Quill Capita Trust

Annual Report 2014

www.qct.com.my

Quill Capita Management Sdn Bhd (737252-X) (the Manager of Quill Capita Trust)

9-1, Wisma Mont' Kiara, No. 1, Jalan Kiara, Mont' Kiara, 50480 Kuala Lumpur.
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Quill Capita Trust

2014

annual report

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PORTFOLIO **OVERVIEW**

As at 31 December 2014, QCT's portfolio comprised of 10 properties.
The details are as follows:

QUILL BUILDING 1 – DHL 1

Address / Location	3509 & 3511, Jalan Teknokrat 5, 63000 Cyberjaya, Selangor Darul Ehsan
Property Type	Commercial Building
Description	4-storey office building together with a sub-basement and a basement car park
Tenure	Term in Perpetuity
Date of Acquisition	20 November 2006
Net Lettable Area	92,284 sq ft
Purchase Price	RM52,100,000
Market Value	RM125,700,000*
Occupancy	100%

* *On 14 August 2008, the respective pieces of land on which Quill Building 1 – DHL 1 and Quill Building 4 – DHL 2 are situated have been amalgamated pursuant to the condition imposed by the Securities Commission ("SC") during the initial Public Offering of QCT. As such, the valuations of Quill Building 1 – DHL 1 and Quill Building 4 – DHL 2 have been carried out based on the amalgamated properties. The total valuation of the 2 properties amounted to RM125,700,000.*

QUILL BUILDING 4 – DHL 2

Address / Location	3509 & 3511, Jalan Teknokrat 5, 63000 Cyberjaya, Selangor Darul Ehsan
Property Type	Commercial Building
Description	4-storey office building together with a sub-basement and 2 levels basement car park
Tenure	Term in Perpetuity
Date of Acquisition	20 November 2006
Net Lettable Area	99,183 sq ft
Purchase Price	RM57,000,000
Market Value	RM125,700,000*
Occupancy	100%

* *On 14 August 2008, the respective pieces of land on which Quill Building 1 – DHL 1 and Quill Building 4 – DHL 2 are situated have been amalgamated pursuant to the condition imposed by the SC during the initial Public Offering of QCT. As such, the valuations of Quill Building 1 – DHL 1 and Quill Building 4 – DHL 2 have been carried out based on the amalgamated properties. The total valuation of the 2 properties amounted to RM125,700,000.*

PORTFOLIO **OVERVIEW**
cont'd

QUILL BUILDING 2 – HSBC

Address / Location	3500, Jalan Teknokrat 3, 63000 Cyberjaya, Selangor Darul Ehsan
Property Type	Commercial Building
Description	4-storey office building together with a sub-basement car park
Tenure	Term in Perpetuity
Date of Acquisition	20 November 2006
Net Lettable Area	184,453 sq ft
Purchase Price	RM107,500,000
Market Value	RM119,100,000
Occupancy	100%

QUILL BUILDING 3 – BMW

Address / Location	3501, Jalan Teknokrat 5, 63000 Cyberjaya, Selangor Darul Ehsan
Property Type	Commercial Building
Description	4-storey office building together with a level of sub-basement and a level of basement car park
Tenure	Term in Perpetuity
Date of Acquisition	20 November 2006
Net Lettable Area	117,198 sq ft
Purchase Price	RM59,400,000
Market Value	RM74,400,000
Occupancy	73%

PORTFOLIO **OVERVIEW**
cont'd

WISMA TECHNIP

Address / Location	241, Jalan Tun Razak, 50400 Kuala Lumpur
Property Type	Office Building
Description	12-storey office building with a mezzanine floor and three split-levels basement car park
Tenure	Term in Perpetuity
Date of Acquisition	3 September 2007
Net Lettable Area	233,021 sq ft
Purchase Price	RM125,000,000
Market Value	RM169,000,000
Occupancy	100%

PART OF PLAZA MONT' KIARA

Address / Location	Plaza Mont' Kiara, No. 2, Jalan Kiara, Mont' Kiara, 50480 Kuala Lumpur
Property Type	Commercial lots and car parks
Description	An integrated retail/office commercial units located in Plaza Mont' Kiara within the ground floors of Block A & B and Blocks C & D, and at the basement and ground floor of Block E. The car park lots are located in Blocks A, B, C, D and E.
Tenure	Term in Perpetuity
Date of Acquisition	3 September 2007
Net Lettable Area	73,408 sq ft (excluding 1,499 car park lots)
Purchase Price	RM90,000,000
Market Value	RM111,700,000
Occupancy	89%

PORTFOLIO **OVERVIEW**
cont'd

QUILL BUILDING 5 – IBM

Address / Location	3500, Jalan Teknokrat 3, 63000 Cyberjaya, Selangor Darul Ehsan
Property Type	Commercial Building
Description	5-storey office building together with one level of sub-basement and 1½ levels of basement car park
Tenure	Term in Perpetuity
Date of Acquisition	14 March 2008
Net Lettable Area	81,602 sq ft
Purchase Price	RM43,000,000
Market Value	RM45,200,000
Occupancy	91%

QUILL BUILDING 8 – DHL XPJ

Address / Location	8, Jalan Pemaju U1/5, Section U1, 40150 Shah Alam, Selangor Darul Ehsan
Property Type	Industrial Building
Description	3-storey office building with an annexed single storey detached warehouse
Tenure	Term in Perpetuity
Date of Acquisition	25 March 2008
Net Lettable Area	65,205 sq ft
Purchase Price	RM28,800,000
Market Value	RM26,400,000
Occupancy	92%

QUILL BUILDING 10 – SECTION 13

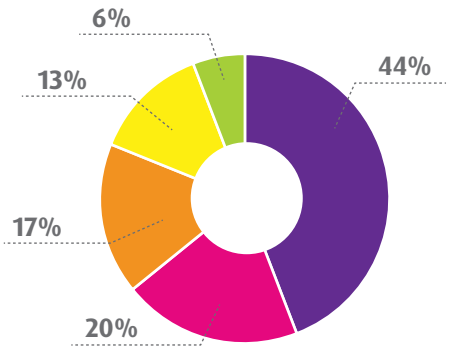
Address / Location	2A, Lorong 13/6A, Section 13, 46200 Petaling Jaya, Selangor Darul Ehsan
Property Type	Commercial Building
Description	5-storey office building with basement car park
Tenure	Leasehold for 99 years expiring 27 January 2063 (unexpired term of 48 years)
Date of Acquisition	25 March 2008
Net Lettable Area	68,377 sq ft
Purchase Price	RM22,740,000
Market Value	RM26,500,000
Occupancy	vacant

TESCO BUILDING, PENANG

Address / Location	1, Lebuh Tengku Kudin 1, 11700 Penang
Property Type	Commercial Building
Description	3-storey building
Tenure	Term in Perpetuity
Date of Acquisition	7 November 2008
Net Lettable Area	275,020 sq ft
Purchase Price	RM132,000,000
Market Value	RM139,700,000
Occupancy	100%

2014 **ACHIEVEMENTS**
At a Glance

GEOGRAPHICAL DIVERSIFICATION (By Valuation)
10 properties well spread over Cyberjaya, Kuala Lumpur, Selangor and Penang

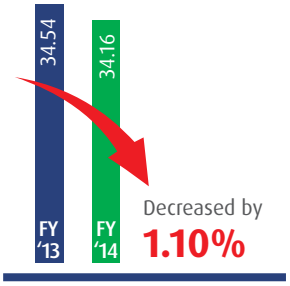


- Cyberjaya
- Kuala Lumpur City Center
- Penang
- Mont' Kiara
- Other Klang Valley Area

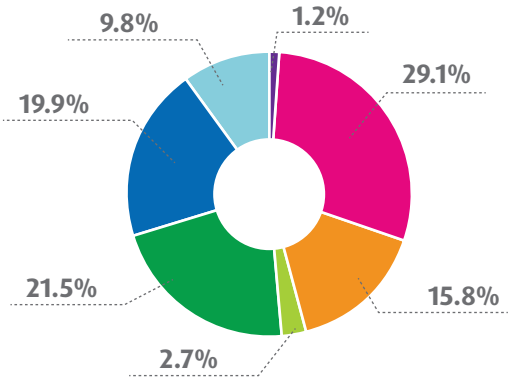
Klang Valley	*39%*
Cyberjaya	*44%*
Penang	*17%*

Based on Valuation dated 31 December 2014

REALISED NET INCOME
(RM million)



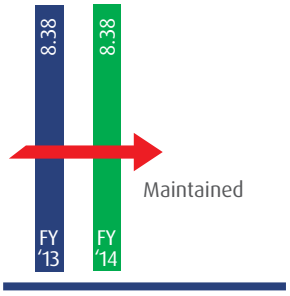
WELL BALANCED TENANCY MIX (By Net Lettable Area)



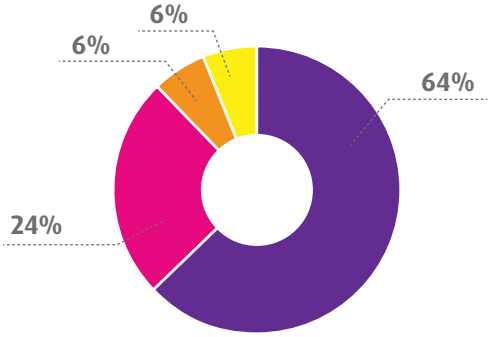
- Goverment Linked Office
- Retail
- Banking
- Automotive
- Logistics
- Oil & Gas
- IT / Electronics

As at 31 December 2014

DISTRIBUTION PER UNIT
(sen)



DIVERSIFIED SEGMENTAL CONTRIBUTIONS (By Valuation)

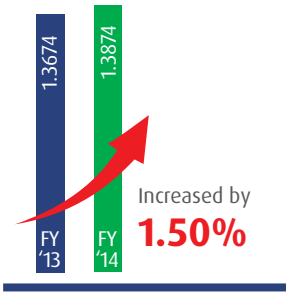


Based on Valuation dated 31 December 2014

- Office
- Retail Assets
- Car Park
- Other Commercial Building

Notes:
(1) Office comprises Quill Buildings (excluding Quill Building 8-DHL (XPJ) at Glenmarie, Shah Alam) and Wisma Technip
(2) Retail Assets refers to the retail portion of Plaza Mont' Kiara & TESCO Building Penang
(3) Car Park refers to the car parking bays in Plaza Mont' Kiara
(4) Other commercial building refers to Quill-Building 8- DHL(XPJ) at Glenmarie, Shah Alam

NET ASSET VALUE
(Before distribution of income)
(RM)



FINANCIAL **HIGHLIGHTS**

Fund Performance	2014	2013	2012	2011	2010
Total Asset Value (RM)	**868,372,713**	860,120,193	860,214,521	853,821,353	843,556,310
Net Asset Value ("NAV") (RM)	**541,251,009**	533,459,956	528,848,973	521,890,610 (restated)	497,977,269
Units in circulation	**390,131,000**	390,131,000	390,131,000	390,131,000	390,131,000
NAV per unit (RM)	**1.3874**	1.3674	1.3556	1.3377 (restated)	1.2764
Highest NAV per unit (RM)	**1.3874**	1.3726	1.3556	1.3377	1.2764
Lowest NAV per unit (RM)	**1.3346**	1.3202	1.2924	1.2762	1.2081
Highest traded price per unit (RM)	**1.20**	1.25	1.24	1.14	1.11
Lowest traded price per unit (RM)	**1.01**	1.12	1.09	0.99	0.99
Distribution Per Unit ("DPU") (sen)	**8.38**	8.38	8.38	8.30	8.03
Dates of Distribution					
- Interim	**29-Aug-14**	9-Sep-13	29-Aug-12	29-Aug-11	30-Aug-10
- Final	**27-Feb-15**	10-Mar-14	12-Mar-13	28-Feb-12	28-Feb-11
Effect of Income Distribution on NAV per unit					
- Before Distribution (RM)	**1.3874**	1.3674	1.3556	1.3377	1.3182
- After Distribution (RM)	**1.3446**	1.3246	1.3128	1.2947	1.2764
Distribution yield (per annum) [(a)]	**7.16%**	7.10%	6.81%	7.69%	7.23%
MER [(b)]	**1.10%**	1.10%	1.28%	1.19%	1.46%
Average Total Returns [(c)]					
- for one year	**8.30%**	8.39%	8.37%	8.34%	7.91%
- since listing of QCT (Annualised)	**7.95%**	7.90%	7.82%	7.71%	7.55%
Annual Total Returns [(d)] (RM)	**34,162,743**	34,536,806	34,460,704	34,321,017	32,574,952

(a) Based on the closing price on the last trading day of the respective financial years.

(b) Management Expense Ratio (MER) is computed based on total fees including Manager's fee, Trustee's fee, valuation fees and administration expenses charged to QCT divided by the average net asset value during the year.

Since the average net asset value of the Trust is calculated on a monthly basis, the MER of QCT may not be comparable to the MER of other real estate investment trust/unit trusts which may use a different basis of calculation.

(c) Average Total Returns is computed based on Annual Total Returns for the respective financial years/periods divided by the weighted average unitholders capital for the respective financial years/periods.

(d) Annual Total Returns is defined as the Net Realised Income for the respective financial years.

***Warning statement** - The past performance is not necessarily indicative of future performances and that unit prices and investment returns may fluctuate.*

CORPORATE **INFORMATION**

MANAGER

Quill Capita Management Sdn. Bhd.
(Company No. 737252-X)
(Incorporated in Malaysia)

REGISTERED ADDRESS OF THE MANAGER

Level 7, Quill 9,
No 112, Jalan Semangat,
46300 Petaling Jaya,
Selangor Darul Ehsan, Malaysia.
Telephone No. : 603-7947 6333
Facsimile No. : 603-7947 6222

PRINCIPAL PLACE OF BUSINESS

9-1, Wisma Mont' Kiara,
1, Jalan Kiara, Mont' Kiara,
50480 Kuala Lumpur, Malaysia.
Telephone No. : 603-2788 8188
Facsimile No. : 603-2788 8189/8199

BOARD OF DIRECTORS OF THE MANAGER

Dato' Mohammed bin Haji Che Hussein
Dato' Dr. Low Moi Ing, J.P.
Dato' Michael Ong Leng Chun
Wen Khai Meng
Chong Lit Cheong
Datuk Dr. Mohamed Arif bin Nun
Foong Soo Hah
Aw Hong Boo
(alternate to Dato' Dr. Low Moi Ing, J.P.)

SECRETARY OF THE MANAGER

Dato' Lee Fong Yong (MAICSA No: 7005956)
Kan Loke Mooi (MAICSA No. 0872717)

BANKERS

Malayan Banking Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

TRUSTEE

Maybank Trustees Berhad
8th Floor, Menara Maybank,
100, Jalan Tun Perak,
50050 Kuala Lumpur, Malaysia.
Telephone No. : 603-2078 8363
Facsimile No. : 603-2070 9387

PROPERTY MANAGERS

Knight Frank Malaysia Sdn Bhd
Suite 10.01, Level 10, Centrepoint South,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur, Malaysia.
Telephone No. : 603-2289 9688
Facsimile No. : 603-2289 9788

Zaharin & Partners Sdn. Bhd.
(Formerly know as ZAZ Consultancy)
Suite 23-5, Oval Tower Damansara,
Menara Permata Damansara,
No. 685, Jalan Damansara,
60000 Kuala Lumpur, Malaysia.
Telephone No. : 603-7733 2122
Facsimile No. : 603-7733 2103

REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House,
Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301 Petaling Jaya,
Selangor Darul Ehsan, Malaysia.
Telephone No. : 603-7841 8000
Facsimile No. : 603-7841 8151

AUDITOR

Ernst & Young
Level 23A, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
50490 Kuala Lumpur, Malaysia.
Telephone No. : 603-7495 8000
Facsimile No. : 603-2095 5332

TAX AGENT

KPMG Tax Services Sdn. Bhd.
Level 10, KPMG Tower,
8, First Avenue,
Bandar Utama,
47800 Petaling Jaya,
Selangor Darul Ehsan, Malaysia.
Telephone No. : 603-7721 3388
Facsimile No. : 603-7721 7288

INTERNAL AUDITOR

BDO Governance Advisory Sdn. Bhd.
12th Floor, Menara Uni.Asia,
1008, Jalan Sultan Ismail,
50250 Kuala Lumpur, Malaysia.
Telephone No. : 603-2616 2888
Facsimile No. : 603-2616 2829

WEBSITE

www.qct.com.my

CHAIRMAN'S **STATEMENT**

DATO' MOHAMMED BIN HAJI CHE HUSSEIN
CHAIRMAN & NON-INDEPENDENT NON-EXECUTIVE DIRECTOR, QUILL CAPITA MANAGEMENT SDN BHD

Financial Highlights - 31 December 2014

Turnover
RM70.25 mil

Net Property Income
RM53.33 mil

Total Realised Income
RM34.16 mil

Total Assets
RM868.37 mil

Gearing Ratio
35%

Distribution Per Unit
8.38 sen

Dear Unitholders,

It is my pleasure to present to you the Annual Report of Quill Capita Trust ("QCT") for the financial year ended 31 December 2014 ("FY 2014"), on behalf of the Board of Directors and management of Quill Capita Management Sdn Bhd ("QCM"), the manager of QCT ("the Manager").

OVERVIEW

For the first half of 2014, advanced economies such as the United States gained strength supported by increased consumer spending, higher fixed investment and net exports. Growth in major asian economies economies have also moderated, particularly in China while ASEAN economies including Malaysia, Philippines, Indonesia and Vietnam registered strong growth supported by domestic demand and exports.

Consequently, the Malaysian economy registered a stronger-than-expected growth of 6.3% in the first half of 2014, due to a resilient domestic demand and the strong recovery in exports following the global recovery.

With continued growth from domestic demand, Malaysia's economy registered fourth quarter growth of 5.8% year-on-year. For the full year, the Malaysian economy raced to a strong finish, recording a 6.0% growth in 2014 (2013: 4.7%), highest since 2010.

(Sources: Malaysian Ministry of Finance Economic Report 2014/2015, Bank Negara Malaysia updates.)

The Malaysian Real Estate Investment Trust ("M-REIT") continues to gain traction by registering a higher market capitalization of RM35 billion as at 31 December 2014 from approximately RM33 billion as at 31 December 2013. Although we have not seen any new listing of REITs on Bursa Malaysia Securities Berhad, the investment activities in the M-REIT sector in 2014 has been considerably more vibrant compared to the previous year with various existing M-REIT players announcing their respective asset acquisitions. The vibrancy of the sector coupled with the strong fundamentals of the players in this sector will continue to make the M-REIT sector an attractive investment option for investors who are looking for relatively low risk investment opportunity with sustainable income and capital growth.

In early 2014, there was a sudden surge in the yield of the 10-year Malaysian Government Securities ("MGS") bond as a result of the quantitative easing tapering which had resulted in a sell down by institutional investors of all local REITs. QCT was not spared from the taper-related sell-off which saw its unit price dropped sharply to as low as RM1.01 in late February 2014. Notwithstanding the above, QCT's unit price recovered and ended the year at RM1.17 with a distribution yield of 7.16% based on continued support and investors' confidence in QCT.

The Kuala Lumpur office market average occupancy rate as at the fourth quarter of 2014 has remained stable at 83% despite the increased supply of approximately 2.9 million sq ft office space in 2014. The average rental rate in Kuala Lumpur rose to RM6.40 psf, an increase of 4.1% from RM6.15 psf in the previous quarter despite announcement of large planned projects such as the Tun Razak Exchange which is expected add a significant amount of office stock in Klang Valley. We expect the office space demand in Klang Valley to remain fairly stable in 2015 given that the business conditions in Malaysia remains positive.

(Sources: Property Market Overview 2014 by DTZ Nawawi Tie Leung Property Consultants Sdn Bhd)

OPERATIONS REVIEW

QCT has ten (10) commercial properties, sited across Malaysia, including Cyberjaya, Kuala Lumpur, Shah Alam, Petaling Jaya and Penang.

Despite the challenging office market environment, we have successfully renewed the majority of our leases due in 2014 as part of our active asset management strategy. We will continue to work hard on our marketing programmes and active leasing to ensure a high portfolio occupancy rate. QCT's portfolio occupancy rate as at 31 December 2014 was 91%.

With a view to enhancing QCT's asset value, regular asset enhancement works are implemented on selected properties in its portfolio. In addition to enhancing the quality and physical condition of the buildings, these asset enhancements ensure that our properties remain competitive and we are better able to retain existing tenants as well as attract new ones. This year, most of the enhancement works were carried out at Wisma Technip which was complete within the stipulate timeframe. The upgrading works to Wisma Technip has improved the building's visibility and created a modern feel to the main lobby entrance, drop-off area and upper level lift lobbies. As part of the Manager's continuous focus to enhance the quality of QCT's portfolio of assets, improvement works will be initiated for a few properties in 2015, namely Quill Building 2-HSBC, Part of Plaza Mont Kiara and Quill Building 3-BMW.

An annual valuation of QCT's portfolio of properties was conducted at the close of FY 2014. Total portfolio value of RM837.7 million was registered compared to RM825.56 million recorded in the financial year ended December 2013 ("FY 2013").

FINANCIAL PERFORMANCE

QCT recorded a total realised income of RM34.16 million for FY 2014, a marginal decline of 1.1% from the total realised income of RM34.54 million in FY 2013. QCT was able to maintain its performance for the year mainly through its active asset management strategies which resulted in higher revenue year-on-year and sustainable income distribution.

DISTRIBUTION TO UNITHOLDERS

On 19 January 2015, the Board of Directors of QCM had declared a final distribution per unit ("DPU") of 4.28 sen for the period from 1 July 2014 to 31 December 2014, paid out to unitholders of QCT ("Unitholders") on Friday, 27 February 2015.

This final DPU of 4.28 sen, together with the interim distribution of 4.10 sen per unit for the period from 1 January to 30 June 2014, which has been paid on 29 August 2014, amounted to a FY 2014 DPU of 8.38 sen. On a year-on-year comparison, the DPU was stable at 8.38 sen. QCT's distribution yield is 7.2% based on FY 2014 DPU of 8.38 sen and the closing price of RM1.17 per unit on 31 December 2014.

CORPORATE DEVELOPMENT

QCT announced that it had on 10 April 2014, entered into a conditional sale and puchase agreement ("SPA") with MRCB Sentral Properties Sdn Bhd ("MSP"), a wholly-owned subsidiary of Malaysian Resources Corporation Berhad ("MRCB") for the proposed acquisition of Platinum Sentral at a purchase consideration of RM750 million ("Proposed Acquisition"). On 9 September 2014, the purchase consideration was subsequently revised to RM740 million pursuant to the revision in market value of the property to RM740 million by the valuer. Platinum Sentral is a freehold commercial development in Kuala Lumpur Sentral consisting of five low rise blocks of office building and a retail podium space with a total net lettable area ("NLA") of 520,449 sq. ft.

The approval for the Proposed Acquisition from the Securities Commission was obtained on 14 October 2014 for amongst other, the valuation of Platinum Sentral at RM740 million and the issuance of new QCT units pursuant to the Proposed Acquisition, the Proposed Placement and the proposed authority for the purpose of management fee payment to QCM in the form of QCT units.

Pending the outcome of the upcoming QCT's unitholders' meeting, the Proposed Acquisition is expected to be completed by first half of 2015. The acquisition would increase the number of properties under the Trust to a total of 11 and asset value to RM1.6 billion. The portfolio of assets would likely contribute to QCT's stable and sustainable income stream with effect from mid 2015.

Moving forward, the Manager will continue to expand its asset portfolio in line with its investment objective to acquire and invest in accretive commercial properties primarily in Malaysia. The acquisition strategy would be executed with a view to provide long-term growth and sustainable DPU to Unitholders as well as growth in the net asset value per unit of QCT.

SECOND ANNUAL UNITHOLDERS' MEETING

On 30 April 2014, QCT held its second Annual General Meeting ("AGM") to seek unitholders' approvals for the proposed authorisation and issuance of new units pursuant of Clause 14.03 of the Guidelines on Real Estate Investment Trusts issued by Securities Commission Malaysia ("Proposed Unitholders' Mandate"), as well as to brief Unitholders about QCT's financial results for FY 2013.

We are pleased to report that we have received unanimous support from Unitholders' for the Proposed Unitholders' Mandate.

We engage with Unitholders regularly to ensure consistency in messages and understanding of the business and operating environment. The AGM of Unitholders will serve as a good platform for the Manager to share the highlights of the Trust's financial results for the fiscal year. In turn, Unitholders can ask questions, clarify facts and provide feedback to the Manager about the Trust's performance and strategies.

OUTLOOK

Based on Budget 2015, the Malaysian economy was expected to grow between 5.0% and 6.0% in 2015. However, the growth forecast for Malaysia's 2015 GDP had been revised down on 20 January 2015 to between 4.5% - 5.5% to reflect weakening global growth and the declining global oil prices towards the end of 2014 and its impact on Malaysia's exports.

(Sources: Malaysian Ministry of Finance Economic Report 2014/2015, Bank Negara Malaysia updates.)

The Kuala Lumpur office market showed resilience in 2014 despite the challenging office market condition. We expect this resilience to persist in 2015 although the relatively high vacancy rate and impending completion of more dual compliant (MSC and Green) buildings will likely impact rents and occupancy rates of secondary office buildings as competition heightens between landlords seeking to retain existing tenants. Notwithstanding, the various Government policies and incentives to lure companies to set up in Malaysia and supported by a growing shared services and outsourcing industry in the region, will augur well for the Kuala Lumpur office market.

We believe the outlook for QCT remains stable in view of its prudent gearing level and capital management, as well as proactive asset management strategies. Progressing into the next financial year, QCT will continue to maximise return of its properties by focusing on tenant retention, capital management and cost efficiency measures, while pursuing growth by actively exploring acquisition opportunities. These measures will enhance the quality of QCT's portfolio and deliver sustainable income distribution for Unitholders.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

The Manager believes that effective corporate social responsibility will benefit its business and in turn, deliver sustainable value to society at large. The management team of QCM is expected to maintain the highest standard of integrity in their conduct of all their business relationships and QCT holds the same standard in its compliance with all applicable legal and regulatory requirements.

In line with QCT's focus in supporting the welfare of needy children, the Manager has in 2014 made contributions to Angels Children's Home.

Donation to Angels Children's Home

In December 2014, the Manager donated RM63,000 in cash to the Angels Children's Home, a registered voluntary welfare organisation that helps abused, abandoned, neglected, orphaned or at-risk children of all races between the ages of 3 to 17 years old. Part of the cash donation will contribute to renovation works to the shelter's home which includes providing built-in storage, new window brackets and curtain railings, while the balance of the cash donation will be utilized to meet their monthly rental and utility expenses for a period of 2 years.

In conjunction with this event, the management team of QCM also participated in this CSR programme by collectively donating food and other daily necessities to the shelter and organizing a get-together Christmas luncheon with the shelter's children.

ENVIRONMENT

As part of our CSR policy on promoting a greener and sustainable environment, QCM continues with its current practice of reducing paper usage and intensifying recycling initiatives.

Further, to address climate change and global environment issues, QCM endeavors to reduce energy usage and carbon footprint. Specifically, QCM constantly manages QCT's operations with the target to reduce waste and consumption of resources. Examples of such initiatives include installation of energy saving lights in place of the conventional fluorescent lights.

