

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

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTERS | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | Current Year | Preceding Year | Current Year | Preceding Year |
| | Quarter 30.09.2015 | Quarter 30.09.2014 | To Date 30.09.2015 | To Date 30.09.2014 |
| | RM | RM | RM | RM |
| TOTAL INCOME | | | | |
| Gross revenue | 31,811,655 | 17,532,454 | 82,596,272 | 52,066,146 |
| Property operating expenses | (6,326,341) | (4,029,966) | (19,117,911) | (12,154,795) |
| Net property income | 25,485,314 | 13,502,488 | 63,478,361 | 39,911,351 |
| Interest income | 351,801 | 220,395 | 620,672 | 626,343 |
| Gain on divestment of properties | 594,734 | - | 594,734 | - |
| | 26,431,849 | 13,722,883 | 64,693,767 | 40,537,694 |
| TOTAL EXPENDITURE | | | | |
| Manager's fee | (2,395,053) | (1,364,203) | (6,126,966) | (4,058,409) |
| Trustee's fee | (101,182) | (63,456) | (310,989) | (192,474) |
| Finance costs | (8,317,472) | (3,604,659) | (20,044,348) | (10,600,979) |
| Valuation fees | (47,499) | (47,499) | (142,497) | (142,498) |
| Auditors' remuneration | (30,999) | (30,879) | (93,477) | (92,637) |
| Tax agent's fee | (6,203) | (6,129) | (18,005) | 85,021 |
| Administrative expenses | 201,045 | 327,220 | (311,664) | 121,410 |
| | (10,697,363) | (4,789,605) | (27,047,946) | (14,880,566) |
| INCOME BEFORE TAX | 15,734,486 | 8,933,278 | 37,645,821 | 25,657,128 |
| Income tax expense | - | - | - | - |
| NET INCOME FOR THE PERIOD | 15,734,486 | 8,933,278 | 37,645,821 | 25,657,128 |
| OTHER COMPREHENSIVE INCOME | | | | |
| Gain / (Loss) on remeasurement of financial derivatives (a) | 3,804,137 | (115,936) | 4,650,932 | 51,374 |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | 3,804,137 | (115,936) | 4,650,932 | 51,374 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 19,538,623 | 8,817,342 | 42,296,753 | 25,708,502 |
| Net income for the period is made up as follows: | | | | |
| Realised | 15,734,486 | 8,933,278 | 37,645,821 | 25,657,128 |
| Unrealised | - | - | - | - |
| EARNINGS PER UNIT (b) | | | | |
| - after manager's fees (sen) | 2.38 (b)(i) | 2.29 | 6.72 (b)(ii) | 6.58 |
| - before manager's fees (sen) | 2.74 | 2.64 | 7.63 | 7.62 |
| EARNINGS PER UNIT (REALISED) (c) | | | | |
| - after manager's fees (sen) | 2.38 (c)(i) | 2.29 | 6.72 (c)(ii) | 6.58 |
| - before manager's fees (sen) | 2.74 | 2.64 | 7.63 | 7.62 |
| INCOME DISTRIBUTION | | | | |
| -Interim income distribution | - | - | (22,017,121) | (15,995,371) |
| | - | - | (22,017,121) | (15,995,371) |
| Income distribution per unit | | | | |
| Gross (sen) | - | - | 4.10 (d) | 4.10 (e) |

(a) This relates to the gain on the remeasurement of the fair values of interest rate swaps ("IRSS").
(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 661,381,000/573,945,103 units during the quarter/period.

(i) During the quarter, no manager's fees (2014 : Nil) payable in units was added back in deriving the Earnings Per Unit - after manager's fees.

(ii) During the 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 661,381,000/573,945,103 units during the quarter/period.

(i) During the quarter, no manager's fees (2014 : Nil) payable in units was added back in deriving the Earnings Per Unit (realised) - after manager's fees.

(ii) During the 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 4.10 sen per unit being the distribution of income for the period 1 January 2015 to 30 June 2015 were paid on 15 April 2015 (of 1.88 sen per unit) and 28 August 2015 (of 2.22 sen per unit) respectively.

