 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 office market continues to hold steady. The cumulative supply for both KL and beyond KL (Selangor) for 1 Q 2015 stood at 88.14 sq ft and is expected to grow 6.1% to 93.56 mil sq ft by year end. In terms of occupancy rate, KL City, KL Fringe and beyond KL (Selangor) recorded occupancy rates of 85.2%, 87.8% and 77%, respectively. In KL City, average rental rates for Grade “A” buildings in the golden triangle (“GT”) and central business district (“CBD”) increased 3.2% and 3.5% respectively from the last quarter to RM7.21 per sq ft and RM5.61 per sq ft. As for the KL fringe Grade “A” buildings in Damansara Heights, KL Sentral and Mid Valley/ Bangsar/ Pantai recorded average rental rates of RM5.40 per sq ft, RM6.78 per sq ft and RM5.90 per sq ft, respectively.

(Sources : The Edge Knight Frank Klang Valley Office Monitor 1Q 2015)

#### Review of retail market - Klang Valley

Fueled by domestic demand, the Kuala Lumpur retail sector remained resilient despite a marginal decline in occupancy by 1% to 93% for 1Q 2015. Retail stock in Kuala Lumpur stands at 24.45 million sq ft as at 1 Q 2015. GST and weaker consumer confidence are not a deterrent to the development of new malls with some 1.27 million sq ft of retail space is expected to complete in 2015.

(Sources : DTZ Property Times Kuala Lumpur Q1 2015)

#### Review of retail market - Penang

In Penang, total existing supply of retail space stood at approximately 1.065 million sq ft with a total of 37 buildings. In 2014, retail market activities have been relatively vibrant in Seberang Perai compared to the Penang island with the opening of a few retail malls in Seberang Perai Utara and Seberang Perai Tengah. The rental rate remained at RM22 psf while the occupancy rate stood around 75%.

(Sources : CH Williams Talhar & Wong Property Market Report 2015)

### **B4 PROSPECTS**

Despite a growing supply and intensifying competition amid a tenant’s market where opportunities to shop around are plenty, good offices spaces in central locations will continue to do well. The Manager will continue to focus on its active asset management programme as part of its tenant retention strategy as well as to continue to explore acquisition opportunities to grow the Fund.

Based on the lease expiry profile with the inclusion of Platinum Sentral into the Trust's portfolio, 25% of the total net lettable area is due for renewal in 2015. As at 30 June 2015, 94% of the leases due for renewal in 1H2015 have been renewed. The balance of the leases due for renewal in 2015 are only due in the fourth quarter of 2015. Notwithstanding, the Manager has commenced negotiations for the renewal of these leases with the intention to lock in the tenancy ahead of its expiry. Simultaneously, the Manager is actively marketing and leasing the available vacant spaces to further increase the portfolio occupancy rate.

## **B5 REVENUE RECOGNITION**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to MQReit 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 MQReit for the financial year 2015.

### **(b) Profit guarantee**

MQReit 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 MQReit 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 disposals 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 purchases or disposals 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 period to date.

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

There were no issuance of new units during the quarter.

## **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 the interest of the unitholders.

**B13 COMPOSITION OF INVESTMENT PORTFOLIO AS AT 30 JUNE 2015**

As at 30 June 2015, MQReit's portfolio comprises of eleven buildings as follows:

Investment properties	Cost of Investment	Market Value /Net Carrying amount as at 30 June 2015	Market value /Net Carrying amount as % of NAV
	RM	RM	
<u>Commercial buildings</u>			
1 QB1 -DHL 1 & QB 4-DHL2	109,100,000	125,700,000	14.29%
2 QB 2- HSBC	107,500,000	119,498,010	13.59%
3 QB 3- BMW	59,400,000	74,400,000	8.46%
4 Wisma Technip	125,000,000	169,334,604	19.25%
5 Part of Plaza Mont' Kiara	90,000,000	112,465,000	12.79%
6 QB5- IBM	43,000,000	45,200,000	5.14%
7 QB10-HSBC Section 13	22,740,000	26,500,000	3.01%
8 Tesco Building Penang	132,000,000	139,700,000	15.88%
9 Platinum Sentral	740,000,000	748,920,867	85.15%
<u>Industrial building</u>			
10 QB 8 -DHL XPJ	28,800,000	26,400,000	3.00%
	<u>1,457,540,000</u>	<u>1,588,118,481</u>	

Capital expenditure of RM558,614 was incurred during the quarter. The NAV as at 30 June 2015 is to RM879,541,359.

