

MRCB-QUILL REIT
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2016 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter 31.12.2016	Quarter 31.12.2015	To Date 31.12.2016	To Date 31.12.2015
	RM	RM	RM	RM
TOTAL INCOME				
Gross revenue				
-Realised gross revenue	34,068,095	32,578,226	131,786,756	115,174,498
-Unrealised rental income (unbilled lease income receivable) (a)	4,861,095	5,116,135	4,861,095	5,116,135
	<u>38,929,190</u>	<u>37,694,361</u>	<u>136,647,851</u>	<u>120,290,633</u>
Property operating expenses	(8,450,119)	(5,784,948)	(29,492,908)	(24,902,859)
Net property income	30,479,071	31,909,413	107,154,943	95,387,774
Interest income	1,138,623	970,524	2,383,623	1,591,196
Gain on divestment of properties	-	-	-	594,734
Change in fair value of investment properties				
-As per valuation	3,542,803	6,677,375	3,542,803	6,677,375
-Unbilled lease income receivable (a)	(4,861,095)	(5,116,135)	(4,861,095)	(5,116,135)
	<u>30,299,402</u>	<u>34,441,177</u>	<u>108,220,274</u>	<u>99,134,944</u>
TOTAL EXPENDITURE				
Manager's fee	(2,467,045)	(2,426,784)	(9,677,247)	(8,553,750)
Trustee's fee	(127,401)	(125,014)	(486,842)	(436,003)
Finance costs	(9,099,612)	(8,602,962)	(33,036,112)	(28,647,310)
Valuation fees	(177,998)	(100,503)	(361,075)	(243,000)
Auditors' remuneration	(36,249)	(47,483)	(149,520)	(140,960)
Tax agent's fee	(20,555)	(16,123)	(54,114)	(34,128)
Administrative expenses	(1,452,161)	(70,129)	(1,685,322)	(381,793)
	<u>(13,381,021)</u>	<u>(11,388,998)</u>	<u>(45,450,232)</u>	<u>(38,436,944)</u>
INCOME BEFORE TAX	16,918,381	23,052,179	62,770,042	60,698,000
Income tax expense	-	-	-	-
NET INCOME FOR THE PERIOD	<u>16,918,381</u>	<u>23,052,179</u>	<u>62,770,042</u>	<u>60,698,000</u>
OTHER COMPREHENSIVE INCOME				
Gain / (Loss) on remeasurement of financial derivatives (b)	2,949,617	(3,594,644)	(3,263,700)	1,056,288
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>2,949,617</u>	<u>(3,594,644)</u>	<u>(3,263,700)</u>	<u>1,056,288</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>19,867,998</u>	<u>19,457,535</u>	<u>59,506,342</u>	<u>61,754,288</u>
Net income for the period is made up as follows:				
Realised	13,304,302	16,374,804	59,155,963	54,020,625
Unrealised	3,614,079	6,677,375	3,614,079	6,677,375
EARNINGS PER UNIT (c)				
- after manager's fees (sen)	2.40	3.49	9.33	10.18
- before manager's fees (sen)	2.75	3.85	10.77	11.62
EARNINGS PER UNIT (REALISED) (d)				
- after manager's fees (sen)	1.89	2.48	8.80	9.06
- before manager's fees (sen)	2.24	2.84	10.24	10.50
INCOME DISTRIBUTION				
-Interim income distribution	-	-	(27,976,416)	(22,017,121)
-Special income distribution/ Final income distribution	(27,447,312)	(13,167,864)	(27,447,312)	(28,902,350)
	<u>(27,447,312)</u>	<u>(13,167,864)</u>	<u>(55,423,728)</u>	<u>(50,919,471)</u>
Income distribution per unit				
Gross (sen)				
-Interim income distribution	-	-	4.23 (e)	4.10
-Proposed special income distribution	4.15	1.99	4.15 (f)	4.37
Total distribution	<u>4.15</u>	<u>1.99</u>	<u>8.38</u>	<u>8.47</u>

(a) Recognition of unrealised rental income-unbilled lease income receivable pursuant to requirements of MFRS 117 Leases, to recognize income from operating lease on a straight-line basis, including contractual increase rates over the fixed tenure of the agreement.

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

(c) Earnings Per Unit for the current quarter/period is computed based on the Net Income for the quarter/period divided by weighted average units in circulation of 705,578,717/672,490,809 units during the quarter/period. EPU for the preceding year corresponding quarter/period is based on the units in circulation of 661,381,000 and weighted average units of circulation of 595,983,740 respectively.

(d) Earnings Per Unit (Realised) for the quarter/period is computed based on the Realised Net Income for the quarter/period divided by weighted average units in circulation of 705,578,717/672,490,809 units during the quarter/period. EPU (Realised) for the preceding year corresponding quarter/period is based on the units in circulation of 661,381,000 and weighted average units of circulation of 595,983,740 respectively.

