

MRCB-QUILL REIT
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Quarter	To Date	To Date
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM	RM	RM	RM
Total income				
Gross revenue				
-Realised gross revenue	44,662,725	34,068,095	180,113,542	131,786,756
-Unrealised rental income (unbilled lease income receivable) (a)	1,388,125	4,861,095	1,388,125	4,861,095
	<u>46,050,850</u>	<u>38,929,190</u>	<u>181,501,667</u>	<u>136,647,851</u>
Property operating expenses	(10,024,884)	(8,450,119)	(40,161,064)	(29,492,908)
Net property income	36,025,966	30,479,071	141,340,603	107,154,943
Interest income	1,740,553	1,138,623	3,590,093	2,383,623
Change in fair value of investment properties				
-As per valuation	(18,183,415)	3,542,803	(18,183,415)	3,542,803
-Unbilled lease income receivable (a)	(1,388,125)	(4,861,095)	(1,388,125)	(4,861,095)
	<u>18,194,979</u>	<u>30,299,402</u>	<u>125,359,156</u>	<u>108,220,274</u>
Total expenditure				
Manager's fee	(3,352,274)	(2,467,045)	(13,458,072)	(9,677,247)
Trustee's fee	(171,889)	(127,401)	(688,676)	(486,842)
Finance costs	(10,992,725)	(9,099,612)	(40,512,779)	(33,036,112)
Valuation fees	(89,256)	(177,998)	(298,491)	(361,075)
Auditors' remuneration	(8,000)	(36,249)	(119,000)	(149,520)
Tax agent's fee	(5,314)	(20,555)	(22,882)	(54,114)
Administrative expenses	(253,836)	(1,452,161)	(349,084)	(1,685,322)
	<u>(14,873,294)</u>	<u>(13,381,021)</u>	<u>(55,448,984)</u>	<u>(45,450,232)</u>
Income before taxation	3,321,685	16,918,381	69,910,172	62,770,042
Income tax expense	-	-	-	-
Income net of taxation	3,321,685	16,918,381	69,910,172	62,770,042
Other comprehensive income				
Gain/(Loss) on remeasurement of financial derivatives (b)	833,250	2,949,617	317,488	(3,263,700)
Total comprehensive income for the financial year	4,154,935	19,867,998	70,227,660	59,506,342
Distribution adjustments (c)	18,183,415	-	22,158,710	-
Distributable income	22,338,350	19,867,998	92,386,370	59,506,342
Net income for the year is made up as follows:				
Realised	21,418,028	13,304,302	88,006,515	59,155,963
Unrealised	(18,096,343)	3,614,079	(18,096,343)	3,614,079
EARNINGS PER UNIT (d)				
- after manager's fees (sen)	0.31	2.40	6.55	9.33
- before manager's fees (sen)	0.62	2.75	7.81	10.77
EARNINGS PER UNIT (REALISED) (e)				
- after manager's fees (sen)	2.01	1.89	8.24	8.80
- before manager's fees (sen)	2.32	2.24	9.50	10.24

INCOME DISTRIBUTION				
Interim income distribution	-	-	(45,176,400)	(27,976,416)
Final income distribution	(44,428,800)	(27,447,312)	(44,428,800)	(27,447,312)
	<u>(44,428,800)</u>	<u>(27,447,312)</u>	<u>(89,605,200)</u>	<u>(55,423,728)</u>
Income distribution per unit				
Gross (sen)				
-Interim income distribution	-	-	4.23 (f)	4.23
-Proposed special income distribution	4.16	4.15	4.16 (g)	4.15
Total distribution	<u>4.16</u>	<u>4.15</u>	<u>8.39</u>	<u>8.38</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 ("IRSs"). (please refer Note B15)
- (c) Included in the distribution adjustments are the following :

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Year Quarter 31.12.2017 RM	Preceding Year Corresponding Quarter 31.12.2016 RM	Current Year To Date 31.12.2017 RM	Preceding Year Corresponding To Date 31.12.2016 RM
Manager's management fee payable in units	-	-	3,975,295	-
Net fair value loss/(gain) on investment properties	18,183,415	-	18,183,415	-
	<u>18,183,415</u>	<u>-</u>	<u>22,158,710</u>	<u>-</u>

- (d) Earnings Per Unit for the quarter/period is computed based on the Net Income for the quarter/period divided by units in circulation of 1,068,000,000. EPU for the preceding year corresponding quarter/period is based on the weighted average units in circulation of 705,578,717/672,490,809 respectively.
- (e) Earnings Per Unit (Realised) for the quarter/period is computed based on the Realised Net Income for the quarter/period divided by units in circulation of 1,068,000,000. EPU (Realised) for the preceding year corresponding quarter/period is based on the weighted average units in circulation of 705,578,717/672,490,809 respectively.
- (f) Income distribution of 4.23 sen per unit being the distribution of income for the period 1 January 2017 to 30 June 2017 was paid on 18 September 2017.
- (g) Proposed final gross distribution of 4.16 sen per unit relates to the distribution of income for the period 1 July 2017 to 31 December 2017, will be payable on 28 February 2018 to all unitholders as at book closure date on 7 February 2018. Pls refer to Note B17 for details of the distribution.

