



Financial Results

Form Version 8 (Enhanced)

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Submitted

Company Information

Main Market Company

New Announcement

Submitting Investment Bank/Advisor (if applicable)

Submitting Secretarial Firm (if applicable)

* Company name QUILL CAPITA TRUST
 * Stock name QCAPITA
 * Stock code 5123
 * Contact person Corinne Tan
 * Designation Vice President
 * Contact number 03-27888188
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Part A : To be filled by Public Listed Company

* Financial Year End 31/12/2013
 * Quarter 4 Qtr
 * Quarterly report for the financial period ended 31/12/2013
 * The figures have not been audited

Please attach the full Quarterly Report here

[QCT 4Q13 financials.pdf](#)

Remarks

- [DEFAULT CURRENCY](#)
- [OTHER CURRENCY](#)

Currency Malaysian Ringgit (MYR)

Part A2 : SUMMARY OF KEY FINANCIAL INFORMATION

Summary of Key Financial Information for the financial period ended
 * 31/12/2013

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER *	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE *	PRECEDING YEAR CORRESPONDING PERIOD
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000
1. Revenue	17,308	17,132	68,937	69,490
2. Profit/(loss) before tax	10,709	13,535	36,644	40,076
3. Profit/(loss) for the period	10,709	13,535	36,644	40,076
4. Profit/(loss) attributable to ordinary equity holders of the parent	8,602	7,919	34,537	34,461
5. Basic earnings/(loss) per share (Subunit)	2.20	2.03	8.85	8.83
6. Proposed/Declared dividend per share (Subunit)	4.28	4.28	8.38	8.38
	AS AT END OF CURRENT QUARTER*		AS AT PRECEDING FINANCIAL YEAR END	
7. Net assets per share attributable to ordinary equity holders of the parent (\$\$)		1.3246		1.3128
Remarks :				
Proposed final gross distribution of 4.28 sen per unit relates to the distribution of income for the period 1 July 2013 to 31 December 2013.				

Definition of Subunit:

In a currency system, there is usually a main unit (base) and subunit that is a fraction amount of the main unit.
 Example for the subunit as follows:

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Country	Base Unit	Subunit
Malaysia	Ringgit	Sen
United States	Dollar	Cent
United Kingdom	Pound	Pence

QUILL CAPITAL TRUST
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2013 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year	Preceding Year Corresponding	Current Year	Preceding Year Corresponding
	Quarter 31.12.2013	Quarter 31.12.2012	To Date 31.12.2013	To Date 31.12.2012
	RM	RM	RM	RM
TOTAL INCOME				
Gross revenue	17,308,457	17,132,294	68,937,001	69,490,375
Property operating expenses	(4,243,562)	(4,118,023)	(15,744,392)	(15,283,276)
Net property income	13,064,895	13,014,201	53,192,609	54,207,099
Interest income	144,673	157,421	783,331	717,629
Surplus on revaluation of investment properties	2,107,391	5,615,700	2,107,391	5,615,700
	<u>15,317,159</u>	<u>18,787,322</u>	<u>56,083,531</u>	<u>60,540,428</u>
TOTAL EXPENDITURE				
Manager's fee	(1,310,696)	(1,330,290)	(5,331,990)	(5,350,626)
Trustee's fee	(65,102)	(63,204)	(258,121)	(254,659)
Finance costs	(3,334,009)	(3,472,370)	(13,665,545)	(13,944,726)
Valuation fees	(32,500)	(10,700)	(190,000)	(203,200)
Auditors' remuneration	(31,343)	(33,613)	(139,980)	(134,500)
Tax agent's fee	(54,613)	(2,613)	(120,000)	(18,700)
Administrative expenses	220,568	(339,728)	266,502	(557,613)
	<u>(4,607,695)</u>	<u>(5,252,518)</u>	<u>(19,439,134)</u>	<u>(20,464,024)</u>
INCOME BEFORE TAX	<u>10,709,464</u>	<u>13,534,804</u>	<u>36,644,397</u>	<u>40,076,404</u>
Income tax expense	-	-	-	-
NET INCOME FOR THE PERIOD	<u>10,709,464</u>	<u>13,534,804</u>	<u>36,644,397</u>	<u>40,076,404</u>
OTHER COMPREHENSIVE INCOME				
Gain/(Loss) on remeasurement of financial derivatives (a)	533,169	214,306	682,760	(347,037)
Adjustment of remeasurement of matured derivatives	-	-	(23,196)	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>533,169</u>	<u>214,306</u>	<u>659,564</u>	<u>(347,037)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>11,242,633</u>	<u>13,749,110</u>	<u>37,303,961</u>	<u>39,729,367</u>
Net income for the period is made up as follows:				
Realised	8,601,873	7,919,104	34,536,806	34,460,704
Unrealised	2,107,591	5,615,700	2,107,591	5,615,700
EARNINGS PER UNIT (b)				
- after manager's fees (sen)	2.75	3.47	9.39	10.27
- before manager's fees (sen)	3.08	3.81	10.76	11.64
EARNINGS PER UNIT (REALISED) (c)				
- after manager's fees (sen)	2.20	2.03	8.85	8.83
- before manager's fees (sen)	2.54	2.37	10.22	10.20
INCOME DISTRIBUTION				
-Interim income distribution	-	-	(15,995,371)	(15,995,371)
-Proposed final distribution of income	(7,779,644)	(7,395,843)	(16,697,607)	(16,697,607)
	<u>(7,779,644)</u>	<u>(7,395,843)</u>	<u>(32,692,978)</u>	<u>(32,692,978)</u>
Income distribution per unit				
Gross (sen)				
-Interim distribution of income	-	-	4.10 (d)(i)	4.10
-Proposed final distribution of income	1.99	1.90	4.28 (d)(ii)	4.28
Total distribution	<u>1.99</u>	<u>1.90</u>	<u>8.38</u>	<u>8.38</u>