(e) Income distribution of 4.23 sen per unit being the distribution of income for the period 1 January 2016 to 30 June 2016 was paid on 8 September 2016.

(f) A special gross distribution of 4.15 sen per unit relates to the distribution of income for the period 1 July 2016 to 16 December 2016, was paid on 13 January 2017 to all unitholders as at book closure date of 16 December 2016. Pls refer to Note B17 for 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 2015 and the accompanying explanatory notes attached to the financial statements.

MRCB-QUILL REIT
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016 (UNAUDITED)

	AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END
	31.12.2016 UNAUDITED RM	31.12.2015 AUDITED RM
NON-CURRENT ASSETS		
Plant and equipment	225,686	236,582
Investment properties	2,222,000,000	1,569,800,000
Derivative assets (i)	-	1,594,224
Lease receivable	2,745,750	2,000,864
	<u>2,224,971,436</u>	<u>1,573,631,670</u>
CURRENT ASSETS		
Trade and other receivables	17,626,110	5,648,126
Derivative assets (i)	-	686,257
Lease receivable	692,759	409,684
Deposits with licensed financial institution	43,779,046	38,636,273
Cash and cash equivalents	10,272,235	6,227,690
	<u>72,370,150</u>	<u>51,608,030</u>
CURRENT LIABILITIES		
Trade and other payables	28,350,115	14,246,501
Borrowings	189,104,175	188,910,256
Security deposits	7,336,154	2,515,677
Provision for income distribution	27,447,312	-
	<u>252,237,756</u>	<u>205,672,434</u>
NET CURRENT LIABILITIES	(179,867,606)	(154,064,404)
NON-CURRENT LIABILITIES		
Borrowings	662,462,799	500,811,606
Derivative liabilities (i)	983,219	-
Security deposits	18,794,661	13,292,294
Other payables	3,164,524	1,608,507
	<u>685,405,203</u>	<u>515,712,407</u>
NET ASSETS	<u>1,359,698,627</u>	<u>903,854,859</u>
Represented by:		
UNITHOLDERS' FUND		
Unitholders' capital	1,231,939,861	751,276,357
Undistributed and Non-distributable income	127,758,766	152,578,502
	<u>1,359,698,627</u>	<u>903,854,859</u>
NET ASSET VALUE PER UNIT (before provision for distribution)	1.2988	1.3666
NET ASSET VALUE PER UNIT (after provision for distribution) (ii)	1.2731	1.3229
NUMBER OF UNITS IN CIRCULATION	1,068,000,000	661,381,000

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

(ii) Net Asset Value after reflecting the special income distribution of 4.15 sen per unit, totalling RM27,447,312 paid on 13 January 2017.

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the financial statements.

MRCB-QUILL REIT
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE PERIOD ENDED 31 DECEMBER 2016 (UNAUDITED)

	Unitholders' Capital	Distributable	Non-Distributable		Total Undistributed and Non- Distributable Income	Unitholders' Funds
		Undistributed Income Realised	Undistributed Income Unrealised	Net Fair Value (Loss) / Gain On Derivatives Unrealised		
	RM	RM	RM	RM	RM	RM
As at 1 January 2016	751,276,357	42,374,963	107,923,058	2,280,481	152,578,502	903,854,859
Issuance of new units on 22 December 2016	487,942,800	-	-	-	-	487,942,800
Issuance of new units expenses	(7,279,296)	-	-	-	-	(7,279,296)
Total Comprehensive Income for the period	-	59,155,963	3,614,079	(3,263,700)	59,506,342	59,506,342
	1,231,939,861	101,530,926	111,537,137	(983,219)	212,084,844	1,444,024,705
Unitholders' transactions:						
Distribution to unitholders	-	(84,326,078)	-	-	(84,326,078)	(84,326,078)
As at 31 December 2016	1,231,939,861	17,204,848	111,537,137	(983,219)	127,758,766	1,359,698,627
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	-	54,020,625	6,677,375	1,056,288	61,754,288	61,754,288
	751,276,357	81,089,691	107,923,058	2,280,481	191,293,230	942,569,587
Unitholders' transactions:						
Distribution to unitholders	-	(38,714,728)	-	-	(38,714,728)	(38,714,728)
As at 31 December 2015	751,276,357	42,374,963	107,923,058	2,280,481	152,578,502	903,854,859

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 2015 and the accompanying explanatory notes attached to the financial statements.