MRCB-QUILL REIT
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017 (UNAUDITED)

	AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END
	31.12.2017 UNAUDITED RM	31.12.2016 AUDITED RM RE-STATED
NON-CURRENT ASSETS		
Plant and equipment	172,433	225,686
Investment properties	2,159,458,519	2,203,647,244
Investment properties-accrued rental income	19,741,481	18,352,756
Lease receivables	2,014,930	2,745,750
	<u>2,181,387,363</u>	<u>2,224,971,436</u>
CURRENT ASSETS		
Trade and other receivables	5,232,685	17,626,110
Lease receivables	730,820	692,759
Deposits with licensed financial institution	72,403,166	43,779,046
Cash and cash equivalents	3,638,160	10,272,235
	<u>82,004,831</u>	<u>72,370,150</u>
Non-current asset held for sale	25,000,000	-
	<u>107,004,831</u>	<u>72,370,150</u>
TOTAL ASSETS	<u>2,288,392,194</u>	<u>2,297,341,586</u>
NON-CURRENT LIABILITIES		
Borrowings	736,584,405	662,462,799
Derivative liabilities (i)	665,731	983,219
Security deposits	23,609,508	18,794,661
Other payables	221,866	3,164,524
	<u>761,081,510</u>	<u>685,405,203</u>
CURRENT LIABILITIES		
Trade and other payables	20,304,048	28,350,115
Borrowings	116,868,449	189,104,175
Security deposits	5,413,617	7,336,154
Provision for income distribution	-	27,447,312
	<u>142,586,114</u>	<u>252,237,756</u>
TOTAL LIABILITIES	<u>903,667,624</u>	<u>937,642,959</u>
NET ASSETS VALUE ("NAV")	<u>1,384,724,570</u>	<u>1,359,698,627</u>
UNITHOLDERS' FUNDS		
Unitholders' funds attributable to unitholders of MQREIT		
Unitholders' capital	1,231,914,544	1,231,939,861
Undistributed and non-distributable income	152,810,026	127,758,766
Total unitholders' funds	<u>1,384,724,570</u>	<u>1,359,698,627</u>
NUMBER OF UNITS IN CIRCULATION	1,068,000,000	1,068,000,000
NET ASSET VALUE PER UNIT		
- before income distribution (ii)	1.2966	1.2988
- after income distribution (iii)	1.2550	1.2731

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

(ii) Net Asset Value per unit before the proposed final gross income distribution of 4.16 sen per unit.

(iii) Net Asset Value per unit after the proposed final gross income distribution of 4.16 sen per unit.

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the financial statements.

MRCB-QUILL REIT
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE YEAR ENDED 31 DECEMBER 2017 (UNAUDITED)

	Unitholders' Capital	Distributable Undistributed Income Realised	Non-Distributable Undistributed Income Unrealised	Net Fair Value (Loss) / Gain On Derivatives Unrealised	Total Undistributed and Non-Distributable Income	Unitholders' Funds
	RM	RM	RM	RM	RM	RM
As at 1 January 2017	1,231,939,861	17,204,848	111,537,137	(983,219)	127,758,766	1,359,698,627
Issuance of new units expenses	(25,317)	-	-	-	-	(25,317)
Total Comprehensive Income for the financial year	-	88,006,515	(18,096,343)	317,488	70,227,660	70,227,660
	1,231,914,544	105,211,363	93,440,794	(665,731)	197,986,426	1,429,900,970
Unitholders' transactions:						
Distribution to unitholders	-	(45,176,400)	-	-	(45,176,400)	(45,176,400)
As at 31 December 2017	1,231,914,544	60,034,963	93,440,794	(665,731)	152,810,026	1,384,724,570
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 financial year	-	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

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 2016 and the accompanying explanatory notes attached to the financial statements.