(e) Income 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.

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 SEPTEMBER 2015 (UNAUDITED)**

| | AS AT END OF CURRENT QUARTER | AS AT PRECEDING FINANCIAL YEAR END |
|---|---|---|
| | 30.09.2015 UNAUDITED RM | 31.12.2014 AUDITED RM |
| NON-CURRENT ASSETS | | |
| Plant and equipment | 9,270 | 17,376 |
| Investment properties | 1,562,073,455 | 837,700,000 |
| Derivative assets (i) | 5,135,384 | 1,224,193 |
| Lease receivable | 2,107,300 | - |
| | <u>1,569,325,409</u> | <u>838,941,569</u> |
| CURRENT ASSETS | | |
| Trade and other receivables | 7,383,638 | 6,142,148 |
| Derivative assets (i) | 739,741 | - |
| Lease receivable | 399,201 | - |
| Deposits with licensed financial institution | 22,238,442 | 14,863,008 |
| Cash and cash equivalents | 7,593,987 | 8,425,988 |
| | <u>38,355,009</u> | <u>29,431,144</u> |
| CURRENT LIABILITIES | | |
| Trade and other payables | 17,411,959 | 12,241,188 |
| Security deposits | 2,721,521 | 2,263,561 |
| | <u>20,133,480</u> | <u>14,504,749</u> |
| NET CURRENT ASSETS | 18,221,529 | 14,926,395 |
| NON-CURRENT LIABILITIES | | |
| Borrowings | 688,170,472 | 305,113,452 |
| Security deposits | 14,979,142 | 7,503,503 |
| | <u>703,149,614</u> | <u>312,616,955</u> |
| NET ASSETS | <u>884,397,324</u> | <u>541,251,009</u> |
| Represented by: | | |
| UNITHOLDERS' FUND | | |
| Unitholders' capital | 751,276,357 | 411,712,067 |
| Undistributed and Non-distributable income | 133,120,967 | 129,538,942 |
| | <u>884,397,324</u> | <u>541,251,009</u> |
| NET ASSET VALUE PER UNIT (before provision for distribution) | 1.3372 | 1.3874 |
| NET ASSET VALUE PER UNIT (after provision for distribution) (ii) | 1.3134 | 1.3446 |
| NUMBER OF UNITS IN CIRCULATION | 661,381,000 | 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 RM15,734,486 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 CAPITAL TRUST)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE PERIOD ENDED 30 SEPTEMBER 2015 (UNAUDITED)

| | Unitholders' Capital | | Distributable | | Non-Distributable | | | Total | | Unitholders' Funds |
|---|----------------------|----|-------------------------------|----|---------------------------------|--|----|--------------|----|--------------------|
| | RM | RM | Undistributed Income Realised | RM | Undistributed Income Unrealised | Net Fair Value (Loss) / Gain On Derivatives Unrealised | RM | RM | RM | |
| As at 1 January 2015 | 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 | 751,276,357 | | 37,645,821 | | - | 4,650,932 | | 42,296,753 | | 42,296,753 |
| | | | 64,714,887 | | 101,245,683 | 5,875,125 | | 171,835,695 | | 923,112,052 |
| Unitholders' transactions: | | | | | | | | | | |
| Distribution to unitholders | - | | (38,714,728) | | - | - | | (38,714,728) | | (38,714,728) |
| As at 30 September 2015 | 751,276,357 | | 26,000,159 | | 101,245,683 | 5,875,125 | | 133,120,967 | | 884,397,324 |
| 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 |

