

ANNUAL REPORT

2015



CORPORATE

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PORTFOLIO OVERVIEW

As at 31 December 2015, MQREIT'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	: RM126,000,000*
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 Malaysia ("SC") during the initial Public Offering of MQREIT. 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 RM126,000,000.

PORTFOLIO OVERVIEW

cont'd



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 a 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	: RM126,000,000*
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 MQREIT. 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 RM126,000,000.

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 : RM120,700,000

Occupancy : 100%

PORTFOLIO OVERVIEW

cont'd



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 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	: RM75,500,000
Occupancy	: 80%

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	: RM172,000,000
Occupancy	: 100%

PORTFOLIO OVERVIEW

cont'd



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	: RM114,000,000
Occupancy	: 92%

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%

PORTFOLIO OVERVIEW

cont'd



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%

PORTFOLIO OVERVIEW

cont'd



TESCO BUILDING, PENANG

Address/Location : 1, Lebuhraya Tengku Kudin 1, 11700 Penang

Property Type : Commercial Building

Description : 3-storey purpose-built hypermarket

Tenure : Term in Perpetuity

Date of Acquisition : 7 November 2008

Net Lettable Area : 275,020 sq ft

Purchase Price : RM132,000,000

Market Value : RM140,000,000

Occupancy : 100%

PORTFOLIO OVERVIEW

cont'd



PLATINUM SENTRAL

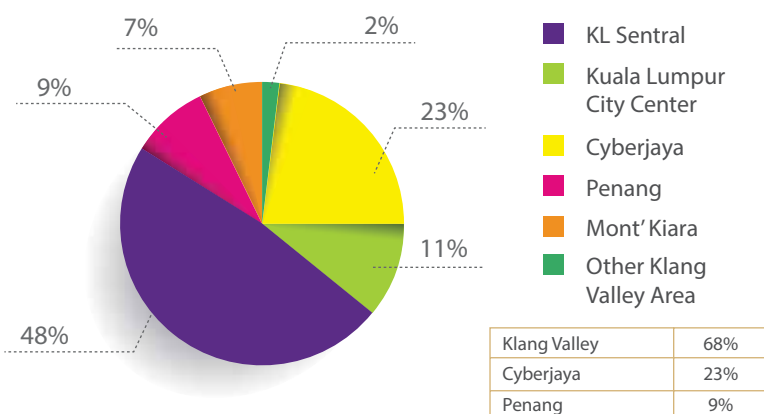
Address/Location	: Kuala Lumpur Sentral
Property Type	: Commercial Building
Description	: 5 blocks of 4 to 7 storey commercial building comprising office-cum-retail space, a multi-purpose hall and 2 levels of car park
Tenure	: Term in Perpetuity
Date of Acquisition	: 30 March 2015
Net Lettable Area	: 476,370 sq ft
Acquisition Price	: RM740,000,000
Market Value	: RM750,000,000
Occupancy	: 100%

2015 ACHIEVEMENTS

At a Glance

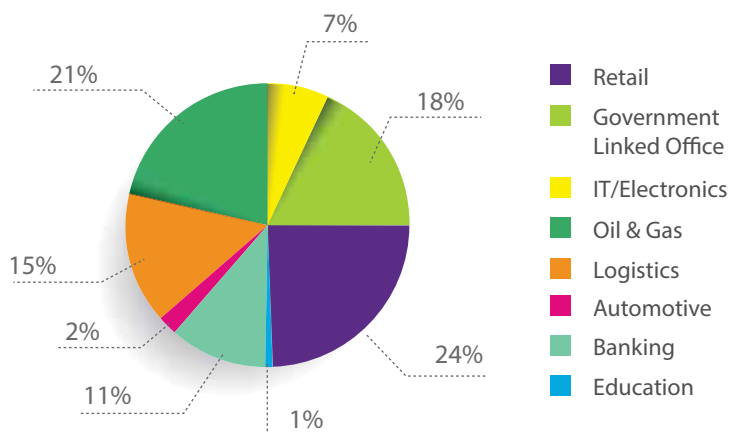
GEOGRAPHICAL DIVERSIFICATION (By Valuation)