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

(b) Earnings Per Unit is computed based on Net Income for the period divided by 390,131,000 units in circulation during the quarter.

(c) Earnings Per Unit (Realised) is computed based on Realised Net Income for the period divided by 390,131,000 units in circulation during the quarter.

(d) (i) Interim gross distribution of 4.10 sen per unit being the distribution of income for the period 1 January 2013 to 30 June 2013 was paid on 9 September 2013.

(ii) Proposed final gross distribution of 4.28 sen per unit relates to the distribution of income for the period 1 July 2013 to 31 December 2013, payable on 10 March 2014. Please 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 2012 and the accompanying explanatory notes attached to the financial statements.

QUILL CAPITA TRUST
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 31 DECEMBER 2013 (UNAUDITED)

	AS AT END OF CURRENT QUARTER 31.12.2013 UNAUDITED RM	AS AT PRECEDING FINANCIAL YEAR END 31.12.2012 AUDITED RM
NON-CURRENT ASSETS		
Plant and equipment	9,482	17,198
Investment properties	825,560,000	820,500,000
Derivative assets (i)	1,023,184	-
	<u>826,592,666</u>	<u>820,517,198</u>
CURRENT ASSETS		
Trade and other receivables	2,612,114	8,871,804
Derivative assets (i)	-	373,292
Deposits with licensed financial institution	24,738,926	21,889,405
Cash on hand and at banks	6,176,487	8,562,822
	<u>33,527,527</u>	<u>39,697,323</u>
CURRENT LIABILITIES		
Trade and other payables	11,650,980	11,344,563
Borrowings	-	116,819,927
Security deposits	5,365,479	8,489,663
	<u>17,016,459</u>	<u>136,654,153</u>
NET CURRENT ASSETS/(LIABILITIES)	16,511,068	(96,956,830)
NON-CURRENT LIABILITIES		
Derivatives	-	9,672
Borrowings	304,887,413	188,661,043
Security deposits	4,756,365	6,040,680
	<u>309,643,778</u>	<u>194,711,395</u>
NET ASSETS	<u>533,459,956</u>	<u>528,848,973</u>
Represented by:		
UNITHOLDERS' FUND		
Unitholders' capital	411,712,067	411,712,067
Undistributed and Non-distributable income	121,747,889	117,136,906
	<u>533,459,956</u>	<u>528,848,973</u>
NET ASSET VALUE PER UNIT (before proposed final income distribution)	1.3674	1.3556
NET ASSET VALUE PER UNIT (after proposed final income distribution)	1.3246	1.3128
NUMBER OF UNITS IN CIRCULATION	390,131,000	390,131,000

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

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the financial statements.