In addition, QCM and the tenants from several of QCT's properties namely, Quill Building 1 - DHL 1 & Quill Building 4 – DHL 2, Quill Building 2 – HSBC, Quill Building 3 – BMW, Quill Building 5 – IBM and Wisma Technip pledged support and participated in Earth Hour 2014, a global campaign to increase the awareness of global warming, by switching off their building façade and non-essential lights for 10 hours from 24 March 2014, 8.30 pm to 25 March 2014, 6.30 am.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to acknowledge the contribution of the late Mr Yap Kim Swee who passed away on 11 July 2014, for his contributions as Audit Committee Chairman and Independent Non-Executive Director of QCM during his service tenure since 1 December 2008. The late Mr Yap was a truly dedicated man, with a wealth of knowledge and experience in the audit field. Although he has left us, his memory, achievements and contributions will always be remembered.

In addition, I would like extend my sincere appreciation to my colleagues on the Board for their continued support. Their vast experiences, depth of knowledge, critical insight, and business acumen have provided valuable advice and guidance to the management, the Board and other committees. To the management of QCM, we are grateful for their dedication and commitment in managing QCT. To the regulators, analysts, bankers, advisers, and consultants, we thank you for your continued invaluable support and assistance during the year. Finally to our Unitholders and tenants, your loyalty and belief in us will undoubtedly spur us to work harder and we look forward to your continued support.

Sincerely,

Chairman
Dato' Mohammed Bin Haji Che Hussein
February 2015

CORPORATE **HIGHLIGHTS & EVENTS**

RM63,000 cash donation to Angels Children's Home

In December 2014, Quill Capita Management Sdn Bhd ("QCM"), the manager of Quill Capita Trust ("QCT"), donated RM63,000 in cash to Angels Children's Home. This contribution is in line with QCM's focus in supporting the welfare of needy children and this contribution will be used for renovation works done at the Angels Children's Home premise and its monthly rental and utility expenses for a period of 2 years.

A cheque presentation ceremony was held at Angels Children's premise in Kuala Lumpur. Yong Su Lin, Interim Chief Executive Officer of QCM presented the cheque to Angels Children's Management Committee member, Ms. Belinda Chew.

QCT Second Annual General Meeting

On 30 April 2014, QCT held its Second Annual General Meeting ("AGM") at One World Hotel, Petaling Jaya to brief unitholders on the QCT's financial results for the financial year ended 31 December 2014 and to seek unitholders' approval for the propose authority to allot and issue new units pursuant of Clause 14.03 of the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts. We have received unanimous support from unitholders' for the proposal.

IN THE **NEWS**

29 January 2014

MALAYSIAN RESOURCES CORP BHD

MRCB to inject Platinum Sentral into Quill REIT

18 March 2014

馬資源進 嘉德出 桂冠不趁反跌

2 February 2014

REIT a catalyst for long under-performing MRCB

4 April 2014

RHB Research upgrades REITs to 'neutral'

MRCB to book RM240m gain from QCT deal

MRCB to become largest Quill shareholder

by TANU PANDEY

MALAYSIAN Resources Corp Bhd (MRCB) will emerge with 35% of Quill Capita Management, the management company of Quill Capita Trust, following a deal with CapitaLand RECM Pte Ltd and Coast Capital Sdn Bhd.

MRCB will acquire 80% of Quill Capita Management from Capita-Land RECM and 1% from Coast Capital for a total of RM8 million, the company said in filings yesterday.

Capital and RECM is related to Quill Capita Trust's Singaporean shareholder CapitaCommercial Trust, which currently holds a 20% stake in the real estate investment trust and Coast Capital is a Singaporean firm.

Quill Capita Trust assets worth RM1.6b

MRCB, through its subsidiary, has disposed of the Platinum Sentral office building in KL Sentral to Quill Capita Trust for RM750 million. The sale will lead to a divestment gain of RM240 million or 15 sen earning per share.

However, despite the sale of the asset, MRCB will have a sustained influence in the operations of Platinum Sentral as well as the other property assets under the Quill Capita Trust as it is on its way to becoming the largest shareholder of Quill Capita's management company.

The enlarged Quill Capita Trust will now have assets worth approximately RM1.6 billion, MRCB said.

The sale and injection of Platinum Sentral into Quill Capita Trust is in line with MRCB's strategy of focusing focus in one of its core business segments of property development, which is the same time unlocking value and realising its investment in Platinum Sentral.

"Securitising asset value and improvement into listed Quill Capita Trust will enable MRCB to pare down its borrowing by approximately RM380 million and the company is focusing on property development while retaining control of the investment properties via a REIT," MRCB Group MD Datuk Mohamed Salim Fateh Din said.

The purchase consideration for Platinum Sentral will be partly satisfied via cash of RM86 million while the balance will be satisfied via the issuance of 209.25 million new Quill Capita Trust units at an issue price of RM1.28 per unit.

Consequently, MRCB through MRCB Sentral Properties Sdn Bhd, is expected to increase its 17% equity interest in the enlarged Quill Capita Trust upon completion of the exercise.

11 April 2014

MRCB to become major shareholder, promises more asset injections

MRCB to gain RM240m

PLATINUM SENTRAL: Company to also secure 3.1pc in QCT REIT with divestment

IN THE **NEWS**
cont'd

MRCB eyes RM5 bil REIT

14 April 2014

Quill to double assets portfolio size

by SATHISH GOVIND

QUILL Capita Trust (QCT) is expected to double its assets portfolio size from RM825.56 million as at Dec 31, 2013, to RM1.6 billion after its acquisition of Platinum Sentral for RM750 million.

QCT has proposed to acquire Platinum Sentral for RM750 million from MRCB Sentral Properties Sdn Bhd (MSP), a wholly owned subsidiary of Malaysian Resources Corp Bhd (MRCB).

It said the purchase consideration was arrived at RM750 million based on a valuation report dated April 10, 2014, by an independent registered valuer.

Non-independent, non-executive Datuk Michael Ong said the alliance between the group and MRCB as a strategic investor in QCT and Quill Capita Management will provide future growth potential.

"We strongly believe this strategic alliance will further enhance the value of QCT for its unitholders and strengthen QCT to reposition itself as one of the larger reit estate investment trusts (REITs) in Malaysia," Ong said.

The purchase of Platinum Sentral will be partially settled through the issuance of 20.25 million QCT units at RM1.28 per unit.

The balance of RM486 million will be settled via cash that will be raised through a combination of equity and debt funding exercises.

The equity funding exercise will entail a proposed placement of between 55 million and 85 million new QCT units. The placement will be placed out to institutional investors by way of a book-building exercise at an issue price to be determined later.

It said with a current gearing level of 36%, QCT is well positioned to raise sufficient debt funding to make the proposed acquisition distribution per unit accretive.

Upon the completion of the proposed acquisition, the gearing ratio of QCT is expected to increase from 36% to 45%, which is still within the 50% gearing threshold stipulated under the Securities Commission Guidelines on REITs.

MRCB will emerge as a new strategic investor holding a 31% interest in QCT upon completion of the proposed acquisition.

Correspondingly, the name of the trust will be changed to MRCB Quill REIT.

28 April 2014

商公樓市場供過於求

桂冠資管保留租戶探討收購

Quill Capita Trust's fair value at RM1.25

RHB Research has maintained its "neutral" call on Quill Capita Trust (QCT) with a fair value of RM1.25.

It said although QCT's gross dividend yield is expected to maintain at above seven per cent post-acquisition, some underlying risks should remain over the short term.

This is in line with QCT's first quarter 2014 net profit of RM8.2 million, with its earnings growth continuing to be flat due to the softening office rental market, it added.

In its research note yesterday, RHB Research said QCT's ongoing acquisition is progressing well and is on track to be completed by the fourth quarter.

QCT had signed a conditional sales and purchase agreement (SPA) with MRCB for the acquisition of Platinum Sentral on April 10.

The research house added that forecasts on QCT have been revised accordingly based on the SPA announcement.

RHB Research said the acquisition price has remained at RM750 million and QCT has also announced its fund-raising exercise for the fund injection.

In addition to the 206.3 million units to be issued to MRCB, the trust will also undertake a private placement exercise of 55 to 85 million new units, possibly in the third quarter.

It has revised downwards QCT's financial year 2014 performance by 17 per cent and financial year 2015 net profit figures by 10 per cent to reflect the acquisition.

3 May 2014

Rental reversion likely for Quill on high vacancy rates

▶ QUILL CAPITA TRUST

FYE DEC 31	2013A	2014F	2015F	2016F
REVENUE (RM mil)	[illegible]	[illegible]	[illegible]	[illegible]
NORM NET PROFIT (RM mil)	[illegible]	[illegible]	[illegible]	[illegible]
NORM EPU (sen)	[illegible]	[illegible]	[illegible]	[illegible]
NORM PER (x)	[illegible]	[illegible]	[illegible]	[illegible]

▶ Recommendation: Buy
TARGET Price: RM1.20
by Hong Leong Investment Bank Bhd (HLIBB) (May 2)

Results
QUILL Capita Trust's (QCT) 1Q14 core PAT rose 17% YoY to RM8.2m, making up 23% and 21% of 10,HB and consensus estimates respectively.

Deviations
Due to our impaired 5% portfolio rental reversion, QCT's portfolio rental reversion rate circa 2%–3% and we have revised our assumptions accordingly.

Dividends
None. Distributions declared twice a year.

Highlights
Rental income decline. Gross revenue declined as portfolio occupancy rate declined YoY from 92% in 1Q13 to 91% in 1Q14, mainly due to higher vacancies rate from Quill Building 1 & Cyberjaya. However, this remains significantly healthier than the Klang Valley average of 80%.

Also, 1Q saw lower utility recovery for water and electricity.

Impact from Goods and Services Tax (GST). Administrative expenses went up 65% YoY and 164% QoQ due to accrual of GST advisory fee in 1Q and the write back of over-accrued professional fees for business development.

NPI flat YoY. 1Q14 net property income (NPI) declined 0.8% YoY due to a combination of lower revenue and higher repair and maintenance costs, which led to higher operating expenses (+0.28% YoY).

Risks
Higher vacancy rates from its office assets, oversupply concerns for office assets.

Forecasts
FY14-FY15 forecasts reduced by 3%-4% to account for a more realistic 2%-3% rental reversions for its existing portfolio.

We are expecting a slightly stronger 2H14, as we understand actual reversion will take place then.

Rating 'Buy'
Positives: 1) Higher possibility of asset injections from Malaysian Resources Corp Bhd (MRCB) and Employees Provident Fund, following the injection of Platinum Sentral and MRCB (along control of Quill Capita Management Sdn Bhd) and 2) undemanding valuations —7.9% DY (FY15E).
Negatives: 1) Small asset base, 2) diluted, and 3) lack of retail assets.

Valuation
We reduce our TP from RM1.28 to RM1.20 (based on an unchanged target yield of 7.5%), based on our earnings forecast on the Platinum Sentral acquisition.

Our 'Buy' rating remains unchanged, and we remain long-term positive on QCT as we still believe the transformation story remains intact, with more value-accretive injections from MRCB to come.

Post the acquisition PSDy 3Q, our TP would be raised to RM1.36 (based on the same 7.5% target yield).

5 May 2014

23 July 2014

Quill Capita 2Q net profit drops 3.9%, declares DPU of 4.10 sen

by **Charlotte Chong**
[illegible]

KUALA LUMPUR: Quill Capita Trust (QCT) saw its net profit decline 3.88% to RM8.56 million in its second financial quarter ended June 30, 2014, on higher property operating cost, finance cost and valuation fee.

Revenue was flat at RM17.35 million compared with RM17.27 million in the previous corresponding period, when it raked in a net profit of RM8.91 million.

It also announced a distribution per unit (DPU) of 4.10 sen, to be distributed on Aug 29 this year. The DPU translates to a yield of 7% based on QCT's closing price of RM1.17 on June 30, 2014.

In a statement yesterday, the real estate investment trust (REIT) said although it saw higher rental income and utility recoveries from some properties, the increase was offset by slightly higher property operating cost, finance cost and valuation fee.

Property operating expenses were up by 7.1% due to higher repair and maintenance costs, it explained, adding that this resulted in lower net property income by 1.4%. Finance costs were higher by 5.7% during the current quarter mainly due to write-back of credit facility costs in the second quarter of 2013.

For the six months ended June 30, 2014, the REIT posted a net profit of RM16.72 million, down 1.72% from RM17.02 million a year ago. Revenue remained flat at RM34.53 million against RM34.5 million in the corresponding period in 2013.

QCT said 31% of its total net lettable area is due for lease renewal in 2014. As at the second quarter, 24% of these leases have been renewed, with the balance only due for renewal in the third and fourth quarter.

"The manager has initiated discussions with tenants on the renewals due in the third and fourth quarter with the intention to lock in the tenancies ahead of their expiry," it noted.

Moving forward, QCT said the steady demand for commercial space in the Klang Valley will keep the office rental market competitive and will likely lead to stable average occupancy rates.

Platinum Sentral to be QCT's next earnings kicker

Quill Capita Trust
(July 23, RM1.21)

Maintain buy with target price of RM1.35: Revenue for QCT's second quarter ended June 30 of financial year 2014 (2QFY14) was flat quarter-on-quarter (q-o-q) but lower operating expenses (driven by lower repair costs) lifted net property income (+3% q-o-q) and margin (+2 percentage points to 77%).

Administrative expenses were significantly lower (-54% q-o-q) due to the absence of one-off advisory fee incurred in 1QFY14. The occupancy rate was stable at 91%.

Revenues were supported by lease renewals — about 30% of its net lettable area (NLA) is due for renewal in 2014, with 24% renewed in 2QFY14 (at up to 5% rental reversion). The remaining 76% is due for renewal in the second half (2HFY14). This should generate stable revenue and earnings growth.

The recent 25-basis-point hike in the overnight policy rate should have minimal impact on QCT's earnings as 95% of its loans carry fixed rates and the next refinancing is only due in September 2016. The average cost of debt is 4.3%.

Platinum Sentral in Kuala Lumpur is QCT's next earnings kicker. We estimate the injection of Platinum Sentral (the office component has 450,000 sq ft of NLA while retail has 79,000 sq ft of NLA) will lift QCT's net property income by 60% (based on RM750 million purchase price and 6% yield).

The transaction will see the entry of Malaysian Resources Corp Bhd (MRCB) as a shareholder. QCT will also be granted the right of first refusal to MRCB's stable of properties in KL Sentral, effectively providing a solid pipeline of assets for future injection.

As MRCB and the Quill group will hold more than 33% of the enlarged unitholders' capital (post-acquisition), they are seeking an exemption from carrying out a mandatory offer under the Malaysian Code on Take-Overs and Mergers. The transaction is expected to be completed in 4QFY14.

QCT remains undervalued and is trading at below its net asset value, but it offers strong distribution yield of 8% at the current price. — *Alliance DBS Research, July 23*

24 July 2014

▶ QUILL CAPITA TRUST

FORECAST AND VALUATIONS	DEC-12	DEC-13	DEC-14F	DEC-15F
TOTAL TURNOVER (RM mil)	69	69	82	121
REPORTED NET PROFIT (RM mil)	34.5	34.5	40.9	58.1
DPS (sen)	0.08	0.08	0.09	0.09
P/B (x)	0.88	0.87	0.68	0.92

Quill Capita growth still flattish as rental market remains soft

▶ **Recommendation: Neutral**

FAIR Value: RM1.25 by RHB Research Institute Sdn Bhd (July 23)

Reviews

QUILL Capita Trust's 2QFY14 results were in line with expectations. A DPU of 4.1 sen was announced for 1HFY14, in line with our forecasts.

The REIT's (real estate investment trust) organic growth remains soft for the REIT. Meanwhile, the acquisition of Platinum Sentral is still likely to come through, and that future delays, if any, will not have a significant impact on QCT's FY14 DPU.

Maintain 'Neutral' and a fair value of RM1.25.

Net profit in line. Quill Capita Trust's 2QFY14 net profit of RM8.6m (-3.9% YoY, +4.9% QoQ) was in line with estimates. Earnings growth continued to remain flattish due to the soft office rental market, while higher repair and maintenance costs incurred in 1HFY14 squeezed net property income margins slightly to 76.5% (1HFY13: 77.2%).

Management announced a total distribution per unit (DPU) of 4.1 sen for 1HFY14. Despite the weak market, the REIT was able to renew 24% out of the 31% of net lettable area due to expire this year, while portfolio occupancy was still stable at 91%.

At present, 95% of its debts are on fixed rates, thereby limiting its exposure to higher interest rates. Nonetheless, as it is expected to take on more debt to acquire Platinum Sentral, its future average cost of debt could be higher than the current 4.3%.

Update on the acquisition of Platinum Sentral. On July 11, 2014, the REIT and Malaysian Resources Corp Bhd (MRCB) (MRC MK, 'Buy', fair value: RM1.87) announced that the Securities Commission Malaysia turned down the proposal that MRCB, its associates and the Quill Group are not regarded as persons acting in concert in relation to the REIT, on Platinum Sentral's acquisition. As such, a mandatory takeover offer could be triggered.

However, our checks reveal the parties will seek an exemption from the obligation to carry out the mandatory offer through the "Whitewash Procedure" under regulations on takeovers and mergers.

We believe that the exemption will be approved and the acquisition will still go through, although the completion of the exercise could be slightly delayed from its initial end-3QFY14 target.

This, however, is not expected to have a significant impact on the REIT's FY14 DPU. Management is also aware of investors' concerns on its future change of guard, and will address the issue in due course.

Valuation

We maintain our forecasts. Some persistent short-term underlying risks for the REIT include: i) the office space oversupply situation; ii) high post-acquisition gearing; and iii) uncertainties over a change in management.

As such, we maintain 'Neutral' and our DDM-based fair value of RM1.25 for now.

24 July 2014

QUILL CAPITA TRUST TO ISSUE RM450MIL BONDS

PETALING JAYA: Quill Capita Trust has received approval from the Securities Commission for the issuance of commercial papers/medium-term notes up to RM450 million. It told Bursa Malaysia that it would use the proceeds from the bond sale to part finance the acquisition of Platinum Sentral, a five-block commercial building, from Malaysian Resources Corp Bhd. The fundraising exercise will also be used to finance investment activities and to refinance existing/future borrowings.

23 October 2014

20 Jan 2015

▶ Quill Capita registers flat net profit for 4Q

QUILL Capita Trust's net profit for the fourth-quarter (4Q) ended Dec 31, 2014, remained flat at RM8.6 million against the corresponding quarter in 2013. Revenue inched up to RM18.18 million from RM17.3 million previously. Earning per share amounted to 2.18 sen per unit. The company proposed an unchanged 4Q dividend of 4.28 sen. In a filing to the exchange yesterday, Quill Capita said the flat earnings was despite lower interest income, higher finance costs and administrative expenses in the quarter. For the full year 2014, the real estate investor reported RM34.16 million in net profit, slightly lower than RM34.54 million registered in 2013. Turnover for the year, however, rose to RM70.25 million from RM68.94 million a year earlier. Moving forward, Quill Capita said despite challenging market conditions, the office market in the Klang Valley will continue to be resilient with steady demand for commercial space. It also will continue to explore acquisition opportunities as well as focus on active asset management, capital and portfolio management initiatives.

Quill Capita posts Q4 income of RM8.5mil

PETALING JAYA: Real estate investment trust Quill Capita Trust Bhd achieved realised income of RM8.5mil for its fourth quarter ended Dec 31, 2014, and incurred finance costs of RM3.5mil and manager's fee of RM1.3mil.

It recorded a 5.1% jump in revenue to RM18.2mil from RM17.3mil a year ago, as well as property operating expenses of RM4.8mil for the quarter under review.

It told Bursa Malaysia that the higher revenue was due mainly to rental rate increases and higher recoveries of some properties, while property expenses were 12.4% higher due to increased repair and maintenance costs.

20 Jan 2015

BOARD OF DIRECTORS OF THE MANAGER

Standing from the left to right:

Name	Nationality	Designation
Wen Khai Meng	Singaporean	*Non-Independent Non-Executive Director*
Chong Lit Cheong	Singaporean	*Non-Independent Non-Executive Director*
Dato' Michael Ong Leng Chun	Malaysian	*Non-Independent Non-Executive Director*
Dato' Mohammed bin Haji Che Hussein	Malaysian	*Chairman, Non-Independent Non-Executive Director*
Dato' Dr. Low Moi Ing, J.P.	Malaysian	*Non-Independent Non-Executive Director*
Foong Soo Hah	Malaysian	*Independent Non-Executive Director*
Datuk Dr. Mohamed Arif bin Nun	Malaysian	*Independent Non-Executive Director*
Aw Hong Boo	Malaysian	*Alternate to Dato' Dr. Low Moi Ing, J.P.*

DATO' MOHAMMED BIN HAJI CHE HUSSEIN, 64
Chairman and Non-Independent Non-Executive Director
Malaysian

Date of appointment as director:	11 July 2008
Length of service as director:	6.5 years

Board Committee(s) served on:
Nil

Academic / Professional Qualification(s) / Professional Membership(s):
Bachelor of Commerce (Accounting), University of Newcastle, Australia (1972)
Harvard Business School Advanced Management Program (Boston, Massachusetts) (2003)

Present Directorship(s):
Listed
Hap Seng Consolidated Berhad
Gamuda Berhad

Unlisted
Quill Capita Management Sdn Bhd (the manager of Quill Capita Trust)
PNB Commercial Sdn Bhd
Danajamin Nasional Berhad (formed under Section 15 & 16 of the Insurance Act 1996)
Meridian Magic Sdn Bhd
CapitaCommercial Trust Management Limited (the manager of CapitaCommercial Trust listed on the SGX-ST)
Bank of America Malaysia Berhad

Others
Member of the Corporate Debt Resolution Committee, sponsored by Bank Negara Malaysia

Working experience:
Dato' Mohammed Hussein spent 31 years with the Maybank Group, was a member of the senior management committee for 20 years, and held various senior management positions including Head of Corporate Banking, Head of Commercial Banking, Head of Malaysian Operations, Head of the Investment Banking Group and Executive Director (Business Group). Prior to his retirement in January 2008, he was the Deputy President/Executive Director/Chief Financial Officer.

DATO' DR. LOW MOI ING, J.P. 54
Non-Independent Non-Executive Director
Malaysian

Date of appointment as director:	12 June 2006
Length of service as director:	8.6 years

Board Committee(s) served on:
Audit Committee

Academic / Professional Qualification(s) / Professional Membership(s):
Doctor of Philosophy in Design, Millennium International University, State of Delaware, U.S.A (2010)
Doctor of Philosophy in Entrepreneurship (Honoris Causa), Golden State University, U.S.A. (2010)

Present Directorship(s):
Unlisted
Quill Capita Management Sdn Bhd (the manager of Quill Capita Trust)
Quill Group of Companies ("Quill Group")

Working experience:
Dato' Dr. Low Moi Ing, J.P. started her career with MAA Architect in 1981 and in 1986 set up Quill Design. The Quill Group was set up in 1988. The Quill Group is involved in the investment of properties, which includes integrated property development, construction, interior design and architectural services. She is in charge of the group's strategic planning and jointly manages the finance, administration, legal, property development, building construction and renovation, procurement and project management of the Quill Group.

Awards:
Woman Entrepreneur of the Year Award (2009), by Malaysia Business Leadership Awards 2009
Masterclass Woman CEO of the Year Award (2010), by Malaysia Business Leadership Awards 2010
International Leadership Award in Construction Sector, by Middle East Business Leaders Summit and Awards 2010
FIABCI Property Woman of the Year Award (2011), by FIABCI
Woman Entrepreneur of the Year Award (2011), by the Asia Pacific Entrepreneurship Awards 2011

PROFILE OF DIRECTORS **OF THE MANAGER**
cont'd

DATO' MICHAEL ONG LENG CHUN, 58
Non-Independent Non-Executive Director
Malaysian

Date of appointment as director:	12 June 2006
Length of service as director:	8.6 years

Board Committee(s) served on:
Executive Committee
Corporate Disclosure Committee

Academic / Professional Qualification(s) / Professional Membership(s):
Chartered Architect (1982)
Lembaga Akitek Malaysia (LAM) (1987)
Corporate Member, the Royal Institute of British Architects (RIBA) (1984)
Corporate Member, Pertubuhan Akitek Malaysia (PAM) (1987)
Corporate Member, Institut Perekabentuk Dalaman (IPDM) (1995)

Present Directorship(s):
Unlisted
Quill Capita Management Sdn Bhd (the manager of Quill Capita Trust)
Quill Group of Companies ("Quill Group")

Working experience:
Educated in the United Kingdom, Dato' Michael Ong graduated as a Chartered Architect in 1982 and practised in London until 1984 when he returned to Malaysia. He is one of the two founding partners of the Quill Group. The Quill Group was set up in 1988. The Quill Group is involved in the investment of properties, which includes integrated property development, construction, interior design and architectural services. The Quill Group's strength lies in the integration of IT services into the building environment and is currently practicing the 'Own, Build and Lease' model for its developments. Dato' Michael Ong is responsible for and has extensive experience in the design, detailing and construction of properties within the Quill Group.

WEN KHAI MENG, 59
Non-Independent Non-Executive Director
Singaporean

Date of appointment as director:	2 July 2007
Length of service as director:	7.5 years

Board Committee(s) served on:
Executive Committee
Corporate Disclosure Committee

Academic / Professional Qualification(s) / Professional Membership(s):
Master of Business Administration
Master of Science in Construction Engineering
Bachelor of Engineering

Present Directorship(s):
Unlisted
Quill Capita Management Sdn Bhd (the manager of Quill Capita Trust)
CapitaCommercial Trust Management Limited (the manager of CapitaCommercial Trust listed on the SGX-ST)

Working experience
Mr Wen is the Chief Executive Officer of CapitaLand Singapore Limited. Prior to this, Mr Wen has held several senior appointments within the CapitaLand Group including Chief Investment Officer of CapitaLand Limited (listed on the SGX-ST), CEO of CapitaLand Commercial Limited and CEO of CapitaLand Financial Limited. Mr Wen previously sat on the boards of Ascott Residence Trust Management Limited (the manager of Ascott Residence Trust listed on the SGX-ST), Australand Holdings Limited (listed on the Australian Securities Exchange), CapitaMall Trust Management Limited (the manager of CapitaMall Trust listed on the SGX-ST) as an alternate director to Mr Kee Teck Koon. Before joining the CapitaLand Group, Mr Wen was with the Ministry of National Development.

CHONG LIT CHEONG, 59
Non-Independent Non-Executive Director
Singaporean

Date of appointment as director:	31 May 2012
Length of service as director:	2.5 year

Board Committee(s) served on:
Executive Committee

Academic / Professional Qualification(s) / Professional Membership(s):
Bachelor of Engineering (Electronics), University of Tokyo
Advanced Management Programme, INSEAD (France – 1994)
Tsinghua Executive Program (Shanghai, China – 2004)

Present Directorship(s):
Unlisted
Quill Capita Management Sdn Bhd (the manager of Quill Capita Trust)
CapitaCommercial Trust Management Limited (the manager of CapitaCommercial Trust listed on the SGX-ST)
Surbana Corporation Pte Ltd

Working experience
Mr Chong is the Senior Advisor, Strategic Relations of CapitaLand Limited. Prior to this, he held senior appointments in the CapitaLand Group as CEO, Regional Investments and CEO, CapitaLand Commercial Limited.

Prior to joining CapitaLand in Feb 2011, Mr Chong was the CEO of International Enterprise Singapore, an agency under Singapore's Ministry of Trade and Industry which promotes the overseas growth of Singapore-based enterprises and international trade.