MRCB-QUILL REIT
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017 (UNAUDITED)

	CURRENT YEAR TO DATE 31.12.2017 RM	PRECEDING YEAR TO DATE 31.12.2016 RM
OPERATING ACTIVITIES		
Income before tax	69,910,172	62,770,042
Adjustments for:		
Finance costs	40,512,779	33,036,112
Depreciation	69,456	58,166
Interest income	(3,590,093)	(2,383,623)
Loss /(Surplus) on revaluation of investment properties	18,183,415	(3,542,803)
Operating cash flows before changes in working capital	<u>125,085,729</u>	<u>89,937,894</u>
Receivables	13,866,128	(12,818,104)
Payables	<u>(9,881,126)</u>	<u>27,899,463</u>
Cash flows from operations	129,070,731	105,019,253
Income tax paid	-	-
Net cash flows generated from operating activities	<u>129,070,731</u>	<u>105,019,253</u>
INVESTING ACTIVITIES		
Additions to investment properties	(383,415)	(647,411,104)
Purchase of plant & equipment	(16,203)	(1,451,431)
Interest received	<u>2,161,417</u>	<u>1,623,044</u>
Net cash flow generated from investing activities	<u>1,761,799</u>	<u>(647,239,491)</u>
FINANCING ACTIVITIES		
Distribution to unitholders	(72,623,712)	(56,878,766)
Finance costs paid	(37,193,456)	(36,377,182)
Proceeds from borrowings	191,000,000	164,000,000
Repayment of borrowings	(190,000,000)	-
Proceeds from issuance of new units	-	487,942,800
Expenses paid on issuance of new units	<u>(25,317)</u>	<u>(7,279,296)</u>
Cash flows used in financing activities	<u>(108,842,485)</u>	<u>551,407,556</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,990,045	9,187,318
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>54,051,281</u>	<u>44,863,963</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>76,041,326</u></u>	<u><u>54,051,281</u></u>
Cash and cash equivalents at end of period comprises:		
Deposits with licensed financial institutions	72,403,166	43,779,046
Cash on hand and at banks	<u>3,638,160</u>	<u>10,272,235</u>
	<u><u>76,041,326</u></u>	<u><u>54,051,281</u></u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes to the financial statements.

MRCB-QUILL REIT
EXPLANATORY NOTES FOR YEAR ENDED 31 DECEMBER 2017

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 2016 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 2016.

A4 AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2016

The audit report of the financial statements for the preceding year ended 31 December 2016 was unqualified.

A5 SEASONALITY OR CYCLICALITY OF OPERATIONS

The business operations of MQREIT were not materially affected by seasonal or cyclical factors during the current quarter. Seasonal or cyclical factors include but are not limited to changes in rental demand and supply of properties which depend on market conditions, economic cycle, financial performance of its tenants, availability of credit facilities and interest rate environment.

A6 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

During the current quarter under review, there were no unusual items due to their nature, size or incidence that affects the assets, liabilities, equity, net income or cash flows of MQREIT.

A7 CHANGES IN ESTIMATES OF AMOUNTS REPORTED

There were no changes in the estimates of amounts reported during the current quarter.

A8 CHANGES IN DEBT AND EQUITY

Except as disclosed in the above and note B14, there were no repurchase, resale and repayment of debt and equity instruments for the current quarter.

A9 INCOME DISTRIBUTION POLICY

In line with the Trust Deed dated 9 October 2006, effective from financial year 2009, MQREIT intends to distribute at least 90% (or any other lower percentage at the discretion of the Manager) of its distributable income at least semi-annually, or at such other intervals as the Manager may determine.

A10 SEGMENT REPORTING

No segment information is prepared as MQREIT's activities are predominantly in one industry segment and situated predominantly in Malaysia.

A11 VALUATION OF INVESTMENT PROPERTIES

The investment properties are valued by independent registered valuers and the differences between the valuations and the book values of the respective properties are charged or credited to the profit or loss in the statement of comprehensive income.

For the quarter and financial year ended 31 December 2017, the investment properties were valued based on valuation performed by two independent registered valuers, i.e. Nawawi Tie Leung Property Consultants Sdn. Bhd., and C H Williams Talhar & Wong Sdn. Bhd. on 31 December 2017. A deficit on revaluation amounted to RM18,183,415 was charged to the statement of comprehensive income.