MRCB-QUILL REIT
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2016 (UNAUDITED)

	CURRENT YEAR TO DATE 31.12.2016 RM	PRECEDING YEAR TO DATE 31.12.2015 RM
OPERATING ACTIVITIES		
Income before tax	62,770,042	60,698,000
Adjustments for:		
Finance costs	33,036,112	27,983,598
Depreciation	58,166	13,794
Interest income	(2,383,623)	(927,484)
Gain on divestment of properties	-	(594,734)
Surplus on revaluation of investment properties	(3,542,803)	(6,677,375)
Operating cash flows before changes in working capital	<u>89,937,894</u>	<u>80,495,799</u>
Receivables	(12,818,104)	36,958
Payables	27,899,463	6,457,535
Cash flows from operations	<u>105,019,253</u>	<u>86,990,292</u>
Income tax paid	-	-
Net cash flows generated from operating activities	<u>105,019,253</u>	<u>86,990,292</u>
INVESTING ACTIVITIES		
Additions to investment properties	(647,411,104)	(751,922,625)
Proceed from divestment of QB10	-	27,300,000
Purchase of plant & equipment	(1,451,431)	(233,000)
Investment in finance lease	-	(2,410,548)
Interest income	1,623,044	887,706
Net cash flow generated from/(used in) investing activities	<u>(647,239,491)</u>	<u>(726,378,467)</u>
FINANCING ACTIVITIES		
Distribution to unitholders	(56,878,766)	(38,714,728)
Finance costs paid	(36,377,182)	(28,886,420)
Proceeds from borrowings	164,000,000	534,000,000
Repayment of borrowings	-	(145,000,000)
Proceeds from issuance of new units	487,942,800	342,000,000
Expenses paid on issuance of new units	(7,279,296)	(2,435,710)
Cash flows (used in)/generated from financing activities	<u>551,407,556</u>	<u>660,963,142</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,187,318	21,574,967
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>44,863,963</u>	<u>23,288,996</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>54,051,281</u>	<u>44,863,963</u>
Cash and cash equivalents at end of period comprises:		
Deposits with licensed financial institutions	43,779,046	38,636,273
Cash on hand and at banks	10,272,235	6,227,690
	<u>54,051,281</u>	<u>44,863,963</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes to the financial statements.

MRCB-QUILL REIT
EXPLANATORY NOTES FOR TWELVE MONTH ENDED 31 DECEMBER 2016

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 2015 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 2015.

A4 AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2015

The audit report of the financial statements for the preceding year ended 31 December 2015 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

Private placement of 406,619,000 units at the bookbuilding exercise of RM1.20 per unit, with the gross proceeds of RM487,942,800 were done as part of the purchase consideration for the acquisition of Menara Shell. The Placement Units were listed and quoted on the Main Market on Bursa Securities on 22 December 2016. With the listing of the Placement Units, the enlarged Units in circulation is 1,068,000,000 units.

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 and financial year ended 31 December 2016, the investment properties were valued based on valuation performed by two independent registered valuers, i.e. DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd., and CH William Talhar & Wong on 31 December 2016. A surplus of RM3,542,803 was credited to the statement of comprehensive income.

A12 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 31 DECEMBER 2016

(A) Proposed Acquisition; Proposed Placement; Proposed Placement to Malaysian Resources Corporation Berhad ("MRCB"); Proposed Placement to Employees Provident Fund Board; Proposed Authority; and Proposed Increase in Fund Size (collectively referred to as the "Proposals")

An announced on 11 October 2016, application to Bursa Securities for the additional listing of and quotation for new Units to be issued pursuant to the Proposed Placement and Proposed Authority on the Main Market of Bursa Securities has been submitted on the same day.

An announcement has been made on 21 November 2016, that MQReit had on 21 November 2016, received the approval from Bursa Securities via their letter dated 21 November 2016 for the additional listing of and quotation for new Units to be issued pursuant to the Proposed Placement and Proposed Authority on the Main Market of Bursa Securities.

As announced on 21 November 2016, the Unitholders' Meeting of MQReit will be held at Sime Darby Convention Centre, Ballroom 3, Level 1, No 1A, Jalan Bukit Kiara, 1, 60000 Kuala Lumpur on Wednesday, 7 December 2016 at 10.30 a.m..

A12 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 31 DECEMBER 2016 (CONT'D)

(A) Proposed Acquisition; Proposed Placement; Proposed Placement to Malaysian Resources Corporation Berhad ("MRCB"); Proposed Placement to Employees Provident Fund Board; Proposed Authority; and Proposed Increase in Fund Size (collectively referred to as the "Proposals") (cont'd)

An announcement has been made on 22 November 2016, circular to Unitholders in relation to the proposals has been submitted on the same day. As announced on 24 November 2016, MQRait is issuing an addendum to the Circular ("**Addendum**") and will be despatched to Unitholders on 25 November 2016.

As announced on 7 December 2016, all the resolutions as set out in the Notice of EGM dated 22 November 2016 were duly passed at the EGM of the company held on 7 December 2016.