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 SEPTEMBER 2015 (UNAUDITED)**

| | CURRENT YEAR TO DATE 30.09.2015 RM | PRECEDING YEAR TO DATE 30.09.2014 RM |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Income before tax | 37,645,821 | 25,657,128 |
| Adjustments for: | | |
| Finance costs | 20,044,348 | 10,600,979 |
| Depreciation | 8,106 | 5,162 |
| Interest income | (687,553) | (626,343) |
| Gain on divestment of properties | (594,734) | - |
| Operating cash flows before changes in working capital | <u>56,415,988</u> | <u>35,636,926</u> |
| Receivables | (1,750,801) | (3,519,307) |
| Payables | 13,392,806 | (2,916,917) |
| Cash flows from operations | <u>68,057,993</u> | <u>29,200,702</u> |
| Income tax paid | - | - |
| Net cash flows generated from operating activities | <u>68,057,993</u> | <u>29,200,702</u> |
| INVESTING ACTIVITIES | | |
| Additions to investment properties | (750,873,455) | (3,794,241) |
| Proceed from divestment of QB10 | 27,300,000 | - |
| Investment in finance lease | (2,600,000) | - |
| Interest income | 608,703 | 648,295 |
| Net cash flow used in investing activities | <u>(725,564,752)</u> | <u>(3,145,946)</u> |
| FINANCING ACTIVITIES | | |
| Distribution to unitholders | (38,714,728) | (32,692,978) |
| Finance costs paid | (25,799,370) | (13,867,017) |
| Proceeds from borrowings | 534,000,000 | 15,000,000 |
| Repayment of borrowings | (145,000,000) | (15,000,000) |
| 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>664,050,192</u> | <u>(46,559,995)</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | <u>6,543,433</u> | <u>(20,505,239)</u> |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | <u>23,288,996</u> | <u>30,915,413</u> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u>29,832,429</u> | <u>10,410,174</u> |
| Cash and cash equivalents at end of period comprises: | | |
| Deposits with licensed financial institutions | 22,238,442 | 7,780,391 |
| Cash on hand and at banks | 7,593,987 | 2,629,783 |
| | <u>29,832,429</u> | <u>10,410,174</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 NINE MONTH ENDED 30 SEPTEMBER 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, MQRreit 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 MQRreit'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 September 2015, there was no revaluation of investment properties.

A12 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 30 SEPTEMBER 2015

(A) As announced on 16 February 2015, Bursa Securities had, via its letter dated 16 February 2015, approved the listing of and quotation for up to 18,619,000 new Units for the purpose of the payment of management fee.

As announced on 23 July 2015, an application has been submitted to Bursa Securities to seek for extension of 6 months from 16 August 2015 for the above. Announcement has been made on 30 July 2015 that Bursa Securities had, vide its letter dated 29 July 2015, approved an extension of time from 16 August 2015 to 15 February 2016 pursuant to Paragraph 6.62(1) of the Main Market Listing Requirements of Bursa Securities.

(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.

As announced on 7 September 2015, the Proposed Disposal was completed on 4 September 2015 in accordance with the terms and conditions of the SPA executed on 25 February 2015.

A13 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 30 SEPTEMBER 2015

There were no significant events subsequent to the quarter ended 30 September 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 September 2015 are as follows:

| | As at 30 September 2015 RM |
|--|-------------------------------|
| Approved and contracted for : Investment properties | <u>2,886,074</u> |

B1 REVIEW OF PERFORMANCE

Quarter and year to date results

MQRreit recorded total revenue of RM31.81 million and property operating expenses of RM6.33 million respectively for the current quarter ended 30 September 2015. Realised income of RM15.73 million was achieved. Finance costs of RM8.32 million and manager's fee of RM2.40 million were incurred during the quarter. Gain on disposal of RM0.59 million mainly relating to late payment interest was realised upon completion of sale of QB10 during the quarter.