10 properties well spread over Cyberjaya, Kuala Lumpur, Selangor and Penang



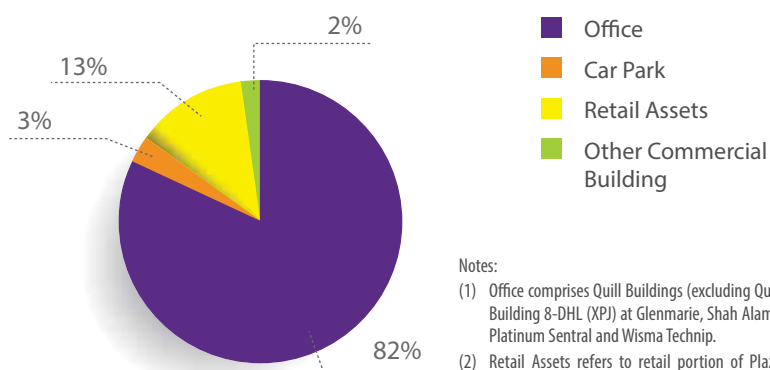
Based on Valuation dated 31 December 2015

WELL BALANCED TENANCY MIX (By Net Lettable Area)



As at 31 December 2015

DIVERSIFIED SEGMENTAL CONTRIBUTIONS (By Valuation)



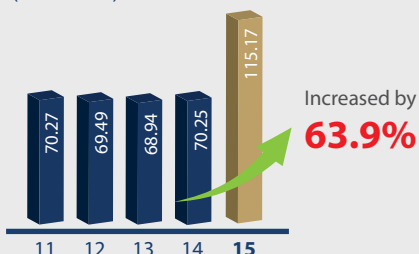
Notes:

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

Based on Valuation dated 31 December 2015

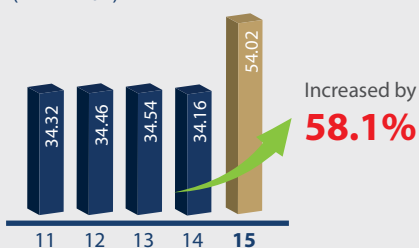
GROSS REVENUE

(RM million)



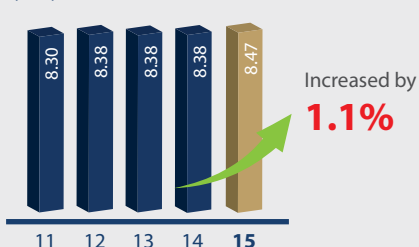
REALISED NET INCOME

(RM million)



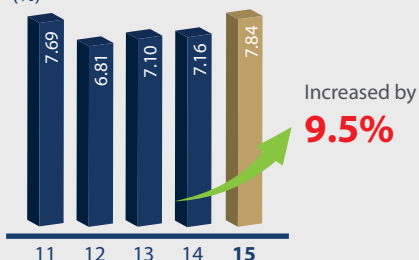
DISTRIBUTION PER UNIT

(Sen)



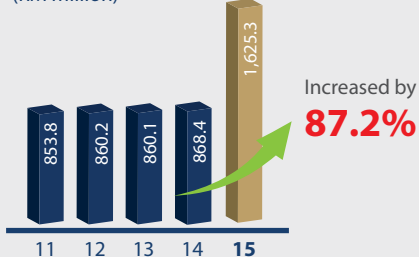
DISTRIBUTION YIELD

(%)



TOTAL ASSET VALUE

(RM million)