As announced on 7 December 2016, MQRait unitholders approved the acquisition of Menara Shell at the purchase price of RM640 million. Upon completion, the Proposed Acquisition is expected to expand MQRait's asset portfolio size from RM1.63 billion as at 31 December 2015 to approximately RM2.27 billion.

An announcement was made on 8 December 2016, that following the bookbuilding exercise, the issue price of the Placement Units has been fixed at RM1.20 per Unit, representing a discount of approximately 1.74% or RM0.0213 to the 5-day VWAMP of the Units, up to and including 7 December 2016 of RM1.2213, adjusted for the dividend of 4.15 sen per Unit.

A total of 406,619,000 Units will be allocated to selected investors, including to MRCB and EPF, representing approximately 61.48% of the existing Units in circulation of 661,381,000 Units. Accordingly, the Proposed Placement will raise gross proceeds of approximately RM487,942,800.

An announcement was made on 16 December 2016, that all the Conditions Precedent under the SPA for the Proposed Acquisition have been fulfilled on 16 December 2016. Accordingly, the SPA for the Proposed Acquisition has become unconditional on even date.

As announced in the Trust's Additional Listing Announcement on 21 December 2016 and announcement made on 22 December 2016 respectively, a private placement of 406,619,000 new Units was placed at the unit price of RM1.20 per Unit and listed on the Main Market of Bursa Securities with effect from 9.00 a.m. on Thursday, 22 December 2016. With the listing of the Placement Units, the enlarged Units in circulation is 1,068,000,000 Units.

(B) Special Interim Gross Income Distribution

As announced on 30 November 2016, a Special Interim Gross Income Distribution of 4.15 sen per unit (of which, taxable income is 4.06 sen per unit and tax exempt income is 0.09 sen per unit), covering period from 1 July 2016 to 16 December 2016 at the entitlement date on 16 December 2016 is proposed; and payable on 13 January 2017.

As announced under the Listing Circular on 2 December 2016, MQRait's securities will be traded and quoted "Ex-Income" as from 14 December 2016, with the last date of lodgement 16 December 2016 and date payable is 13 January 2017.

A12 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 31 DECEMBER 2016 (CONT'D)

(C) Proposed establishment of Commercial Papers ("CPs") Programme ("CP Programme") and Medium Term Notes ("MTNs") Programme ("MTN Programme") with aggregate combined limit of RM3.0 billion in nominal value (collectively referred to as the "Programmes") by KINABALU CAPITAL SDN BHD ("Issuer")

As announced on 30 November 2016, MRCB Quill Management Sdn Bhd, the manager of MQReit, is pleased to announce that the issuer, a wholly-owned special purpose vehicle of Maybank Trustees Berhad (as the trustee for and on behalf of MQREIT), has on 30 November 2016 lodged the Programmes with the Securities Commission.

The CP Programme shall have a legal tenure of seven (7) years from the date of the first issue of the CPs under the CP Programme, whereas the MTN Programme shall have a legal tenure of twenty (20) years from the date of the first issue of MTNs under the MTN Programme. Issuance of CPs and/or MTNs from time to time under the Programmes may be rated and/or unrated and shall be determined prior to such issuance.

Proceeds raised from the issuance of CPs and/or MTNs under the Programmes may be utilised by the Issuer, amongst others, to advance to MQReit to finance or part-finance, amongst others, investment activities (including without limitation capital expenditure, asset enhancement and the related acquisitions and financing expenses) of MQReit, refinancing of existing and/or future borrowings/facilities of MQREIT, and/or working capital requirements of MQReit, from time to time.

CIMB Investment Bank Berhad and Maybank Investment Bank Berhad are the Joint Principal Advisers, Joint Lead Arrangers and Joint Lead Managers for the Programmes.

As announced on 22 December 2016, MRCB Quill Management Sdn Bhd, the manager of MQReit has on 22 December 2016, made its first issuance of RM144 million in nominal value of CPs and RM20 million in nominal value of MTNs out of the respective Programmes.

Proceeds raised from the issuance of CPs and MTNs under the Programme will be utilised by the Issuer, amongst others, to advance to REIT Trustee to part-finance the acquisition of Menara Shell together with a 5-storey podium and a 4-storey basement car park.

(D) Related Party Transactions-Renewal of the appointment of Semasa Parking Sdn Bhd as the car park operator for Platinum Sentral (The appointment of Car Park Operator)

As announced on 9 December 2016, the Trustee, had on 9 December 2016, renewed the appointment of Semasa Parking Sdn Bhd ("SPSB") as the car park operator for Platinum Sentral for a period of 2 years commencing from 1 January 2017 to 31 December 2018, at a monthly minimum guaranteed rental at RM150,000 with a profit sharing basis in the proportion of 80% (MQReit) : 20% (SPSB) ratio.