**B14 BORROWINGS AND DEBT SECURITIES**

As at end of period  
ended 30 June 2015

RM

**Non-current Liabilities:****RM270 million CP/MTN Programme**

Face value of CPs and MTNs issued	195,000,000
Discount	(2,874,910)
Cash proceeds	192,125,090
Accretisation of interest expenses	1,844,969
	<u>193,970,059</u>
Transaction costs b/f	(232,221)
Transaction costs on CP issued during the period	(18,332)
Amortisation of transaction costs during the period	90,266
Redemption of RM5million CP	(5,000,000)
	<u>188,809,772</u>

**RM150 million Term Loan**

Term Loan drawdown	117,000,000
Transaction cost c/f	(720,892)
	<u>116,279,108</u>
Amortisation of transaction costs during the period	98,304
	<u>116,377,412</u>

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

As at end of period  
ended 30 June 2015  
RM

**Non-current Liabilities (cont'd)****RM290 million Senior CP/MTN Programme**

Face value of CPs issued	279,000,000
Discount	(2,876,222)
Cash proceeds	<u>276,123,778</u>
Accretisation of interest expenses	<u>31,263</u>
	276,155,041
Transaction costs on CP issued during the period	(710,994)
Additional transaction costs incurred during the quarter	(153,737)
Amortisation of transaction costs during the period	<u>57,648</u>
	<u><u>275,347,958</u></u>

**RM450 million Junior CP/MTN Programme**

Face value of CPs issued	140,000,000
Discount	(3,373,501)
Cash proceeds	<u>136,626,499</u>
Accretisation of interest expenses	<u>1,705,085</u>
	138,331,584
Transaction costs on CP issued during the period	(356,771)
Additional transaction costs incurred during the quarter	(77,144)
Amortisation of transaction costs during the period	<u>28,928</u>
	<u><u>137,926,597</u></u>

**Total:** 718,461,739

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

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

Today, 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.
- RM5 million nominal values of CPs issued on 3 March 2015 at the interest rate of 4.19% p.a.; and has been repaid on 3 June 2015.

The RM270 million Programme are secured borrowings.

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

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

On 18 July 2013, MQReit through its SPE, Trusmadi Capital Sdn. Bhd. ("Trusmadi") 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.

### **(c) Senior CP/MTN Programme of up to RM290 million ("Senior CP/MTN Programme") and Junior CP/MTN Programme of up to RM450 million ("Junior CP/MTN Programme")**

On 13 March 2015, MQReit through its SPE, Murud Capital Sdn Bhd ("Murud") (formerly known as Gandalf Capital Sdn Bhd) established a RM290 million Senior CP/MTN Programme and Junior CP/MTN Programme of RM450 million for 7 years.

On 30 March 2015, RM279 million nominal values of Senior CPs were issued at an interest rate of 4.13% p.a.. A Junior CP of RM140 million nominal values were issued at an interest rate of 4.78% p.a.(effective rate is 4.9% p.a.). This Junior CP upon maturity on 30 September 2015 will be refinanced by a Term loan of 4.9% p.a..

On 21 April 2015, MRCB-Quill Reit entered into two interest rate swap arrangements, swapping floating rate for fixed rate for a notional amount of RM139.5 million respectively, in relation to the RM279 million Senior CPs issued by Murud. MRCB-Quill Reit will pay a fixed rate of 3.82% p.a. to the Bank whilst the Bank will pay a floating rate to MRCB-Quill Reit. These interest rate swap arrangements commenced on 21 April 2015 and will mature on 30 March 2020.

There was additional transaction costs of RM230,881 incurred during the quarter. The transaction costs relating to the programme are amortised from the dates of issuance of the CPs to the maturity of the programme. The RM290 million Senior CP and RM450 million Junior CP are secured borrowings.

## B15 DERIVATIVE FINANCIAL INSTRUMENTS

As part of the active interest rate management strategy of MQReit, 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, MQReit will pay a fixed rate of 3.34% p.a. to the Bank whilst the Bank will pay a floating rate to MQReit. 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, MQReit will pay a fixed rate of 3.34% p.a. to the Bank whilst the Bank will pay a floating rate to MQReit. IRS No. 6 commenced on 30 November 2011 and will mature on 5 September 2016.
- (iii) On 21 April 2015, an IRS arrangement swapping floating rate for fixed rate for a notional amount of RM139.5 million ("IRS No. 7") was entered into in relation to the RM279 million CPs issued by Murud. Pursuant to IRS No. 7, MQReit will pay a fixed rate of 3.82% p.a. to the Bank whilst the Bank will pay a floating rate to MQReit. IRS No. 7 commenced on 21 April 2015 and will mature on 30 March 2020.
- (iv) On 21 April 2015, an IRS arrangement swapping floating rate for fixed rate for a notional amount of RM139.5 million ("IRS No. 8") was entered into in relation to the RM279 million CPs issued by Murud. Pursuant to IRS No. 8, MQReit will pay a fixed rate of 3.82% p.a. to the Bank whilst the Bank will pay a floating rate to MQReit. IRS No. 7 commenced on 21 April 2015 and will mature on 30 March 2020.