From 2001 to 2006 he was the CEO of JTC Corporation, the government agency developing industrial estates and specialized parks. In 1998 to 2000, he was Managing Director of National Science and Technology Board (now called A*STAR), the lead agency promoting science and technology infrastructure in Singapore. Earlier, he served in Singapore's Economic Development Board where he was posted to Suzhou, China, to lead the development of the China-Singapore Suzhou Industrial Park project.

Concurrently, Mr Chong held directorships in ST Electronics (Info-Comm Systems) and Changi Airports International Pte Ltd.

DATUK DR. MOHAMED ARIF BIN NUN, 69
Independent Non-Executive Director
Malaysian

Date of appointment as director:	25 September 2006
Length of service as director:	8.3 years

Board Committee(s) served on:
Audit Committee
Performance and Governance Committee

Academic / Professional Qualification(s) / Professional Membership(s):
Bachelor of Science (Hons) Degree in Electrical Engineering, University of London (1971)
Master of Science in Electrical Engineering, Loughborough University of Technology (1973)
Doctor of Philosophy in Electrical Engineering, Loughborough University of Technology (1977)

Present Directorship(s):
Unlisted
Quill Capita Management Sdn Bhd (the manager of Quill Capita Trust)
SilTerra Malaysia Sdn Bhd
MyCNX Holdings (M) Sdn Bhd

Working experience:
Datuk Dr. Mohamed Arif had been a lecturer, Assistant Professor and later the Head of the Communications Engineering Department in the University of Technology, Malaysia. He then joined MIMOS in 1986 and was the Deputy Director-General when he left MIMOS in 1996. He joined Multimedia Development Corporation Sdn Bhd ("MDC") in 1996 as the Senior Vice-President and from 2003 to 2005, held the position of Chief Executive Officer of the MDC, the onestop agency for realising the MSC. Under his leadership, he has streamlined MDC's organisational structure to better reflect MDC's aims and strategies in achieving the 'MSC Next Leap' as well as for greater functional effectiveness. A major initiative taken was the creation of the Marketing and Branding Division within MDC to better promote and position MSC as the global hub and preferred location for the Information & Communication Technology and multimedia innovation, services and operations.

PROFILE OF DIRECTORS **OF THE MANAGER**
cont'd

FOONG SOO HAH, 64
Independent Non-Executive Director
Malaysian

Date of appointment as director:	11 April 2013
Length of service as director:	1.7 years

Board Committee(s) served on:
Audit Committee
Performance and Governance Committee

Academic / Professional Qualification(s) / Professional Membership(s):
Bachelor of Science (Hons) Degree in Mathematics, Universiti Malaya (1975)
Master of Science in Actuarial Science , Northeastern University, Boston, Massachusetts (1977)
Fellow of Society of Actuaries, USA (1981)

Present Directorship(s):
Unlisted
Quill Capita Management Sdn Bhd (the manager of Quill Capita Trust)
Bank Simpanan Nasional Berhad
Golden YangKwong Land Sdn Bhd
Golden YangKwong Development Sdn Bhd
Aviva Ltd
Navigator Investment Services Limited

Listed
Nirwana Asia Ltd – Listed on the Main Board of the Stock Exchange of Hong Kong Limited

Others
The Malaysian Insurance Institute
Perbadanan Insurans Deposit Malaysia (PIDM)
Private Pension Administrator (PPA) Malaysia

Working experience:
He started his career with American International Assurance Company Ltd in 1977 in the actuarial department. He later joined British American (Malaysia) Insurance Bhd (now known as Manulife Holdings Berhad) as Senior Vice President overseeing marketing, agency management and new businesses and in 1991, was appointed Director and CEO. He joined Great Eastern Life Assurance (Malaysia) Berhad in 1996 as Director and CEO until his retirement in 2009.

AW HONG BOO, 65
Alternate Director to Dato' Dr. Low Moi Ing, J.P.
Malaysian

Date of appointment as alternate director:	25 September 2006
Length of service as director:	8.3 years

Board Committee(s) served on:
Nil

Academic / Professional Qualification(s) / Professional Membership(s):
The Institute of Chartered Accountants in England and Wales (ICAEW) (Fellow Member) (1974)
The Malaysian Insitute of Certified Public Accountants (MICPA) (Member) (1975)
Malaysian Institute of Accountants (MIA) (Chartered Accountant) (1988)

Present Directorship(s):
Listed
Malaysia Building Society Berhad

Unlisted
Quill Capita Management Sdn Bhd (the manager of Quill Capita Trust)
Sierra Towers Sdn Bhd

Working experience:
He began his career in 1970 as an Audit Senior in London and later with Ernst & Whinney, an international public accounting firm in Singapore and London. He served in RHB Bank Berhad for 21 years between 1978 and 1999, holding various senior management positions in financial management, banking, finance and leasing. He was the Senior General Manager of Branch Network and Risk Management before his optional retirement in November 1999.

THE MANAGEMENT TEAM

Seat from the left to right:

Dato' Lee Fong Yong	Company Secretary
Yong Su-Lin	Interim Chief Executive Officer
Chan Fong Hin	Senior Manager, Asset Management

Standing from the left to right:

Shirley Tam Soot Lee	Finance Manager
Christie Pun Nyuk Len	Manager, Lease Administration
Joyce Loh Mun Ching	Senior Manager, Investment and Investor Relations
Stephanie Tang Pit Yen	Manager, Investment and Asset Management
Jean Wong Wen Looi	Senior Executive, Legal

Not in the picture:

Corinne Tan Lean Heoh	Vice President, Finance & Compliance

THE **MANAGEMENT TEAM**
cont'd

INTERIM CHIEF EXECUTIVE OFFICER

Yong Su-Lin holds a Bachelor of Arts in Finance degree from the University of Northern Iowa, USA. She started her career in corporate banking, managing project financing and lending to property companies, small and medium enterprises, as well as large corporations. Prior to joining the CapitaLand Group and her secondment to Quill Capita Management Sdn Bhd, she had six years of corporate advisory experience, working in one of the top five audit firms in Malaysia. In her career as a corporate consultant, she was involved in corporate advisory projects for various industry sectors.

In June 2006, Su-Lin joined CapitaLand and was part of the core team that spearheaded the listing of QCT. She has been involved in the day-to-day operations of QCT, and led the investment and investor relations functions as part of the core team since May 2006. She was appointed the Interim CEO since 1 June 2012.

As at 31 December 2014, she hold 3,000 QCT units.

CORPORATE **GOVERNANCE**

Strong corporate governance has always been our priority as the Manager of QCT. We recognise that an effective corporate governance culture is critical to our performance and, consequently, to the success of QCT.

Quill Capita Management Sdn Bhd ("QCM" or "the Manager") as the manager of Quill Capita Trust ("QCT"), recognises that an effective corporate governance culture is essential to protect the best interests of the Unitholders, as well as critical to the performance of the Manager and consequently, the success of QCT.

As a result, the Manager has adopted a comprehensive corporate governance framework that is designed to meet the best practice principles. In particular, the Manager has an obligation to act honestly, with due care and diligence, and in the best interests of the Unitholders.

The following sections describe the Manager's main Corporate Governance Practices and Policies which are guided by measures recommended in the Guidelines on Real Estate Investment Trusts issued by the Securities Commission ("SC REIT Guidelines"), the Malaysian Code on Corporate Governance 2012 issued by the Securities Commission ("Code") and the Main Market Listing Requirements ("Main Market Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

THE MANAGER OF QCT

QCM as the Manager of QCT has general powers of management over the assets of QCT. Its main responsibility is to manage the assets and liabilities of QCT for the benefit of its Unitholders with a view to provide long-term and sustainable distributions of income to its Unitholders and to achieve long-term growth in the net asset value per unit, so as to provide competitive investment return to its Unitholders. Our internal review procedures encompass proactive measures for avoiding situations of conflict and potential conflict of interest, including prioritizing the interests of Unitholders over the Manager's and ensuring that applicable laws and regulations are complied with, so that Unitholders' interests are best served at all times.

The primary role of the Manager is to set the strategic directions of QCT and make recommendations to Maybank Trustees Berhad, acting solely in its capacity as trustee for and on behalf of QCT ("Trustee") on the acquisition or divestment of assets of QCT in accordance with its stated investment strategy. The research, analysis and evaluation required for this purpose is co-ordinated and carried out by the Manager. The Manager is also responsible for the risk management of QCT.

Other functions and responsibilities of the Manager are as follows:-

- **Investment Strategy.** Formulate and implement QCT's investment strategy, including determining the location, sub-sector, market risk, type and other characteristic of QCT's property portfolio.

- **Acquisition and Divestment.** Make recommendations to and co-ordinate with the Trustee and implement the acquisition of new assets and divestment of QCT's existing investments.

- **Asset Management.** Supervise and oversee the management of QCT's properties including preparing property plans on an annual basis for review by the Directors of the Manager which may contain proposals and forecasts on net income, capital expenditure, sales and valuations, explanation of major variances to previous forecasts, written commentary on key issues and underlying assumptions on rental rates, occupancy costs and any other relevant assumptions. The purpose of these plans is to explain the performance of QCT's assets.

- **Financing.** Formulate plans for equity and debt financing for QCT's debt requirements.

- **Accounting Records.** Keep books and prepare or cause to be prepared accounts and annual reports, including annual budgets for QCT.

- **Supervisory Services.** Supervise day-to-day administrative service as QCT's representative, including administrative services relating to meetings of Unitholders when such meetings are convened.

- **Investor Relations.** Co-ordinate, communicate and liaise with Unitholders.

- **Compliance Management.** Supervise all regulatory filings on behalf of QCT, and ensure that QCT is in compliance with the applicable provisions of the Capital Markets and Services Act 2007, the SC REIT Guidelines, Main Market Listing Requirements, the Trust Deed (as defined herein), and all relevant contracts.

The Manager endeavors to carry on and conduct QCT's business in a proper and efficient manner and to conduct all transactions with, or on behalf of QCT, on arm's length basis.

The Manager also manages and supervises the service providers including the property manager, Knight Frank (Ooi & Zaharin Sdn Bhd) ("Property Manager") who performs the day-to-day property management functions for QCT's properties pursuant to the property management agreement signed for each property.

QCT, constituted as a trust, is externally managed by the Manager and accordingly, it has no personnel of its own. The Manager appoints experienced and well-qualified management personnel to handle the day-to-day operations of QCT.

QCM is appointed as the manager of QCT in accordance with the terms of the Trust Deed dated 9 October 2006 as amended by the First Supplemental Deed dated 27 August 2007 and Second Supplemental Deed dated 28 May 2013 ("Trust Deed"). The Trust Deed outlines certain circumstances under which the Manager can be removed, upon the occurrence of certain events, including a resolution passed, at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed, by a majority consisting of not less than three-fourths of the Unitholders voting thereat.

BOARD OF DIRECTORS

The Board of Directors ("Board") of QCM is responsible for the overall management and the corporate governance of QCT, including establishing goals for management and monitoring the achievements of these goals. The Board is committed to the implementation and maintenance of good corporate governance practices including the observation of recommendations of the Code. The Board provides leadership to the Manager, sets strategic directions and oversees competent management of QCT.

Each Director must act honestly, with due care and diligence, and in the best interest of the Unitholders. The Board ensures that proper and effective controls are in place to assess and manage business risk, and compliance with applicable laws. It also sets the disclosure and transparency standards for the Manager and QCT and ensure that obligations to the Unitholders are understood and met. The Manager has adopted guidelines, details of which are set out below for Related Party Transactions, dealings with related parties and dealings with conflict of interest.

All Board members participate in matters relating to corporate governance, business operations, risk management and financial performance. The Board has established a framework for management of the Manager and QCT, including a system of internal controls and business risk management process.

The Board meets regularly to discuss and review the Manager's key activities including its business strategies and policies for QCT. The Board meetings are scheduled in advance, and are held at least once every quarter, to deliberate on business strategies and policies of QCT, including any significant acquisitions and disposals, review and approve the annual budget, review the performance of the business, review the financial performance of the Manager and QCT and approve the release of the quarterly and full year results. The Board also reviews the risks to the assets of QCT, and acts upon comments from the auditors of QCT, if any. Additional Board meetings are held, when necessary, to address any significant transactions or issues that may arise.

The Board is supported by an Audit Committee and Corporate Disclosure Committee that provide independent supervision of the management of QCT. The Board is also assisted by an Executive Committee ("EXCO") on the operational and administrative matters of the Manager and QCT. The Board has also set up a Performance and Governance Committee to assess the effectiveness of the Board as a whole and the contribution of each individual director. The compositions of each committee are disclosed below.

The Board has adopted a set of internal controls which sets out the approval limits for capital expenditure, investments and divestments, bank borrowings and cheque signatories' arrangements. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to Board Committees. Appropriate delegation of authority is also provided at management level to facilitate operational efficiency.

The Board sets broad policies and strategic directions and ensures competent management of QCT. The Board also ensures compliance with applicable laws. Board members have a duty to act in good faith, with due diligence and care in the best interests of QCT and its Unitholders. An effective Board is able to provide firm support to management at all times and steer QCT in the right direction.

For the financial year ended 31 December 2014, the Board has met for a total of six (6) times. The frequency of meetings and the attendance of each Director at every Board and Board Committee meetings held in the year 2014 are disclosed below.

ACCOUNTABILITY AND ACCESS TO INFORMATION

The management provides the Directors with complete and adequate information in a timely manner. This is done through regular updates on financial results, market trends and business developments. Changes to regulations and accounting standards are monitored closely. To keep pace with regulatory changes, where these changes have an important and significant bearing on QCT and its disclosure obligations, the Directors are briefed by the management either during Board meetings, at specifically convened sessions or via circulation of Board papers.

The management also prepares management accounts on a monthly basis to keep abreast of QCT's financial performance, position and prospects. Information includes explanatory background relating to budgets, forecasts and management accounts. In relation to budgets, any material variance between projections and actual results are disclosed and explained.

The Manager has complied with the applicable Main Market Listing Requirements on quarterly financial reporting since inception. It also provides the Directors with management accounts on a quarterly basis.

The company secretary ("Secretary") works together with the Chairman and the management to ensure that Board and/or Board Committee papers and agenda are provided to each Director ahead of meetings of Board and/or Board Committee so that they can familiarize themselves with the matters prior to the meetings. Senior executives who can provide additional insights into matters to be discussed are requested to attend the meetings to answer any questions. Meetings are usually half-a-day affairs and include presentations by senior executives, and when necessary, presentations by external consultants and experts on strategic issues relating to specific business areas.

The Board has separate and independent access to the Manager's senior management and the Secretary, and vice versa. The Secretary renders necessary assistance to the Board, and ensures meeting procedures are followed and the applicable laws and regulations are complied with. Under the direction of the Chairman, the Secretary's responsibilities include ensuring good information flows within the Board and its Committees and between senior management and non-executive Directors as well as facilitating orientation and assisting with professional development as required. The Secretary attends Board meetings and Board Committee meetings to take minutes.

The Board will take independent professional advice when it deems necessary for the proper and efficient discharge of its responsibilities. The Secretary will assist the Board in obtaining such advice upon request. The Secretary also attends to corporate secretarial administrative matters and attends all Board and Board Committee meetings.

BOARD COMPOSITION AND BALANCE

Presently, the Board consists of seven (7) members and one (1) alternate member. Two (2) of the members are independent non-executive Directors. One (1) of the independent non-executive Director passed away on 11 July 2014 and the Board is in the process of identifying a suitable candidate to be appointed as independent non-executive Director.

The Board comprises business leaders and financial professionals with fund management, property, banking and finance backgrounds. The profiles of the Directors are set out in the Annual Report. The Board is of the view that its current composition comprises persons who, as a group, provides the necessary core competencies and that the current Board size appropriate and effective, taking into consideration the nature and scope of QCT's operations.

The composition of the Board is determined using the following principles:-

- The Board should comprise Directors with a broad range of commercial experience, including expertise in fund management, the property industry and the banking fields; and

- At least one-third of the Board should comprise of independent Directors.

The Board performs the function that a nominating committee would otherwise perform, namely, it administers nominations to the Board, reviews the structure, size and composition of the Board, and reviews the independence of Board members. Renewal or replacement of Board members do not necessarily reflect their contributions to date, but may be driven by the need to position and shape the Board in line with the medium-term needs of QCT and its business. The composition of the Board is reviewed regularly to ensure that an appropriate mix of expertise, experience and knowledge in business, finance and management skills critical to QCT's business is present in the composition of the Board.

A Director who is independent of management (or the controlling or significant shareholder(s) of the said management company) and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interests of QCT, is considered to be independent. The majority of the Board members are non-executive. From the outset, it has ensured that each Director's special contributions bring to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

Newly appointed Directors are given briefings by the management on the business activities of QCT, its strategic directions and policies and the regulatory environment in which QCT operates. Directors are also informed of their statutory and other duties and responsibilities as well as policies and procedures relating to the corporate conduct and governance including the disclosure of interests, prohibitions on dealings in QCT's units and restrictions on the disclosure of price-sensitive information. Directors are routinely updated on developments and changes in the operating environment, including revisions to accounting standards, and laws and regulations affecting the Manager and/or QCT. Directors are also encouraged to participate in industry conferences, seminars or any training programme in connection with their duties.

BOARD PERFORMANCE

The Manager believes that Board performance and that of individual Board members is reflected and evidenced by proper guidance, diligent oversight and able leadership, and the support that it lends to the management to steer QCT in the appropriate direction, and the long-term performance of QCT under favourable or challenging market conditions. Contributions by an individual Board member take in many forms including providing objective perspective of issues, facilitating business opportunities and strategic relationships and accessibility to management outside of a formal environment of Board and/or Board Committee meetings. The non-executive Directors actively participate in setting and developing strategies and goals for management, and reviewing and assessing management performance. This enables the management to benefit from their external and objective perspective on issues that are brought forward before the Board. It also enables the Board to interact and work with the management through a healthy exchange of ideas and views to help shape the strategic process. This, together with a clear separation of the roles of the Chairman and the Chief Executive Officer, provides a healthy professional relationship between the Board and management with clarity of roles and robust deliberation on the business activities of QCT.

Ultimately, the interest of QCT will be safeguarded and reflected by maximization of Unitholders' value.

BOARD PERFORMANCE EVALUATION

The Board has put in place a process for assessing the effectiveness of the Board as a whole and the contribution of each individual Director. The performance evaluation of the Board and individual directors takes place on an annual basis since year 2012, with the aim of improving individual contributions and the effectiveness of the Board. This annual process is carried out by the Performance and Governance Committee, comprising two (2) members all of whom are non-executive and are also independent Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive Officer are separate and the positions are held by two different persons. The Chairman, Dato' Mohammed Hussein is a non-independent non-executive Director while Ms. Yong Su-Lin is the Interim Chief Executive Officer. This is to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The division of responsibilities between the Chairman and the Chief Executive Officer facilitates effective oversight and a clear segregation of duties.

The Chairman leads the Board to ensure the effectiveness on all aspects of its role and sets its agenda. He ensures that the members of the Board receive accurate, clear and timely information, facilitates the contribution of non-executive Directors, and encourages constructive relations between executive Directors, non-executive Directors and management.

The Chairman ensures that the members of the Board work together with the management with integrity, competency and moral authority and engages the management in constructive debate on strategy, business operations and enterprise risks. The Chief Executive Officer has full executive responsibilities over the business directions and operational decisions of managing QCT.

Pursuant to Recommendation 3.5 of the Code, the board must comprise a majority of independent directors where the chairman of the board is not an independent director. The Board is of the view that the Chairman is not an independent director as the Chairman is also a board member of one of the major Unitholders. Nonetheless, the Board believes that the interests of the Unitholders are best served by a Chairman who is sanctioned by the Unitholders and who will act in the best interests of the Unitholders as a whole. Notwithstanding that Recommendation 3.5 of the Code is not met, for the past financial years one third of the Board comprised of independent directors and is in compliance with the Main Market Listing Requirements. However, due to the sudden demised of Mr. Yap Kim Swee as independent non-executive director on 11 July 2014, the Board currently does not satisfy the requirement of one third independent directors pursuant to the Main Market Listing Requirements. The Board is in the process of identifying a suitable candidate to be appointed as independent non-executive director.

DIRECTORS' FEES

Directors' fees are paid by the Manager and not QCT. Directors' fees for the year ended 31 December 2014 are shown in the table below:-

Board Members	FY 2014 Director's Fees	FY 2013 Director's Fees
Dato' Mohammed Hussein	RM 70,000	RM 70,000
Dato' Dr. Low Moi Ing, J.P.	RM 55,000	RM 55,000
Dato' Michael Ong Leng Chun	RM 48,000	RM 48,000
Wen Khai Meng [(1)]	RM 48,000	RM 48,000
Chong Lit Cheong [(1)]	RM 40,000	RM 40,000
Datuk Dr. Mohamed Arif Bin Nun	RM 55,000	RM 55,000
Yap Kim Swee [(2)]	RM 34,013.70	RM 65,000
Aw Hong Boo *(alternate to Dato' Dr. Low Moi Ing, J.P.)*	Nil	Nil
Foong Soo Hah [(3)]	RM 55,000	RM 39,931.50

(1) Fees to these Directors are paid directly to CapitaLand Financial Limited (200308451M) ("CFL").
(2) Mr. Yap Kim Swee passed away on 11 July 2014.
(3) Mr. Foong Soo Hah was appointed as Director with effect from 11 April 2013.

In addition to Directors' fees, the Directors are also paid an allowance for attending meetings.

BOARD AND COMMITTEES' MEETING ATTENDANCE

The meeting attendance of Directors for the year ended 31 December 2014 in relation to QCT is shown in the table below:-

Board Members	Board Meetings No. of meetings held: 6	EXCO Meetings No. of meetings held: 4	Audit Committee Meetings No. of meetings held: 4	Performance & Governance Committee Meetings No. of meetings held: 1
Dato' Mohammed Hussein	6	-	-	-
Dato' Dr. Low Moi Ing, J.P.	5	-	4	-
Dato' Michael Ong Leng Chun	6	4	-	-
Wen Khai Meng	6	4	-	-
Chong Lit Cheong	6	4	-	-
Datuk Dr. Mohamed Arif Bin Nun	6	-	4	1
Yap Kim Swee*	3	-	2	0
Aw Hong Boo *(alternate to Dato' Dr. Jennifer Low, J.P.)*	6	-	-	-
Foong Soo Hah	6	-	4	1

* *Mr. Yap Kim Swee passed away on 11 July 2014.*

DIRECTORS' TRAINING

During the financial year under review, the Directors had attended various conferences and programmes to enhance their knowledge and expertise and to keep abreast with the relevant changes in law, regulations and the business environment. In this regard, the Board will continue to evaluate and determine the training needs of its Directors on an ongoing basis.

The training programmes, conferences and seminars attended by the Directors during the financial year ended 2014 were, inter alia, on areas relating to real estates, corporate leadership and governance, professional development, risk management, financial and tax issues, details of which are listed below:-

No.	Topic	Date
1.	Breakfast Talk: Impact of QE Easing on Asia Real Estate	15 Jan 2014
2.	MND-CLC Lecture Services: Urban Transformation of Singapore	21 Jan 2014
3.	PNB Nominee Directors' Convention 2014 – Managing Stakeholders' Expectation in the Fast Changing Business Trends Towards Value Creation	18 Feb 2014
4.	New Retirement Realities	22 Feb 2014

No.	Topic	Date
5.	International Forex and Money Market Update	24 Feb 2014
6.	Effective Fixed Income Portfolio Management	4 Mar 2014
7.	2014 Audit Committee Conference: Stepping Up For Better Governance	20 Mar 2014
8.	Estate Planning Case Studies for the High Net Worth	22 Mar 2014
9.	Fraud & Creative Accounting: Lessons from Cases	15 Apr 2014
10	Market Rigging & Insider Trading Movement Through Moving Average & Probes	2 May 2014
11.	CapitaLand Leadership Seminar: Innovation, A Survival Issue	6 May 2014
12.	Mindset Change Seminar	27 May 2014
13.	Chairman/CEO Leadership Seminar: In Conversion with Mr Lim Siong Guan, Group President, GIC	30 May 2014
14.	World Cities Summit 2014	1 - 4 Jun 2014
15.	Green Building Forum (GBF) 2014	26 Jun 2014
16.	Kuala Lumpur Design Forum (KLDF) 2014	26 Jun 2014
17.	Latest Development in Islamic Banking	11 Aug 2014
18.	Enhancing Internal Audit Practice	13 Aug 2014
19.	"Why Do Governments Find Strategy So Difficult?" – By Professor Sir Lawrence Freedman, King's College London	10 Sept 2014
20.	Australian Institute of Architects Gold Medalist Talk in KL	30 Sept 2014
21.	Risk Management & Internal Control Workshop for Audit Committee Members	14 Oct 2014
22.	Asia-Singapore Infrastructure Roundtable	29 Oct 2014
23.	MIA International Accountants Conference 2014: Powering the Economy, Leading with Dynamism	4 - 5 Nov 2014
24.	PAM Housing and Professional Practice Forum 2014	10 Dec 2014

BOARD COMMITTEES

The Board has established the following committees to assist in the discharge of its duties.

(A) Executive Committee

The Executive Committee ("EXCO") operates under the delegated authority from the Board. Currently, the members of the EXCO are Mr. Wen Khai Meng (Chairman), Dato' Michael Ong Leng Chun and Mr. Chong Lit Cheong.

The EXCO oversees the day-to-day activities of the Manager on behalf of the Board which includes:-

- Approving or making recommendations to the Board on new investments, acquisitions, financing offers and banking facilities;
- Approving or making recommendations to the Board on divestments and write-off of property assets/equity stakes;
- Approving specific budgets for capital expenditure for development projects, acquisitions and enhancements/upgrading of properties;
- Reviewing of management reports and operating budgets;
- Awarding contracts for development and enhancement/upgrading projects;
- Appointing consultants and/or agents for acquisitions or divestments;

- Reporting to the Board on decisions made by the EXCO; and
- Such other functions as delegated by the Board.

During the year ended 31 December 2014, the EXCO has met formally for a total of four (4) times. However, there were several informal meetings held between the members of the committee. The frequency of meetings and the attendance of each of the members of the EXCO held in the year 2014 are disclosed above.

(B) Audit Committee

An Audit Committee has been established by the Board and comprises four (4) members, all of whom are non-executive Directors, the majority of whom are independent Directors. The Manager is of the view that the Audit Committee members have the relevant expertise to discharge the functions of an Audit Committee.

The composition of the Audit Committee is as follows:-

Yap Kim Swee (Chairman)*
Datuk Dr. Mohamed Arif Bin Nun
Dato' Dr. Low Moi Ing, J.P.
Foong Soo Hah

* *Mr. Yap Kim Swee passed away on 11 July 2014. In his absence and prior to the appointment of a new Audit Committee Chairman, a member of the Audit Committee will be elected to chair the Audit Committee meetings.*

The role of the Audit Committee is to monitor and evaluate the effectiveness of QCT's internal controls and financial management.