Pursuant to Chapter 9 of the Guidelines on Real Estate Investment Trust issued by the Securities Commission Malaysia ("REIT Guidelines"), the transaction between MQReit and SPSB is a Related Party Transaction ("RPT") by virtue of SPSB being a wholly-owned subsidiary of MRCB, which in turn is a major unitholder of MQReit.

SPSB was incorporated in Malaysia under the Companies Act, 1965 on 6 August 1997 and its principal activity is operation and management of car parks and parking area.

SPSB is a wholly-owned subsidiary of MRCB, which in turn is a major unitholder of MQReit and also a major shareholder of MRCB Quill Management Sdn Bhd ("MQM").

The Appointment of Car Park Operator is not expected to have any material effect on the net assets per share, earnings per share and gearing of MQReit for the financial year ending 2016.

A12 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 31 DECEMBER 2016 (CONT'D)

(E) Related Party Transactions-Provision of Services at Menara Shell by Subsidiaries of Malaysian Resources Corporation Berhad ("MRCB")

As announced on 22 December 2016, the Board of Directors of MQM, the management company of MQReit had on 22 December 2016, issued a letter of award to Semasa Parking Sdn Bhd ("SPSB") and Semasa Sentral Sdn Bhd ("SSSB") with regards to the following services provided by them at Menara Shell for a period of no more than 6 months:

- (i) Provision of Car Park Operation by SPSB at a minimum guarantee rental of RM155,000 per month; and
- (ii) Provision of Auxiliary Police Services by SSSB at a fee of RM71,844 per month.

The transaction with SPSB and SSSB are regarded as RPT (by virtue of SPSB being a wholly-owned subsidiary of MRCB, which in turn is a major unitholder of MQReit and also a major shareholder MQM).

SPSB was incorporated in Malaysia under the Companies Act, 1965 on 6 August 1997 and its principal activity is operation and management of car parks and parking area.

SSSB was incorporated in Malaysia under the Companies Act, 1965 on 4 May 1982 and its principal activity is maintaining, operating & management of the Kuala Lumpur Sentral Station and any other buildings within the vicinity of Kuala Lumpur Sentral.

The RPT is not expected to have any material effect on the net assets per share, earnings per share and gearing of MQM for the financial year ending 2016.

A13 SIGNIFICANT EVENTS SUBSEQUENT TO THE QUARTER ENDED 31 DECEMBER 2016

There is no significant events subsequent to the quarter ended 31 December 2016.

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 31 December 2016 are as follows:

	As at 31 December 2016
	RM
Approved and contracted for :	
Investment properties	<u>2,166,139</u>

B1 REVIEW OF PERFORMANCE

Quarter and year to date results

MQREIT recorded total realised revenue of RM34.07 million and property operating expenses of RM8.45 million for the current quarter ended 31 December 2016. Finance costs of RM9.10 million and manager's fee of RM2.47 million were incurred during the quarter. Overall, realised income of RM13.30 million was achieved in the current quarter.

As compared with the preceding year corresponding quarter ("4Q 2015"), the realised revenue is higher by 4.6% mainly due to additional revenue from Menara Shell, higher rental income due to step up rent adjustments from QB2, QB3 and Wisma Technip. Property operating expenses is higher by 46.1% due to higher repairs & maintenance costs incurred. Overall, the realised net property income had reduced by 4.4%. Interest income is higher mainly due to higher amount placed with licensed financial institutions in the current quarter. Finance costs is higher mainly due to higher borrowings in 4Q 2016; after the drawn down of RM144 million CPs and RM20 million MTN on 22 December 2016 to finance part of the acquisition of Menara Shell. As a result of all of the above, the realised income of RM13.30 million is lower by 18.8% compared to 4Q 2015.

As compared to preceding year cumulative quarter ("YTD 4Q 2015"), realised revenue of RM131.79 million is higher by 14.4% mainly due additional revenue arising from the acquisition of Menara Shell on 22 December 2016 and Platinum Sentral on 30 March 2015 respectively, and rental rate increases of some properties. Property operating expenses is higher by 18.4% mainly due to acquisition of Menara Shell and Platinum Sentral. Overall, the realised net property income increased by 13.3% to RM102.3 million. Finance costs is higher due to additional borrowings were drawdown on 22 December 2016 to finance the acquisition of Menara Shell (Note B14(d)) and additional borrowings on 30 March 2015 to finance the acquisition of Platinum Sentral (Note B14(c)). The realised income of RM59.16 million is higher by 9.5% mainly due to higher net property income and higher interest income, net of higher finance costs, manager's fee, trustee's fee and administrative expenses.