A12 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 31 DECEMBER 2017

(A) RELATED PARTY TRANSACTION-EXECUTION OF THE LOT 348 COMMON AREA MANAGEMENT AGREEMENT BY MAYBANK TRUSTEES BERHAD, ACTING AS TRUSTEE FOR MRCB-QUILL REIT ("MQREIT"), WITH JOINT MANAGEMENT BODY FOR LOT 348

As announced on 19 October 2017, MQM had announced that Maybank Trustees Berhad ("MTB"), acting as trustee for MQREIT, had on the same day entered into a Lot 348 Common Area Management Agreement with the Joint Management Body for Lot 348 ("JMB Lot 348") for the appointment of MTB to maintain and manage the common area of all that piece of land held under Geran 40094, Lot 348, Section 72, Town and District of Kuala Lumpur, Wilayah Persekutuan ("the Land") and 1 block of 33-storey office tower known as "Menara Shell" and 1 block of 21-storey service apartment known as "Ascott Sentral Kuala Lumpur" together with a 5-storey podium and 4-storey basement car park bearing the postal address of 211, Jalan Tun Sambathan, 50470 Kuala Lumpur (the "Development Properties") [common area of the Land and Development Properties hereinafter referred to as "Common Area"] for a monthly fee equivalent with the monthly maintenance charges together with income generated from the Common Area including but not limited to the monthly rental income.

348 Sentral, a wholly-owned subsidiary of Malaysian Resources Corporation Berhad ("MRCB"), is a company incorporated in Malaysia and having its registered address at Level 33A, Menara NU 2, No. 203, Jalan Tun Sambathan, Kuala Lumpur Sentral, 50470 Kuala Lumpur. 348 Sentral is the registered proprietor of the Land and the developer of the Development Properties. On 30 June 2016, 348 Sentral had entered into a Sale and Purchase Agreement with MTB to sell Menara Shell together with a 5-storey podium and 4-storey basement car park which consist of 6 parcels in the Development Properties ("the Property") to MTB.

MQM is a company incorporated in Malaysia and having its registered address at Level 33A, Menara NU 2, No.203, Jalan Tun Sambathan, Kuala Lumpur Sentral, 50470 Kuala Lumpur. MRCB is the major shareholder of MQM holding 41% of its equity.

A12 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 31 DECEMBER 2017 (CONT'D)

(A) RELATED PARTY TRANSACTION-EXECUTION OF THE LOT 348 COMMON AREA MANAGEMENT AGREEMENT BY MAYBANK TRUSTEES BERHAD, ACTING AS TRUSTEE FOR MRCB-QUILL REIT ("MQREIT"), WITH JOINT MANAGEMENT BODY FOR LOT 348 (CONT'D)

JMB Lot 348 was established on 1 August 2017 under Section 17(2) of the Strata Management Act 2013. The committee of JMB Lot 348 consist of three (3) members of whom, 2 members were from MQM and 1 member from 348 Sentral.

The RPT 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 2017.

(B) RELATED PARTY TRANSACTION-APPOINTMENT OF KUALA LUMPUR SENTRAL SDN BHD AS CYBERCENTRE MANAGER AND MRCB SENTRAL PROPERTIES SDN BHS AS MSC ONE-STOP CENTRE SUPPORT SERVICES PROVIDER FOR MENARA SHELL

As announced on 15 December 2017, MQM had on the 15 December 2017, appointed Kuala Lumpur Sentral Sdn Bhd ("KLSSB") and MRCB Sentral Properties ("MSP") for the provision of the following services at Menara Shell located at Kuala Lumpur Sentral for a period of two (2) years commencing from 22 December 2017 to 21 December 2019:

1. KLSSB as Cybercentre Manager for the annual compliance audit fee of RM50,000 (excluding 6% GST)
2. MSP as MSC One-Stop Centre Support Services Provider for the monthly service fee of RM30,000 (excluding 6% GST)

The transaction with KLSBB and MSP is regarded as Related Party Transaction ("RPT") by virtue of both companies are subsidiaries of Malaysian Resources Corporation Berhad ("MRCB"), which in turn a major unitholder of MQREIT and also a major shareholder of MQM.

The RPT 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 2017.

A13 SIGNIFICANT EVENTS SUBSEQUENT TO THE QUARTER ENDED 31 DECEMBER 2017

As announced on 8 January 2018, MTB, acting solely in the capacity as trustee for and on behalf of MQREIT, has entered into a sale and purchase agreement on 8 January 2018 ("SPA") with Transmark Corporation Sdn Bhd ("TCSB" or "the Purchaser") for the proposed disposal of a single storey detached warehouse annexed with a 3-storey office building, a refuse chamber and two guard houses located at No. 8, Jalan Pemaju U1/15, Hicom Glenmarie Industrial Park, Section U1, 40150 Shah Alam, Selangor erected on a parcel of freehold land held under H. S. (D) 267028, PT 1955 in the Town of Bandar Glenmarie, District of Petaling, State of Selangor ("**QB8**" or "**Property**"), for a cash consideration of RM28 million ("**Disposal Price**"). ("**Proposed Disposal**")

The Proposed Disposal will not have any effect on the total units of MQREIT in issue and substantial unitholders' unitholding in MQREIT, as the Disposal Price will be satisfied entirely in cash.