The Audit Committee has a set of terms of reference defining its scope of authority which includes, in relation to its management of QCT:-

- Reviewing audit plans and scope of audit examination of the external auditors and approve the audit plan of the internal auditor;
- Evaluating the overall effectiveness of both the internal and external audits through regular meetings with each group of auditors;
- Reviewing the adequacy of the scope, functions, competency of the internal audit function and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- Determining that no restrictions are being placed by the management upon the works of the internal and external auditors;
- Convene meetings with external auditors, internal auditors, or both excluding the attendance of the other directors and management/employees of QCM (where necessary);
- Monitoring and evaluating the adequacy and effectiveness of the internal control systems by reviewing written reports from the internal and external auditors, to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management;
- Reviewing with the external auditors the impact of any new or proposed changes in accounting principles or regulatory requirements on the financial statements of QCT;
- Reviewing the quality and reliability of information prepared for inclusion in the annual and interim financial statements and announcements and the audit report before recommending the same to the Board for approval;

- Monitoring the procedures established to ensure compliance with applicable legislations, the Main Market Listing Requirements and the SC REIT Guidelines;

- Discussing with external auditors on any suspected fraud or irregularity or suspected infringement of any applicable laws, rules and regulations of Malaysia, which has or is likely to have a material impact on the operating results or financial position of the Manager or QCT;

- Reviewing the appointment and reappointment of external auditors before making recommendation to the Board for approval and reviewing the adequacy of existing audits in respect of cost, scope and performance;

- Monitoring the procedures established to regulate related party transactions, including ensuring compliance with the applicable provisions of the Main Market Listing Requirements and the SC REIT Guidelines relating to related party transactions; and

- Reviewing related party transactions periodically, if any, to ensure compliance with QCT's internal control system and with the relevant provisions in the Main Market Listing Requirements and SC REIT Guidelines. The review shall include the examination of the nature of the transactions and that they are on normal commercial terms and not prejudicial to the interest of QCT or its Unitholders.

The Audit Committee is authorised to investigate any matters within its terms of reference. It is entitled to full access to and co-operation of the management and the internal auditor and enjoys full discretion to invite any Director or executive officer of the Manager to attend its meetings. The internal auditor and external auditor have unrestricted access to the Audit Committee. The Audit Committee has full access to reasonable resources to enable it to discharge its functions properly.

The Audit Committee also meets QCT's external auditor and internal auditor, without the presence of management at least once annually. QCT's external auditor carries out, in the course of its annual audit, a review on the effectiveness of the Manager's material internal controls, including financial, operational and compliance controls and risk management to the extent of the scope of audit as set out in its audit plan. Material non-compliances and internal control weaknesses noted during the audit and auditor's recommendations to address such non-compliances and weaknesses are reported to the Audit Committee. Management follows up and implements QCT's external auditor's recommendation.

In its review of the audited financial statements for the financial year ended 31 December 2014, and based on its discussions with the management and where required, in consultation with the external auditors, the Audit Committee is of the view that the financial statements are fairly presented, and conform to generally accepted accounting principles in all material aspects.

For all non-audit services, if any, provided by the external auditors, the Audit Committee conducts a review to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

The Audit Committee also review arrangements by which employees of the Manager may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. Pursuant to this, the Audit Committee has reviewed and is satisfied with the Whistle-Blowing Policy introduced by the management where employees may raise improprieties to the Audit Committee Chairman in good faith, with the confidence that employees making such reports will be treated fairly and be protected from reprisal. The Audit Committee confirms that no reports have been received under the Whistle Blowing Policy thus far.

For the financial year ended 31 December 2014, the Audit Committee has met for a total of four (4) times. The frequency of meetings and the attendance of each of the members of the Audit Committee held in the year 2014 are disclosed above.

(C) Corporate Disclosure Committee

The Corporate Disclosure Committee operates under the delegated authority of the Board. The committee assists the Board to review corporate disclosure matters relating to QCT and approve all announcements to Bursa Malaysia and/or press releases and pursues best practices in terms of transparency. Currently, the members of the committee are Dato' Michael Ong Leng Chun and Mr. Wen Khai Meng.

(D) Performance and Governance Committee

The Performance and Governance Committee comprises two (2) members, all of whom are non-executive and independent Directors. The members of the committee are Datuk Dr. Mohamed Arif Bin Nun and Mr. Foong Soo Hah. The committee carries out performance evaluation on an annual basis to assess the effectiveness of the Board as a whole and the contribution of each individual Director. The committee's key objective is to ensure that the Board comprises individuals with the requisite skills, knowledge and experience to ensure that the Board is effective in discharging its responsibilities and continues to be capable of providing the high level performance required.

For the financial year ended 31 December 2014, the Performance and Governance Committee has assessed the current Board's performance and is of the view that the performance of the Board as a whole was satisfactory.

INTERNAL CONTROLS

(A) Internal Audit

The Manager has put in place a system of internal control procedures and processes to safeguard the assets of QCT, interests of Unitholders as well as to manage risk.

The Manager has in place an internal audit function which is outsourced to BDO Governance. The principal role of the internal audit function is to conduct regular reviews on the system of internal control of QCM in respect of its role as the Manager of QCT, and report on the effectiveness and efficiency of the management, operations, risk management and internal controls. The reviews are conducted based on an internal audit plan as approved by the Audit Committee.

The scope of audit function by BDO Governance entailed the following:-

(i) preparation of annual internal audit plan for the financial year;

(ii) conducting internal control review ("ICR") for the financial year, preparation of report of findings, obtaining management's action plans for the findings and presentation of the findings to the Audit Committee during its meeting;

(iii) conducting follow up review to report on the status of implementation of management action plans arising from the ICR; and

(iv) reviewing of related party transactions and presentation of findings of the review to the Audit Committee.

The BDO Governance reports directly to the Audit Committee of its findings and when required, they undertake investigations as directed by the Audit Committee. Any findings and recommendations arising from the ICR will be tabled to the Audit Committee at its meeting. The internal audit function performed by BDO Governance is independent from the management and in performing their role of internal audit function, BDO Governance have access to QCM's personnel, premises, documents, records, information and are authorized to obtain such information and explanations which BDO Governance consider necessary to fulfill and in discharging its responsibilities.

The cost incurred for the internal audit function for the financial year ended 31 December 2014 is RM34,000 (excluding service tax and disbursements) and is borne by the Manager.

The Audit Committee reviews the internal audit reports and activities on an on-going basis. The Audit Committee also reviews and approves the annual internal audit plan with respect to QCT. The Audit Committee is of the view that the internal audit team is adequately resourced to perform its functions and has, to the best of its ability, maintained its independence from the activities that it audits.

The Board is satisfied that the Manager's internal controls are adequate based on the reports of BDO Governance.

(B) Dealings with Related Parties

In general, the Manager has established internal control procedures to ensure that related party transactions are undertaken in compliance with the SC REIT Guidelines, the Trust Deed and the Main Market Listing Requirements and such transactions are carried out on arm's length basis based on normal commercial terms. The Manager has adopted a set of approval/authority limits when dealing with related parties as follows:

a. transactions (involving the same related party during the same financial year) equal to or exceeding RM250,000 but below 0.25% of the value of the net tangible assets ("NTA") will be subject to review by the Audit Committee at regular intervals; and

b. transactions equal to or exceeding 0.25% of the NTA will be subject to review and approval of the Audit Committee.

In respect of such transactions, the Manager would have to demonstrate to the Audit Committee that the transactions are undertaken on normal commercial terms, which may include (where applicable) obtaining quotations from parties unrelated to the Manager, or obtaining a valuation from an independent valuer.

All related party transactions are subject to regular review by the Audit Committee. The Audit Committee periodically reviews, together with the management, related party transactions to ensure compliance with the internal control procedures established and the relevant provisions of the SC REIT Guidelines, the Trust Deed and the Main Market Listing Requirements.

In dealing with any related party transactions, it is the Manager's policy that all related party transactions carried out by or on behalf of QCT should be:

a) carried out at arm's length basis and on normal commercial terms;

b) in the best interests of the Unitholders of QCT;

c) adequately disclosed to the Unitholders of QCT;

d) in relation to a real estate transaction:-

(i) consented by the Trustee;

(ii) consistent with the investment objective and strategy of QCT; and

(iii) transacted at a price that is equivalent to the value assessed in the valuation report.

Acquisition/disposal may be transacted at a price other than as per the valuation report Provided That (a) the acquisition price is not more than 110% of the value assessed in the valuation report; (b) the disposal price is not less than 90% of the value assessed in the valuation report; and (c) the Trustee provide a written confirmation that the transaction is based on normal commercial terms, at arm's length, and not prejudicial to the Unitholders' interest.

The Manager and Trustee must ensure that the prior approval of the Unitholders by way of an ordinary resolution is obtained where the transaction value with related parties under paragraph (d) above is equal to or greater than 5% of the total asset value of QCT (after acquisition). Where the transaction value does not exceed 5% of the total asset value of QCT (after acquisition), the Trustee must provide a written confirmation that the transaction is based on normal commercial terms, at arm's length, and not prejudicial to the Unitholders' interest.

(C) Role of the Audit Committee for Related Party Transactions

The Manager's internal control procedures are intended to ensure that related party transactions are conducted at arm's length based on normal commercial terms, and are not prejudicial to the Unitholders' interests. The Manager maintains a record of any related party transactions entered into by QCT. The Manager incorporates into its internal audit plan, a review of all related party transactions entered into by QCT and the Audit Committee reviews the internal audit reports to ensure that the guidelines and procedures established to monitor related party transactions have been complied with. In addition, the Audit Committee periodically reviews, together with the management, related party transactions to ensure compliance with the internal control procedures and the relevant provisions of the SC REIT Guidelines, the Trust Deed and the Main Market Listing Requirements. The review includes the examination of the nature of the transaction and the supporting documents, or such other data deemed necessary by the Audit Committee.

If a member of the Audit Committee has an interest in a transaction, he is to abstain from participating in the review and the recommendation process in relation to that transaction.

The related party transactions for the financial year ended 31 December 2014 are as disclosed in Note 30 of the Notes to the financial statements for the year ended 31 December 2014.

(D) Dealings with Conflict of Interest

The Trust Deed provides that the Manager, the Trustee and any delegate of either of them shall avoid any conflict of interest and if conflict arises, shall ensure that QCT is not disadvantaged by the transactions concerned.

In order to deal with any conflict of interest situations that may arise, the Manager's policy is that any related party transaction, dealing, investment and appointment carried out for and on behalf of QCT are to be executed on terms that are best available to QCT and which are no less favourable to QCT than on arm's length transactions between independent parties.

The Manager may not act as principal in the sale and purchase of real estate, securities and any other assets to and from QCT. Acting as principal includes a reference to:-

a) dealing in or entering into a transaction on behalf of a person associated with the Manager;

b) acting on behalf of a corporation in which the Manager has a controlling interest; or

c) the Manager acting on behalf of a corporation in which the Manager's interest and the interests of its directors together constitute a controlling interest.

The following procedures have been established to deal with potential conflict of interest which the Manager (including its Directors and employees) may encounter in managing QCT:-

- the Manager is a dedicated manager to QCT and will not manage any other REIT which invests in the same types of properties as QCT, or be involved in any other real property business;
- at least one-third of the Board shall comprise of independent Directors; and
- all resolutions at meetings of the Board in relation to matters concerning QCT must be decided by a majority vote of the Directors.

The Directors of the Manager are under a fiduciary duty to QCT to act in its best interests in relation to decisions affecting QCT when they are voting as members of the Board. In addition, the Directors and executive officers of the Manager are expected to act with integrity and honesty at all times. To avoid situation of conflict of interest at Board level, those Directors interested or deemed interested are required to abstain from voting.

(E) Risk Assessment and Management of Business Risk

Effective risk management is a fundamental part of the Manager's business strategy in order to mitigate any potential loss of value of the Unitholders' investment in QCT. The Manager places strong emphasis on risk management as evidenced by the risk management framework that has been set up under an Operation Manual. This provides a structured context for the personnel to undertake a review of the past performance, and to profile the current and future risks facing their area of responsibility.

The Manager operates strictly within overall guidelines and specific parameters set by the Board. Each transaction is comprehensively analysed for an understanding of the risk involved and appropriate controls and measures are put in place before the Manager proceeds to execute these transactions. The Board has determined that significant risk for QCT will most likely arise when making property investment decisions. In accordance with this policy, the Board requires comprehensive due diligence to be carried out and the management conducts due diligence in relation to any proposed property investment and third party consultants with the requisite specialised knowledge are also engaged to assist in due diligence exercises when necessary. The Board also requires that each major investment proposal submitted for decision includes a detailed risk assessment, including where appropriate, sensitivity analysis and management's proposed risk mitigation or control strategies.

The Board generally meets every quarter or more often if necessary, to review the financial performance of the Manager and QCT against the approved budget. The Board also reviews the risks to the assets of QCT and acts upon any comments by the auditors of QCT. In assessing business risk, the Board considers the economic environment and the property industry risk. The Board and its EXCO review and approve all investment decisions. The management meets regularly to review the operations of the Manager and QCT and to discuss continuous disclosure issues. The management is required to ensure that appropriate controls are in place to effectively manage those risks, and such risks and controls are monitored by the Board on a regular basis.

(F) Whistle-Blowing Policy

The Audit Committee has put in place procedures to provide employees of the Manager with well defined and accessible channels to report on suspected fraud, corruption, dishonest practices or other similar matters relating to QCT and the Manager, and for the independent investigation of any reports by employees and appropriate follow up action. The aim of the whistle-blowing policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly, and to the extent possible be protected from reprisal. The whistle-blowing policy is established to promote fraud awareness. The Audit Committee confirms that no reports have been received under the Whistle Blowing Policy thus far.

COMMUNICATION WITH UNITHOLDERS

The Main Market Listing Requirements require that a listed entity discloses to the market any information considered material, if it is reasonably expected to have a material effect on the price, value or market activity of any listed issuer's securities. In line with the disclosure obligations of QCT, the Board adopts a policy to inform its Unitholders in a timely manner of all major developments in its business that impact QCT. During the year under review, a continuous disclosure process was in place to ensure compliance with such obligations and was constantly adhered to.

The Manager believes in engaging the Unitholders by having a regular, effective, unbiased and transparent communication. Communication channels with Unitholders include:-

a) annual report;

b) various disclosure and announcements to Bursa Malaysia;

c) analysts and media briefings;

d) one-on-one/group investor meetings and conference calls;

e) local and overseas roadshows and conferences;

f) press releases on major developments of QCT; and

g) QCT website at www.qct.com.my

With majority of Units held by institutional investors, the Manager considers meeting with local and foreign fund managers as an integral part of investor relations. During the year under review, the Manager met with institutional and retail investors from Malaysia, Singapore and Hong Kong. These meetings with investors enabled the Manager to update potential and current Unitholders on QCT's significant developments. The Manager will continue to pursue opportunities to educate and keep retail investors informed of the latest developments in the REIT industry, through seminars and/or roadshows organised by Bursa Malaysia, the Securities Commission and the Malaysian REIT Managers Association ("MRMA").

During the year, the Manager held several meetings with investment analysts. Corporate presentations are also posted on the Bursa Malaysia's website and investors can have access to the presentations by downloading from the website.

Unitholders and potential stakeholders have 24-hours access to QCT's website for information on QCT's major developments, property descriptions, announcements and other corporate information. In addition, the public can pose questions via a dedicated "Ask Us" email address, and have their queries addressed accordingly. Also available on the website is an archive of QCT's announcements, press releases, annual reports and operational details. The latest information is posted on the website as soon as it is released to Bursa Malaysia and the media.

TRADING IN QCT UNITS

The Manager adopts best practices and issues guidelines to its Directors and employees which prohibit dealings in QCT's Units while in possession of material unpublished price-sensitive information. Under these guidelines, the Directors and employees of the Manager are prohibited from dealing in QCT's Units during the period commencing on and from one month prior to the targeted date of announcement of QCT's quarterly results to Bursa Malaysia, up to one full market day after the announcement of QCT's quarterly results. If any of such affected persons deal in QCT's Units during such closed period, they are required to comply with the conditions as set out in Paragraph 14.08 of the Main Market Listing Requirements. They are also made aware of the applicability of the insider trading laws at all times.

STATEMENT ON RISK MANAGEMENT AND **INTERNAL CONTROL**

The Board of Directors ("Board") of Quill Capita Management Sdn Bhd ("QCM" or "the Manager"), as the manager of Quill Capita Trust ("QCT"), has voluntarily adopted the relevant corporate governance disclosure under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Main Market Listing Requirements") although it is not compulsory for QCT, being a real estate investment trust, to comply with such requirements under the Main Market Listing Requirements. In addition, the Board also observes the provisions of the Malaysian Code on Corporate Governance 2012 issued by the Securities Commission ("SC"). The corporate governance framework established within the structure of QCT includes the adoption of an Internal Audit function where BDO Governance Advisory Sdn Bhd ("BDO Governance") (Company no: 434278K) was appointed by the Manager to carry out such function of internal audit services on the operations of the Manager. In addition, this Statement on Risk Management and Internal Control is also a voluntary disclosure on the part of the Board in subscribing to a good corporate governance disclosure. Further information on QCT's corporate governance framework is also set out on page 35. These efforts are all part of the Board's recognition that a strong corporate governance framework is important. The Board also recognises that an effective corporate governance culture is critical to the Manager's performance and consequently to the success of QCT. The Board is committed to maintain a sound system of internal control with a view to safeguard the interest of the Unitholders, its investment and QCT's assets and to provide the following statement, which outline the nature and scope of internal control of the Manager during the financial year ended 31 December 2014.

BOARD RESPONSIBILITY

In discharging the Board's principal responsibilities, the Board assumes the responsibility for the Manager's system of internal control and risk management. The Board is responsible for the adequacy and integrity of the system of internal control and risk management. It is an essential part of the Board's responsibilities to identify principal risks and ensuring that there are appropriate systems and policies in place to manage these risks; and reviewing the adequacy and integrity of these internal control system and policies. However, the Board acknowledged that this system of internal control is designed to manage rather than eliminate the risk of failure to achieve the policies and business objectives of QCT. It therefore can only provide reasonable and not absolute assurance against material misstatements, losses or fraud.

The Board has established policies and processes for identifying principal risks when making property investment decisions by QCT in order to mitigate any potential loss of value of Unitholders' investment in QCT. The Board also considers the changes during the period under review, in particular the business and economic environment and the property industry risk to ensure that there are policies and processes appropriate to manage any potential risk when making property investment decisions and to consider QCT's ability to respond to such changes.

The Board defines the processes to be adopted for its review of the adequacy and integrity of internal control. This includes both the scope and frequency of the reports it receives and reviews during the year and for such reports to be accompanied and supported with sound and appropriately assessed documents. The Board's assessment of the adequacy and integrity of QCT's system of internal control includes identifying any significant failings or weaknesses in internal control and whether necessary actions are being taken promptly to remedy any such significant failings or weakness. Our Interim Chief Executive Officer and Vice President, Finance & Compliance have also provided the Board an assurance that QCT's risk management and internal control system is operating adequately and effectively, in all material aspect, based on the risk management and internal control system of QCT.

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

The key processes that have been established in reviewing the adequacy and integrity of the on-going system of internal control include the following:

(a) The Manager has in place an internal audit function which is outsourced to BDO Governance who reports directly to the Audit Committee of its findings and is independent from the management. The principle role of the internal audit function is to conduct regular reviews on the system of internal control of QCT, and report on the effectiveness and efficiency of the operations, risk management and internal control, highlighting to the Audit Committee significant findings in respect of non-compliances, if any. Further detail is as set out on page 44;

The internal audit review undertaken by BDO Governance for the financial year 2014 and the findings arising from the review reported to the Audit Committee include the following:

(i) internal control review ("ICR") of the policies and procedures on the tenancy management to collection of rentals; and

(ii) review of related party transactions for the financial year 2014 for compliance with established internal policies and procedures and applicable provisions of the Main Market Listing Requirements and the Guidelines on Real Estate Investment Trusts issued by the SC ("SC REIT Guidelines") relating to related party transactions;

and when required, they undertake investigations as directed by the Audit Committee. All findings and recommendations arising from the ICR for financial year 2014 were tabled to the Audit Committee and the reviews were conducted based on an internal audit plan approved by the Audit Committee.

The cost incurred for the internal audit function in respect of the financial year 2014 is RM34,000 (excluding service tax and disbursements) and is borne by the Manager.

The Board is satisfied that the current system of internal control and risk management for the Manager is adequate based on the reports from BDO Governance;

(b) The Audit Committee reviews, monitors and evaluates the effectiveness and adequacy of QCT's internal control, financial and risk management issues raised by the external and internal auditors, regulatory authorities and management. The review includes reviewing written reports from the internal and external auditors, to ensure that where deficiencies in internal control have been identified, appropriate and prompt remedial action is taken by the management. The Audit Committee also convenes meetings with external auditors, internal auditors, or both excluding the attendance of the other directors and management/employees of the Manager (where necessary). The Audit Committee also reviews the adequacy of the scope, functions and competency of the internal audit function. The Audit Committee also reviews and evaluates the procedures established to ensure compliance with applicable legislations, the SC REIT Guidelines and the Main Market Listing Requirements. Further details of the activities undertaken by the Audit Committee are set out on page 42;

(c) At the beginning of every financial year, the Board reviews and approves the yearly budget and yearly asset enhancement works prepared by the management. The yearly budget which amongst others will entail revenue to be generated by QCT and operating expenses, trust expenses and capital expenditure to be incurred by QCT. The management prepares management report on a quarterly basis to update and explain any major variation to the Board on QCT's financial results against the yearly budget approved by the Board at the beginning of the financial year, the status of major asset enhancement works carried out on the properties that has been approved by the Board, the status of expiry/renewal of tenancies/leases and other operational matters;

(d) A risk management framework that provides a structure and framework under an Operation Manual in managing and assessing risk which includes amongst others, policies and procedures for the acquisition of property, financial and operational reporting, continuing listing and compliance obligations. The Operation Manual is subject to periodic review and provides a structured context for the Manager and personnel to undertake a review of the past performance and to profile the current and future risks facing their area of responsibility;

(e) There is a set of internal control system which sets out the approval/authority limits imposed on executive directors and management for operating and capital expenditure, investments and divestments, bank borrowings, lease renewals and other operational matters. A set of authorized signatories were also established for cheque signatories' arrangements. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to Board Committees Appropriate delegation of authority is also provided at management level to facilitate operational efficiency. Further, the Board and its committees operate within a clearly defined terms of reference with delegation of responsibilities clearly set out;

(f) Internal control procedures to ensure that related party transactions are undertaken in compliance with the SC REIT Guidelines, the Main Market Listing Requirements and the Trust Deed; and are carried out on arm's length basis and on normal commercial terms, which are in the best interests of the Unitholders of QCT. The Manager incorporates into its annual internal audit plan, a review of all related party transactions. The Audit Committee reviews the internal audit reports to ascertain that the guidelines and procedures established to monitor related party transactions have been complied with. The established procedures are further explained on page 44;

(g) Policies, guidelines and processes for dealing with any potential conflicts of interest. This is explained in further detail on page 46. In order to deal with any potential conflict of interest situations that may arise, the Manager's policy is that any such related party transaction, dealing, investment and appointment carried out for and on behalf of QCT are to be executed on terms that are best available to QCT and which are no less favourable to QCT than on arm's length transactions between independent parties; and

(h) Whistle-blowing policy to provide employees of the Manager with well defined procedures and accessible channels to report on suspected fraud, corruption, dishonest practices or other similar matters relating to QCT and the Manager, and for independent investigation of any reports by employees and appropriate follow up action. The whistle-blowing policy is established to promote fraud awareness and the aim of this policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly, and to the extent possible be protected from reprisal.

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement of Risk Management and Internal Control for inclusion in the annual report for financial year 2014 and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

CONCLUSIONS

The Board is of the view that the risk management and internal control systems are in place for the financial year ended 31 December 2014 under review and up to the date of issuance of the annual report and financial statements is sound and sufficient to safeguard the interest of the Unitholders, its investment and QCT's assets.

STATEMENT ON **DIRECTORS' RESPONSIBILITY**

For Preparing the Annual Audited Financial Statements

In accordance with Paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors ("Directors") of Quill Capita Management Sdn Bhd, is responsible to ensure that the financial statements for the financial year ended 31 December 2014 have been prepared and drawn out in accordance with the applicable Financial Reporting Standards in Malaysia, applicable provisions of the Trust Deed dated 9 October 2006 as amended by the First Supplemental Deed dated 27 August 2007 and Second Supplemental Deed dated 28 May 2013 and the Guidelines on Real Estate Investment Trusts issued by the Securities Commission, so as to give a true and fair view of the financial position of QCT as at 31 December 2014 and of its financial performance and cash flows for the year then ended.

In preparing the financial statements for the financial year ended 31 December 2014, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent; and
- prepared the financial statements on a going concern basis.

The Manager's Report

Quill Capita Management Sdn. Bhd., the Manager of Quill Capita Trust ("QCT"), is pleased to present the Manager's Report on QCT together with the audited financial statements of QCT for the financial year ended 31 December 2014.

QCT, the Manager and their principal activities

QCT was constituted under a Deed dated 9 October 2006 (the "Trust Deed"), by Quill Capita Management Sdn. Bhd. as the manager (the "Manager") and Maybank Trustees Berhad as the trustee (the "Trustee") and a Supplemental Deed dated 27 August 2007 and Second Supplemental Deed dated 28 May 2013, and is categorised as a real estate investment trust. QCT commenced its operations in 2006 and was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 8 January 2007.

The principal activity of QCT involves acquisition of and investment in commercial properties, primarily in Malaysia. The principal activity of each of the special purpose entities of the Group is to facilitate financing for QCT as disclosed in Note 21 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The Manager is a company incorporated in Malaysia. The principal activity of the Manager is to manage real estate investment trust. There has been no significant change in the nature of this activity during the financial year.

Manager's fee and commission

Pursuant to the Trust Deed, the Manager is entitled to receive from QCT:

(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.

The Manager's remuneration is accrued and paid in accordance with the Trust Deed. No fee or commission has been earned by the Manager in managing QCT other than as disclosed in Note 7 to the financial statements.

During the financial year, the Manager did not receive any soft commission (such as goods or services) from its broker, by virtue of transaction conducted by QCT.

Term of Trust

QCT will continue its operations until such time as determined by the Trustee and the Manager as provided under Clause 26 of the Trust Deed.

Investment objective

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 and to achieve long-term growth in the net asset value per unit of QCT.

Investment strategies

The Manager plans to achieve the key investment objectives while seeking additional income growth and enhancement of QCT's property portfolio over time through the strategies as mentioned below:

(a) Acquisition growth and portfolio management strategy

The Manager seeks to selectively acquire additional properties that meet the investment criteria to enhance yields and return while improving portfolio diversification. The acquisition strategy takes into consideration rental yield, occupancy and tenant characteristics, location, value-adding opportunities, and building and facilities specifications.

The Manager intends to hold the properties on a long-term basis. However, at the appropriate time, the Manager will recommend an adjustment of the portfolio mix through acquisition or sale of one or more of the authorised investments or commercial properties with the objective of maximising total returns to unitholders. The proceeds from such sales would be either deployed to purchase other attractive authorised investments or, in the absence of appropriate investments, distributed to unitholders.

(b) Active asset management strategy

The Manager intends to increase the property yield of existing commercial space and correspondingly maximising returns from the existing commercial space by implementing the following:

(i) Maximisation of tenant retention through proactive tenant management and efficient property related services;

(ii) Diversification of tenant base to balance exposure to certain business sectors that are more susceptible to general economic cycles;

(iii) Implementation of proactive marketing plans;

(iv) Continued minimisation of property expenses without compromising on the quality of service; and

(v) Asset enhancement by constantly improving and maintaining the quality and physical condition of the properties in QCT's portfolio.