QUILL CAPITAL TRUST
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE PERIOD ENDED 31 DECEMBER 2013 (UNAUDITED)

	Unit-holders' Capital	Distributable		Non-Distributable		Total Undistributed and Non-Distributable Income	Unit-holders' Funds
		Undistributed Income		Net Fair Value (Loss)/Gain On Derivatives			
		Realised	Unrealised	Unrealised	Unrealised		
	RM	RM	RM	RM	RM	RM	RM
As at 1 January 2013	411,712,067	23,391,562	94,889,632	(1,144,288)	117,136,906	528,848,973	
Total Comprehensive Income for the period	-	34,536,806	2,107,591	659,564	37,303,961	37,303,961	
Adjustment of remeasurement of matured derivatives	-	363,911	(1,871,819)	1,507,908	-	-	
	411,712,067	58,292,279	95,125,404	1,023,184	154,440,867	566,152,934	
Unit-holders' transactions:							
Distribution paid on 12 March 2013	-	(16,697,607)	-	-	(16,697,607)	(16,697,607)	
Distribution paid on 9 September 2013	-	(15,995,371)	-	-	(15,995,371)	(15,995,371)	
As at 31 December 2013	411,712,067	25,599,301	95,125,404	1,023,184	121,747,889	533,459,956	
As at 1 January 2012	411,712,067	21,701,862	89,273,932	(797,251)	110,178,543	521,890,610	
Total Comprehensive Income for the period	-	34,460,704	5,615,700	(347,037)	39,729,367	39,729,367	
Unit-holders' transactions:							
Distribution paid on 28 February 2012	-	(16,775,633)	-	-	(16,775,633)	(16,775,633)	
Distribution paid on 29 August 2012	-	(15,995,371)	-	-	(15,995,371)	(15,995,371)	
As at 31 December 2012	411,712,067	23,391,562	94,889,632	(1,144,288)	117,136,906	528,848,973	

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 2012 and the accompanying explanatory notes attached to the financial statements.

QUILL CAPITA TRUST
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2013 (UNAUDITED)

	CURRENT YEAR TO DATE 31.12.2013 RM	PRECEDING YEAR TO DATE 31.12.2012 RM
OPERATING ACTIVITIES		
Income before tax	36,644,397	40,076,404
Adjustments for:		
Finance costs	13,665,545	13,944,726
Net change in fair value of investment properties	(2,107,591)	(5,615,700)
Depreciation	7,716	5,108
Interest income	(783,331)	(717,629)
Operating cash flows before changes in working capital	47,426,736	47,692,909
Receivables	5,702,800	(6,444,428)
Payables	(4,492,530)	(1,007,288)
Cash flows from operations	48,637,006	40,241,193
Income tax paid	-	-
Net cash flows generated from operating activities	48,637,006	40,241,193
INVESTING ACTIVITIES		
Additions to investment properties	(2,952,409)	(14,800)
Purchase of plant & equipment	-	(21,900)
Interest income	785,523	724,443
Net cash flows generated from investing activities	(2,166,886)	687,743
FINANCING ACTIVITIES		
Distribution to unitholders	(32,692,978)	(32,771,004)
Finance costs paid	(13,313,956)	(13,515,422)
Proceeds from borrowings	117,000,000	-
Repayment of borrowings	(117,000,000)	-
Net cash flows used in financing activities	(46,006,934)	(46,286,426)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	463,186	(5,357,490)
CASH AND BANK BALANCES AT BEGINNING OF PERIOD	30,452,227	35,809,717
CASH AND BANK BALANCES AT END OF PERIOD	30,915,413	30,452,227
Cash and cash equivalents at end of period comprises:		
Deposits with licensed financial institutions	24,738,926	21,889,405
Cash on hand and at banks	6,176,487	8,562,822
	30,915,413	30,452,227

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes to the financial statements.

QUILL CAPITA TRUST
EXPLANATORY NOTES FOR PERIOD ENDED 31 DECEMBER 2013

A1 BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention except for investment properties and derivative financial instruments which were stated at fair value and presented in Ringgit Malaysia (RM).

The financial statements comply with the Malaysian Financial Reporting Standards ("MFRS") 134 "Interim Financial Reporting", provisions of the Trust Deed and the Securities Commission's Guidelines on Real Estate Investment Trusts and should be read in conjunction with QCT's audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

A2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of QCT and its special purpose entities ("SPEs"). The SPEs were established for the specific purpose of raising financing on behalf of QCT. A SPE is consolidated if, based on an evaluation of the substance of its relationship with QCT and the SPE, QCT has control over the SPE. Control is present if QCT is exposed, or has rights, to variable returns from its involvement with the SPE and has the ability to affect those returns through its power over the SPE. QCT concludes that it controls the SPE. SPEs controlled by QCT were established under terms that impose strict limitations on the decision-making powers of the SPE's management resulting in QCT receiving all of the benefits related to the SPE's operations and net assets.