There will be no material impact on the NAV of MQREIT upon the completion of the Proposed Disposal.

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 2017 are as follows:

	As at 31 December 2017
Approved and contracted for :	RM
Investment properties	<u>4,136,075</u>

B1 REVIEW OF PERFORMANCE

Quarter and year to date results

MQREIT recorded total realised revenue of RM44.66 million and property operating expenses of RM10.02 million for the current quarter ended 31 December 2017 ("4Q 2017"). Finance costs of RM10.99 million and manager's fee of RM3.35 million were incurred during the quarter. Overall, realised income of RM21.42 million was achieved in the current quarter.

As compared with the preceding year corresponding quarter ("4Q 2016"), 4Q 2017 realised revenue was higher by 31.1% mainly due to additional revenue arising from Menara Shell which was acquired on 22 December 2016 as well as higher rental income due to step up rent adjustments from QB3, Wisma Technip and QB2. Property operating expenses were higher by 18.6% due to the inclusion of property expenses of Menara Shell. Overall, 4Q 2017 realised net property income increased by 35.2% compared to 4Q 2016. Interest income was higher due to higher amount placed with licensed financial institutions during the current quarter. Finance costs were higher mainly due to higher borrowings in 4Q 2017; after the draw down of RM164 million CP/MTN on 22 December 2016 to part-finance the acquisition of Menara Shell; and draw down of RM191 million CP/MTN to refinance the existing RM190 million CP/MTN which matured on 6 March 2017 (as disclosed under note B14(d)). As a result of all of the above, 4Q 2017 realised income of RM21.42 million was higher by 61.0% compared to 4Q 2016.

As compared to preceding year cumulative period ("YTD December 2016"), the current cumulative period ("YTD December 2017") revenue of RM180.11 million was higher by 36.7% mainly due additional revenue arising from Menara Shell which was acquired on 22 December 2016 and rental rate increases from QB3, Wisma Technip and QB2. YTD December 2017 property operating expenses were higher by 36.2% mainly due to property expenses of Menara Shell. This has resulted in a 36.8% increase in the realised net property income for YTD December 2017. Finance costs were higher by 22.6% mainly due to higher borrowings in YTD December 2017; after the draw down of RM164 million CP/MTN on 22 December 2016 to part-finance the acquisition of Menara Shell; and draw down of RM191 million CP/MTN to refinance the existing RM190 million CP/MTN which matured on 6 March 2017 (as disclosed under note B14(d)). The YTD December 2017 realised income of RM88.01 million was higher by 48.8% compared to the preceding period mainly due to higher net property income, higher interest income, net of higher finance costs, manager's fee and trustee's fee.

As compared with 3Q 2017, 4Q 2017 realised revenue and property operating expenses were lower by 0.4% and 4.8% respectively. As a result, net property income increased by 1.0%. Finance costs were higher in 4Q 2017 due to additional transaction costs incurred. Overall, 4Q 2017 realised income of RM21.42 million was marginally higher by 0.2% compared to 3Q 2017.

The performance of MQREIT for the year ended 31 December 2017 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 2016.

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 2016 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

As at 3Q 2017, Klang Valley (KV) has a cumulative supply of 104.78 million square feet of office space. Approximately 17.13 million square feet of future supply or twenty seven (27) new developments are expected to enter the market by 2020. Three (3) new developments or 3.53 million square feet are expected to be completed by the end of 2017. Occupancy rates were stable in Klang Valley, achieving an average of 83.5% during the review period. Selected prime office buildings within Central Kuala Lumpur (CKL) are currently being offered at monthly gross rents of around RM6.80 to RM11.00 per square foot (excluding Petronas Twin Towers) whereas asking gross rents of office spaces in Metropolitan Kuala Lumpur and CKL are generally between RM5.00 and RM6.00 per square foot per month (with the exception of office space within KL Sentral and Bangsar South development, which generally offers RM6.50 to RM7.50 per square foot per month for MSC status buildings).

The large pipeline of office supply of 17.13 million square feet by year 2020, albeit soft take-up rate of 3.00 million square feet per annum indicates a mismatch of the demand and supply for purpose-built office space in Klang Valley. The purpose-built office market is expected to remain challenging and downward pressure on occupancy rates and rentals are expected due to the slow economic growth and future oversupply.