(c) Capital management strategy

The Manager employs appropriate debt and equity financing policies in financing acquisition and/or asset enhancements, and utilises appropriate hedging strategies to optimise risk adjusted returns to unitholders.

The Manager aims to optimise QCT's capital structure and cost of capital within the borrowing limits set out in the Guidelines on Real Estate Investment Trusts issued by Securities Commission ("SC REIT Guidelines") and intends to use a combination of debt and equity to fund future acquisitions and improvement works. The strategies involve:

(i) Adopting and maintaining an optimal gearing level; and

(ii) Adopting an active interest rate management strategy to manage the risk associated with changes in interest rates,

while maintaining flexibility in QCT's capital structure to meet future investment and/or capital expenditure requirements.

Investment strategies (cont'd)

There were no changes in the strategies adopted during the financial year, which are in line with those as stated in the prospectus dated 11 December 2006.

As these strategies still remain relevant for QCT under the current market conditions, the Manager will continue to adopt them in the coming year.

Investment policies

QCT's investments are subject to the investment limits imposed by the SC REIT Guidelines.

The Manager will continue to comply with the SC REIT Guidelines and other requirements as imposed by the Securities Commission ("SC") from time to time and the Trust Deed.

Performance of QCT

(i) Review of financial results for the financial year ended 31 December 2014

	Actual Financial year ended 31 December 2014 ("FY 2014") RM	Actual Financial year ended 31 December 2013 ("FY 2013") RM
Net property income	53,325,178	53,192,609
Net realised income	34,162,743	34,536,806
Realised earnings per unit ("EPU") (sen)	8.76	8.85
Total distribution relating to the income of the financial year	32,692,978	32,692,978
Distribution per unit ("DPU") (sen)	8.38	8.38

During the FY 2014, QCT achieved net property income of RM53.33 million, which represents marginal increase of 0.3% as compared to the RM53.19 million achieved in FY 2013, mainly due to rental increases in some properties. Finance costs of RM14.05 million were higher by 2.9% due to interest resulting from the RM15 million Commercial Papers ("CPs") drawndown in March 2014, and charging of the related transaction costs to the profit & loss in FY 2014 as the CPs were repaid in September 2014. The finance costs of FY 2013 were also lower due to one-off write back of credit facility costs. The credit balance in tax agent fee was mainly due to write back of over-accrued fee. The credit balance in administrative expenses were lower mainly due to the higher write back of fee and expenses in FY 2013. The realised income of RM34.16 million was lower by 1.1% mainly due to lower interest income, higher finance costs and administrative expenses.

Correspondingly, realised EPU for the FY 2014 of 8.76 sen was marginally lower by 1.1% compared to realised net income of 8.85 sen recorded for the FY 2013.

Performance of QCT (cont'd)

(i) Review of financial results for the financial year ended 31 December 2014 (cont'd)

QCT has achieved a total DPU of 8.38 sen for the FY 2014, similar to the DPU for the FY 2013. An interim distribution of 4.10 sen has been paid on 29 August 2014 and the proposed final income distribution of 4.28 sen will be payable on 27 February 2015.

The Manager's active asset management strategy throughout the year has ensured successful tenancy renewals for most of the leases due in 2014. QCT's average occupancy rate for the year stood at 91% in terms of Net Lettable Area.

The performance of QCT for the FY 2014 was in line with its investment objective.

(ii) Analysis of QCT's performance based on changes in net asset value ("NAV") and NAV per unit since the previous financial year

For the FY 2014, QCT's total NAV and NAV per unit after proposed final income distribution increased to RM524.55 million and RM1.3446 per unit (2013: RM516.76 million and RM1.3246 per unit), mainly due to net change in fair values of investment properties of RM6.12 million (2013: RM2.11 million), net changes in fair values of derivatives and balance of undistributed income retained.

(iii) Analysis of QCT's performance based on changes in price since the previous financial year

For the FY 2014, the unit price of QCT has decreased from RM1.18 at the close of trade as at 31 December 2013 to RM1.17 at the close of trade as at 31 December 2014. The Manager believes that the movement in price is due to changes in market sentiment.

Composition of investment portfolio

As at 31 December 2014, QCT's portfolio comprised ten commercial buildings. There were no changes to the portfolio composition as compared with the previous financial year ended 31 December 2013. The details of the portfolio are as follows:

(a) Quill Building 1 - DHL 1

Address/location	3509 & 3511 Jalan Teknokrat 5, 63000 Cyberjaya, Selangor Darul Ehsan
Property type and age	Commercial building, 12 years
Description	4-storey office building together with a sub-basement and a basement car park
Tenure	Term in perpetuity
Net lettable area	92,284 square feet ("sq. ft.")
Existing use	Commercial building
Parking space	315 lots
Date of acquisition	20 November 2006
Acquisition price	RM52,100,000
Tenant	DHL Information Services (Asia-Pacific) Sdn. Bhd.
Tenancy period	7 + 3 + 3 + 2 years from 1 April 2002
Occupancy rate	100%
Maintenance costs and capital expenditure for the year	RM763,784
Encumbrances	Charged to Malaysian Trustees Berhad as security agent
Date of last valuation	31 December 2014
Market value/ net carrying amount as at 31 December 2014	Note (i)
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

Composition of investment portfolio (cont'd)

(b) Quill Building 4 - DHL 2

Address/location	3509 & 3511, Jalan Teknokrat 5, 63000 Cyberjaya, Selangor Darul Ehsan
Property type and age	Commercial building, 9 years
Description	4-storey office building together with a sub-basement and 2 levels basement car park
Tenure	Term in perpetuity
Net lettable area	99,183 sq. ft.
Existing use	Commercial building
Parking space	309 lots
Date of acquisition	20 November 2006
Acquisition price	RM57,000,000
Tenant	DHL Information Services (Asia-Pacific) Sdn. Bhd.
Tenancy period	7 + 3 + 2 years from 1 April 2006
Occupancy rate	100%
Maintenance costs and capital expenditure for the year	RM703,906
Encumbrances	Charged to Malaysian Trustees Berhad as security agent
Date of last valuation	31 December 2014
Market value/ net carrying amount as at 31 December 2014	Note (i)
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

Note (i) The respective pieces of land on which Quill Building 1 - DHL 1 and Quill Building 4 - DHL 2 are situated have been amalgamated on 14 August 2008 pursuant to the condition imposed by the SC during the initial public offering of QCT. As such, the valuations for Quill Building 1 - DHL 1 and Quill Building 4 - DHL 2 have since been carried out based on the amalgamated properties. Based on the latest valuation dated 31 December 2014, the total valuation of the two properties amounted to RM125,700,000.

Composition of investment portfolio (cont'd)

(c) Quill Building 2 - HSBC

Address/location	3500, Jalan Teknokrat 3, 63000 Cyberjaya, Selangor Darul Ehsan
Property type and age	Commercial building, 11 years
Description	4-storey office building together with a sub-basement car park
Tenure	Term in perpetuity
Net lettable area	184,453 sq. ft.
Existing use	Commercial building
Parking space	505 lots
Date of acquisition	20 November 2006
Acquisition price	RM107,500,000
Tenant	HSBC Electronic Data Processing (Malaysia) Sdn. Bhd.
Tenancy period	6 + 3 + 2 + 5 + 3 years from 10 November 2003
Occupancy rate	100%
Maintenance costs and capital expenditure for the year	RM2,020,793
Encumbrances	Charged to Malaysian Trustees Berhad as security agent
Date of last valuation	31 December 2014
Market value/ net carrying amount as at 31 December 2014	RM119,100,000
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

Composition of investment portfolio (cont'd)

(d) Quill Building 3 - BMW

Address/location	3501, Jalan Teknokrat 5, 63000 Cyberjaya, Selangor Darul Ehsan
Property type and age	Commercial building, 10 years
Description	4-storey office building together with a level of sub-basement and a level of basement car park
Tenure	Term in perpetuity
Net lettable area	117,198 sq. ft.
Existing use	Commercial building
Parking space	340 lots
Date of acquisition	20 November 2006
Acquisition price	RM59,400,000
Major tenant and tenancy details	
Tenant	BMW Asia Technology Centre Sdn. Bhd.
Tenancy period	5 + 3 + 3 years from 1 December 2004 5 + 3 + 1 + 1 + 0.25 years from 1 December 2004
Tenant	BMW Malaysia Sdn. Bhd.
Tenancy period	5 + 3 + 1 + 1 + 0.25 years from 1 December 2004
Tenant	PGS Data Processing & Technology Sdn. Bhd.
Tenancy period	5 + 5 + 5 years from 1 January 2007
Tenant	Agensi Inovasi Malaysia
Tenancy period	2 + 0.5 + 0.5 + 0.5 + 1.5 years from 1 July 2011
Tenant	Huawei Technologies (Malaysia) Sdn. Bhd.
Tenancy period	3 + 3 years from 1 February 2012
Occupancy rate	73%
Maintenance costs and capital expenditure for the year	RM4,563,665
Encumbrances	Nil
Date of last valuation	31 December 2014
Market value/ net carrying amount as at 31 December 2014	RM74,400,000
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

Composition of investment portfolio (cont'd)

(e) Wisma Technip

Address/location	241, Jalan Tun Razak, 50400 Kuala Lumpur
Property type and age	Office building, 21 years
Description	12-storey office building with a mezzanine floor and three split-levels basement car park
Tenure	Term in perpetuity
Net lettable area	233,021 sq. ft.
Existing use	Office building
Parking space	308 lots
Date of acquisition	3 September 2007
Acquisition price	RM125,000,000
Tenant	Technip Geoproduction (M) Sdn. Bhd.
Tenancy period	5 + 2 + 5 + 2 years from 1 January 2007
Occupancy rate	100%
Maintenance costs and capital expenditure for the year	RM9,760,952
Encumbrances	Charged to Hong Leong Investment Bank Berhad as security agent
Date of last valuation	31 December 2014
Market value/ net carrying amount as at 31 December 2014	RM169,000,000
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

Composition of investment portfolio (cont'd)

(f) Commercial retail shops and car park lots of Plaza Mont' Kiara (part of Plaza Mont' Kiara)

Address/location	Plaza Mont' Kiara 2, Jalan Kiara, Mont' Kiara, 50480 Kuala Lumpur
Property type and age	Commercial lots and car parks, 15 years
Description	An integrated retail/office commercial units located in Plaza Mont' Kiara, within the ground floors of Blocks A & B, Blocks C & D and at the basement and ground floor of Block E. The car park lots are located in Blocks A, B, C, D and E.
Tenure	Term in perpetuity
Net lettable area	73,408 sq. ft. (excluding 1,499 car park lots)
Existing use	Retail and car park
Parking space	1,499 lots
Date of acquisition	3 September 2007
Acquisition price	RM90,000,000
Tenant	Multi-tenanted retail tenants from various sectors, i.e. Banking, Food & Beverages, Beauty & fashion and convenient stores
Tenancy period	Ranging between 1 to 3 years tenancy
Occupancy rate	89%
Maintenance costs and capital expenditure for the year	RM1,050,773
Encumbrances	Charged to Hong Leong Investment Bank Berhad as security agent
Date of last valuation	31 December 2014
Market value/ net carrying amount as at 31 December 2014	RM111,700,000
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

Composition of investment portfolio (cont'd)

(g) Quill Building 5 - IBM

Address/location	3500, Jalan Teknokrat 3, 63000 Cyberjaya, Selangor Darul Ehsan
Property type and age	Commercial buildings, 7 years
Description	5-storey office building with one level of sub-basement and 1 1/2 levels of basement car park
Tenure	Term in perpetuity
Net lettable area	81,602 sq. ft.
Existing use	Commercial building
Parking space	241 lots
Date of acquisition	14 March 2008
Acquisition price	RM43,000,000
Tenant	IBM Malaysia Sdn. Bhd.
Tenancy period	3 + 2 + 1.4 + 3 + 3 years from 15 January 2008 3 + 3 + 3 years from 1 June 2011
Occupancy rate	91%
Maintenance costs and capital expenditure for the year	RM2,805,627
Encumbrances	Charged to Hong Leong Investment Bank Berhad as security agent
Date of last valuation	31 December 2014
Market value/ net carrying amount as at 31 December 2014	RM45,200,000
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

Composition of investment portfolio (cont'd)

(h) Quill Building 8 - DHL XPJ

Address/location	8, Jalan Pemaju U1/15, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan
Property type and age	Industrial building, 8 years
Description	3-storey office building with an annexed single storey detached warehouse
Tenure	Term in perpetuity
Net lettable area	65,205 sq. ft.
Existing use	Office building
Parking space	Nil
Date of acquisition	25 March 2008
Acquisition price	RM28,800,000
Tenant	DHL Express (Malaysia) Sdn. Bhd.
Tenancy period	5 + 5 years from 1 July 2006
Occupancy rate	92%
Maintenance costs and capital expenditure for the year	RM342,282
Encumbrances	Charged to Hong Leong Investment Bank Berhad as security agent
Date of last valuation	31 December 2014
Market value/ net carrying amount as at 31 December 2014	RM26,400,000
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

Composition of investment portfolio (cont'd)

(i) Quill Building 10 - HSBC Section 13

Address/location	2A, Lorong 13/6A, Section 13, 46200 Petaling Jaya, Selangor Darul Ehsan
Property type and age	Commercial building, 7 years
Description	5-storey office building with basement car park
Tenure	Leasehold for 99 years expiring 27 January 2063 (unexpired term of 49 years)
Net lettable area	68,377 sq. ft.
Existing use	Commercial building
Parking space	74 lots
Date of acquisition	25 March 2008
Acquisition price	RM22,740,000
Tenant	Nil
Tenancy period	Nil
Occupancy rate	Vacant
Maintenance costs and capital expenditure for the year	RM312,227
Date of last valuation	31 December 2014
Market value/ net carrying amount as at 31 December 2014	RM26,500,000
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

Composition of investment portfolio (cont'd)

(j) TESCO Building, Penang

Address/location	1, Lebuh Tengku Kudin 1, 11700 Penang
Property type and age	Commercial building, 10 years
Description	3-storey building
Tenure	Term in perpetuity
Net lettable area	275,020 sq. ft.
Existing use	Commercial building
Parking space	1,050 lots
Date of acquisition	7 November 2008
Acquisition price	RM132,000,000
Tenant	Tesco Stores (Malaysia) Sdn. Bhd.
Tenancy period	29 October 2004 to 31 August 2032
Occupancy rate	100%
Maintenance costs and capital expenditure for the year	RM619,948
Encumbrances	Charged to Malaysian Trustees Berhad as security agent
Date of last valuation	31 December 2014
Market value/ net carrying amount as at 31 December 2014	RM139,700,000
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

Maintenance costs incurred for all the properties are mainly expenses incurred for the upkeep of properties.

Review of the market in which QCT invests in during the period and future prospects of the market

Retails Sector

Kuala Lumpur

Malaysian retail sales growth slowed in 2013 to 4.5% (2012: 5.5%) with total sales of RM91.7 billion (2012: RM88 billion), pulled down by slower performance in all retail sub-sectors. Despite the Chinese New Year celebrations, a growth of only 4.8% was reported for 1Q 2014 compared to 7.5% increase in the same period last year. The sales were slower at 5.0% in the second quarter and picked up at 6.3% in the third quarter due to Hari Raya celebration. The highest growth of 6.5% in the retail sales is expected to come in the final quarter of 2014 as it is the year-end school holidays and festive season, as well as the nearing Goods and Services Tax (GST) implementation in April 2015. For the entire 2014, Retail Group Malaysia (RGM) forecasted retail sales to grow by 6.0%, supported by the tourism campaign, Visit Malaysia Year 2014.

Despite the resilient economy, consumer confidence as measured by Consumer Sentiment Index has fallen to 98.0 points in Q3 2014, below the 100-point threshold. The index indicates Malaysian consumers are becoming more prudent and delaying expenditure following rising prices due to the fiscal consolidation measures implemented by the government. The fall in consumer confidence was exacerbated further by the removal of fuel subsidy at the end of the year, aforementioned implementation of GST and expectation of more subsidy cuts. Growing concern about future prices has led Malaysian consumers to save more and change their spending habits to tighten household expenses. This has further eroded consumers' confidence and slowed down retail spending.

Despite weakening consumers' confidence, average occupancy rate of malls in Kuala Lumpur city centre has remained unaffected in the short term, coming in at a high 91.0% in 4Q 2014. This was driven by the completion of a new mall and strong take-up of a refurbished mall in the city centre. As at 4Q 2014, the retail stock in Kuala Lumpur increases to 24.4 million sq ft with addition from the completion of Quill City Mall (NLA of 770,000 sq ft) which is anchored by Aeon.

Out of the city centre, malls register an average occupancy rate of 87.3% and comprise a total stock of 27.4 million sq ft. The last quarter of 2014 saw the completion of IOI Mall in Putrajaya, a major regional mall with net lettable area (NLA) of 1.3 million sq ft, and D'Pulze in Cyberjaya, a neighbourhood mall with NLA of 260,000 sq ft. Generally, prime malls in urban and suburban areas are still enjoying strong occupancy of 95% and above.

The retail market is expected to become more challenging with the soon completion of several major malls in both urban and suburban areas, which will add a total of more than 7 million sq ft of retail space. In the midst of increasing costs of doing business and the recent depreciation of the Ringgit, retailers are cautious on their expansion plans and operational expenses.

There continues to be emerging signs that the retail market is at or close to saturation point as more malls start cannibalising into each other's catchment areas, and a few of the new malls are experiencing relatively low take-up rate upon completion. This has, however, not deterred major new malls being planned including those at Tun Razak Exchange (TRX), Warisan Merdeka and KL Metropolis, which are expected to come into stream in the next 3-5 years.

Prospect for the industry is expected to be challenging, as both retailers and households will expect to face multiple headwinds of managing higher cost of living, reduced liquidity, and high households debt level.

Review of the market in which QCT invests in during the period and future prospects of the market (cont'd)

Retails Sector (cont'd)

Penang

According to the National Property Information Centre (NAPIC), retail stock in Penang stood at 17.4 million sq ft as of 2Q 2014. George Town holds the most numbers of malls of 20, providing 28% (4.9 million sq ft) of the overall stock, followed by Bukit Mertajam in Mainland that houses 17% or 3.0 million sq ft of the existing stock.

In the second quarter of 2014, the Mainland saw the opening of Aeon Mall Bukit Mertajam in Alma, with NLA of about 600,000 sq ft, after moving out from Aeon Seberang Prai City Mall. Whilst, the Aeon Seberang Prai City has been renamed as Perda City Mall after undergoing asset enhancement works with Parkson and Econsave as the new anchor tenants.

The overall occupancy rate of shopping centres in Penang has been maintained at the 70% mark since 2009 despite the addition of major malls, such as Gurney Paragon and Aeon Mall Bukit Mertajam.

In terms of future supply, the upcoming retail space is mostly located in Seberang Perai on the Mainland as this is the area where new residential developments have been mushrooming, spurred by the completion of the Sultan Abdul Halim Muadzam Shah Bridge or Penang Second Bridge.

Batu Kawan area in Seberang Perai is expecting two significant malls which are IKEA (the first outlet outside of Kuala Lumpur) and a premium shopping outlet in Bandar Cassia, a new township with a land area of 6,400 acres. Other development components of Bandar Cassia are housing, commercial, leisure and tourism, institutional, golf resort, theme park medical, educational centre, hotels, parks and all the infrastructure, amenities and facilities required by the investors, workers and residents under the concept of live, work and play. This development is expected to boost commercial activities in the Batu Kawan area. Seberang Perai is also expecting two major malls, from Belleview Group and MRCB. Belleview Group is planning to build the largest shopping mall in the northern region with NLA of 1.7 million sq ft, whilst MRCB will be developing a mall as part of its integrated transportation hub development to be known as Penang Sentral at the old ferry terminal.

Office Sector

Kuala Lumpur

Kuala Lumpur's office property market remained resilient in 2014 despite weakening market conditions. While 2013 saw six completions of about 2.4 million sq ft, 2014 has registered seven completions supplying approximately 2.9 million sq ft of office space.

Over the next 3 years, continued substantial office supply pipeline of about 12 million sq ft that will enter the Kuala Lumpur market. More than 50% of this supply is expected to be completed in 2015.

The supply situation continues to be a concern especially due to large projects currently being planned, such as Tun Razak Exchange (TRX), KL Metropolis, Warisan Merdeka and KL EcoCity. These mega projects, whilst will enter the market earliest by 2017, are expected to have a major dampening impact on the overall office market in the longer term.

Average occupancy rate in the fourth quarter of 2014 remains soft at 83%, similar to the previous quarter and it is generally perceived as a tenants' market. Nevertheless, average rental rate was observed to increase to RM6.40 psf from around RM6.15 psf in the previous quarter. This is due to higher occupancy rate in a numbers of buildings, as well as increment of rates after refurbishment exercises.

Review of the market in which QCT invests in during the period and future prospects of the market (cont'd)

Office Sector (cont'd)

***Kuala Lumpur* (cont'd)**

In terms of average capital value, the values of prime office buildings in 4Q 2014 was RM887 per sq ft. The recent transactions of office on an en-bloc basis indicated a range of price of between RM500 – RM1,600 per sq ft.

Considering the challenging market conditions and oversupply in the market, there is an increasing competition amongst office landlords to secure tenants, resulting in the soft growth of rental and capital value. With more supply to be completed in 2015, the pressure to secure a high occupancy rate at new office buildings is expected to persist in the coming years, thereby placing downward pressure on rents.

Cyberjaya

Cyberjaya has seen a growing demand in office market from both government and private establishments, besides IT-based MSC companies. Current home to some 800 ICT and non-ICT companies, including 40 MNCs, it is expected this growing demand will absorb the huge supply coming into the market. With improved infrastructure, better facilities and amenities and sufficient residential provision, Cyberjaya would continue to be a competitive location for the office market in near and longer term although its MSC status is no longer a strong draw due to competitions from other Cyber centre locations. In addition, the proposed MRT Line 2 connecting Sungai Buloh to Serdang, and extending to Putrajaya, would provide a great boost to connectivity to Cyberjaya.

Currently, office stock in Cyberjaya stands at about 8.2 million sq ft with the latest completion was Quill 18 with NLA of 523, 000 sq ft in 2013 and Shaftsbury Square iTech Tower of 188,000 sq ft in 2014.

Approximately 2.7 million sq ft office space will be added to the current stock from seven major projects. There is a growing interest among developers to tap on the sales of stratified units following the successful sale of SoHo units in Cyberjaya in the last few years. The latest stratified offices launched were Star Sentral at RM550 psf, whilst Biro @ Cybersquare is for en bloc sale.

In terms of rental, it has remained stable at between RM3.25-RM5.00 per sq ft per month. As for the occupancy rate, the average occupancy rate has also remained at 76% although some new buildings are expected to struggle with occupancy and there is lesser spill over demand from Putrajaya next door.

Nevertheless, with the continued promotion of Cyberjaya as the key cyber city in Malaysia and more balanced integrated developments complementing the key MSC activities, we expect to see the continued growth as the Government is ready to launch a new blueprint to accelerate it from a premier ICT hub to a global technology hub. This will catalyst a new growth cycle by increasing the number of MSC companies and the demand for office space to correspondingly increase whilst complemented by the smaller domestic service companies, which are expected to supplement commercial activities as the catchment population start to grow to a critical mass.

Income distribution

In line with the Trust Deed, 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.

During the year, an interim distribution of 4.10 sen per unit was paid on 29 August 2014, being distribution of income for the period from 1 January 2014 to 30 June 2014.

Income distribution (cont'd)

The Manager has declared a final gross distribution for the financial year ended 31 December 2014 of 4.28 sen per unit, being distribution of income for the period from 1 July 2014 to 31 December 2014. The said declared distribution will be payable on 27 February 2015.

The total distribution declared is 8.38 sen per unit, totalling RM32,692,978 representing approximately 95.7% of the total realised income after taxation for the financial year ended 31 December 2014. The details of the total distribution for the financial year ended 31 December 2014 are disclosed in Note 12 to the financial statements.

Income distributed to resident individuals, non-resident individuals, resident institutional investors, non-resident institutional investors and non-resident companies are subject to withholding tax.

The applicable tax rates for income distribution payable in year 2014 are as follows:

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

	Before proposed final income distribution	After proposed final income distribution
	RM	RM
Net asset value ("NAV") per unit	1.3874	1.3446

Breakdown of unitholdings as at 31 December 2014

	Number of unitholders	Number of unitholdings	Percentage of unitholdings
Unit class			
Less than 100	24	470	0.00
100 to 1,000	451	348,830	0.09
1,001 to 10,000	1,652	9,227,500	2.37
10,001 to 100,000	1,020	36,247,700	9.29
100,001 to less than 5% of approved fund size	160	110,226,500	28.25
5% and above of approved fund size	4	234,080,000	60.00
	3,311	390,131,000	100.00

Reserves and provisions

There were no material transfers to and from reserves or provisions during the financial year other than as disclosed in the statement of changes in net asset value.

Directors

The names of the directors of the Manager in office since the date of last report and the date of this report are:

Dato' Dr. Jennifer Low, J.P.	*(appointed on 12 June 2006)*
Dato' Michael Ong Leng Chun	*(appointed on 12 June 2006)*
Wen Khai Meng	*(appointed on 2 July 2007)*
Datuk Dr. Mohamed Arif Bin Nun	*(appointed on 25 September 2006)*
Dato' Mohammed Bin Haji Che Hussein	*(appointed on 11 July 2008)*
Yap Kim Swee	*(appointed on 1 December 2008, demised on 11 July 2014)*
Aw Hong Boo *(Alternate to Dato' Dr. Jennifer Low, J.P.)*	*(appointed on 25 September 2006)*
Chong Lit Cheong	*(appointed on 31 May 2012)*
Foong Soo Hah	*(appointed on 11 April 2013)*

Directors' benefit

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Manager was a party, whereby the directors of the Manager might acquire benefits by means of the acquisition of units in or debentures of QCT or any other body corporate.

Since the end of the previous financial year, no director of the Manager has received or become entitled to receive a benefit by reason of a contract made by QCT or a related corporation with any director of the Manager or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except for units held in QCT as disclosed in Note 27 to the financial statements.

Directors' interests

		Units as at 1 January 2014	Number of units acquired/ (disposed)	Units as at 31 December 2014
Direct interest:				
Dato' Dr. Jennifer Low, J.P.		50,000	-	50,000
Dato' Michael Ong Leng Chun		55,000	-	55,000
Datuk Dr. Mohamed Arif Bin Nun		10,000	-	10,000
Aw Hong Boo *(Alternate to Dato' Dr. Jennifer Low, J.P.)*		50,000	-	50,000
Indirect interest:				
Dato' Dr. Jennifer Low, J.P.	(a)	117,040,000	-	117,040,000
Dato' Michael Ong Leng Chun	(b)	117,040,000	-	117,040,000

(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..

Except for the direct and indirect directors' interests disclosed above, none of the other directors of the Manager in office at the end of the financial year had any interest in QCT.

Issuance of new units

There was no issuance of new units during the financial year ended 31 December 2014.

Utilisation of proceeds raised from issuance of new units

There were no proceeds raised as there was no issuance of new units during the financial year ended 31 December 2014.

Particulars of all sanctions and/or penalties imposed on QCT, directors of the management company or the management company by the relevant regulatory bodies

During the financial year ended 31 December 2014, there were no sanctions and/or penalties imposed on QCT, its Manager and/or directors of its Manager by any of the relevant regulatory bodies.