As compared with the preceding year corresponding quarter ("3Q 2014"), the revenue is higher by 81.4% 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 57.0% due to acquisition of Platinum Sentral and higher repair and maintenance expenses for Plaza Mont Kiara. Overall, the net property income increased by 88.8%. Finance costs is higher by 131.0% during the current quarter mainly due to interest on additional borrowings drawdown on 30 March 2015 (note B14(c)). Interest income is higher by 59.6% mainly due to higher bank balances in the current quarter. Administrative expenses is higher mainly due to write back of over-accrued professional fee in the preceding year corresponding quarter. The realised income of RM15.73 million is 76.1% higher than 3Q 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 ("2Q 2015"), revenue of RM31.81 million is lower by 1.1% mainly due to lower recoverable of some properties in the current quarter. Property operating expenses is lower by 19.5% due to lesser repair costs incurred and reversal of agency fees incurred upon completion of sale of QB10. Overall, the net property income increased by 4.8%. Interest income is higher by 145.5% mainly due to higher bank balance and interest earned on lease receivable in the current quarter. Finance costs is higher by 1.6% mainly due to additional 1 day in the current quarter. The realised income of the current quarter is higher by 11.1% mainly due to higher net property income, higher interest income, gain on divestment of QB10, net of higher manager's fee and finance costs.

As compared to preceding year cumulative quarter ("YTD 3Q 2014"), revenue of RM82.60 million is higher by 58.6% 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 57.3% mainly due to acquisition of Platinum Sentral and higher repairs and maintenance expenses from PMK. Overall, the net property income increased by 59.1%. Finance costs is higher by 89.1% due to additional borrowings drawdown (Note B14(c)). Administrative expenses is higher mainly due to write back of over-accrued fee in the preceding year cumulative quarter. The realised income of RM37.65 million is higher by 44.4% mainly due to higher net property income, gain on divestment of QB10, net of higher finance costs, manager's fee, trustee's fee and administrative expenses.

The performance of MQRreit for the period ended 30 September 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 firm in 1H 2015 notwithstanding the completion of new office buildings with a total net lettable area ("NLA") of approximately RM1.1 million sq ft. As of 1H 2015, the cumulative supply of office space in Kuala Lumpur and Beyond Kuala Lumpur (Selangor) was recorded at circa 89.2 million sq ft. In terms of occupancy rate, KL City, KL Fringe and beyond KL (Selangor) recorded occupancy rates of 84.8%, 87.9% and 76.1%, respectively. During the period under review, the average rental rates for both KL City and KL Fringe recorded increases at RM6.19 per sq ft (2H2014: RM6.02 per sq ft) and RM5.70 per sq ft (2H 2014: RM5.56 per sq ft), respectively.

(Sources : Knight Frank Real Estate Highlights 1st Half 2015)

Review of retail market - Klang Valley

The first half of the year witnessed the opening of five shopping malls with a combined NLA of about 1.86 million sq ft bringing the cumulative supply of retail space in Klang Valley to circa of 50.7 million sq ft. Overall, rental of prime retail space continue to record positive growth from new and renewed leases, while occupancy rates continue to remain stable at above 90%.

(Sources : Knight Frank Real Estate Highlights 1st Half 2015)

Review of retail market - Penang

The existing supply of purposed built shopping space on the Penang Island remained unchanged at 2H 2014's level of 6.69 million sq ft with no new shopping malls completed in 1H 2015. Occupancy rates for the prime shopping malls on the island range from 80% to 97.5% whilst for the secondary shopping malls, the range is generally from 70% to 90%. Rental rates for ground floor prime shopping malls are ranging from RM13 per sq ft to RM35 per sq ft depending on the mall, location and size of unit.

(Sources : Knight Frank Real Estate Highlights 1st Half 2015)

B4 PROSPECTS

While it is expected that the Kuala Lumpur office market continues to remain resilient in the short term, the growing office supply amid a challenging economic environment will put pressure on occupancy rates. 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 September 2015, 46% of these leases have been renewed while 4% has not been renewed. The balance of the leases due for renewal in 2015 are due in the fourth quarter of 2015 and currently, the Manager is in the midst of finalising the renewal terms for these leases. 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 SEPTEMBER 2015