(Sources : Property Market Report on Purpose Built Office Sector in Klang Valley and Purpose Built Retail Sector in Klang Valley and Penang Island by CH William Talhar & Wong Sdn Bhd dated December 2017)

Review of retail market - Klang Valley

Cumulative supply of retail space in Klang Valley is estimated at 57.55 million square feet as at 3Q 2017. There was one completion during the review period, namely Melawati Mall with a net lettable area of 820,000 square feet. A total of nineteen (19) new purpose-built retail centres contributing approximately 13.14 million square feet of retail space are expected to be completed in Klang Valley by the end of 2020. The average occupancy rate of purpose-built retail centres in Klang Valley was 88.7% as at 3Q 2017, a marginal decrease of 2.0% from the previous quarter. Active pre-leasing activities had resulted in most newly opened retail centres in strategic locations and neighbourhoods achieving good occupancy rates of between 70% and 80% upon opening. Prime retail rentals in Klang Valley are expected to remain stable. According to REITs Annual Report, the average prime gross rental of the selected prime retail centres in Klang Valley is about RM16 per square foot.

With an average annual take-up rate of 2.05 million square feet and the incoming supply of 13.14 million square feet by 2020, the KV purpose built retail sector is expected to experience a soft landing with vacancy rates increasing to approximately 10% by 2020. New developers and mall owners will have to put more efforts in analysing the consumer market to ensure that the malls appeal to and meet consumers' need.

(Sources : Property Market Report on Purpose Built Office Sector in Klang Valley and Purpose Built Retail Sector in Klang Valley and Penang Island by CH William Talhar & Wong Sdn Bhd dated December 2017)

Review of retail market - Penang

Cumulative supply of retail space in Penang is estimated at 18.831 million square feet. The overall occupancy rate of purpose-built retail centres in Penang was relatively stable, which was in the region of 66% to 72% in the past 5 years. Retail malls in Penang Island continues to outperform those in Seberang Perai, of which the former registered an overall occupancy rate of about 76% whilst the latter at about 63%. The high occupancy of retail malls at the Penang island, is attributed to good retail sale mainly from the relatively large working population as well as tourists. Gross rentals of retail lots on the ground floor of selected prime retail malls in Penang Island commanded higher rental rates compared to those in Seberang Perai, of up to RM45 per square foot per month.

(Sources : Property Market Report on Purpose Built Office Sector in Klang Valley and Purpose Built Retail Sector in Klang Valley and Penang Island by CH William Talhar & Wong Sdn Bhd dated December 2017)

B4 PROSPECTS

In 2017, 14% of MQREIT's total net lettable area was due for renewal. As at 31 December 2017, we have successfully renewed approximately 80% of these leases. The Manager is now in active negotiations for the renewal of leases due in 1Q 2018.

The Klang Valley office market is expected to remain challenging. For 2018, we will focus on asset management and leasing strategies that are centred on tenant retention to overcome the challenging operating environment.

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 2017.

(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 and period to date.

B12 CIRCUMSTANCES WHICH MATERIALLY AFFECT ANY INTEREST OF THE UNITHOLDERS

As at the date of this report, the directors of the Manager are not aware of any circumstances not otherwise disclosed in this report which would materially affect the interest of the unitholders.

B13 COMPOSITION OF INVESTMENT PORTFOLIO AS AT 31 DECEMBER 2017

As at 31 December 2017, MQREIT's portfolio comprises of eleven buildings as follows:

Investment properties	Cost of Investment	Market Value /Net Carrying amount as at 31 December 2017	Market value /Net Carrying amount as % of NAV
	RM	RM	
<u>Commercial buildings</u>			
1 QB1 - DHL 1 & QB4 - DHL 2	109,100,000	130,000,000	9.39%
2 QB2 - HSBC	107,500,000	122,000,000	8.81%
3 QB3 - BMW	59,400,000	79,000,000	5.71%
4 Wisma Technip	125,000,000	173,800,000	12.55%
5 Part of Plaza Mont' Kiara	90,000,000	117,400,000	8.48%
6 QB5 - IBM	43,000,000	44,000,000	3.18%
7 Tesco Building Penang	132,000,000	140,000,000	10.11%
8 Platinum Sentral	740,000,000	725,000,000	52.36%
9 Menara Shell	640,000,000	648,000,000	46.80%
<u>Industrial building</u>			
10 QB8 - DHL XPJ	28,800,000	25,000,000	1.81%
	<u>2,074,800,000</u>	<u>2,204,200,000</u>	

No capital expenditure was incurred during the quarter. The NAV as at 31 December 2017 is RM1,384,724,570.