Amount of non-audit fees incurred for services rendered to QCT by its auditors, or a firm of company affiliated to the auditors' firm

During the financial year ended 31 December 2014, there was a non-audit fee of RM5,000 for the review of Statement of Risk Management and Internal Control services rendered to QCT by its auditors.

Particulars of material contracts of QCT involving the management company and/or major unitholders' interests

Details of material contracts with related parties other than manager's fee to the Manager is as follows (refer Note 30 to financial statements):

(i) Award of a contract of asset enhancement works of RM6.32 million to Quill Construction Sdn. Bhd. ("QCSB"), by the Manager on 25 October 2013.

Based on the review carried out by an independent quantity surveyor, the proposed contract value for the asset enhancement works is within market norms and is on fair commercial terms.

QCSB is a member of the Quill Group of Companies, and is related to QCT's major unitholders namely Quill Properties Sdn. Bhd., Quill Land Sdn. Bhd., Quill Estates Sdn. Bhd. and two of the directors of QCT's Manager, namely Dato' Dr. Jennifer Low, J.P. and Dato' Michael Ong Leng Chun.

Changes in material litigations

The Manager is not aware of any pending material litigations since the last reporting date up to the date of this report.

Manager's responsibility for the annual audited accounts

The Manager is responsible for the preparation of the annual audited financial statements of the Group.

Other statutory information

(a) Before the statement of comprehensive income and statement of financial position of the Group were made out, the directors of the Manager took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts of receivables and satisfied themselves that there were no known bad debts and that no allowance for impairment of receivables was necessary; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors of the Manager are not aware of any circumstances which would render:

(i) it necessary to write off any bad debts or to make any allowance for impairment of receivables in respect of the financial statements of the Group; and

(ii) the values attributed to the current assets in the financial statements of the Group misleading.

(c) At the date of this report, the directors of the Manager are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group misleading or inappropriate.

(d) At the date of this report, the directors of the Manager are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group which would render any amount stated in the financial statements misleading.

(e) At the date of this report, the directors of the Manager are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group which would materially affect the interests of the unitholders.

(f) At the date of this report, there does not exist:

(i) any charge on the assets of the Group which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group which has arisen since the end of the financial year.

(g) In the opinion of the directors of the Manager:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group for the financial year in which this report is made.

Other significant events

As announced to Bursa Malaysia on 29 January 2014, the Trustee had on 29 January 2014, entered into a Heads of Agreement ("HOA") with MRCB Sentral Properties Sdn Bhd ("MSP") for the proposed acquisition of a freehold land held under GRN 46222, Lot 73 Section 0070, Town and District of Kuala Lumpur, together with a commercial development known as Platinum Sentral, consisting of 5 blocks of 4 to 7 storey commercial buildings, a multi-purpose hall and 2 levels of car park, bearing the postal address of Platinum Sentral, Jalan Stesen Sentral, Kuala Lumpur Sentral, 50470 Kuala Lumpur for a purchase consideration of RM750 million ("Proposed Acquisition").

The purchase consideration of RM750 million ("Purchase Consideration") for the Proposed Acquisition is subject to a valuation to be carried out by an independent valuer to be appointed and will be satisfied by QCT in the following manner:

(i) RM486,000,000 in cash, of which a refundable earnest deposit of RM15,000,000 shall be payable upon the execution of the HOA; and

(ii) RM264,000,000 by the issuance of new units in QCT at an issue price of RM1.32 per unit.

QCT intends to fund the cash portion of the purchase consideration through borrowings and/or fund raising via issuance of new units.

The Proposed Acquisition shall be conditional upon, among others, approvals being obtained from the shareholders of MSP and/or its holding company, the board of directors of Quill Capita Management Sdn Bhd ("QCM"), unitholders of QCT, SC, Bursa Malaysia and the execution of the following definitive agreements:

(i) MRCB entering into a share sale agreement to acquire 40% equity stake and 1% equity stake in QCM from CapitaLand RECM Pte Ltd ("CRPL") and Coast Capital Sdn Bhd ("CCSB") respectively; and

(ii) Quill Resources Holding Sdn Bhd ("QRHSB"), one of the existing shareholders of QCM, entering into a share sale agreement to acquire an additional 9% equity stake in QCM from CCSB.

As announced to Bursa Malaysia on 10 April 2014, the Trustee had on 10 April 2014 entered into a conditional Sale and Purchase Agreement ("SPA") with MSP, for the proposed acquisition of the property.

In conjunction with the Proposed Acquisition, the Board also proposed to undertake the following:

(i) Proposed Placement to partially finance the Proposed Acquisition, defray expenses relating to the Proposals and fund asset enhancement initiatives and repay borrowings ("Proposed Placement");

(ii) Proposed Authority to give the Board flexibility in allotting and issuing new Units to the Manager as payment of management fee. Pursuant thereto, certain clauses in the Trust Deed, as amended by the first supplemental deed dated 27 August 2007 and the second supplemental deed dated 28 May 2013 entered into between the Manager and the Trustee shall be amended to allow the Proposed Authority ("Proposed Authority");

(iii) Proposed Increase in Fund Size to accommodate the increase in Units pursuant to the Proposed Acquisition, Proposed Placement and Proposed Authority ("Proposed Increase in Fund Size"); and

(iv) Proposed Change of Name from "Quill Capita Trust" to "MRCB-Quill REIT" ("Proposed Change of Name").

(Collectively referred to as the "Proposals")

Other significant events (cont'd)

The existing shareholders of QCM, namely Quill Resources Holding Sdn Bhd ("QRHSB"), Coast Capital Sdn Bhd ("CCSB") and CapitaLand RECM Pte. Ltd. ("CRPL"), together with MRCB, had on even date entered into the following share sale agreements:

(i) agreement between CRPL and MRCB in respect of the disposal by CRPL of its entire 40% stake in QCM to MRCB for a cash consideration of RM5,739,352;

(ii) agreement between CCSB and MRCB in respect of the disposal by CCSB of 1% stake in QCM to MRCB for a cash consideration of RM143,483.80; and

(iii) agreement between CCSB and QRHSB in respect of the disposal by CCSB of 9% stake in QCM to QRHSB for a cash consideration of RM1,291,354.20.

The above share sale agreements shall collectively be referred to as the "Proposed Shares Disposals".

Following the Proposed Shares Disposals, CRPL will cease to be a shareholder of QCM while MRCB, QRHSB and CCSB will hold 41%, 39% and 20% equity interest in QCM respectively.

As announced to Bursa Malaysia on 23 April 2014, the Board of Directors of QCM, had on 22 April 2014 been notified that the existing shareholders of CCSB, namely Shahinuddin Bin Shariff and Muhammad Irfan bin Shahinuddin, had entered into a share sale agreement with Global Jejaka Sdn Bhd ("GJSB") for the disposal of their collective 100% equity interest in CCSB to GJSB.

On 21 May 2014, announcement was made to Bursa Malaysia that the Board of Directors of QCM had on 20 May 2014 been notified of the following:

(a) the existing shareholders of Coast Capital Sdn Bhd (''CCSB"), namely Shahinuddin Bin Shariff and Muhammad Irfan bin Shahinuddin, had entered into a deed of revocation with Global Jejaka Sdn Bhd ("GJSB") to revoke the share sale agreement in respect of the disposal of their collective 100% equity interest in CCSB and GJSB; and

(b) CCSB had entered into a share sale agreement with GJSB to dispose of its entire 20% equity interest in QCM to GJSB.

As announced to Bursa Malaysia on 13 October 2014, the SC approved the following shareholding structure of QCM:

(i) the transfer by CRPL of its 40% equity interest in QCM to MRCB;

(ii) the transfer by CCSB of its 20% equity interest in QCM to GJSB;

(iii) the transfer by CCSB of its 9% equity interest in QCM to QRHSB; and

(iv) the transfer by CCSB of its 1% equity interest in QCM to MRCB.

As announced to Bursa Malaysia on 9 September 2014, the Valuer had via its letter dated 9 September 2014 informed QCM that it has revised the market value of the Property from RM750,000,000 to RM740,000,000 pursuant to comments by the SC. The downward adjustment of the market value represents approximately 1.33% of the initial market value. Arising from the aforesaid revision, the purchase consideration for the Property shall be adjusted to RM740,000,000 in accordance with the terms of the SPA, and shall be satisfied by the Trustee on behalf of QCT as follows:

(i) RM476,000,000 (instead of RM486,000,000) in cash; and

(ii) RM264,000,000 by the issuance of 206,250,000 Consideration Units at an issue price of RM1.28 per Consideration Unit.

Other significant events (cont'd)

As previously announced, the cash portion of the purchase consideration, together with the expenses for the Proposals and asset enhancement initiatives, is proposed to be funded through a combination of proceeds from the Proposed Placement and borrowings. In view of the revision in the purchase consideration, the amount of borrowings to be utilised for the above purposes shall be reduced accordingly.

In addition to the above, the Board also clarified that the Proposed Authority, in which QCM proposed to allot and issue up to 3% of the total Units in circulation for the purpose of the payment of Management Fee, shall entail the allotment and issuance of up to 20,387,000 new Units representing up to 3% of the total Units in circulation after the Proposed Acquisition and Proposed Placement.

As announced to Bursa Malaysia on 8 October 2014, the Trustee and MSP had, via a supplemental letter dated 8 October 2014, mutually agreed to extend the conditional period by a period of 3 months, thereby amending the last day of the conditional period from 9 October 2014 to 9 January 2015 ("Extended Conditional Period"), to fulfil all the conditions precedent in the SPA.

An announcement has been made to Bursa Malaysia on 15 October 2014, that the SC had approved the following:

(i) the increase in approved fund size of QCT by up to 309,869,000 new Units from 390,131,000 Units to a maximum of 700,000,000 QCT Units for the following purposes:

  (a) Proposed Acquisition of Platinum Sentral to be partly satisfied by 206,250,000 QCT Units;

  (b) Proposed Placement to partly finance the cash portion for the Proposed Acquisition; and

  (c) Proposed Authority;

(ii) the listing of and quotation for the new QCT Units on the Bursa Malaysia;

(iii) valuation of the Property to be acquired by QCT valued at RM740,000,000;

(iv) exemption from Paragraph 3.04 (b) of the SC REIT Guidelines in relation to the requirement of a management company being a subsidiary of companies as prescribed under the said paragraph; and

(v) exemption from Paragraph 14.04(a)(i), (ii) and (iii) of the SC REIT Guidelines in relation to obtaining unitholders' approval on the precise terms and conditions of an issue of units.

The approval of the SC is subject to the following conditions:

(i) In relation to the Proposed Acquisition and Proposed Placement:

  (1) the SC be informed of the date of listing of the new Units on the Bursa Malaysia; and

  (2) the issuance and the listing of the new Units on the Bursa Malaysia must be completed within 6 months from the date of SC's approval. The approval would be deemed lapsed if QCM fails to do so within the stipulated time frame.

(ii) In relation to the Proposed Authority, the SC is to be informed on the following with regard to each issuance of QCT units:

  (1) the actual number of new Units to be issued and listed as part payment of Management Fees; and

  (2) the basis of arriving at such number of new Units.

Other significant events (cont'd)

As announced on 21 October 2014, the SC had vide its letter dated 20 October 2014 authorised the CP/MTN Programmes with a combined aggregate nominal value of up to RM450.0 million.

Hong Leong Investment Bank Berhad ("HLIB") has been appointed as the Principal Adviser, Lead Arranger and Lead Manager for the CP/MTN Programmes.

Murud Capital Sdn Bhd ("MCSB") (Formerly known as Gandalf Capital Sdn Bhd) as the issuer, is a special purpose company wholly owned and established by QCT to raise financing on behalf of QCT.

The CP/MTN Programmes shall be secured by a list of securities, inter-alia, a third party first ranking legal charge over the property.

The proceeds raised from the issuance of the Senior CP/MTN and the Junior CP/MTN shall be utilised by MCSB, amongst others, to advance to QCT to part finance the acquisition of the property, to finance its investment activities, and to refinance its existing/future borrowings.

Subsequent events

As announced on 8 January 2015, the Trustee and MSP had, via a second supplemental letter dated 8 January 2015, mutually agreed to further extend the Conditional Period by a period of 3 months, thereby amending the last day of the Extended Conditional Period from 9 January 2015 to 9 April 2015 ("Further Extended Conditional Period"), to fulfil all the Conditions Precedent in the SPA.

For the purpose of clarification, the period for fulfilment of the condition precedent in clause 4.1(h) of the SPA, which is set out in Section 2.3(v)(h) of the announcement dated 10 April 2014 (such as the Trustee having received the proceeds from the Proposed Placement or from the underwriting of the Units in relation to the Proposed Placement), shall not be automatically extended by a further period of 3 months after the expiry of the Further Extended Conditional Period.

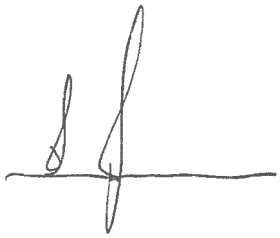
As announced on 22 January 2015, the listing application in respect of the listing of and quotation for the new Units to be issued pursuant to the Proposed Acquisition, Proposed Placement and Proposed Authority has been submitted to Bursa Malaysia on 22 January 2015.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Manager, Quill Capita Management Sdn. Bhd..

Dato' Michael Ong Leng Chun
Director



Dato' Mohammed Bin Haji Che Hussein
Director

Kuala Lumpur, Malaysia
18 February 2015

STATEMENT BY **MANAGER**

We, **Dato' Michael Ong Leng Chun** and **Dato' Mohammed Bin Haji Che Hussein**, being two of the directors of the Manager, Quill Capita Management Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 81 to 127 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and applicable provisions of the Trust Deed and Guidelines on Real Estate Investment Trusts issued by Securities Commission so as to give a true and fair view of the financial position of the Group as at 31 December 2014 and its financial performance and cash flows of the Group for the year then ended.

Signed on behalf of the Manager, Quill Capita Management Sdn. Bhd..

Dato' Michael Ong Leng Chun
Director

Dato' Mohammed Bin Haji Che Hussein
Director

Kuala Lumpur, Malaysia
18 February 2015

STATUTORY **DECLARATION**

I, **Yong Su-Lin**, being the officer primarily responsible for the financial management of Quill Capita Trust, do solemnly and sincerely declare that the accompanying financial statements set out on pages 81 to 127 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed **Yong Su-Lin**
at Kuala Lumpur in the Federal Territory
on 18 February 2015

Yong Su-Lin

Before me,
Commissioner of Oath

PESURUHJAYA SUMPAH
No: W 562
Nama: MOHAMMAD ROSLAN BIN MUSTAFA
MALAYSIA

H-1-10,
Plaza Damas,
Jalan Sri Hartamas 1,
50480 Kuala Lumpur

TRUSTEE'S **REPORT**

To the Unitholders of Quill Capita Trust

We have acted as Trustee of Quill Capita Trust ("QCT") for the financial year ended 31 December 2014. To the best of our knowledge, Quill Capita Management Sdn. Bhd. (the "Manager") has managed QCT in the financial year under review in accordance to the following:

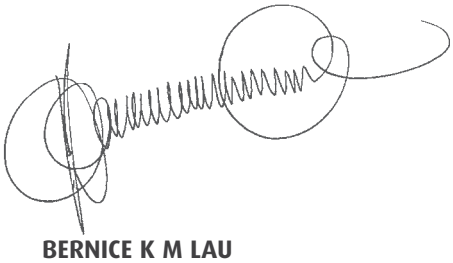
(a) the limitation imposed on the investment powers of the Manager and the Trustee under the Trust Deed, other applicable provisions of the Trust Deed, the Guidelines on Real Estate Investment Trusts issued by Securities Commission Malaysia, the Capital Markets & Services Act 2007 and other applicable laws; and

(b) the valuation of QCT is carried out in accordance with the Trust Deed and other regulatory requirements.

An interim distribution of 4.10 sen per unit has been distributed to the unitholders of QCT on 29 August 2014 for the financial period from 1 January 2014 to 30 June 2014, and a final distribution of 4.28 sen per unit being income distribution for the period 1 July 2014 to 31 December 2014 will be payable on 27 February 2015.

We are of the view that the distributions are consistent with the objectives of QCT.

For and on behalf of **MAYBANK TRUSTEES BERHAD**
(Company No.: 5004-P)



BERNICE K M LAU
Head, Operations
Kuala Lumpur
18 February 2015

INDEPENDENT **AUDITORS' REPORT**

To the Unitholders of Quill Capita Trust

Report on the financial statements

We have audited the financial statements of Quill Capita Trust ("QCT"), which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in net asset value and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 81 to 127.

Manager's and Trustee's responsibility for the financial statements

The Manager of QCT is responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and applicable provisions of the Deed and Guidelines on Real Estate Investment Trusts issued by Security Commission Malaysia. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to QCT's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of QCT's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of QCT as at 31 December 2014 and of its financial performance, the changes in net asset value and the cash flows of QCT for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and applicable provisions of the Deed and Guidelines on Real Estate Investment Trusts issued by Securities Commission Malaysia.

Other matters

This report is made solely to the unitholders of QCT, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Kua Choh Leang
No. 2716/01/17(J)
Chartered Accountant

Kuala Lumpur, Malaysia
18 February 2015

STATEMENT OF **COMPREHENSIVE INCOME**

For the Financial Year Ended 31 December 2014

	Note	Group 2014 RM	Group 2013 RM
Total income			
Revenue	5	70,249,414	68,937,001
Property operating expenses	6	(16,924,236)	(15,744,392)
Net property income		53,325,178	53,192,609
Interest income		724,223	783,331
Net fair value gain on investment properties	14	6,120,279	2,107,591
		60,169,680	56,083,531
Total expenditure			
Manager's fee	7	(5,389,038)	(5,331,990)
Trustee's fee	8	(257,451)	(258,121)
Finance costs	9	(14,053,911)	(13,665,545)
Valuation fees		(190,000)	(190,000)
Auditors' remuneration		(123,500)	(139,980)
Tax agent's fee		81,600	(120,000)
Administrative expenses		45,642	266,502
		(19,886,658)	(19,439,134)
Income before taxation		40,283,022	36,644,397
Income tax expense	10	-	-
Income net of taxation		40,283,022	36,644,397
Other comprehensive income:			
Net fair value gain on derivatives		201,009	682,760
Adjustment of remeasurement of matured derivatives		-	(23,196)
Total comprehensive income for the financial year		40,484,031	37,303,961
Net income for the year is made up as follows:			
- Realised		34,162,743	34,536,806
- Unrealised		6,120,279	2,107,591
		40,283,022	36,644,397

STATEMENT OF **COMPREHENSIVE INCOME**

For the Financial Year Ended 31 December 2014
cont'd

	Note	Group 2014 RM	Group 2013 RM
Earnings per unit			
After manager's fee (sen)	11(a)	10.33	9.39
Before manager's fee (sen)	11(b)	11.71	10.76
Earnings per unit (realised)			
After manager's fee (sen)	11(c)	8.76	8.85
Before manager's fee (sen)	11(d)	10.14	10.22
Income distribution			
Interim distribution of 4.10 sen paid on 9 September 2013 (RM)	12	-	15,995,371
Interim distribution of 4.10 sen paid on 29 August 2014 (RM)	12	15,995,371	-
Proposed final distribution:			
- 4.28 sen payable on 10 March 2014 (RM)	12	-	16,697,607
- 4.28 sen payable on 27 February 2015 (RM) ***	12	16,697,607	-
		32,692,978	32,692,978
Income distribution per unit *			
Interim distribution per unit			
Gross (sen) **		4.10	4.10
Final distribution per unit			
Gross (sen) **		4.28	4.28

* *Based on 390,131,000 units entitled to distribution.*

** *Income distributed to resident individuals, non-resident individuals, resident institutional investors, non-resident institutional investors and non-resident companies are subject to witholding tax.*

*** *The proposed final income distribution will be recognised and paid in the immediate subsequent financial year.*

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF **FINANCIAL POSITION**

As at 31 December 2014

	Note	Group 2014 RM	Group 2013 RM
Assets			
Non-current assets			
Plant and equipment	13	17,376	9,482
Investment properties	14	837,700,000	825,560,000
Derivatives	15	1,224,193	1,023,184
		838,941,569	826,592,666
Current assets			
Trade and other receivables	16	6,142,148	2,612,114
Cash and bank balances	17	23,288,996	30,915,413
		29,431,144	33,527,527
Total assets		868,372,713	860,120,193
Non-current liabilities			
Borrowings	19	305,113,452	304,887,413
Security deposits		7,503,503	4,756,365
		312,616,955	309,643,778
Current liabilities			
Trade and other payables	18	12,241,188	11,650,980
Security deposits		2,263,561	5,365,479
		14,504,749	17,016,459
Total liabilities		327,121,704	326,660,237
Net Assets Value ("NAV")		541,251,009	533,459,956
Unitholders' funds			
Unitholders' funds attributable to unitholders of QCT			
Unitholders' capital	20	411,712,067	411,712,067
Undistributed and Non-Distributable Income		129,538,942	121,747,889
Total unitholders' funds		541,251,009	533,459,956

STATEMENT OF **FINANCIAL POSITION**

As at 31 December 2014
cont'd

	Note	Group 2014 RM	Group 2013 RM
Net asset value per unit			
Before income distribution[1]		1.3874	1.3674
After income distribution[2]		1.3446	1.3246
Number of units in circulation			
As at 31 December (units)	20	390,131,000	390,131,000

1 *Before the proposed final income distribution of 4.28 sen per unit (2013: 4.28 sen per unit)*
2 *After the proposed final income distribution of 4.28 sen per unit (2013: 4.28 sen per unit)*

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF **CHANGES IN NET ASSET VALUE**

For the Financial Year Ended 31 December 2014

		Distributable	Non-distributable			
Group	**Unitholders' capital**	**Undistributed income realised**	**Undistributed income unrealised**	**Net fair value gain on derivatives unrealised**	**Total Undistributed and Non-Distributable Income**	**Unitholders' funds**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**
At 1 January 2014	411,712,067	25,599,301	95,125,404	1,023,184	121,747,889	533,459,956
Total comprehensive income for the financial year	-	34,162,743	6,120,279	201,009	40,484,031	40,484,031
	411,712,067	59,762,044	101,245,683	1,224,193	162,231,920	573,943,987
Transactions with unitholders						
Distribution to unitholders	-	(32,692,978)	-	-	(32,692,978)	(32,692,978)
At 31 December 2014	411,712,067	27,069,066	101,245,683	1,224,193	129,538,942	541,251,009
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 financial year	-	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
Transactions with unitholders						
Distribution to unitholders	-	(32,692,978)	-	-	(32,692,978)	(32,692,978)
At 31 December 2013	411,712,067	25,599,301	95,125,404	1,023,184	121,747,889	533,459,956

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF **CASH FLOWS**

For the Financial Year Ended 31 December 2014

	Note	Group 2014 RM	Group 2013 RM
Cash flows from operating activities			
Income before taxation		40,283,022	36,644,397
Adjustments for:			
Finance costs	9	14,053,911	13,665,545
Depreciation of plant and equipment	13	8,806	7,716
Net fair value gain on investment properties	14	(6,120,279)	(2,107,591)
Interest income		(724,223)	(783,331)
Total adjustments		7,218,215	10,782,339
Operating cash flows before changes in working capital		47,501,237	47,426,736
Changes in working capital:			
(Increase)/Decrease in trade and other receivables		(3,257,689)	5,702,800
Increase/(Decrease) in trade and other payables		110,744	(4,492,530)
Total changes in working capital		(3,146,945)	1,210,270
Cash flows generated from operations		44,354,292	48,637,006
Income taxes paid		-	-
Net cash flows generated from operating activities		44,354,292	48,637,006
Cash flows from investing activities			
Additions to investment properties	14	(6,019,721)	(2,952,409)
Purchase of plant and equipment	13	(16,700)	-
Interest income		733,190	785,523
Net cash flows used in investing activities		(5,303,231)	(2,166,886)
Cash flows from financing activities			
Distribution to unitholders		(32,692,978)	(32,692,978)
Proceeds from borrowings		(15,000,000)	117,000,000
Repayment of borrowings		15,000,000	(117,000,000)
Finance costs paid		(13,984,500)	(13,313,956)
Net cash flows used in financing activities		(46,677,478)	(46,006,934)
Net (decrease)/increase in cash and cash equivalents		(7,626,417)	463,186
Cash and bank balances at 1 January		30,915,413	30,452,227
Cash and bank balances at 31 December	17	23,288,996	30,915,413

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. QCT, the Manager and their principal activities

Quill Capita Trust ("QCT") was constituted under a Deed dated 9 October 2006 (the "Trust Deed"), by Quill Capita Management Sdn. Bhd. ("QCM") as the manager (the "Manager") and Maybank Trustees Berhad as the trustee (the "Trustee"), and a Supplemental Deed dated 27 August 2007 and Second Supplemental Deed dated 28 May 2013, and is categorised as a real estate investment trust. QCT commenced its operations in 2006 and was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 8 January 2007.

The principal activity of QCT involves acquisition of and investment in commercial properties, primarily in Malaysia. The principal activity of each of the special purpose entities of QCT is to facilitate financing for QCT as disclosed in Note 21. There have been no significant changes in the nature of these activities during the financial year.

The Manager is a company incorporated in Malaysia. The principal activity of the Manager is to manage real estate investment trust. There has been no significant change in the nature of this activity during the financial year.

The financial statements were authorised for issue by the Manager in accordance with a resolution of its directors on 18 February 2015.

2. Term of QCT

QCT will continue its operations until such time as determined by the Trustee and the Manager as provided under Clause 26 of the Trust Deed.

3. Summary of significant accounting policies

3.1 Basis of preparation

The financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and applicable provisions of the Trust Deed and Guidelines on Real Estate Investment Trusts issued by Securities Commission ("SC REIT Guidelines").

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM").

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of QCT and the special purpose entities ("SPEs") (collectively known as "the Group") as disclosed in Note 21. The SPEs are established for the specific purpose of raising financing on behalf of QCT for the acquisition of real estate and single-purpose companies. An SPE is consolidated if, based on an evaluation of the substance of its relationship with QCT and the SPE's risks and rewards, 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.

3. Summary of significant accounting policies (cont'd)

3.3 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

(i) Expected to be realised or intended to be sold or consumed in normal operating cycle

(ii) Held primarily for the purpose of trading

(iii) Expected to be realised within twelve months after the reporting period, or

(iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

(i) It is expected to be settled in normal operating cycle

(ii) It is held primarily for the purpose of trading

(iii) It is due to be settled within twelve months after the reporting period, or

(iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

3.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.5 Plant and equipment

All items of plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss.

Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

Depreciation of plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Plant and machinery	20%
Office equipment	33% - 50%
Furniture and fittings	33%

3. Summary of significant accounting policies (cont'd)

3.5 Plant and equipment (cont'd)

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

3.6 Investment properties

Investment properties consist of investment in real estate assets primarily in commercial properties.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by discounting cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rent for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3.7 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, QCT makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of the assets in the unit or groups of units on a pro-rata basis.

3. Summary of significant accounting policies (cont'd)

3.7 Impairment of non-financial assets (cont'd)

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

3.8 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, which is usually, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by MFRS 139.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

3. Summary of significant accounting policies (cont'd)

3.8 Financial assets (cont'd)

Subsequent measurement (cont'd)

Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is recognised in profit or loss. The losses arising from impairment are recognised in the profit or loss as finance costs for loans and as part of cost of sales or other operating expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is recognised in profit or loss. The losses arising from impairment are recognised in profit or loss as finance costs.