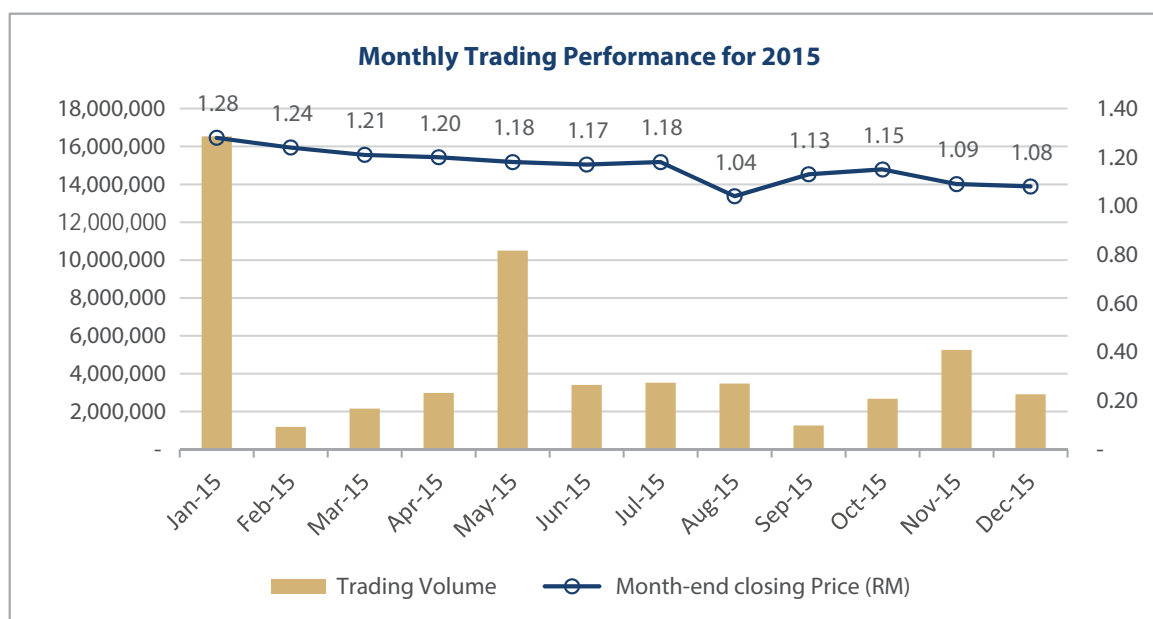


2015 ACHIEVEMENTS

At a Glance
cont'd

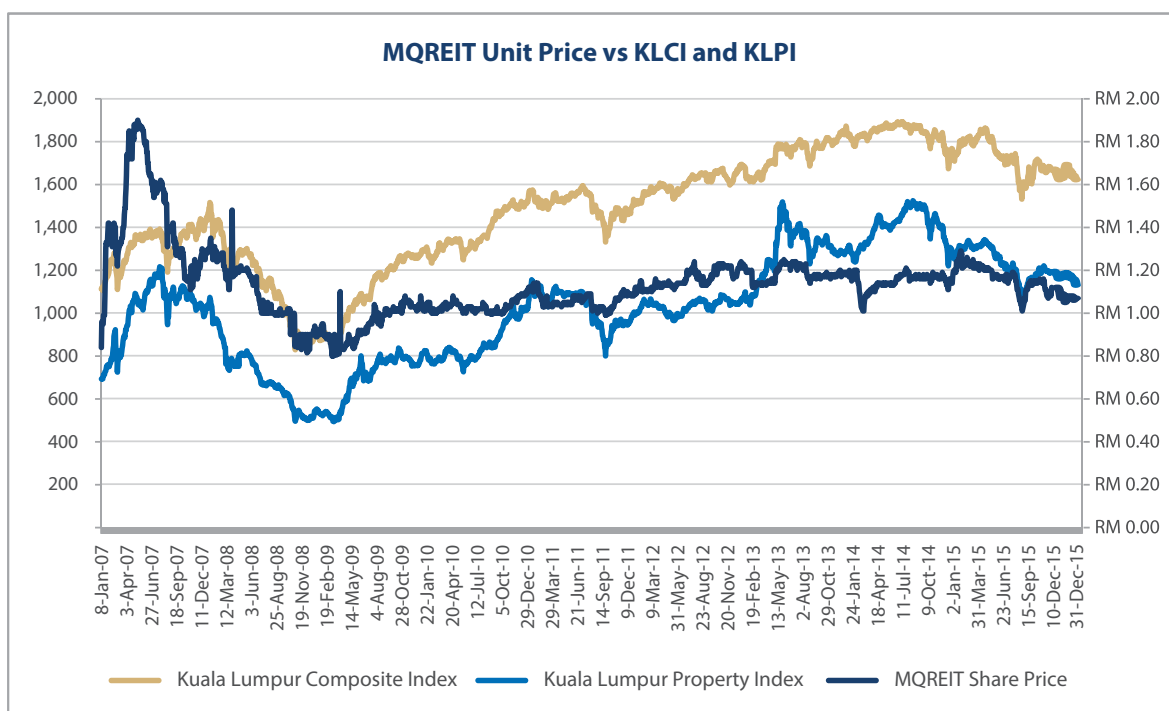
UNIT PRICE PERFORMANCE

MQREIT'S Monthly Trading Performance for 2015



MQREIT's Unit Price versus Performance Benchmarks

- 7 January 2007 (MQREIT Listing Date) to 31 December 2015

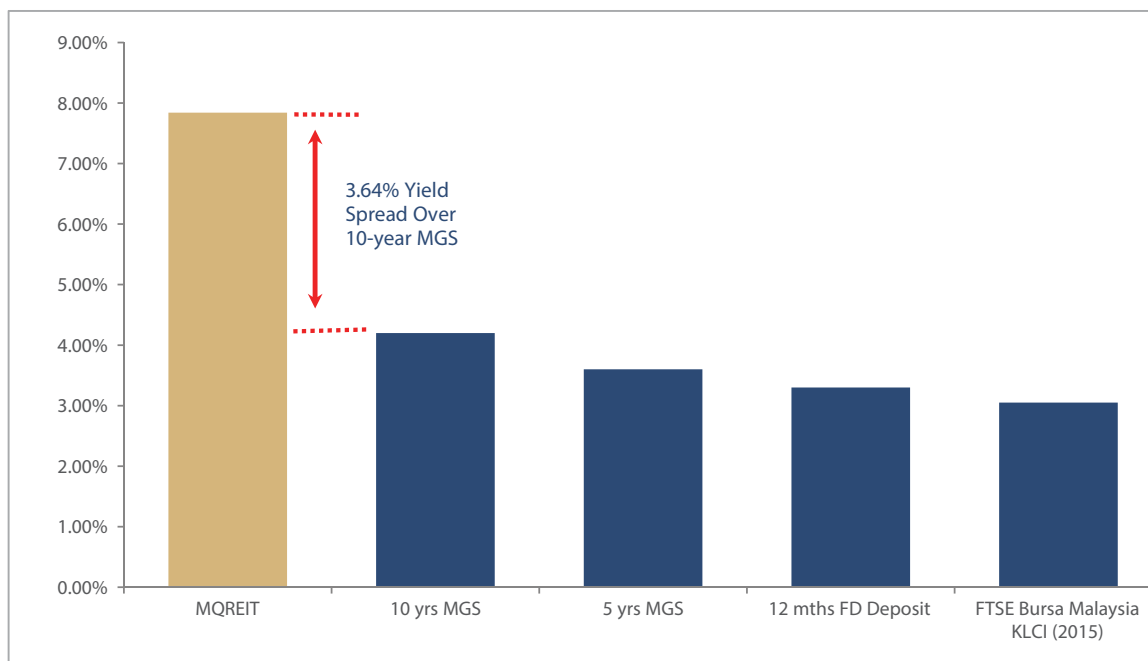


2015 ACHIEVEMENTS

At a Glance

cont'd

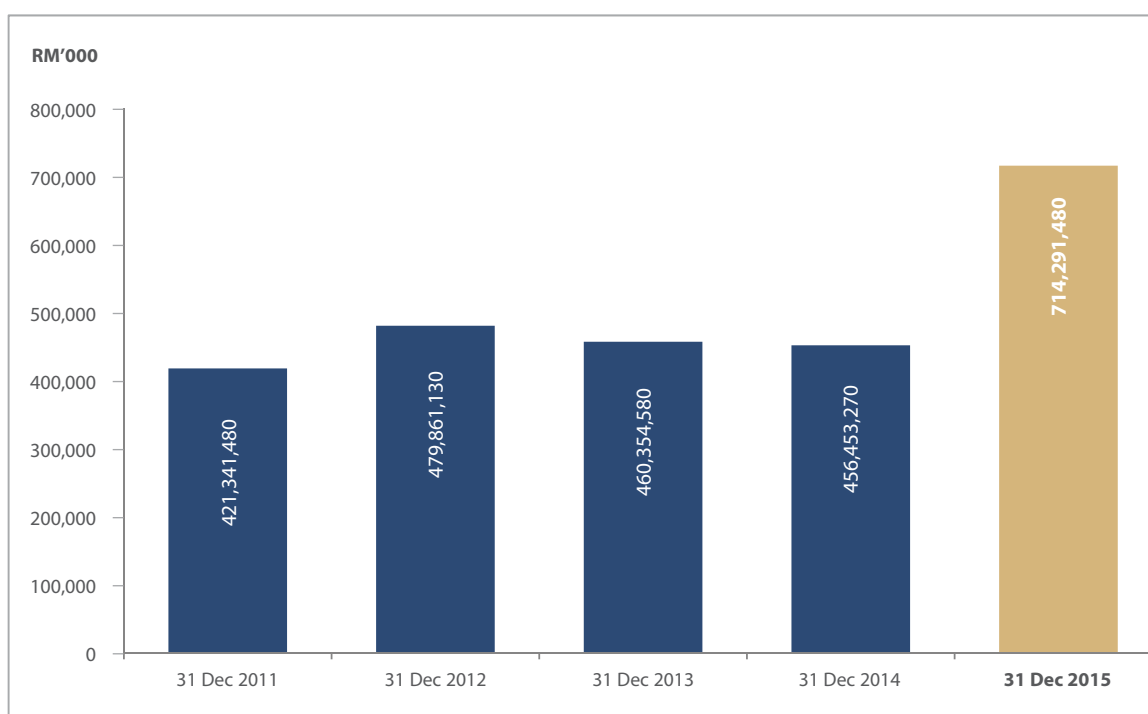
Comparative Yields



Source:

- 1) Rates for 5-yrs MGS & 10-yrs MSG rate was obtained from HSBC Daily Commentary Report dated 31 December 2015.
- 2) 12 months FD rate is from Maybank.
- 3) Dividend Yield of FTSE Bursa Malaysia KLCI as at 31 December 2015 is from Bloomberg.

Market Capitalization



FINANCIAL HIGHLIGHTS