As compared with the immediate preceding quarter ("3Q 2016"), realised revenue of RM34.07 million is higher by 4.8% mainly due to additional revenue from the acquisition of Menara Shell and higher revenue from QB2 and QB3. Property operating expenses is higher by 21.2% due to higher repairs & maintenance costs incurred. Overall, the realised net property income increased by 0.4%. Finance costs increased mainly due to additional borrowings drawdown for the acquisition of Menara Shell on 22 December 2016 (Note B14(d)). As a result of the above, the realised income of RM13.30 million is lower by 12.6% compared to 3Q 2016.

The performance of MQREIT for the year ended 31 December 2016 is in line with the investment objectives of MQREIT.

B2 INVESTMENT OBJECTIVES AND STRATEGIES

The investment objective of MQREIT 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 MQREIT since the date of the Annual Report for 2015.

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 MQREIT. There has been no change in the strategies employed by the Manager since the date of the Annual Report for 2015 as they remain relevant in the current market conditions.

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

The Purposed-Built Office (PBO) sector is expected to continue to be a challenging year with the slowdown in global economy and domestic economic trends. Weak demand for office space is expected to continue, affected by external and internal factors. As at 4Q 2016, Klang Valley has a cumulative supply of 103.530 million sq. ft of office space with 3 completions recorded during the quarter; namely Vertical Tower (Corporate Tower), Menara Hong Leong @ Damansara City and Mercu Mustapha Kamal @ Neo Damansara. Demand for Klang Valley office space had primarily been driven by both local and foreign sectors. The trend for expansions from financial institutions, oil & gas companies and local government agencies were evident prior to the slump in the crude oil price in 3Q 2015. Selected prime office buildings within Central KL are currently offering monthly gross rents of around RM6.50–RM9.50 per sq. ft (excluding Petronas Twin Towers) whereas those in the Metropolitan KL and Greater KL areas generally offer gross rents of between RM4.00–RM5.50 per sq. ft per month (with the exception of office space within KL Sentral and Bangsar South development, which generally offers RM6.50–RM8.50 per sq. ft per month for MSC status buildings).

(Sources : Property Market Report on the Purpose-Built Office sector in Klang Valley and Purpose-Built Office sector in Klang Valley and Penang Island by CH Williams Talhar & Wong Sdn Bhd)

Review of retail market - Klang Valley

The Klang Valley retail market has become more competitive in 2016 as a result of cautious retail spending. The Consumer Sentiment Index (CSI) fell for the ninth consecutive quarter below the 100-point threshold to 73.6 points in 3Q 2016 from 76 points in 2Q 2016.

Cumulative supply of retail space in Klang Valley is estimated at 55.088 million sq. ft as at 4Q 2016. There was a completion of 4.140 million sq. ft by 12 malls in 2016. In the pipeline, a total of nineteen (19) new purpose-built retail centres and one (1) under renovation work, contributing approximately 14.707 million sq. ft. of retail space are expected to be completed in Klang Valley by the end of 2019. The average occupancy rate of purpose-built retail centres in Klang Valley was 85.86% as at Q4 2016, a marginal decrease of 2.0% from the previous quarter. Prime retail rentals in Klang Valley are expected to remain stable. According to NAPIC, average gross rental for ground floor of the selected prime retail centres in Klang Valley are at about RM29 per sq. ft; KL retail centres, in general, commanded higher rental rate at about RM37 per sq. ft whilst prime retail centres located outside KL commanded a lower rental rate at about RM22 per sq. ft.

(Sources : Property Market Report on the Purpose-Built Office sector in Klang Valley and Purpose-Built Office sector in Klang Valley and Penang Island by CH Williams Talhar & Wong Sdn Bhd)

Review of retail market - Penang

The overall occupancy rate of Purpose-Built Retail centres in Penang was relatively stable, which was in the region of 69% to 72% in the past 5 years. Retail malls on Penang Island continued to outperform those in Seberang Perai, of which the former registered average occupancy rate of about 80% whilst the latter at about 60%. The high occupancy of the island, is attributed to the rather good retail sales mainly from the relatively large working population as well as tourists. Gross rentals for the ground floor of selected prime retail malls in Penang Island commanded the higher rental rates compared to those in Seberang Perai, of up to RM22 per sq. ft per month.

(Sources : Property Market Report on the Purpose-Built Office sector in Klang Valley and Purpose-Built Office sector in Klang Valley and Penang Island by CH Williams Talhar & Wong Sdn Bhd)

B4 PROSPECTS

The office market is expected to remain challenging with the slowdown of the global and domestic economies and low crude oil prices. While we expect that take-up rates in Klang Valley will be dampened, we are confident our tenant retention strategies will ensure that the performance of MQREIT's portfolio remains stable in 2017.

In 2016, 87% of the 7% of the total net lettable area due for renewal have been renewed. In 2017, 14% of the total net lettable area are due for renewal and negotiations for renewal have already commenced.

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 2016.

(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

The corporate proposals were completed as announced on 22 December 2016, which has been disclosed in Note A12.