Available-for-sale ("AFS") financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in Other Comprehensive Income ("OCI") and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

Investments in equity investments whose fair values cannot be reliably measured are recognised at cost less impairment loss.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

3. Summary of significant accounting policies (cont'd)

3.8 Financial assets (cont'd)

Subsequent measurement (cont'd)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (such as being removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.9 Derivative financial instruments and hedging activities

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment

- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment

- Hedges of a net investment in a foreign operation

3. Summary of significant accounting policies (cont'd)

3.9 Derivative financial instruments and hedging activities (cont'd)

Initial recognition and subsequent measurement (cont'd)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as a finance cost. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as a finance cost.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit and loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other operating expenses.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

3. Summary of significant accounting policies (cont'd)

3.9 Derivative financial instruments and hedging activities (cont'd)

Initial recognition and subsequent measurement (cont'd)

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

3.10 Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

3. Summary of significant accounting policies (cont'd)

3.10 Impairment of financial assets (cont'd)

Available-for-sale ("AFS") financial assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss, increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

3.11 Cash and cash equivalents deposits

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits, which are subject to an insignificant risk of changes in value.

3.12 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

3. Summary of significant accounting policies (cont'd)

3.12 Financial liabilities (cont'd)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.14 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

3. Summary of significant accounting policies (cont'd)

3.14 Leases (cont'd)

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.15 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

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

3.16 Income taxes

(i) Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

3.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

3. Summary of significant accounting policies (cont'd)

3.17 Provisions (cont'd)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.18 Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Investment properties — Note 14
- Quantitative disclosures of fair value measurement hierarchy — Note 34

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3. Summary of significant accounting policies (cont'd)

3.19 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2014, the Group adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2014:

Description	Effective for annual periods beginning on
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014

Adoption of the above standards and interpretations did not have any material effect on the financial performance or position of the Group.

3.20 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 119 Defined Benefit Plans Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011-2013 Cycle	1 July 2014
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 138 :Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 127 Equity Method in Separate Financial Statements	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2017
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018

3. Summary of significant accounting policies (cont'd)

3.20 Standards issued but not yet effective (cont'd)

The directors of the Manager expect that the adoption of the standards and interpretations above will have no impact on the financial statements in the period of initial application except as discussed below:

Annual Improvements to MFRSs 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

- MFRS 13 Fair Value Measurement

  The amendment is applied prospectively and clarifies that the portfolio exception in MFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of MFRS 9 (or MFRS 139, as applicable).

- MFRS 140 Investment Property

  The description of ancillary services in MFRS 140 differentiates between investment property and owner-occupied property (such as property, plant and equipment). The amendment is applied prospectively and clarifies that MFRS 3, and not the description of ancillary services in MFRS 140, is used to determine if the transaction is the purchase of an asset or business combination.

MFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of MFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of MFRS 9 and plans to adopt the new standard on the required effective date.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under MFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in MFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

4. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

4.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Valuation of fair value of investment properties

Significant judgement is involved in determining estimated future cash flows, yield, occupancy rate, discount rates and the amount and timing of the cash flows to arrive at the valuations of the investment properties as disclosed in Note 14.

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 16.

(b) Valuation of investment properties

The Group carries its investment properties at fair value. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2014 on investment properties. Investment properties were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. For other investment properties, a valuation methodology based on a discounted cash flow ("DCF") model was used, as there were a lack of comparable market data because of the nature of the properties.

(c) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgement include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

5. Revenue

	Group	
	2014	**2013**
	RM	**RM**
Rental income and service charges	59,157,251	60,181,789
Car park income	5,204,746	3,534,701
Utilities recovery	5,692,206	5,120,114
Others	195,211	100,397
	70,249,414	68,937,001

Gross revenue comprises rental, service charges and car park income from properties and utilities costs recoverable from tenants.

6. Property operating expenses

	Group	
	2014	**2013**
	RM	**RM**
Assessment and quit rent	2,804,698	2,832,298
Depreciation	8,806	7,716
Insurance	435,754	413,183
Property management fee	1,965,952	1,955,606
Service contracts and maintenance	4,783,807	4,084,572
Utilities	6,925,219	6,451,017
	16,924,236	15,744,392

The property management fee is inclusive of permissible discount in accordance with the Valuers, Appraisers and Estate Agents Act, 1981 and reimbursable site staff cost.

7. Manager's fee

	Group	
	2014	**2013**
	RM	**RM**
Base fee	3,665,958	3,619,997
Performance fee	1,723,080	1,711,993
	5,389,038	5,331,990

The Manager is entitled under the Trust Deed to a base fee of 0.4% per annum of the gross asset value, payable monthly in arrears and a performance fee of 3% per annum on the net investment income, payable semi-annually in arrears.

7. Manager's fee (cont'd)

The Manager is also entitled under the Trust Deed to an acquisition fee of 1% of the acquisition value of any asset, being authorised investments, acquired by QCT and divestment fee of 0.5% of the disposal value of any asset divested by QCT.

There are no other fees earned by the Manager during the financial year other than as disclosed in this note.

The Manager's remuneration is accrued and paid in accordance with the Trust Deed.

During the financial year, the Manager did not receive any soft commission (such as goods or services) from its broker, by virtue of transaction conducted by QCT.

8. Trustee's fee

Trustee's fee accrued to the Trustee for the financial year ended 31 December 2014 amounted to RM257,451 (2013: RM258,121).

Trustee's fee is payable to the Trustee, which is computed at 0.03% per annum on the first RM2.5 billion of the gross asset value and 0.02% per annum on the gross asset value in excess of RM2.5 billion, payable monthly in arrears.

9. Finance costs

	Group	
	2014	**2013**
	RM	**RM**
Accretion of interest expenses	5,311,518	4,745,000
Amortisation of transaction costs incurred to obtain Commercial Papers ("CPs") / Medium Term Notes ("MTNs")	198,863	351,140
Amortisation of transaction costs incurred to obtain Term Loan	196,607	65,536
Annual CPs/ MTNs programme expenses	192,000	11,796
Interest gain on interest rate swaps arrangements	(167,077)	(264,475)
Interest expense on MTNs	2,940,000	7,134,575
Interest expense on Term Loan	5,382,000	1,621,973
	14,053,911	13,665,545

10. Income tax expense

	Group	
	2014	**2013**
	RM	**RM**
Income tax expense for the year:		
Current year tax	-	-

Pursuant to Section 61A of the Income Tax Act 1967, the income of a REIT would be exempted from income tax provided that the REIT distributes 90% or more of its total income for the year. If the REIT is not able to meet the 90% distribution criteria, the entire taxable income of the REIT would be subject to income tax.

As QCT has paid and proposed income distribution of more than 90% of its total income to unitholders, the total income of QCT for the year of assessment 2014 shall be exempted from tax.

A reconciliation of income tax expense applicable to income before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group for the financial year ended 31 December 2014 and 2013 is as follows:

	Group	
	2014	**2013**
	RM	**RM**
Income before taxation	40,283,022	36,644,397
Tax at Malaysian statutory tax rate of 25% (2013: 25%)	10,070,756	9,161,099
Income not subject to taxation	(10,150,808)	(9,236,504)
Expenses not deductible for tax purpose	80,052	75,405
Income tax expense recognised in profit or loss	-	-

11. Earnings per unit

(a) Earnings per unit after manager's fee is based on net income for the year of RM40,283,022 (2013: RM36,644,397) divided by the weighted average number of units in circulation during the year of 390,131,000 (2013: 390,131,000).

(b) Earnings per unit before manager's fee is based on net income for the year of RM45,672,060 (2013: RM41,976,387) after adding back manager's fee of RM5,389,038 (2013: RM5,331,990) divided by the weighted average number of units in circulation during the year of 390,131,000 (2013: 390,131,000).

(c) Earnings per unit after manager's fee (realised) is based on realised net income for the year of RM34,162,743 (2013: RM34,536,806) divided by the weighted average number of units in circulation during the year of 390,131,000 (2013: 390,131,000).

(d) Earnings per unit before manager's fee (realised) is based on realised net income for the year of RM39,551,781 (2013: RM39,868,796) after adding back manager's fee of RM5,389,038 (2013: RM5,331,990) divided by the weighted average number of units in circulation during the year of 390,131,000 (2013: 390,131,000).

12. Distribution to unitholders

Distribution to the unitholders is from the following sources:

	Group	
	2014	**2013**
	RM	**RM**
Revenue (Note 5)	70,249,414	68,937,001
Interest income	724,223	783,331
	70,973,637	69,720,332
Less: Expenses	(36,810,894)	(35,183,526)
	34,162,743	34,536,806
Distribution to unitholders	32,692,978	32,692,978
Gross distribution per unit (sen) **	8.38	8.38

** *Income distributed to resident individuals, non-resident individuals, resident institutional investors, non-resident institutional investors and non-resident companies are subject to withholding tax.*

13. Plant and equipment

	Plant and machinery	Office equipment	Furniture and fittings	Total
	RM	**RM**	**RM**	**RM**
At 31 December 2014				
Group				
Cost				
At 1 January 2014	6,000	19,752	19,400	45,152
Additions	-	16,700	-	16,700
At 31 December 2014	6,000	36,452	19,400	61,852
Accumulated depreciation				
At 1 January 2014	5,998	19,434	10,238	35,670
Depreciation charge for the year	-	2,339	6,467	8,806
At 31 December 2014	5,998	21,773	16,705	44,476
Net carrying amount	2	14,679	2,695	17,376

13. Plant and equipment (cont'd)

	Plant and machinery	Office equipment	Furniture and fittings	Total
	RM	RM	RM	RM
At 31 December 2013				
Group				
Cost				
At 1 January 2013 and 31 December 2013	6,000	19,752	19,400	45,152
Accumulated depreciation				
At 1 January 2013	5,998	18,184	3,772	27,954
Depreciation charge for the year	-	1,250	6,466	7,716
At 31 December 2013	5,998	19,434	10,238	35,670
Net carrying amount	2	318	9,162	9,482

14. Investment properties

	Group	
	2014	2013
	RM	RM
At beginning of the year	825,560,000	820,500,000
Additions from assets enhancement	6,019,721	2,952,409
Fair value adjustments	6,120,279	2,107,591
At end of the year	837,700,000	825,560,000

14. Investment properties (cont'd)

Description of properties	Date of acquisition	Cost of investment	Market value/ Net carrying amount as at 31 December 2014	% of NAV	Market value/ Net carrying amount as at 31 December 2013
		RM'000	RM'000	%	RM'000
Commercial buildings					
Quill Building 1 - DHL 1	20-Nov-06	109,100	125,700	23.22	125,000
Quill Building 4 - DHL 2	20-Nov-06				
Quill Building 2 - HSBC	20-Nov-06	107,500	119,100	22.00	119,000
Quill Building 3 - BMW	20-Nov-06	59,400	74,400	13.75	73,060
Wisma Technip	3-Sep-07	125,000	169,000	31.22	161,100
Part of Plaza Mont' Kiara	3-Sep-07	90,000	111,700	20.64	110,000
Quill Building 5 - IBM	14-Mar-08	43,000	45,200	8.35	45,200
Quill Building 10 - HSBC Section 13	25-Mar-08	22,740	26,500	4.90	26,500
Tesco Building, Penang	7-Nov-08	132,000	139,700	25.81	139,500
Industrial building					
Quill Building 8 - DHL XPJ	25-Mar-08	28,800	26,400	4.88	26,200
		717,540	837,700		825,560

On 14 August 2008, the respective pieces of the land on which Quill Building 1 - DHL 1 and Quill Building 4 - DHL 2 are situated were amalgamated pursuant to the conditions imposed by the Securities Commission ("SC") during the initial public offering of QCT. As such, the valuation for Quill Building 1 - DHL 1 and Quill Building 4 - DHL 2 has since been carried out based on the amalgamated properties.

Investment properties are stated at fair value, which has been determined based on valuations performed by DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment and comparison methods of valuation.

Investment properties with net carrying amount totalling RM736,800,000 (2013: RM726,000,000) are pledged as securities for borrowings as disclosed in Note 19.

No provision for deferred tax liability has been made from fair value gains to the investment properties as QCT intends to hold the properties on long term basis.

The investment properties are carried at a Level 2 fair value measurement hierarchy as defined in Note 3.18. There have been no transfers between Level 1 and Level 2 during the reporting year ended 31 December 2014 and 31 December 2013.

15. Derivatives

		Group	
		2014	2013
	Contract/ Notional Amount	Fair value of derivatives assets	
	RM	RM	RM
Non-current			
Interest rate swap (Note 31 (i))	65 million	611,239	515,588
Interest rate swap (Note 31 (ii))	65 million	612,954	507,596
		1,224,193	1,023,184

16. Trade and other receivables

		Group	
	Note	2014	2013
		RM	RM
Trade receivables	(a)	1,639,923	512,375
Other receivables			
Deposits		1,509,946	955,780
Prepayments		647,295	1,108,793
Sundry receivables	(b)	2,344,984	35,166
		4,502,225	2,099,739
Total trade and other receivables		6,142,148	2,612,114
Less: Prepayments		(647,295)	(1,108,793)
Add: Cash and bank balances (Note 17)		23,288,996	30,915,413
Total loans and receivables		28,783,849	32,418,734

(a) Trade receivables

Concentration of credit risk relating to trade receivables arises mainly due to majority of QCT's properties that are single-tenanted. However, the risk is mitigated by the tenants which are engaged in diversified businesses and are of good quality and strong credit standing.

Trade receivables are non interest-bearing and are generally on 7 to 60-day terms (2013: 7 to 30-day terms). They are recognised at the original invoice amounts which represent their fair values on initial recognition.

16. Trade and other receivables (cont'd)

(a) Trade receivables (cont'd)

Ageing analysis of trade receivables

The ageing analysis of QCT's trade receivables is as follows:

	Group	
	2014	**2013**
	RM	**RM**
1 - 30 days past due not impaired	1,577,389	512,375
31 - 60 days past due not impaired	62,534	-
	1,639,923	512,375

The Manager believes that no impairment allowance is necessary as the tenants are of good credit standing with satisfactory payment history. In addition, security deposits have been collected by QCT which may be utilised towards settlement of overdue rentals when necessary.

(b) Sundry receivables

QCT has no significant concentration of credit risk that may arise from exposures to a single debtor or group of debtors relating to sundry receivables.

17. Cash and bank balances

	Group	
	2014	**2013**
	RM	**RM**
Deposits with licensed financial institutions	14,863,008	24,738,926
Cash on hand and at banks	8,425,988	6,176,487
	23,288,996	30,915,413

Included in deposits with licensed financial institutions is an amount of RM4,463,308 (2013: RM4,329,002) maintained in the debt service reserves accounts which are assigned for the borrowings as disclosed in Note 19.

Included in cash on hand and at banks is an amount of RM5,089,385 (2013: RM4,741,331) maintained in the revenue and operations accounts which are assigned for the borrowings as disclosed in Note 19.

The effective interest rate of the deposits placed with licensed financial institutions is at a weighted-average interest rate of 3.17% per annum (2013: 3.01% per annum). The maturity of deposits ranges from 31 to 90 days (2013: 31 to 90 days).

18. Trade and other payables

	Note	Group 2014 RM	Group 2013 RM
Trade payables			
Trade payables	(a)	2,644,957	672,890
Trade accruals		2,958,145	5,334,046
		5,603,102	6,006,936
Other payables			
Amount due to the Manager	(b)	1,481,173	1,451,866
Other payables	(a)	1,693,812	267,873
Accruals		3,463,101	3,924,305
		6,638,086	5,644,044
Total trade and other payables		12,241,188	11,650,980
Add: Borrowings (Note 19)		305,113,452	304,887,413
Total financial liabilities carried at amortised cost		317,354,640	316,538,393

(a) Trade and other payables

Trade and other payables are normally settled between 30 to 90 days (2013: 30 to 90 days).

(b) Amount due to the Manager

Amount due to the Manager is unsecured, non-interest bearing and repayable on demand.

19. Borrowings

	Note	Group 2014 RM	Group 2013 RM
Non-current			
Secured:			
CPs/ MTNs under RM270 million programme	(a)	188,834,344	188,804,911
Term Loan under RM150 million programme	(b)	116,279,108	116,082,502
		305,113,452	304,887,413

19. Borrowings (cont'd)

The maturities of the Group's borrowings as at 31 December 2014 are as follows:

	Group	
	2014	**2013**
	RM	**RM**
More than 1 year and less than 2 years	188,834,344	-
More than 2 years and less than 5 years	116,279,108	304,887,413
	305,113,452	304,887,413

Other information on financial risks on borrowings are disclosed in Note 35(a) and 35(c).

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

The RM270 million programme is analysed as follows:

	Group	
	2014	**2013**
	RM	**RM**
Face value of CPs/ MTNs issued	205,000,000	190,000,000
Discount	(2,968,419)	(2,353,000)
	202,031,581	187,647,000
Accretion of interest expenses	2,034,984	1,534,000
	204,066,565	189,181,000
Transaction costs carried forward	(376,089)	(519,957)
Amortisation of transaction costs	198,863	143,868
Transaction costs on CP issued during the year	(54,995)	-
	203,834,344	188,804,911
Redeemed on 5 September 2014	(15,000,000)	-
	188,834,344	188,804,911

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.

CPs/ MTNs totalling RM72 million were issued in 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 in 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.

CPs totalling RM15 million were issued on 3 March 2014 at the interest rate of 3.75% per annum; and were since repaid on 5 September 2014.

19. Borrowings (cont'd)

(a) CPs/ MTNs programme of up to RM270 million ("RM270 million programme") (cont'd)

The CPs/ MTNs outstanding at 31 December 2014 are subject to interest at the following interest rates per annum as at the reporting date:

	2014	2013
	%	%
RM12 million nominal value CPs	4.16	3.65
RM60 million nominal value MTNs	4.90	4.90
RM118 million nominal value CPs	4.16	3.65

The interest rates for the CPs are subject to interest rate swap arrangements as disclosed in Note 31.

The transaction costs relating to the programme are amortised over the tenure of the programme and are charged to profit or loss. The transaction costs relating to the RM15 million CPs amounted to RM54,995 were charged to profit and loss during the year.

The RM270 million programme is secured, inter-alia by the following:

(i) Third party first legal charge by Trustee over Quill Building 1 - DHL 1, Quill Building 4 - DHL 2, Quill Building 2 - HSBC and Tesco Building, disclosed as investment properties in Note 14 (collectively, the "Secured Properties");

(ii) First party debenture over all present and future assets of Kinabalu;

(iii) An undertaking from the Manager:

(a) to deposit all rental income cashflows generated from the Secured Properties into the revenue accounts; and

(b) that it shall not declare any dividends/ distributions to unitholders if:

- an event of default has occurred under the Transaction Documents is continuing and has not been waived; or
- the financial covenants are not met prior and after such distribution;

(iv) First legal charge or assignment by Trustee for the revenue accounts, operations accounts and a first party assignment by Kinabalu for the debt service reserves account;

(v) Third party assignment of all the proceeds under the tenancy/ lease agreements of the Secured Properties;

(vi) Third party assignment over all rights and benefits under all the insurance policies in relation to the Secured Properties;

(vii) An irrevocable Power of Attorney granted by the Trustee in favour of the Security Agent to dispose the Secured Properties upon occurrence of a trigger event;

(viii) First legal assignment over the REIT Trustee Financing Agreement entered into between Kinabalu and the Trustee for the advancement of fund from Kinabalu to the Trustee; and

(ix) Third party first legal charge over the entire shares of Kinabalu.

19. Borrowings (cont'd)

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

The RM150 million 5-year Term Loan Facilities are analysed as follows:

	2014 RM	2013 RM
Term loan drawndown	117,000,000	117,000,000
Transaction costs carried forward	(917,498)	(983,034)
	116,082,502	116,016,966
Amortisation of transaction costs	196,606	65,536
	116,279,108	116,082,502

On 18 July 2013, QCT 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 the interest rate of 4.60% per annum was drawndown to repay the RM117 million MTN outstanding under the RM134 million CP/MTN Programme (Note 19 (a)) which matured on 13 September 2013. Tranche 2 will be used for capital expenditure and investments at the Reference Malaysian Government Securities ("MGS") + 1.4% 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 Term Loan is secured, inter-alia by the following:

(i) Third party first legal charge over Wisma Technip, Quill Building 8 - DHL XPJ, Quill Building 5 - IBM, respectively disclosed as investment properties in Note 14 (collectively, the "Charged Properties");

(ii) Third party legal assignment of the sale and purchase agreements for the acquisitions of part of Plaza Mont' Kiara, respectively disclosed as investment properties in Note 14 (collectively, the "Assigned Properties");

(iii) First party debenture over all present and future assets of Trusmadi;

(iv) An undertaking from the Manager:

(a) to deposit all income/ insurance proceeds generated from the Charged and Assigned Properties (collectively, "Secured Properties") into revenue accounts; and

(b) that it shall not declare any dividends/ distributions to unitholders if:

- an event of default has occurred under the Transaction Documents, is continuing and has not been waived; or
- the financial covenants are not met prior and after such distribution;

(v) First legal charge or third party assignment by the Trustee for the revenue accounts, operations accounts and a first party assignment by Trusmadi for the debt service reserves account;

(vi) Third party legal assignment of all the proceeds under the tenancy/ lease agreements of the Secured Properties;

19. Borrowings (cont'd)

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

(vii) Third party assignment over all rights, title, interest and benefits under all the insurance policies in relation to the Secured Properties;

(viii) First legal assignment over the REIT Trustee Financing Agreement entered into between Trusmadi and the Trustee; and

(ix) Third party first legal charge over the entire shares of Trusmadi.

20. Unitholders' capital

	2014 No. of units	2013 No. of units
Approved fund size		
At beginning of the year/end of the year	490,131,000	490,131,000
Issued and fully paid		
At beginning of the year/end of the year	390,131,000	390,131,000
	Amount RM	**Amount RM**
Issued and fully paid		
At beginning of the year/end of the year	411,712,067	411,712,067

21. Investment in special purpose entities ("SPEs")

Details of SPEs are as follows:

Name of SPEs	Country of incorporation	Principal activites	Proportion of controlling interest	
			2014	2013
			%	%
Murud Capital Sdn. Bhd. (formerly known as Gandalf Capital Sdn. Bhd.)	Malaysia	Facilitating financing for QCT	100	100
Trusmadi Capital Sdn. Bhd.	Malaysia	Facilitating financing for QCT	100	100
Samwise Capital Sdn. Bhd.	Malaysia	Facilitating financing for QCT	100	100
Kinabalu Capital Sdn. Bhd.	Malaysia	Facilitating financing for QCT	100	100

All the above subsidiaries are audited by Ernst & Young, Malaysia.

22. Capital commitments

	Group	
	2014	2013
	RM	RM
Capital expenditure commitments		
Investment properties :		
Approved and contracted for	2,319,729	8,163,970

23. Operating Lease

Operating lease commitments - as lessor

QCT has entered into leases on its investment properties. The non-cancellable leases have remaining lease terms of between one to eighteen years (2013: between one to nineteen years).

Future rentals receivable under non-cancellable leases at the reporting date are as follows:

	2014	2013
	RM	RM
Not later than 1 year	58,504,541	55,656,775
Later than 1 year but not later than 5 years	143,363,386	149,346,912
Later than 5 years	134,256,238	160,269,588
	336,124,165	365,273,275

24. Net asset value per unit

The calculation of net asset value ("NAV") per unit is based on 390,131,000 units (2013: 390,131,000 units) in circulation as at 31 December 2014.

25. Transactions with stockbroking companies

No transactions with stockbroking companies were made during the financial year.

26. Unitholdings by the Manager

As at 31 December 2014 and 2013, the Manager did not hold any units in QCT.

27. Unitholders related to the Manager

	QCT				
	No. of units 2014	**No. of units 2013**	**Percentage of total units 2014 %**	**Percentage of total units 2013 %**	**Market value 2014 RM**
HLIB Nominee (Tempatan) Sdn. Bhd. for:					
Quill Properties Sdn. Bhd.	45,997,000	45,997,000	11.79	11.79	53,816,490
Quill Land Sdn. Bhd.	48,767,000	48,767,000	12.50	12.50	57,057,390
Quill Estates Sdn. Bhd.	22,276,000	22,276,000	5.71	5.71	26,062,920
HSBC Nominees (Asing) Sdn. Bhd. for:					
CapitaCommercial Trust	117,040,000	117,040,000	30.00	30.00	136,936,800
	234,080,000	234,080,000	60.00	60.00	273,873,600
The Manager's directors' direct unitholding in QCT:					
Dato' Dr. Jennifer Low, J.P.	50,000	50,000	0.01	0.01	58,500
Dato' Michael Ong Leng Chun	55,000	55,000	0.01	0.01	64,350
Datuk Dr. Mohamed Arif Bin Nun	10,000	10,000	0.00	0.00	11,700
Aw Hong Boo (Alternate to Dato' Dr. Jennifer Low, J.P.)	50,000	50,000	0.01	0.01	58,500

27. Unitholders related to the Manager (cont'd)

The Manager's directors' indirect unitholding in QCT:

		QCT				
	Note	No. of units 2014	No. of units 2013	Percentage of total units 2014 %	Percentage of total units 2013 %	Market value 2014 RM
Dato' Dr. Jennifer Low, J.P.	(a)	117,040,000	117,040,000	30.00	30.00	136,936,800
Dato' Michael Ong Leng Chun	(b)	117,040,000	117,040,000	30.00	30.00	136,936,800

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

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

The market value of the units held by the unitholders related to the Manager is determined by using the closing market value of QCT as at 31 December 2014 of RM1.17 per unit (2013: RM1.18 per unit).

28. Portfolio turnover ratio

	Group	
	2014	2013
Portfolio turnover ratio ("PTR") (times)	-	-

PTR is the ratio of the average of acquisitions and disposals of investments for the period to the average net asset value of QCT for the period calculated on a monthly basis.

As there is no acquisition and disposal of investment properties in 2013 and 2014, the PTR for both years are nil.

29. Management expense ratio

	Group	
	2014 %	2013 %
Management expense ratio ("MER")	1.10	1.10

MER is calculated based on the total fees including manager's fee, trustee's fee, valuation fee and administration expenses charged to QCT divided by the average net asset value during the year.

Since the average net asset value of QCT is calculated on a monthly basis, the MER of QCT may not be comparable to the MER of other real estate investment trusts/ unit trusts which may use a different basis of calculation.

30. Related parties transactions

	Group	
	2014	**2013**
	RM	**RM**
The related parties transactions other than as disclosed in Note 7 are as follows:		
Renovation works	4,176,241	766,759

Details of material contract with the related parties other than as disclosed in Note 7 is as follows:

(i) Award of a contract of asset enhancement works of RM6.32 million to Quill Construction Sdn. Bhd. ("QCSB"), by the Manager on 25 October 2013.

Based on the review carried out by an independent quantity surveyor, the proposed contract value for the asset enhancement works is within market norms and is on fair commercial terms.

QCSB is a member of the Quill Group of Companies, and is related to QCT's major unitholders namely Quill Properties Sdn. Bhd., Quill Land Sdn. Bhd., Quill Estates Sdn. Bhd. and two of the directors of QCT's Manager, namely Dato' Dr. Jennifer Low, J.P. and Dato' Michael Ong Leng Chun.