A3 CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted in the interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2012 except for the adoption of the following standards which are effective for annual periods beginning on and after 1 January 2013:

MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
MFRS 10 Consolidated Financial Statements
MFRS 11 Joint Arrangements
MFRS 12 Disclosure of Interests in Other Entities
MFRS 13 Fair Value Measurement
MFRS 119 Employee Benefits
MFRS 127 Separate Financial Statements
MFRS 128 Investment in Associate and Joint Ventures
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11: Joint Arrangements: Transition Guidance
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance

Upon adoption of the above standards and interpretations, there were no material impact on the financial statements in the period of initial application.

A4 AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2012

The audit report of the financial statements for the preceding year ended 31 December 2012 was not qualified.

A5 SEASONALITY OR CYCLICALITY OF OPERATIONS

The business operations of QCT may be affected by seasonal or cyclical factors, including but not limited to changes in rental demand and supply of properties which depend on market conditions, economic cycle, financial performance of its tenants, availability of credit facilities and interest rate environment.

A6 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

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

A7 CHANGES IN ESTIMATES OF AMOUNTS REPORTED

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

A8 CHANGES IN DEBT AND EQUITY

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

A9 INCOME DISTRIBUTION POLICY

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

A10 SEGMENT REPORTING

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

A11 VALUATION OF INVESTMENT PROPERTIES

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

For the quarter and financial year ended 31 December 2013, the investment properties were valued based on valuation performed by independent registered valuers, Henry Butcher Malaysia Sdn. Bhd., on 31 December 2013. A surplus of RM2,107,591 was credited to the statement of comprehensive income.

A12 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 31 DECEMBER 2013

There were no significant events during the quarter ended 31 December 2013 not otherwise disclosed in the financial statements.

A13 SIGNIFICANT EVENTS SUBSEQUENT TO THE QUARTER ENDED 31 DECEMBER 2013

There were no significant events subsequent to the quarter ended 31 December 2013.

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 financial statements as at 31 December 2013 are as follows:

	As at 31 December 2013
	RM
Approved and contracted for :	
Investment properties	8,163,970

B1 REVIEW OF PERFORMANCE

Quarter and year to date results

QCT recorded total revenue of RM17.31 million and property operating expenses of RM4.24 million, borrowing costs of RM3.33 million and manager's fee of RM1.31 million during the quarter. Realised income of RM8.60 million was achieved for the quarter.

As compared with the preceding year corresponding quarter ("4Q 2012"), the revenue is about 1% higher mainly due to rental rates increases, net of revenue loss from higher vacancy of some properties. Property operating expenses is higher by 3% due to more repair and maintenance costs incurred in the current quarter. The higher revenue and higher property operating expenses resulted in marginally higher net property income by 0.4%. Finance costs is lower by 4% due to lower interest costs resulting from the manager's active interest rate management strategy, and write back of over-accrued annual credit facility fee. Valuation fee is higher mainly due to write back of over accrued valuation fee in 4Q 2012 which resulted in lower valuation fee in 4Q 2012. Administrative expenses were lower due mainly to write back of over accrued professional fees in relation to business development activities in the current quarter and higher professional fees incurred in 4Q 2012 in relation to refinancing matters. The realised income of RM8.60 million is 8.6% higher than 4Q 2012 mainly due to higher net property income, net of lower finance costs and lower administrative expenses.

As compared with the immediate preceding quarter ("3Q 2013"), revenue of RM17.31 million is higher by 1.1% mainly due to rental rates increases of some properties and higher recoverables from some properties. Property operating expenses were higher by 16.3% due to higher repair and maintenance cost incurred. Despite the higher revenue, increase in property operating expenses resulted in lower net property income by 3.1%. The change in administrative expenses was attributed to the write back of over-accrued professional fees in relation to business development activities, net of increase in miscellaneous expenses in the current quarter. The realised income of the current quarter was lower by 3.5% mainly due to lower net property income and interest income, mitigated by lower finance costs.

As compared to preceding year cumulative quarter ("FY 2012"), revenue is about 0.8% lower mainly due to higher vacancy and lower recoverables from some properties, mitigated by rental rate increases of some properties. Property operating expenses were higher by 3.0% due to additional repair costs. The lower revenue and higher property operating expenses resulted in lower net property income by 1.9%. Finance costs reduced by 2% due to lower interest costs resulting from the manager's active interest rate management strategy, and write back of over accrued credit facility fee. Administrative expenses were lower due to write back of over accrued professional fee in relation to business development activities, and higher professional fees incurred in FY 2012 in relation to refinancing matters. Notwithstanding the lower net property income, the realised income of RM34.54 million is higher marginally by 0.2% mainly due to higher interest income, lower finance cost and lower administrative expenses.