As at 30 September 2015, MQReit's portfolio comprises of ten buildings as follows:

| Investment properties | Cost of Investment | Market Value /Net Carrying amount as at 30 September 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 | 14.21% |
| 2 QB 2- HSBC | 107,500,000 | 119,952,984 | 13.56% |
| 3 QB 3- BMW | 59,400,000 | 74,400,000 | 8.41% |
| 4 Wisma Technip | 125,000,000 | 169,334,604 | 19.15% |
| 5 Part of Plaza Mont' Kiara | 90,000,000 | 112,465,000 | 12.72% |
| 6 QB5- IBM | 43,000,000 | 45,200,000 | 5.11% |
| 7 Tesco Building Penang | 132,000,000 | 139,700,000 | 15.80% |
| 8 Platinum Sentral | 740,000,000 | 748,920,867 | 84.68% |
| <u>Industrial building</u> | | | |
| 9 QB 8 -DHL XPJ | 28,800,000 | 26,400,000 | 2.99% |
| | <u>1,434,800,000</u> | <u>1,562,073,455</u> | |

The disposal of QB10-HSBC Section 13 (with the carrying amount of RM26.5 million) was completed on 4 September 2015, at the sale consideration of RM27.3 million.

Capital expenditure of RM454,974 was incurred during the quarter. The NAV as at 30 September 2015 is RM884,397,324.

B14 BORROWINGS AND DEBT SECURITIES

| | As at end of period ended 30 September 2015 |
|---|---|
| | RM |
| Non-current Liabilities: | |
| <u>RM270 million CP/MTN Programme</u> | |
| Face value of CPs and MTNs issued | 195,000,000 |
| Discount | (2,814,219) |
| Cash proceeds | 192,185,781 |
| Accretisation of interest expenses | 416,948 |
| | <u>192,602,729</u> |
| Transaction costs b/f | (232,221) |
| Transaction costs on CP issued during the period | (18,332) |
| Amortisation of transaction costs during the period | 126,233 |
| Redemption of RM5million CP | (5,000,000) |
| | <u>187,478,409</u> |
| <u>RM150 million Term Loan</u> | |
| Term Loan drawdown | 117,000,000 |
| Transaction cost c/f | (720,892) |
| | <u>116,279,108</u> |
| Amortisation of transaction costs during the period | 147,456 |
| | <u>116,426,564</u> |

B14 BORROWINGS AND DEBT SECURITIES (CONT'D)

As at end of period
ended 30 September
2015
RM

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

| | |
|---|---------------------------|
| Face value of CPs issued | 279,000,000 |
| Discount | (2,879,739) |
| Cash proceeds | <u>276,120,261</u> |
| Accretisation of interest expenses | <u>31,645</u> |
| | 276,151,906 |
| Transaction costs on CP issued during the period | (710,994) |
| Additional transaction costs incurred during the period | (711,008) |
| Amortisation of transaction costs during the period | <u>165,900</u> |
| | <u><u>274,895,804</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>3,373,501</u> |
| | 140,000,000 |
| Transaction costs on CP issued during the period | (356,771) |
| Adjustment on transaction costs during the period | 273,527 |
| Amortisation of transaction costs during the period | 83,244 |
| Redemption of RM140million CP | <u>(140,000,000)</u> |
| | <u><u>-</u></u> |

Fixed-Rate Subordinated Term Loan Facility of upto RM250 million

| | |
|--------------------------------|--------------------|
| Term Loan drawdown | 110,000,000 |
| Transaction costs on term loan | (630,305) |
| | <u>109,369,695</u> |

Total:**688,170,472****(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.

Todate, CPs/MTNs totalling RM195 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 transaction costs relating to the programme are amortised over the tenure of the programme.

B14 BORROWINGS AND DEBT SECURITIES (CONT'D)

(a) CP/MTN Programme of up to RM270 million ("RM270 million Programme") (cont'd)

The RM270 million Programme are secured borrowings.

There was no drawdown of the facility during the quarter.

(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"), Junior CP/MTN Programme of up to RM450 million ("Junior CP/MTN Programme) and Fixed-Rate Subordinated Term Loan Facility of up to RM250 million

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 has been redeemed on 30 September 2015 upon its maturity on the same day, and has been refinanced by a Subordinated Term loan RM110 million at the interest rate of 4.9% p.a.; and balance via internal funds.