Fund Performance	2015	2014	2013	2012	2011
Total Asset Value (RM)	1,625,307,072	868,372,713	860,120,193	860,214,521	853,821,353
Net Asset Value ("NAV") (RM)	903,854,859	541,251,009	533,459,956	528,848,973	521,890,610 (restated)
Units in circulation	661,381,000	390,131,000	390,131,000	390,131,000	390,131,000
NAV per unit (RM)	1.3666	1.3874	1.3674	1.3556	1.3377 (restated)
Highest NAV per unit (RM)	1.3952	1.3874	1.3726	1.3556	1.3377
Lowest NAV per unit (RM)	1.3136	1.3346	1.3202	1.2924	1.2762
Highest traded price per unit (RM)	1.29	1.20	1.25	1.24	1.14
Lowest traded price per unit (RM)	1.01	1.01	1.12	1.09	0.99
Distribution Per Unit ("DPU") (sen)	8.47	8.38	8.38	8.38	8.30
Dates of Distribution					
- Interim	15-Apr-15	29-Aug-14	9-Sep-13	29-Aug-12	29-Aug-11
- 2nd Interim	28-Aug-15	-	-	-	-
- Final	29-Feb-16	27-Feb-15	10-Mar-14	12-Mar-13	28-Feb-12
Effect of Income Distribution on NAV per unit					
- Before Distribution (RM)	1.3666	1.3874	1.3674	1.3556	1.3377
- After Distribution (RM)	1.3229	1.3446	1.3246	1.3128	1.2947
Distribution yield (per annum) ^(a)	7.84%	7.16%	7.10%	6.81%	7.69%
MER ^(b)	1.19%	1.10%	1.10%	1.28%	1.19%
Average Total Returns ^(c)					
- for one year	7.19%	8.30%	8.39%	8.37%	8.34%
- since listing of MQREIT (Annualised)	7.86%	7.95%	7.90%	7.82%	7.71%
Annual Total Returns ^(d) (RM)	54,020,625	34,162,743	34,536,806	34,460,704	34,321,017

(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 MRCB-Quill REIT ("MQREIT") divided by the average net asset value during the year.