The differences between the floating rate and the fixed rate of the respective IRSs are settled between MQReit and the Bank on semi-annually for IRS No. 5 and IRS No. 6; and quarterly basis for IRS No. 7 and IRS No. 8 respectively, 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 2015 are as follows:

	Fair values of derivative assets as at 30 June 2015 RM
One to three years	767,383
More than 3 years	<u>1,303,605</u>
	<u><u>2,070,988</u></u>

MQReit was eligible to apply hedge accounting for its IRSs, hence changes in fair values of the IRSs were recognised in other comprehensive income.

## 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

MQReit 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 RM7,334,463 or 1.88 sen per unit, being 98.75% of the realised income for the period 1 January 2015 to 23 March 2015 was made on 15 April 2015. The said distribution was made to existing unitholders prior to the issuance of new units and private placements of units on 30 March 2015.

Another interim income distribution of RM14,682,658 or 2.22 sen per unit is proposed, being 95.33% of the realised income for the period 24 March 2015 to 30 June 2015. The proposed income distribution has been approved by the Board and the Trustee on 21 July 2015 and will be payable on 28 August 2015 to all existing 661,381,000 unitholders as at book closure date on 6 August 2015.

Distributions are from the following sources :

	01.01.2015 to 30.06.2015	
	RM	
Gross revenue		50,784,617
Interest income		268,871
Property operating expenses and trust expenses		(29,142,153)
Net income for the period		21,911,335
Add : Manager's management fees payable in units		917,919
Total distributable income		22,829,254
Less: Interim distribution paid on 15 April 2015		(7,334,463)
		15,494,791
Less : Undistributable and non-distributable income		(812,133)
Balance for income distribution		14,682,658
		<u>14,682,658</u>
of which	RM	
- taxable distribution	14,413,787	2.18 sen
- tax exempt distribution	268,871	0.04 sen
	<u>14,682,658</u>	<u>2.22 sen</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 2015	As at 31 March 2015
NAV (RM)	879,541,359	871,978,221
Number of units in circulation (unit)	661,381,000	661,381,000
NAV per unit (RM)	1.2966	1.3170
(after provision for distribution)		
Market price (RM)	1.17	1.21

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 gain on remeasurement of financial derivatives and income distribution made in the previous 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 MQReit 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 MQReit; and
- (iv) Divestment fee of 0.5% of the disposal value of any asset divested by MQReit.

Total fees accrued to the Manager (exclusive of 6% GST) for the quarter ended 30 June 2015 are :

	RM
Base fee	1,370,287
Performance fee	733,705
	<u>2,103,992</u>

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

**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 2015 amounted to RM126,216.

**B21 UNITHOLDINGS BY THE MANAGER**

As at 30 June 2015, the Manager did not hold any units in MQReit.



**B22 UNITHOLDINGS BY PARTIES RELATED TO THE MANAGER**

	No. of units	Percentage of total units	Market Value as at 30 June 2015 RM
Malaysian Resources Corporation Berhad HLIB Nominee (Tempatan) Sdn. Bhd. for :	206,250,000	31.18%	241,312,500
-Quill Properties Sdn. Bhd.	45,997,000	6.95%	53,816,490
-Quill Land Sdn. Bhd.	48,767,000	7.37%	57,057,390
-Quill Estates Sdn. Bhd.	22,276,000	3.37%	26,062,920
	<u>323,290,000</u>	<u>48.88%</u>	<u>378,249,300</u>

The Manager's directors' direct unitholding in MQReit:

	No. of units	Percentage of total units	Market Value as at 30 June 2015 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 MQReit:

	No. of units	Percentage of total units	Market Value as at 30 June 2015 RM
Dato' Dr. Low Moi Ing, J.P	117,040,000 (a)	17.70%	136,936,800
Dato' Michael Ong Leng Chun	117,040,000 (b)	17.70%	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 2015 of RM1.17 per unit.

**B23 UNITHOLDERS CAPITAL**

	No. of units	
	Current Quarter	Preceding Quarter
Approved fund size	700,000,000	490,131,000
Issued and fully paid	661,381,000	390,131,000

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

	Current Quarter RM	Cumulative Quarter RM
Interest expenses	7,929,594	11,295,063
Amortisation of transaction costs and credit facility costs	259,621	431,813
Total finance costs	<u>8,189,215</u>	<u>11,726,876</u>

**B25 OTHER INCOME AND EXPENSES**

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

	Current Quarter RM	Cumulative Quarter RM
Depreciation	2,881	6,302
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 MQReit as at 30 June 2015 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 21 July 2015.

**BY ORDER OF THE BOARD**

**MOHAMED NOOR RAHIM YAHAYA**  
COMPANY SECRETARY (MAICSA No. 0866820)  
**HO NGAN CHUI**  
COMPANY SECRETARY (MAICSA No. 7014785)  
MRCB Quill Management Sdn Bhd  
(Formerly known as Quill Capita Management Sdn Bhd)  
(Company No: 737252-X)  
(As Manager of MRCB-QUILL REIT)  
Kuala Lumpur

Date: 22 July 2015