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.

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, RM450 million Junior CP and RM110 million Subordinated Term Loan 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 September 2015 are as follows:

| | Fair values of derivative assets as at 30 September 2015 |
|--------------------|---|
| | RM |
| One to three years | 739,741 |
| More than 3 years | 5,135,384 |
| | <u>5,875,125</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, was made on 28 August 2015 to all existing 661,381,000 unitholders.

No income distribution is proposed for the quarter ended 30 September 2015.

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 2015 | As at 30 June 2015 |
|---|-------------------------|--------------------|
| NAV (RM) | 884,397,324 | 879,541,359 |
| Number of units in circulation (unit) | 661,381,000 | 661,381,000 |
| NAV per unit (RM) (after provision for distribution) | 1.3134 | 1.2966 |
| Market price (RM) | 1.13 | 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 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 September 2015 are :

| | |
|-----------------|------------------|
| | RM |
| Base fee | 1,624,455 |
| Performance fee | 770,598 |
| | <u>2,395,053</u> |

During the quarter, the Manager was entitled to a divestment fee of RM144,690 (inclusive of 6% GST) in respect of the disposal of QB10-HSBC Section 13 which was disposed of on 4 Sep 2015.

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 September 2015 amounted to RM101,182.

B21 UNITHOLDINGS BY THE MANAGER

As at 30 September 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 September 2015 RM |
|---|--------------------|---------------------------|---|
| Malaysian Resources Corporation Berhad | 206,250,000 | 31.18% | 233,062,500 |
| HLIB Nominee (Tempatan) Sdn. Bhd. for : | | | |
| -Quill Properties Sdn. Bhd. | 45,997,000 | 6.95% | 51,976,610 |
| -Quill Land Sdn. Bhd. | 48,767,000 | 7.37% | 55,106,710 |
| -Quill Estates Sdn. Bhd. | 22,276,000 | 3.37% | 25,171,880 |
| | <u>323,290,000</u> | <u>48.88%</u> | <u>365,317,700</u> |

The Manager's directors' direct unitholding in MQReit:

| | No. of units | Percentage of total units | Market Value as at 30 September 2015 RM |
|--|--------------|------------------------------|---|
| Dato' Dr. Low Moi Ing, J.P | 50,000 | 0.01% | 56,500 |
| Dato' Michael Ong Leng Chun | 55,000 | 0.01% | 62,150 |
| Datuk Dr. Mohamed Arif Bin Nun | 10,000 | 0.00% | 11,300 |
| Aw Hong Boo (Alternate to Dato' Dr. Low Moi Ing, J.P) | 50,000 | 0.01% | 56,500 |

The Manager's directors' indirect unitholding in MQReit:

| | No. of units | Percentage of total units | Market Value as at 30 September 2015 RM |
|-----------------------------|-----------------|------------------------------|---|
| Dato' Dr. Low Moi Ing, J.P | 117,040,000 (a) | 17.70% | 132,255,200 |
| Dato' Michael Ong Leng Chun | 117,040,000 (b) | 17.70% | 132,255,200 |

(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 2015 of RM1.13 per unit.

B23 UNITHOLDERS CAPITAL

| | No. of units | |
|-----------------------|--------------------|--------------------|
| | Current Quarter | Preceding Quarter |
| Approved fund size | <u>700,000,000</u> | <u>700,000,000</u> |
| Issued and fully paid | <u>661,381,000</u> | <u>661,381,000</u> |

B24 FINANCE COSTS INCURRED DURING THE QUARTER AND YEAR TO DATE

| | Current Quarter RM | Cumulative Quarter RM |
|---|-----------------------|--------------------------|
| Interest expenses | 7,972,120 | 19,267,183 |
| Amortisation of transaction costs and credit facility costs | 345,352 | 777,165 |
| Total finance costs | <u>8,317,472</u> | <u>20,044,348</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 | 1,804 | 8,106 |
| 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 September 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 4 November 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: 4 November 2015