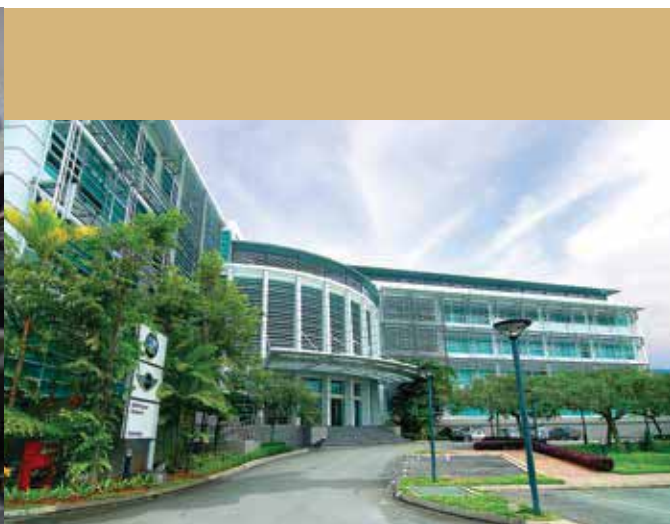
Since the average net asset value of the Trust is calculated on a monthly basis, the MER of MQREIT may not be comparable to the MER of other real estate investment trust/unit trusts which may use a different basis of calculation.

(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.

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

CORPORATE INFORMATION



MANAGER

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

REGISTERED ADDRESS OF THE MANAGER

Level 33A, Menara NU 2,
No. 203, Jalan Tun Sambanthan,
Kuala Lumpur Sentral,
50470 Kuala Lumpur
Telephone No. : 603-2786 8080
Facsimile No. : 603-2780 7668

PRINCIPAL PLACE OF BUSINESS

Level 35, Menara NU 2,
No. 203, Jalan Tun Sambanthan,
Kuala Lumpur Sentral,
50470 Kuala Lumpur
Telephone No. : 603-2786 8080
Facsimile No. : 603-2780 7988

BOARD OF DIRECTORS OF THE MANAGER

Datuk Seri Saw Choo Boon
Dato' Dr. Low Moi Ing, J.P.
Dato' Michael Ong Leng Chun
Datuk Dr. Mohamed Arif Bin Nun
Dato' Thanarajasingam Subramaniam
Dr. Roslan Bin A. Ghaffar
Foong Soo Hah
Ann Wan Tee
Kwan Joon Hoe



CORPORATE INFORMATION

cont'd

SECRETARY OF THE MANAGER

Mohamed Noor Rahim Bin Yahaya
(MA/CSA No: 0866820)

Ho Ngan Chui
(MA/CSA No. 7014785)

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

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 8151/8152

PROPERTY MANAGERS

Savills (Malaysia) Sdn. Bhd.
Level 9, Menara Milenium,
Jalan Damanlela, Bukit Damansara,
50490 Kuala Lumpur.
Telephone No. : 603-2092 5955

Zaharin & Partners Sdn. Bhd.
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

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.
Level 8, BDO @ Menara CenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur, Malaysia.
Telephone No. : 603-2616 2888
Facsimile No. : 603-2616 2829

WEBSITE

www.mrcbquillreit.com



LETTER TO UNITHOLDERS



DATUK SERI SAW CHOO BOON
Chairman

YONG SU-LIN
Chief Executive Officer

Financial Highlights - 31 December 2015

Dear Unitholders,

It is our pleasure to present to you the Annual Report of MRCB-Quill REIT (formerly known as Quill Capita Trust) ("MQREIT") for the financial year ended 31 December 2015 ("FY 2015"), on behalf of the Board of Directors and management of MRCB Quill Management Sdn. Bhd. (formerly known as Quill Capita Management Sdn. Bhd.) ("MQM"), the manager of MQREIT ("the Management").

Revenue
RM115.2 million

Net Property Income
RM90.3 million

Total Realised Income
RM54.0 million

Total Assets
RM1.625 billion

Gearing Ratio
42.4%

Distribution Per Unit
8.47 sen

LETTER TO UNITHOLDERS

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OVERVIEW

2015 has been a challenging year. On the global front, the economic recovery in the major advanced economies has remained modest. While growth has slowed in most of Asia such as China, global growth for 2015 had been supported by the pick-up in economic activity in the United States largely owing to lower energy prices, easy financial conditions and better corporate performances, as well as a gradual recovery in the Euro area and Japan. Overall, the global economy for 2015 is projected to grow at a modest pace of 3.1%, despite a slowdown in emerging market and developing economies.