B11 UTILISATION OF PROCEEDS RAISED FROM ANY NEW ISSUANCE

The proceeds from the issuance of new units are used partly to finance the acquisition of Menara Shell on 22 December 2016.

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 31 DECEMBER 2016

As at 31 December 2016, MQREIT's portfolio comprises of eleven buildings as follows:

Investment properties	Cost of Investment	Market Value /Net Carrying amount as at 31 December 2016	Market value /Net Carrying amount as % of NAV
	RM	RM	
<u>Commercial buildings</u>			
1 QB1 -DHL 1 & QB 4-DHL2	109,100,000	126,500,000	9.30%
2 QB 2- HSBC	107,500,000	121,700,000	8.95%
3 QB 3- BMW	59,400,000	76,500,000	5.63%
4 Wisma Technip	125,000,000	173,000,000	12.72%
5 Part of Plaza Mont' Kiara	90,000,000	116,000,000	8.53%
6 QB5- IBM	43,000,000	45,300,000	3.33%
7 Tesco Building Penang	132,000,000	140,000,000	10.30%
8 Platinum Sentral	740,000,000	750,000,000	55.16%
9 Menara Shell	640,000,000	648,000,000	47.66%
<u>Industrial building</u>			
10 QB 8 -DHL XPJ	28,800,000	25,000,000	1.84%
	<u>2,074,800,000</u>	<u>2,222,000,000</u>	

Capital expenditure of RM8,657,196 was incurred during the quarter. The NAV as at 31 December 2016 is RM1,359,698,627.

B14 BORROWINGS AND DEBT SECURITIES

As at end of period
ended 31 December
2016
RM

Current Liabilities:

a) RM270 million CP/MTN Programme

Face value of CPs and MTNs issued	190,000,000
Discount	(2,547,501)
Cash proceeds	187,452,499
Accretion of interest expenses	1,651,676
	189,104,175
Transaction costs b/f	(88,353)
Amortisation of transaction costs during the period	88,353
	189,104,175

Non-current Liabilities:

b) RM150 million Term Loan

Term Loan drawdown	117,000,000
Transaction cost c/f	(524,285)
	116,475,715
Amortisation of transaction costs during the period	195,685
	116,671,400

c) RM290 million Senior CP/MTN Programme

Face value of CPs issued/rollover on 30 December 2016	279,000,000
Discount	(2,650,194)
Cash proceeds	276,349,806
Accretion of interest expenses	58,246
	276,408,052
Transaction costs on CP issued during the period	(1,185,002)
Amortisation of transaction costs during the period	283,145
	275,506,195

c) Fixed-Rate Subordinated Term Loan Facility of up to RM250 million

Term Loan drawdown/rollover on 31 December 2016	110,000,000
Transaction costs on term loan	(594,629)
	109,405,371
Amortisation of transaction costs during the period	142,704
	109,548,075

d) RM144 million in nominal value of CPs and RM20 million in nominal value of MTN

Face value of CPs/MTNs issued on 22 December 2016	164,000,000
Discount	(2,965,453)
Cash proceeds	161,034,547
Accretion of interest expenses	162,937
	161,197,484
Transaction costs on CP issued during the period	(468,146)
Amortisation of transaction costs during the period	7,791
	160,737,129

Total: 662,462,799

B14 BORROWINGS AND DEBT SECURITIES (CONT'D)

(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.

To date, 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 5 years, at interest rate of 4.90% 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.

The RM270 million Programme are secured borrowings.

Subsequent to obtaining Noteholders approval, the original expected maturity of the RM60 million outstanding MTNs was deferred from 5 September 2016 to 6 March 2017 concurrently with a new issuance of CPs comprising RM12 million and RM118 million respectively with a tenure of 6 months, for the purpose of refinancing the outstanding CPs and to coincide with the new expected maturity of the outstanding MTNs.

(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 4.60% 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 + 1.40% 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.

B14 BORROWINGS AND DEBT SECURITIES (CONT'D)

(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") 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 4.90% 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 4.90% 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.

(d) Commercial Papers (CPs) Programme (CP Programme) and Medium Term Notes (MTNs) Programme (MTN Programme) with aggregate combined limit of RM3.0 billion in nominal value (collectively referred to as the Programme)

On 30 November 2016, MQReit through its SPE, Kinabalu Capital Sdn Bhd ("Kinabalu") established a RM3.0 billion in nominal value of CP/MTN programme. The CP Programme shall have a legal tenure of seven (7) years from the date of the first issue of the CPs under the CP Programme, whereas the MTN Programme shall have a legal tenure of twenty (20) years from the date of the first issue of MTNs under the MTN Programme.

On 22 December 2016, RM144 million nominal value of CPs and RM20 million in nominal value of MTNs out of the respective programme were issued at the interest rate of 4.13% p.a. and 4.30% p.a. respectively. The proceeds raised from the issuance were utilised to part-finance the acquisition of Menara Shell together with a 5-storey podium and a 4-storey basement car park.