The performance of QCT for the quarter and period ended 31 December 2013 is in line with the investment objective of QCT.

B2 INVESTMENT OBJECTIVES AND STRATEGIES

The investment objective of QCT is to acquire and invest in commercial properties primarily in Malaysia with a view to provide long-term growth and sustainable distribution of income to unitholders to achieve long-term growth in the net asset value per unit. There has been no change in the investment objective of QCT since the date of QCT's Annual Report for 2012.

The Manager will continue to focus on its portfolio management and acquisition growth strategy, active asset management strategy and capital management strategy to achieve the objective of QCT. There has been no change in the strategies employed by the Manager since the date of QCT's Annual Report for 2012 as they remain relevant in the current market conditions.

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

Review of office market - Klang Valley

The cumulative supply of purpose built offices in the Klang Valley increased to approximately 110.35 million sq. ft. as at the third quarter of 2013. Notwithstanding, the occupancy rate of purpose built offices in the Klang Valley remained fairly stable at 77.68% as at the third quarter 2013. The office rental market in Klang Valley is generally stable for the first half of 2013. The office sector has been challenging especially for smaller offices and older office buildings as new office developments have incorporated many new features e.g. MSC status, green features and larger floor plates. This is seen in the higher rental rate achieved by the newer office buildings and office buildings in prime locations.

(Sources : Henry Butcher 2013 Year End Market Updates)

Review of office market - Cyberjaya / Putrajaya

The total supply of purpose built offices in Putrajaya / Cyberjaya stood at 24.38 million sq. ft. as at Q3 2013, an increase of 4.9% from the year before. The overall occupancy rate of purpose-built office buildings within Cyberjaya in Q3 2013 has increased to 67.2% (2012: 50.3%). The occupancy rate of office space in Putrajaya has also increased about 1.9% to 95.2% in Q3 2013.

Rental rates of purpose built offices in both Putrajaya and Cyberjaya have been fairly stable for few years. Rental rates of purpose built offices in Putrajaya range between RM3.50 to RM5.20 per sq. ft. whilst rentals of offices in Cyberjaya are generally between RM4.00 to RM4.50 per sq. ft.

Cyberjaya is expected to become a more vibrant and self-sustaining township upon the completion of few retail malls / commercial hubs and the realization of plans to expand the LRT/MRT and public bus services to a radius of 50km. These include the proposed MRT Line 3 (which extends the line from Selayang to Putrajaya) and the new transport terminal connecting the future Putrajaya Monorail extension. The improvement of accessibility, infrastructure and amenities is expected to attract more people to live and work in Cyberjaya, thus filling up offices, residential and commercial space.

(Sources : Henry Butcher 2013 Year End Market Updates)

Review of retail market - Penang

As at end 2013, the cumulative supply of retail space on Penang Island amounted to 9.49 million sq. ft. Total retail stock on Penang island registered an average growth rate of 4.74% per annum over the 5-year period between 2008 and 2012.

According to the NAPIC Report, the Penang retail market generally remained stable and healthy with satisfactory take-up in terms of occupancy. As at end 2012, the average Penang retail market occupancy rate was recorded at 68.96%, an increase of 0.16% from 2011's occupancy rate of 68.8%. Meanwhile, the average retail market occupancy rate on Penang island registered a marginal improvement of 0.97% to 74.99% in 2012.

Rentals of retail space in Penang were generally stable with minimal movement recorded in a few prime retail centres on the Penang island. The monthly rental rates for the prime and secondary retail accommodation are ranged between RM0.90 to RM35 per sq. ft and RM0.60 to RM15 per sq. ft., respectively.

(Sources : Henry Butcher 2013 Year End Market Updates)

B4 PROSPECTS

The overall office demand-supply is expected to remain soft and will remain challenging in the short to medium term due to upcoming completion of office buildings as well as existing supply. However, the Manager will continue to explore acquisition opportunities as well as to focus on active asset management and capital and portfolio management initiatives.

Based on the lease expiry profile for net lettable area, 29% of it was due for renewal in 2013. The Manager has successfully completed all lease renewals due for the year, with majority of the leases renewed. In addition, we have already commenced negotiations for lease renewals that are due in 2014 and are actively marketing and leasing the available vacant space to further increase the portfolio occupancy rate.

B5 REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to QCT and the revenue can be reliably measured.

Revenues from the rental of investment properties, service charges, car park income and utilities recovery are recognised on an accrual basis.