31. Interest rate swaps ("IRSs") arrangement

As part of the active interest rate management strategy of QCT, the following Interest Rate Swap arrangements have been entered into:

(i) On 21 November 2011, an IRS arrangement swapping floating rate for fixed rate for RM65 million ("IRS No. 5") was entered into in relation to the RM130 million nominal value CPs issued (Note 19(b)) with the Bank. Pursuant to IRS No. 5, QCT will pay a fixed rate of 3.34% per annum 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 RM65 million ("IRS No. 6") was entered into in relation to the RM130 million nominal value CPs issued (Note 19(b)) with the Bank. Pursuant to IRS No. 6, QCT will pay a fixed rate of 3.34% per annum 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 statement of comprehensive income.

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 into the IRSs contracts with reputable licensed financial institutions.

The fair values of the IRSs are the estimated amount that would be received or paid to terminate the IRSs as at the reporting date, taking into account interest rate market conditions. The fair values are obtained based on quotes provided by the financial institutions.

QCT was eligible to apply hedge accounting for its IRSs with effect from 1 October 2010, upon satisfying the requirements of the standard. Changes in fair values of the IRSs were since recognised in other comprehensive income. Prior to adoption of hedge accounting, the fair values changes of the IRSs were recognised in profit or loss.

31. Interest rate swaps ("IRSs") arrangement (cont'd)

The fair values of the derivatives and the maturity profile as at the respective dates are as follows:

	Group	
	Fair value of derivative assets as at	
	2014	2013
	RM	RM
One to three years	1,224,193	1,023,184
	1,224,193	1,023,184

32. Other significant events

As announced to Bursa Malaysia on 29 January 2014, the Trustee had on 29 January 2014, entered into a Heads of Agreement ("HOA") with MRCB Sentral Properties Sdn Bhd ("MSP") for the proposed acquisition of a freehold land held under GRN 46222, Lot 73 Section 0070, Town and District of Kuala Lumpur, together with a commercial development known as Platinum Sentral, consisting of 5 blocks of 4 to 7 storey commercial buildings, a multi-purpose hall and 2 levels of car park, bearing the postal address of Platinum Sentral, Jalan Stesen Sentral, Kuala Lumpur Sentral, 50470 Kuala Lumpur for a purchase consideration of RM750 million ("Proposed Acquisition").

The purchase consideration of RM750 million ("Purchase Consideration") for the Proposed Acquisition is subject to a valuation to be carried out by an independent valuer to be appointed and will be satisfied by QCT in the following manner:

(i) RM486,000,000 in cash, of which a refundable earnest deposit of RM15,000,000 shall be payable upon the execution of the HOA; and

(ii) RM264,000,000 by the issuance of new units in QCT at an issue price of RM1.32 per unit.

QCT intends to fund the cash portion of the purchase consideration through borrowings and/or fund raising via issuance of new units.

The Proposed Acquisition shall be conditional upon, among others, approvals being obtained from the shareholders of MSP and/or its holding company, the board of directors of QCM, unitholders of QCT, SC, Bursa Malaysia and the execution of the following definitive agreements:

(i) MRCB entering into a share sale agreement to acquire 40% equity stake and 1% equity stake in QCM from CapitaLand RECM Pte Ltd ("CRPL") and Coast Capital Sdn Bhd ("CCSB") respectively; and

(ii) Quill Resources Holding Sdn Bhd ("QRHSB"), one of the existing shareholders of QCM, entering into a share sale agreement to acquire an additional 9% equity stake in QCM from CCSB.

As announced to Bursa Malaysia on 10 April 2014, the Trustee had on 10 April 2014 entered into a conditional Sale and Purchase Agreement ("SPA") with MSP, for the proposed acquisition of the property.

32. Other significant events (cont'd)

In conjunction with the Proposed Acquisition, the Board also proposed to undertake the following:

(i) Proposed Placement to partially finance the Proposed Acquisition, defray expenses relating to the Proposals and fund asset enhancement initiatives and repay borrowings ("Proposed Placement");

(ii) Proposed Authority to give the Board flexibility in allotting and issuing new Units to the Manager as payment of management fee. Pursuant thereto, certain clauses in the Trust Deed, as amended by the first supplemental deed dated 27 August 2007 and the second supplemental deed dated 28 May 2013 entered into between the Manager and the Trustee shall be amended to allow the Proposed Authority ("Proposed Authority");

(iii) Proposed Increase in Fund Size to accommodate the increase in Units pursuant to the Proposed Acquisition, Proposed Placement and Proposed Authority ("Proposed Increase in Fund Size"); and

(iv) Proposed Change of Name from "Quill Capita Trust" to "MRCB-Quill REIT" ("Proposed Change of Name").

(Collectively referred to as the "Proposals")

The existing shareholders of QCM, namely Quill Resources Holding Sdn Bhd ("QRHSB"), Coast Capital Sdn Bhd ("CCSB") and CapitaLand RECM Pte. Ltd. ("CRPL"), together with MRCB, had on even date entered into the following share sale agreements:

(i) agreement between CRPL and MRCB in respect of the disposal by CRPL of its entire 40% stake in QCM to MRCB for a cash consideration of RM5,739,352;

(ii) agreement between CCSB and MRCB in respect of the disposal by CCSB of 1% stake in QCM to MRCB for a cash consideration of RM143,483.80; and

(iii) agreement between CCSB and QRHSB in respect of the disposal by CCSB of 9% stake in QCM to QRHSB for a cash consideration of RM1,291,354.20.

The above share sale agreements shall collectively be referred to as the "Proposed Shares Disposals".

Following the Proposed Shares Disposals, CRPL will cease to be a shareholder of QCM while MRCB, QRHSB and CCSB will hold 41%, 39% and 20% equity interest in QCM respectively.

As announced to Bursa Malaysia on 23 April 2014, the Board of Directors of QCM, had on 22 April 2014 been notified that the existing shareholders of CCSB, namely Shahinuddin Bin Shariff and Muhammad Irfan bin Shahinuddin, had entered into a share sale agreement with Global Jejaka Sdn Bhd ("GJSB") for the disposal of their collective 100% equity interest in CCSB to GJSB.

On 21 May 2014, announcement was made to Bursa Malaysia that the Board of Directors of QCM had on 20 May 2014 been notified of the following:

(a) the existing shareholders of Coast Capital Sdn Bhd (''CCSB"), namely Shahinuddin Bin Shariff and Muhammad Irfan bin Shahinuddin, had entered into a deed of revocation with Global Jejaka Sdn Bhd ("GJSB") to revoke the share sale agreement in respect of the disposal of their collective 100% equity interest in CCSB and GJSB; and

(b) CCSB had entered into a share sale agreement with GJSB to dispose of its entire 20% equity interest in QCM to GJSB.

32. Other significant events (cont'd)

As announced to Bursa Malaysia on 13 October 2014, the SC approved the following shareholding structure of QCM:

(i) the transfer by CRPL of its 40% equity interest in QCM to MRCB;

(ii) the transfer by CCSB of its 20% equity interest in QCM to GJSB;

(iii) the transfer by CCSB of its 9% equity interest in QCM to QRHSB; and

(iv) the transfer by CCSB of its 1% equity interest in QCM to MRCB.

As announced to Bursa Malaysia on 9 September 2014, the Valuer had via its letter dated 9 September 2014 informed QCM that it has revised the market value of the Property from RM750,000,000 to RM740,000,000 pursuant to comments by the SC. The downward adjustment of the market value represents approximately 1.33% of the initial market value. Arising from the aforesaid revision, the purchase consideration for the Property shall be adjusted to RM740,000,000 in accordance with the terms of the SPA, and shall be satisfied by the Trustee on behalf of QCT as follows:

(i) RM476,000,000 (instead of RM486,000,000) in cash; and

(ii) RM264,000,000 by the issuance of 206,250,000 Consideration Units at an issue price of RM1.28 per Consideration Unit.

As previously announced, the cash portion of the purchase consideration, together with the expenses for the Proposals and asset enhancement initiatives, is proposed to be funded through a combination of proceeds from the Proposed Placement and borrowings. In view of the revision in the purchase consideration, the amount of borrowings to be utilised for the above purposes shall be reduced accordingly.

In addition to the above, the Board also clarified that the Proposed Authority, in which QCM proposed to allot and issue up to 3% of the total Units in circulation for the purpose of the payment of Management Fee, shall entail the allotment and issuance of up to 20,387,000 new Units representing up to 3% of the total Units in circulation after the Proposed Acquisition and Proposed Placement.

As announced to Bursa Malaysia on 8 October 2014, the Trustee and MSP had, via a supplemental letter dated 8 October 2014, mutually agreed to extend the conditional period by a period of 3 months, thereby amending the last day of the conditional period from 9 October 2014 to 9 January 2015 ("Extended Conditional Period"), to fulfil all the conditions precedent in the SPA.

An announcement has been made to Bursa Malaysia on 15 October 2014, that the SC had approved the following:

(i) the increase in approved fund size of QCT by up to 309,869,000 new Units from 390,131,000 Units to a maximum of 700,000,000 QCT Units for the following purposes:

    (a) Proposed Acquisition of Platinum Sentral to be partly satisfied by 206,250,000 QCT Units;

    (b) Proposed Placement to partly finance the cash portion for the Proposed Acquisition; and

    (c) Proposed Authority;

(ii) the listing of and quotation for the new QCT Units on the Bursa Malaysia;

(iii) valuation of the Property to be acquired by QCT valued at RM740,000,000;

(iv) exemption from Paragraph 3.04 (b) of the SC REIT Guidelines in relation to the requirement of a management company being a subsidiary of companies as prescribed under the said paragraph; and

(v) exemption from Paragraph 14.04(a)(i), (ii) and (iii) of the SC REIT Guidelines in relation to obtaining unitholders' approval on the precise terms and conditions of an issue of units.

32. Other significant events (cont'd)

The approval of the SC is subject to the following conditions:

(i) In relation to the Proposed Acquisition and Proposed Placement:

(1) the SC be informed of the date of listing of the new Units on Bursa Malaysia; and

(2) the issuance and the listing of the new Units on the Bursa Malaysia must be completed within 6 months from the date of SC's approval. The approval would be deemed lapsed if QCM fails to do so within the stipulated time frame.

(ii) In relation to the Proposed Authority, the SC is to be informed on the following with regard to each issuance of QCT units:

(1) the actual number of new Units to be issued and listed as part payment of Management Fees; and

(2) the basis of arriving at such number of new Units.

As announced on 21 October 2014, the SC had vide its letter dated 20 October 2014 authorised the CP/MTN Programmes with a combined aggregate nominal value of up to RM450.0 million.

Hong Leong Investment Bank Berhad ("HLIB") has been appointed as the Principal Adviser, Lead Arranger and Lead Manager for the CP/MTN Programmes.

Murud Capital Sdn Bhd ("MCSB") (Formerly known as Gandalf Capital Sdn Bhd) as the issuer, is a special purpose company wholly owned and established by QCT to raise financing on behalf of QCT.

The CP/MTN Programmes shall be secured by a list of securities, inter-alia, a third party first ranking legal charge over the property.

The proceeds raised from the issuance of the Senior CP/MTN and the Junior CP/MTN shall be utilised by MCSB, amongst others, to advance to QCT to part finance the acquisition of the property, to finance its investment activities, and to refinance its existing/future borrowings.

33. Subsequent events

As announced on 8 January 2015, the Trustee and MSP had, via a second supplemental letter dated 8 January 2015, mutually agreed to further extend the Conditional Period by a period of 3 months, thereby amending the last day of the Extended Conditional Period from 9 January 2015 to 9 April 2015 ("Further Extended Conditional Period"), to fulfil all the Conditions Precedent in the SPA.

For the purpose of clarification, the period for fulfilment of the condition precedent in clause 4.1(h) of the SPA, which is set out in Section 2.3(v)(h) of the announcement dated 10 April 2014 (such as the Trustee having received the proceeds from the Proposed Placement or from the underwriting of the Units in relation to the Proposed Placement), shall not be automatically extended by a further period of 3 months after the expiry of the Further Extended Conditional Period.

As announced on 22 January 2015, the listing application in respect of the listing of and quotation for the new Units to be issued pursuant to the Proposed Acquisition, Proposed Placement and Proposed Authority has been submitted to Bursa Malaysia on 22 January 2015.

34. Fair value of financial instruments

A. Fair value of financial instruments by classes that are not carried at fair value are as follows:

		Group	
		Carrying value	Fair value
	Note	RM	RM
Financial liabilities:			
At 31 December 2014			
Long-term borrowings:			
CPs/ MTNs under RM270 million programme	19	188,834,344	189,601,323
Term Loan under RM150 million programme	19	116,279,108	116,279,108
Security deposits (non-current)		7,503,503	6,347,581
At 31 December 2013			
Long-term borrowings:			
CPs/ MTNs under RM270 million programme	19	188,804,911	188,921,083
Term Loan under RM150 million programme	19	116,082,502	116,082,502
Security deposits (non-current)		4,756,365	3,960,754

B. Determination of fair value

The fair values of long term borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

The fair value of security deposits is estimated based on the current cost of funds.

The following methods and assumptions were used to estimate the fair values of the following classes of financial instruments:

Cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings

The carrying balances of these financial instruments approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

Derivatives

Interest rate swap contracts are valued using reference to their marked to market fair values as at the reporting date quoted by the financial institution.

34. Fair value of financial instruments (cont'd)

C. Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 31 December 2014, the Group held the following financial instruments carried at fair value in the statement of financial position:

Assets measured at fair value

	2014	Level 1	Level 2	Level 3
	RM	RM	RM	RM
Derivatives (non-current)	1,224,193	-	1,224,193	-

During the reporting year ended 31 December 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

	2013	Level 1	Level 2	Level 3
	RM	RM	RM	RM
Derivatives (non-current)	1,023,184	-	1,023,184	-

During the reporting year ended 31 December 2013, there were no transfers between Level 1 and Level 2 fair value measurements.

35. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and use of financial instruments, including interest rate risk, credit risk, liquidity risk and market risk.

The Group has a system of controls in place to create an acceptable balance between the costs of risks occurring and the costs of managing the risks. The Manager continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors the compliance with stated risk management policies and procedures, assisted by the internal auditor. The internal auditor undertakes regular review of risk management controls and procedures, the results of which are reported to the Audit Committee.

35. Financial risk management objectives and policies (cont'd)

The following section provides details of the Group's exposures to the above mentioned risks and the objectives and policies for the management of these risks:

(a) Interest rate risk

The Group's exposure to changes in interest rates relates primarily to borrowings as disclosed in Note 19. Interest rate is managed on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates. Interest Rate Swaps ("IRSs") have been entered into to partially manage the exposure to interest rate risk. Details of the IRSs are as described in Note 31.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 100 basis points lower/ higher, with all other variables held constant, there is no impact on the Group's income net of tax as all of its floating rate borrowings have been hedged under the IRSs as described in Note 31. The assumed movement in basis point for the interest rate sensitivity analysis is based on the current observable market environment.

(b) Credit risk

Credit risk is the risk of potential financial loss resulting from failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

The Group's exposure to credit risk arises primarily from trade receivables. The risk is managed by stringent selection process to ensure creditworthy and good standing tenants are selected. The risk of non-collection of rental is mitigated by diligent on-going monitoring of outstanding receivables and collection of security deposits from tenants.

For other financial assets, the Group minimises the credit risk by dealing with high credit rating counterparties and/or reputable and licensed financial institutions.

As at 31 December 2014, the Group's maximum exposure to credit risk is represented by the carrying amount of its financial assets as follows:

	Group	
	Carrying amount as at	
	2014	2013
	RM	RM
Trade and other receivables	6,142,148	2,612,114
Cash and bank balances	23,288,996	30,915,413
Derivatives	1,224,193	1,023,184

35. Financial risk management objectives and policies (cont'd)

The following section provides details of the Group's exposures to the above mentioned risks and the objectives and policies for the management of these risks: (cont'd)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds, which may potentially arise from mismatches of maturities of financial assets and liabilities. As the timing of funding arrangements can be critical, the Group may be exposed to the risk of its real estate properties being foreclosed in the interim.

To mitigate liquidity risk, the Manager maintains adequate level of cash and cash equivalents and arranges for refinancing of the Group's borrowings on a timely basis to fund the Group's operations and meet its financial obligations. In addition, the Manager observes the SC Guidelines for REITs concerning the limits to total borrowings and ensures compliance with stated financial covenants per terms of its borrowings.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year	One to five years	Total
	RM	RM	RM
At 31 December 2014			
Trade and other payables	12,241,188	-	12,241,188
Borrowings	13,171,000	326,844,238	340,015,238
Security deposits	2,263,561	7,503,503	9,767,064
	27,675,749	334,347,741	362,023,490
At 31 December 2013			
Trade and other payables	11,650,980	-	11,650,980
Borrowings	12,233,534	335,101,334	347,334,868
Security deposits	5,365,479	4,756,365	10,121,844
	29,249,993	339,857,699	369,107,692

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rate and unit fund prices which will affect the Group's financial results or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

36. Capital management

The primary objective of capital management is to optimise the Group's capital structure and cost of capital, while maintaining the gearing ratio within the limits as set out in the SC's Guidelines on REIT.

The Manager employs a combination of appropriate and flexible debt and financing policies to manage both current and future funding requirements of QCT. The Manager, on an on-going basis, manages the capital structure of QCT and makes adjustments to it when necessary, in the light of changes in economic conditions.

QCT's capital includes units issued, undistributed distributable income and non-distributable reserves.

37. Segmental reporting

No segmental reporting is prepared as the Group's activities are predominantly in one industry segment and its properties are situated in Malaysia.

UNITHOLDINGS AND **30 LARGEST UNITHOLDERS**

As at 31 December 2014

DISTRIBUTION OF UNITHOLDINGS AS AT 31 DECEMBER 2014

Unit Class	No. of Unitholders	% of Unitholders	No. of Unitholdings	% of Unitholdings
Less than 100	24	0.73	470	-
100 - 1,000	451	13.62	348,830	0.09
1,001 - 10,000	1,652	49.89	9,227,500	2.37
10,001 - 100,000	1,020	30.81	36,247,700	9.29
100,001 to less than 5% of issued units	160	4.83	110,226,500	28.25
5% and above of issued units	4	0.12	234,080,000	60.00
TOTAL	**3,311**	**100.00**	**390,131,000**	**100.00**

CLASSIFICATION OF UNITHOLDERS AS AT 31 DECEMBER 2014

CATEGORY OF UNITHOLDERS		NO. OF UNITHOLDERS			NO. OF UNITS		
		MALAYSIAN		FOREIGN	MALAYSIAN		FOREIGN
		BUMIPUTRA	NON-BUMIPUTRA		BUMIPUTRA	NON-BUMIPUTRA	
1.	Individual	82	2,458	47	1,148,000	52,336,700	956,600
2.	Body Corporate						
	Banks/Finance Companies	4	1	-	5,800,000	13,353,300	-
	Investments Trusts/ Foundations/Charities	-	1	-	-	220,500	-
	Other Types of Companies	12	66	1	1,341,300	13,721,500	58,000
3.	Government Agencies/ Institutions	1	-	-	1,097,900	-	-
4.	Nominees	366	237	35	15,735,400	164,047,700	120,314,100
5.	Others	-	-	-	-	-	-
TOTAL		465	2,763	83	25,122,600	243,679,700	121,328,700
GRAND TOTAL		**3,311**			**390,131,000**		

UNITHOLDINGS AND **30 LARGEST UNITHOLDERS**

As at 31 December 2014
cont'd

30 LARGEST UNITHOLDERS AS AT 31 DECEMBER 2014

NO.	NAME OF UNITHOLDERS	UNITHOLDINGS	%
1	HSBC NOMINEES (ASING) SDN BHD *HSBC-FS FOR CAPITACOMMERCIAL TRUST*	117,040,000	30.00
2	HLIB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR QUILL LAND SDN BHD (IB)*	48,767,000	12.50
3	HLIB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR QUILL PROPERTIES SDN BHD (IB)*	45,997,000	11.79
4	HLIB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR QUILL ESTATES SDN BHD (IB)*	22,276,000	5.71
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR AIA BHD.*	15,984,200	4.10
6	AFFIN HWANG INVESTMENT BANK BERHAD *IVT (JBD)*	13,353,300	3.42
7	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD *GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)*	7,500,000	1.92
8	HONG LEONG ASSURANCE BERHAD *AS BENEFICIAL OWNER (LIFE PAR)*	5,663,300	1.45
9	AMANAHRAYA TRUSTEES BERHAD *PUBLIC OPTIMAL GROWTH FUND*	4,200,000	1.08
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD *ETIQA INSURANCE BERHAD (LIFE NON-PAR FD)*	3,989,300	1.02
11	DB (MALAYSIA) NOMINEES (TEMPATAN) SENDIRIAN BERHAD *DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND*	3,856,000	0.99
12	HONG LEONG ASSURANCE BERHAD *AS BENEFICIAL OWNER (UNITLINKED BCF)*	1,895,000	0.49
13	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD *GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 3)*	1,608,200	0.41
14	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (VCAM EQUITY FD)*	1,579,000	0.40
15	AMSEC NOMINEES (TEMPATAN) SDN BHD *CHE KING TOW (9064-1102)*	1,541,600	0.40
16	CARTABAN NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD*	1,499,000	0.38
17	DB (MALAYSIA) NOMINEES (TEMPATAN) SENDIRIAN BERHAD *DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSEQUITY INCOME FUND*	1,440,000	0.37
18	HSBC NOMINEES (TEMPATAN) SDN BHD *HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (PACIFIC6939-407)*	1,277,600	0.33
19	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD *GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (SHF)*	1,227,100	0.31
20	LEMBAGA TABUNG ANGKATAN TENTERA	1,097,900	0.28
21	YAP AH NGAH @ YAP NEO NYA	1,050,000	0.27

UNITHOLDINGS AND **30 LARGEST UNITHOLDERS**

As at 31 December 2014
cont'd

30 LARGEST UNITHOLDERS AS AT 31 DECEMBER 2014 (cont'd)

NO.	NAME OF UNITHOLDERS	UNITHOLDINGS	%
22	AMANAHRAYA TRUSTEES BERHAD *PUBLIC MUTUAL PRS GROWTH FUND*	1,000,000	0.26
23	DB (MALAYSIA) NOMINEES (TEMPATAN) SENDIRIAN BERHAD *KSK GROUP BERHAD FOR KSK INVESTMENT SDN BHD (TSTAC/CLNT)*	1,000,000	0.26
24	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD *CIMB COMMERCE TRUSTEE BERHAD - KENANGA PREMIER FUND*	981,800	0.25
25	CARTABAN NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CREDIT INDUSTRIEL ET COMMERCIAL (AC CLIENT)*	959,000	0.25
26	NEOH CHOO EE & COMPANY, SDN. BERHAD	920,000	0.24
27	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *AIG MALAYSIA INSURANCE BERHAD*	908,900	0.23
28	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *DBS VICKERS SECS (S) PTE LTD FOR ABD KHALID BIN IBRAHIM*	840,000	0.22
29	YVONNE CHONG SOONG AI	800,000	0.21
30	YEAP AH KAU @ YEAP CHAN TOOI *(KUTN (T) S/B)*	750,000	0.19
		311,001,200	**79.72**

NOTICE OF **THIRD ANNUAL GENERAL MEETING**

QUILL CAPITA TRUST

(Established in Malaysia under the Trust Deed dated 9 October 2006, as amended by the first supplemental deed dated 27 August 2007 and the second supplemental deed dated 28 May 2013 entered into between Quill Capita Management Sdn Bhd, a company incorporated in Malaysia under the Companies Act, 1965 and Maybank Trustees Berhad, a company incorporated in Malaysia under the Companies Ordinances, 1940 to 1946)

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of Quill Capita Trust ("QCT") will be held at Sime Darby Convention Centre, Ballroom 1, Level 1, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 12 March 2015 at 11.00 a.m. or immediately after the conclusion or the adjournment (as the case may be) of the Extraordinary General Meeting of QCT which will be held at the same venue and same day at 9.30 a.m., whichever is later, or at any adjournment thereof, for the following purpose:

AGENDA

As Ordinary Business:-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 of QCT together with the Trustee's Report to the Unitholders issued by Maybank Trustees Berhad, as trustee for and on behalf of QCT ("Trustee") and the Statement issued by Quill Capita Management Sdn Bhd, as manager of QCT ("Manager") and the Independent Auditors' Report therein. *(Please refer to Explanatory Note 1)*

2. To transact such other business of which due notice shall have been given in accordance with the Trust Deed constituting QCT.

BY ORDER OF THE BOARD
Quill Capita Management Sdn Bhd
(as Manager of Quill Capita Trust)

Dato' Lee Fong Yong
(MAICSA 7005956)

Kan Loke Mooi
(MAICSA 0872717)

Company Secretaries

Petaling Jaya
Date: 18 February 2015

Notes:-

1. *A unitholder shall be entitled to attend and vote at the Third Annual General Meeting, and shall be entitled to appoint another person (whether a unitholder or not) as its proxy to attend in its stead.*

2. *Where a unitholder is an exempt authorised nominee which holds the units for multiple beneficial owners in one securities account, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

3. *Where the unitholder appoints two (2) proxies, the appointment shall be invalid unless he or she specifies the proportions of his or her holdings to be represented by each proxy.*

4. *Such proxy shall have the same rights as the unitholder to vote, to speak and to be reckoned in a quorum.*

5. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of its attorney duly authorised in writing or if the appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.*

6. *The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at the Registered Address of Quill Capita Management Sdn Bhd not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.*

7. *For the purpose of determining a unitholder who shall be entitled to attend the Third Annual General Meeting, the Manager shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Unitholders' Meeting Record of Depositors as at 6 March 2015. Only a unitholder whose name appears therein shall be entitled to attend the said meeting or appoint a proxy to attend in his or her stead.*

Explanatory Notes on Ordinary Business:-

1. Item 1 of the Agenda

This Agenda item is meant for discussion only as the provision under the SC REIT Guidelines does not require a formal approval of the unitholders for the Audited Financial Statements. Hence, this item is not put forward to the unitholders for voting.

QuillCapita Trust

Proxy Form

QUILL CAPITA TRUST

(Established in Malaysia under the Trust Deed dated 9 October 2006, as amended by the first supplemental deed dated 27 August 2007 and the second supplemental deed dated 28 May 2013)

CDS Account No

No. of units held

I/We_____

[Full name in block, NRIC No./Company No.]

of_____

[Address]

_____

being a Unitholder/Unitholders of **Quill Capita Trust**, hereby appoint:-

Full Name *(in Block)*	**NRIC / Passport No.**	**Proportion of Unitholdings**	
		No. of Units	**%**
Address			

and / or (delete as appropriate)

Full Name *(in Block)*	**NRIC / Passport No.**	**Proportion of Unitholdings**	
		No. of Units	**%**
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy to attend on my/our behalf at the Third Annual General Meeting of the Company to be held at Sime Darby Convention Centre, Ballroom 1, Level 1, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 12 March 2015 at 11.00 a.m. or immediately after the conclusion or the adjournment (as the case may be) of the Extraordinary General Meeting of QCT which will be held at the same venue and same day at 9.30 a.m., whichever is later, or at any adjournment thereof.

Signed this _____ day of _____ , 2015

_____

Signature of Unitholder(s)

Notes:-

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2. *Where a unitholder is an exempt authorised nominee which holds the units for multiple beneficial owners in one securities account, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
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Fold this flap for sealing

Then fold here

Affix
stamp

The Company Secretary
Quill Capita Management Sdn Bhd

The Manager of Quill Capita Trust
Level 7, Quill 9
112 Jalan Semangat
46300 Petaling Jaya
Selangor Darul Ehsan

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