B14 BORROWINGS AND DEBT SECURITIES

As at end of year
ended 31 December
2017
RM

CURRENT LIABILITIES:

(a) CPs / MTNs Programme of up to RM270 million ("RM270 million Programme")

Face value of CPs / MTNs issued	190,000,000
Discount	(2,547,501)
Cash proceeds	187,452,499
Accretion of interest expenses	2,547,501
	<u>190,000,000</u>
Redeemed on 6 March 2017	<u>(190,000,000)</u>
	<u>-</u>

B14 BORROWINGS AND DEBT SECURITIES (cont'd)

	As at end of year ended 31 December 2017 RM
(b) <u>Fixed Rate Term Loan Facility of up to RM150 million ("RM150 million Term Loan")</u>	
Term Loan draw down	117,000,000
Transaction cost c/f	(328,600)
	<u>116,671,400</u>
Amortisation of transaction costs during the year	197,049
	<u><u>116,868,449</u></u>
 NON-CURRENT LIABILITIES:	
(c) <u>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 ("Fixed Rate Subordinated Term Loan")</u>	
(i) <u>Senior CP / MTN Programme</u>	
Face value of CPs issued / rollover	279,000,000
Discount	(2,671,062)
Cash proceeds	276,328,938
Accretion of interest expenses	88,057
	<u>276,416,995</u>
Transaction costs c/f	(901,857)
Amortisation of transaction costs during the year	284,352
	<u><u>275,799,490</u></u>
(ii) <u>Fixed Rate Subordinated Term Loan</u>	
Term Loan draw down	110,000,000
Transaction costs on term loan	(451,925)
	<u>109,548,075</u>
Amortisation of transaction costs during the year	142,685
	<u><u>109,690,760</u></u>
 (d) <u>Commercial Papers Programme ("CP Programme") and Medium Term Notes Programme ("MTN Programme") with aggregate combined limit of RM3.0 billion in nominal value ("RM3 billion Programme")</u>	
(i) <u>RM144 million in nominal value of CP and RM20 million in nominal value of MTN</u>	
Face value of CPs / MTNs issued	164,000,000
Discount	(2,986,994)
Cash proceeds	161,013,006
Accretion of interest expenses	164,121
	<u>161,177,127</u>
Transaction costs b/f	(460,355)
Amortisation of transaction costs during the year	93,527
	<u><u>160,810,299</u></u>
(ii) <u>RM61 million in nominal value of CP and RM130 million in nominal value of MTN</u>	
Face value of CPs / MTNs issued	191,000,000
Discount	(1,255,347)
Cash proceeds	189,744,653
Accretion of interest expenses	811,467
	<u>190,556,120</u>
Transaction costs on CP/MTN issued during the year	(326,670)
Amortisation of transaction costs during the year	54,406
	<u><u>190,283,856</u></u>
Total:	<u><u><u>736,584,405</u></u></u>

B14 BORROWINGS AND DEBT SECURITIES (cont'd)

(a) CPs / MTNs Programme of up to RM270 million ("RM270 million CP/MTN 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 CP/MTN Programme") with an expected tenure of five years.

CPs totalling RM12 million and MTNs totalling RM60 million were issued on 5 September 2011, the proceeds of which were utilised towards the settlement of the RM80 million 5-year Term Loan Facilities.

CPs totalling RM118 million were issued on 30 November 2011, the proceeds of which were utilised towards the settlement of the RM118 million of CPs outstanding under the RM118 million Programme which matured on 30 November 2011.

The transaction costs relating to the programme are fully 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.

On 6 March 2017, the RM60 million outstanding MTNs and RM130 million outstanding CPs from the RM270 million programme was redeemed with the proceeds from the new issuance of RM130 million MTNs from the MTN Programme and RM61 million CPs from the CP Programme (as disclosed under Note B14 (d)(ii)). As such, there was no outstanding balance under the RM270 million programme as at 31 December 2017.

(b) Fixed Rate Term Loan Facility of 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 draw down 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 and are charged to profit or loss.

The RM150 million Programme are secured borrowings.

There was no draw down 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 ("Fixed Rate Subordinated Term Loan")

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 over the tenure of the programmes and are charged to profit or loss. The RM290 million Senior CP, RM450 million Junior CP and RM110 million Subordinated Term Loan are secured borrowings.

(d) Commercial Papers Programme ("CP Programme") and Medium Term Notes Programme ("MTN Programme") with aggregate combined limit of RM3.0 billion in nominal value ("RM3 billion 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.

(i) RM144 million in nominal value of CPs and RM20 million in nominal value of MTNs

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 MTN are secured borrowings.

(ii) RM61 million in nominal value of CPs and RM130 million in nominal value of MTNs

On 6 March 2017, RM61 million in nominal value of CPs and RM130 million nominal value of MTNs from the CP and MTN Programme were issued at the interest rate of 4.14% p.a. and 4.40% p.a. respectively. The proceeds raised from this issuance were utilised to redeem the existing RM60 million MTNs, RM12 million CPs and RM118 million CPs under the RM270 million CP/MTN Programme which matured on 6 March 2017.