B6 PROFIT FORECAST / PROFIT GUARANTEE VARIANCE

a) Profit forecast

There has been no profit forecast issued by QCT for the financial year 2013.

b) Profit guarantee

QCT is not involved in any arrangement whereby it provides profit guarantee.

B7 TAXATION

Under Section 61A of the Income Tax Act, 1967, the undistributed income of a REIT are exempted from income tax provided that the REIT distributes 90% or more of its total income for the year. If the REIT is unable to meet the 90% distribution criteria, the entire taxable income of the REIT for the year would be subject to income tax.

As QCT intends to distribute at least 90% of its total income for the year to its unitholders, no provision for tax has been made in the current quarter.

B8 PROFIT ON SALE OF INVESTMENTS IN UNQUOTED SECURITIES/PROPERTIES

There were no disposal of investments in unquoted securities/properties during the current quarter and period to date.

B9 PARTICULARS OF PURCHASE OR DISPOSAL OF INVESTMENT IN QUOTED SECURITIES

There were no purchase or disposal of investments in quoted securities during the current quarter and period to date.

B10 STATUS OF CORPORATE PROPOSALS

There were no corporate proposals during the current quarter and 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 interest of the unitholders.

B13 COMPOSITION OF INVESTMENT PORTFOLIO AS AT 31 DECEMBER 2013

As at 31 December 2013, QCT's portfolio comprised of ten buildings as follows:

Investment properties	Cost of Investment	Market Value /Net Carrying amount as at 31 December 2013	Market value /Net Carrying amount as % of NAV
	RM	RM	
<u>Commercial buildings</u>			
1 QB1 -DHL 1 & QB 4-DHL2	109,100,000	125,000,000	23.43%
2 QB 2- HSBC	107,500,000	119,000,000	22.31%
3 QB 3- BMW	59,400,000	73,060,000	13.70%
4 Wisma Technip	125,000,000	161,100,000	30.20%
5 Part of Plaza Mont' Kiara	90,000,000	110,000,000	20.62%
6 QB5- IBM	43,000,000	45,200,000	8.47%
7 QB10-HSBC Section 13	22,740,000	26,500,000	4.97%
8 Tesco Building Penang	132,000,000	139,500,000	26.15%
<u>Industrial building</u>			
9 QB 8 -DHL XPJ	28,800,000	26,200,000	4.91%
	<u>717,540,000</u>	<u>825,560,000</u>	

There were no changes to the total number of buildings held by QCT since the preceding financial year ended 31 December 2012.

Capital expenditure of RM2,585,599 was incurred during the quarter. Maintenance costs were normal expenses incurred for the upkeep of the buildings.

B14 BORROWINGS AND DEBT SECURITIES

	As at end of current quarter ended 31 December 2013
	RM
Non-Current Liabilities:	
<u>RM 270 million CP/MTN Programme</u>	
Face value of CPs and MTNs issued	190,000,000
Discount	(2,353,000)
Cash proceeds	187,647,000
Interest expense on CPs	1,534,000
	189,181,000
Transaction costs c/f	(519,957)
Amortisation of transaction costs during the period	143,868
	<u>188,804,911</u>
<u>RM150 million Term Loan</u>	
Term Loan drawdown	117,000,000
Transaction cost c/f	(983,034)
	116,016,966
Amortisation of transaction costs during the period	65,536
	<u>116,082,502</u>
Total:	<u>304,887,413</u>

B14 BORROWINGS AND DEBT SECURITIES (cont'd)

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

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

Todate, CPs/MTNs totalling RM190 million were issued by Kinabalu, details as follows:

- RM12 million nominal values of CPs issued on 5 September 2011. The effective interest rate for the RM12 million CPs is 3.34% p.a. due to the IRS arrangement as disclosed in Note B15.
- RM60 million of MTNs issued on 5 September 2011 for 3 years, at interest rate of 4.9% p.a..
- RM118 million nominal values of CPs were 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.

The transaction costs relating to the programme are amortised over the tenure of the programme.

The RM270 million Programme is a secured borrowings.

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

On 18 July 2013, QCT through its SPE, Trusmadi Capital Sdn. Bhd. ("Trusmadi") (formerly known as Boromir Capital Sdn. Bhd.), established a RM150 million fixed rate term loan facility agreement for five years ("RM150 million Term Loan").

On 13 September 2013, Tranche 1 of the facility of RM117 million at interest rate of 4.6% was drawndown to repay the RM117 million MTN outstanding under the RM134 million CP/MTN Programme which matured in September 2013. Tranche 2 will be used for capital expenditure and investments at the interest rate at MGS + 1.4% per annum.