The transaction costs relating to the programme are amortised from the dates of issuance of the CPs to the maturity of the programme. The RM144 million CP and RM20 million MTNs 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:

- (i) 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.
- (ii) 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 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 31 December 2016 are as follows:

	Fair values of derivative assets/(liabilities) as at 31 December 2016
	RM
More than 1 year and less than 5 years	<u><u>(983,219)</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 RM27,976,416 or 4.23 sen per unit, being 91.35% of the realised net income for the period 1 January 2016 to 30 June 2016 was made on 8 September 2016.

A special income distribution of RM27,447,312 or 4.15 sen per unit, being income distribution for the period 1 July 2016 to 16 December 2016, was paid on 13 January 2017 to all existing 661,381,000 unitholders at the book closure date of 16 December 2016.

The total gross distribution relating to the financial year ended 31 December 2016 amounted to RM55,423,728 or 8.38 sen per unit, being approximately 93.7% of the realised income after taxation of MQReit of RM59,155,963 for the financial year ended 31 December 2016.

Distributions are from the following sources :

	01.01.2016 to 16.12.2016	
	RM	
Gross revenue		125,342,655
Interest income		1,567,895
Property operating expenses and trust expenses		(67,797,239)
		<u>59,113,311</u>
Less : 1st Interim Distribution paid on 8 September 2016		(27,976,416)
Less : Undistributable and non-distributable income		(3,689,583)
Balance for income distribution		<u><u>27,447,312</u></u>
of which	RM	
- taxable distribution	26,852,069	4.06 sen
- tax exempt distribution	<u>595,243</u>	<u>0.09 sen</u>
	<u><u>27,447,312</u></u>	<u><u>4.15 sen</u></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	24%

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

	As at 31 December 2016	As at 30 September 2016
NAV (RM)	1,359,698,627	886,614,437
Number of units in circulation (unit)	1,068,000,000	661,381,000
NAV per unit (RM) (after provision for distribution)	1.2731	1.3175
Market price (RM)	1.20	1.25

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 increase in number of units issued in the current quarter and loss on remeasurement of financial derivatives.

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

B19 MANAGER'S FEE AND SOFT COMMISSION

Pursuant to the Trust Deed, the Manager is entitled to receive from 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 31 December 2016 are :

	RM
Base fee	1,695,430
Performance fee	<u>771,615</u>
	<u><u>2,467,045</u></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 ("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 31 December 2016 amounted to RM127,401.

B21 UNITHOLDINGS BY THE MANAGER

As at 31 December 2016, 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 31 December 2016 RM
Malaysian Resources Corporation Berhad HLIB Nominee (Tempatan) Sdn. Bhd. for :	297,917,000	27.89%	357,500,400
-Quill Properties Sdn. Bhd.	45,997,000	4.31%	55,196,400
-Quill Land Sdn. Bhd.	48,767,000	4.57%	58,520,400
-Quill Estates Sdn. Bhd.	22,276,000	2.09%	26,731,200
	<u>414,957,000</u>	<u>38.85%</u>	<u>497,948,400</u>

The Manager's directors' direct unitholding in MQREIT:

	No. of units	Percentage of total units	Market Value as at 31 December 2016 RM
Dato' Dr. Low Moi Ing, J.P	50,000	0.01%	60,000
Dato' Michael Ong Leng Chun	55,000	0.01%	66,000

The Manager's directors' indirect unitholding in MQREIT:

	No. of units	Percentage of total units	Market Value as at 31 December 2016 RM
Dato' Dr. Low Moi Ing, J.P	117,040,000 (a)	10.96%	140,448,000
Dato' Michael Ong Leng Chun	117,040,000 (b)	10.96%	140,448,000

(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 31 December 2016 of RM1.20 per unit.

B23 UNITHOLDERS CAPITAL

	No. of units	
	Current Quarter	Preceding Quarter
Approved fund size	<u>1,100,000,000</u>	<u>700,000,000</u>
Issued and fully paid	<u>1,068,000,000</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 on CPMTN	4,844,986	19,853,931
Interest expenses on term loan	2,839,901	11,177,170
Interest on interest rate swap arrangements	295,205	41,355
Amortisation of transaction costs	356,470	912,606
Credit facility costs	106,420	394,420
Interest expenses on unwinding of discount on rental deposits	656,630	656,630
Total finance costs	<u>9,099,612</u>	<u>33,036,112</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	16,500	58,166
Provision for / write off of receivables	(49,517)	293,787
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 31 December 2016 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 January 2017.

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
(Company No: 737252-X)
(As Manager of MRCB-QUILL REIT)
Kuala Lumpur

Date: 25 January 2017