The transaction costs relating to the programme are amortised from the dates of issuance of the CPs to the maturity of the programme. The RM61 million CP and RM130 million MTN 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 2017 are as follows:

	Fair values of derivative assets/(liabilities) as at 31 December 2017 RM
More than 1 year and less than 5 years	<u>(665,731)</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 RM45,176,400 or 4.23 sen per unit, being 95.42% of the distributable income for the period 1 January 2017 to 30 June 2017 was made on 18 September 2017.

A final income distribution of RM44,428,800, or 4.16 sen per unit is proposed, being 97.65% of the distributable income for the period 1 July 2017 to 31 December 2017. The proposed final income distribution has been approved by the Board and the Trustee on 18 January 2018 and will be payable on 28 February 2018 to all unitholders as at book closure date on 7 February 2018.

The total gross distribution relating to the financial year ended 31 December 2017 amounted to RM89,605,200 or 8.39 sen per unit, being approximately 97.0% of the total distributable income of MQREIT for the financial year ended 31 December 2017.

Distributions are from the following sources :

	01.01.2017 to 31.12.2017	
	RM	
Revenue	180,113,542	
Interest income	3,590,093	
Less : Expenses	<u>(91,317,265)</u>	
Total distributable income	92,386,370	
Less : Interim income distribution paid on 18 September 2017	(45,176,400)	
Less : Undistributable and non-distributable income	<u>(2,781,170)</u>	
Balance for income distribution	<u>44,428,800</u>	
Gross final income distribution (RM)	<u>44,428,800</u>	
Distribution per unit (sen) of which:	RM	
- taxable distribution of income (sen)	43,210,369	4.05 sen per unit
- tax exempt distribution of income (sen)	<u>1,218,431</u>	<u>0.11 sen per unit</u>
	<u>44,428,800</u>	<u>4.16 sen per unit</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 2017	As at 30 September 2017
NAV (RM)	1,384,724,570	1,380,569,635
Number of units in circulation (units)	1,068,000,000	1,068,000,000
NAV per unit (RM) (after provision for distribution)	1.2550	1.2726
Market price (RM)	1.25	1.28

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 31 December 2017 are :

	RM
Base fee	2,294,376
Performance fee	1,057,898
	<u>3,352,274</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 2017 amounted to RM171,889.

B21 UNITHOLDINGS BY THE MANAGER

As at 31 December 2017, 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 2017 RM
Malaysian Resources Corporation Berhad	297,917,000	27.89%	372,396,250
HLIB Nominee (Tempatan) Sdn. Bhd. for :			
-Quill Properties Sdn. Bhd.	45,997,000	4.31%	57,496,250
-Quill Land Sdn. Bhd.	48,767,000	4.57%	60,958,750
-Quill Estates Sdn. Bhd.	22,276,000	2.09%	27,845,000
	<u>414,957,000</u>	<u>38.85%</u>	<u>518,696,250</u>

The Manager's directors' direct unitholding in MQREIT:

	No. of units	Percentage of total units	Market Value as at 31 December 2017 RM
Dato' Dr. Low Moi Ing, J.P	50,000	0.005%	62,500
Dato' Michael Ong Leng Chun	55,000	0.005%	68,750

The Manager's directors' indirect unitholding in MQREIT:

	No. of units	Percentage of total units	Market Value as at 31 December 2017 RM
Dato' Dr. Low Moi Ing, J.P	117,040,000 (a)	10.96%	146,300,000
Dato' Michael Ong Leng Chun	117,040,000 (b)	10.96%	146,300,000

(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 2017 of RM1.25 per unit.

B23 UNITHOLDERS CAPITAL

	No. of units	
	Current Quarter	Preceding Quarter
Approved fund size	<u>1,100,000,000</u>	<u>1,100,000,000</u>
Issued and fully paid	<u>1,068,000,000</u>	<u>1,068,000,000</u>

B24 FINANCE COSTS INCURRED DURING THE QUARTER AND YEAR TO DATE

	Current Quarter RM	Cumulative Quarter RM
Interest expenses on CPMTN	6,493,647	25,700,845
Interest expenses on term loan	2,839,902	11,267,000
Interest on interest rate swap arrangements	274,261	1,101,629
Amortisation of transaction costs	232,813	883,675
Credit facility costs	124,062	531,590
Interest expenses on unwinding of discount on rental deposits	1,028,040	1,028,040
Total finance costs	<u>10,992,725</u>	<u>40,512,779</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	17,472	69,456
Reversal of doubtful debts on trade receivables	(456,483)	(243,474)

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 2017 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 18 January 2018.

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 : 19 January 2018