The transaction costs relating to the programme are amortised over the tenure of the programme.

The RM150 million Programme is a secured borrowings.

B15 DERIVATIVE FINANCIAL INSTRUMENTS

As part of the active interest rate management strategy of QCT, the following Interest Rate Swap ("IRS") arrangements have been entered into and are still in place as at the reporting date:

- (i) On 21 November 2011, an IRS arrangement swapping floating rate for fixed rate for a notional amount of RM65 million ("IRS No. 5") was entered into in relation to part of the RM130 million CPs issued by Kinabalu. Pursuant to IRS No. 5, QCT will pay a fixed rate of 3.34% p.a. to the Bank whilst the Bank will pay a floating rate to QCT. IRS No. 5 commenced on 30 November 2011 and will mature on 5 September 2016.
- (ii) On 21 November 2011, an IRS arrangement swapping floating rate for fixed rate for a notional amount of RM65 million ("IRS No. 6") was entered into in relation to part of the RM130 million CPs issued by Kinabalu. Pursuant to IRS No. 6, QCT will pay a fixed rate of 3.34% p.a. to the Bank whilst the Bank will pay a floating rate to QCT. IRS No. 6 commenced on 30 November 2011 and will mature on 5 September 2016.

The differences between the floating rate and the fixed rate of the respective IRSs are settled between QCT and the Bank semi-annually and are charged or credited to the 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 2013 are as follows:

	Fair values of derivative assets as at 31 December 2013 RM
- less than one year	-
- one to three years	1,023,184
- more than three years	-
Total	<u>1,023,184</u>

QCT was eligible to apply hedge accounting for its IRSs wef 1 October 2010, and changes in fair values of the IRSs since then were recognised in other comprehensive income. Prior to adoption of hedge accounting, the fair value changes of the IRSs were recognised in the profit or loss.

B16 CHANGES IN MATERIAL LITIGATION

The Manager is not aware of any pending material litigation as at the date of issuance of this report.

B17 INCOME DISTRIBUTION

The distribution policy of QCT is 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.

An interim income distribution of RM15,995,371 or 4.10 sen per unit, being 94.0% of the realised income for the period 1 January 2013 to 30 June 2013 was made on 9 September 2013.

A final income distribution of RM16,697,607, or 4.28 sen per unit is proposed, being income distribution for the period 1 July 2013 to 31 December 2013. The proposed final income distribution has been approved by the Board and the Trustee on 28 January 2014 and will be payable on 10 March 2014.

The total gross distribution relating to the financial year ended 31 December 2013 amounted to RM32,692,978 or 8.38 sen per unit, being approximately 94.7% of the realised income after taxation of QCT of RM34,536,806 for the financial year ended 31 December 2013.

Distributions are from the following sources:

	01.01.2013 to 31.12 2013	
	RM	
Gross revenue	68,937,001	
Interest income	783,331	
Property operating expenses and trust expenses	(35,183,526)	
	<u>34,536,806</u>	
Gross interim distribution of 4.10 sen	(15,995,371)	
Undistributed and non-distributable	<u>(1,843,828)</u>	
Balance for final income distribution	<u>16,697,607</u>	
Final DPU of 4.28 sen, of which	RM	
- taxable distribution	16,365,002	4.20 sen
- tax exempt distribution	<u>332,605</u>	<u>0.08 sen</u>
	<u>16,697,607</u>	<u>4.28 sen</u>
EPU (realised) (after manager's fee)	8.85 sen	
EPU (realised) (before manager's fee)	10.22 sen	

Income distribution to resident individuals, non-resident individuals, resident institutional investors, non-resident institutional investors and non-resident companies are subject to withholding tax as follows:

Resident and non-resident individuals	10%
Resident and non-resident institutional investors	10%
Resident companies (flow through)	0%
Non-resident companies	25%

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

	As at 31 December 2013	As at 30 September 2013
NAV (RM)	533,459,956	522,217,324
Number of units in circulation (unit)	390,131,000	390,131,000
NAV per unit (RM) (after provision for distribution)	1.3246	1.3157
Market price (RM)	1.18	1.18

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 surplus on revaluation of investment properties and gain 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 QCT the following fees:

- (i) Base fee of 0.4% per annum of the gross asset value, payable monthly in arrears;
- (ii) Performance fee of 3% per annum on the net investment income, payable semi-annually in arrears.
- (iii) Acquisition fee of 1% of the acquisition value of any asset, being authorised investments, acquired by QCT; and
- (iv) Divestment fee of 0.5% of the disposal value of any asset divested by QCT.

Total fees accrued to the Manager (inclusive of 6% service tax) for the quarter ended 31 December 2013 are :

	RM
Base fee	893,828
Performance fee	416,868
	<u>1,310,696</u>

There were no other fees paid to the Manager save as disclosed above.

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

B20 TRUSTEE'S FEE

Trustee's fee is payable to Maybank Trustees Berhad (Formerly known as Mayban Trustees Berhad) ("Trustee"), which is computed at 0.03% per annum on the first RM2.5 billion gross asset value and 0.02% per annum on the gross asset value in excess of RM2.5 billion, payable monthly in arrears.

Trustee's fee accrued to the Trustee for the quarter ended 31 December 2013 amounted to RM65,102.

B21 UNITHOLDINGS BY THE MANAGER

As at 31 December 2013, the Manager did not hold any units in QCT.

B22 UNITHOLDINGS BY PARTIES RELATED TO THE MANAGER

	No. of units	Percentage of total units	Market Value as at 31 December 2013 RM
HLIB Nominee (Tempatan) Sdn. Bhd. for :			
-Quill Properties Sdn. Bhd.	45,997,000	11.79%	54,276,460
-Quill Land Sdn. Bhd.	48,767,000	12.50%	57,545,060
-Quill Estates Sdn. Bhd.	22,276,000	5.71%	26,285,680
HSBC Nominees (Asing) Sdn. Bhd. for CapitaCommercial Trust	117,040,000	30.00%	138,107,200
	<u>234,080,000</u>	<u>60.00%</u>	<u>276,214,400</u>

The Manager's directors' direct unitholding in QCT:

	No. of units	Percentage of total units	Market Value as at 31 December 2013 RM
Dato' Dr. Low Moi Ing, J.P.	50,000	0.01%	59,000
Dato' Michael Ong Leng Chun	55,000	0.01%	64,900
Datuk Dr. Mohamed Arif Bin Nun	10,000	0.01%	11,800
Aw Hong Boo (Alternate to Dato' Dr. Low Moi Ing, J.P.)	50,000	0.01%	59,000

The Manager's directors' indirect unitholding in QCT:

	No. of units	Percentage of total units	Market Value as at 31 December 2013 RM
Dato' Dr. Low Moi Ing, J.P	117,040,000 (a)	30.00%	138,107,200
Dato' Michael Ong Leng Chun	117,040,000 (b)	30.00%	138,107,200

(a) Deemed interested by virtue of her direct shareholding in Quill Properties Sdn. Bhd., Quill Land Sdn. Bhd., and Quill Estates Sdn. Bhd..

(b) Deemed interested by virtue of his direct shareholding in Quill Properties Sdn. Bhd., Quill Land Sdn. Bhd., and Quill Estates Sdn. Bhd..

The market value of the units is computed based on the closing price as of 31 December 2013 of RM1.18 per unit.

B23 UNITHOLDERS CAPITAL

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

There was no movement in the number of units during the current quarter.

B24 FINANCE COSTS INCURRED DURING THE QUARTER AND YEAR TO DATE

	Current Quarter RM	Cumulative Quarter RM
Interest expenses	3,323,090	13,237,073
Amortisation of transaction costs and credit facility costs	10,919	428,472
Total finance costs	<u>3,334,009</u>	<u>13,665,545</u>

B25 OTHER INCOME AND EXPENSES

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

	Current Quarter RM	Cumulative Quarter RM
Depreciation	1,929	7,716
Provision for / write off of receivables	-	-
Provision for / write off of inventories	-	-
Gain/loss on quoted and unquoted investment or properties	-	-
Impairment of assets	-	-
Foreign exchange gain or loss	-	-
Exceptional items	-	-

B26 RESPONSIBILITY STATEMENT AND STATEMENT BY THE DIRECTORS OF THE MANAGER

The Manager is responsible for the preparation of the quarterly report.

In the opinion of the directors of the Manager, the quarterly report has been prepared in accordance with MFRS 134: Interim Financial reporting and Paragraph 9.44 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of QCT as at 31 December 2013 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 28 January 2014.

BY ORDER OF THE BOARD

LEE FONG YONG
COMPANY SECRETARY (MAICSA No. 7005956)
 Quill Capita Management Sdn Bhd
 (Company No: 737252-X)
 (As Manager of Quill Capita Trust)
 Kuala Lumpur

Date: 28 January 2014