As an open economy, the Malaysian economy continues to be affected by the weak external environment. Malaysia was not insulated from the uncertainties of the monetary policy normalization in the United States, slowdown in some emerging economies, sharp declines in commodity prices and volatility in financial markets. Correspondingly, the Malaysian economy registered a 5.3% increase in the first half of 2015 (2H2014: 6.3%), fueled by the resilient domestic demand. Although domestic demand remains the main driver of growth, private consumption is however expected to moderate as households continue to adjust to the higher cost of living amidst an uncertain economic environment.

Notwithstanding the above, Malaysia's economic fundamentals remains intact. The fiscal reforms, including subsidy and expenditure rationalization, the implementation of the Goods and Services Tax will improve the Government's financial position, thereby providing it greater flexibility to respond and manage challenges as well as provide for new measures to drive the economy. Malaysia will also continue to benefit from having diversified sources of growth, economic flexibility, low unemployment, manageable level of external debt and a well-capitalised banking system.

Malaysia's economy registered fourth quarter growth of 4.5% year-on-year. For the full-year, the Malaysian economy recorded a 5.0% growth in 2015 (2014: 6.0%).

(Sources: Malaysian Ministry of Finance Economic Report 2015/2016, Bank Negara Malaysia updates)

The recent global and domestic developments have also affected the domestic financial market. The rebound in the FBM KLCI benchmark in January 2015 was not sustained as investor sentiment weakened with intensified concerns of the prospect of US interest rate hikes and the risk of China and Greece becoming a source of global economic downturn. Similar to other players in the Malaysian Real Estate Investment Trust ("M-REIT"), MQREIT's unit price was not spared. It dropped sharply to as low as RM1.01 in August 2015 from as high as RM1.29 per unit in January 2015. Notwithstanding the above, MQREIT's unit price had recovered and ended the year at RM1.08 with a distribution yield of 7.84% based on continued support and investors' confidence in MQREIT.

On the industry front, the M-REIT industry continues to have a strong growth momentum as it registers a higher market capitalization of approximately RM38 billion as at 31 December 2015 from approximately RM35 billion as at 31 December 2014 with the listing of Al' Aslam REIT on Bursa Securities Malaysia Berhad. In tandem with this growth, MQREIT's market capitalisation

expanded by 56.5% as at 31 December 2015, bringing its ranking up to 9th position by market capitalization from 13th position as at 31 December 2014. This was the result of the increase in units in circulation with the issuance of new MQREIT units pursuant to the acquisition of Platinum Sentral and the placement exercise to fund the said acquisition in March 2015. Unlike previous years, there was also an active investment landscape in the M-REIT sector this year with various M-REIT players announcing asset acquisitions. With this, we believe that the growth momentum of the sector coupled with strong fundamentals of its players will continue to make the M-REIT sector an attractive investment option for investors who are looking for relatively low risk investment opportunities with sustainable income and capital growth.

The office sector in Kuala Lumpur experienced a stable occupancy rate above 80% despite the 3.4 million sq. ft. of office space that came into the market in 2Q 2015. The total office space in Kuala Lumpur now stands at 76 million sq. ft. Approximately 9 million sq. ft. of office space are expected to enter the market within the next 2 years. Notwithstanding the influx of office space, the average rental rate in Kuala Lumpur was stable at RM6.25 per sq. ft.

(Sources: Property Market Overview 2015 by DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.)

We expect that the in Kuala Lumpur office sector outlook in the near term will likely remain challenging as we note the influx of office supply into the market. Amid weak crude oil prices, the office take-up rate especially in Kuala Lumpur city centre could be affected by oil and gas players relocating or scaling back expansion. Notwithstanding the above, we are confident that MQREIT's portfolio of quality commercial assets, which are strategically located will continue to remain resilient as they have done in the past.

OPERATIONS REVIEW

MQREIT has ten (10) commercial properties, sited across Malaysia, including Cyberjaya, Kuala Lumpur city centre, Shah Alam, KL Sentral and Penang.

The Management's active leasing and asset management strategy throughout the year has ensured successful tenancy renewals of 94% of the leases due in 2015. On the back of this as well as new tenancies entered during the year, MQREIT's average occupancy rate for the year stood at 97.5% in terms of Net Lettable Area ("NLA"). We will continue to work hard on our marketing programmes and active leasing to maintain a high portfolio occupancy rate.

The resilient performance of MQREIT will be underpinned by our proactive approach towards asset, portfolio and cost management. In cognizance that the office market outlook will remain challenging, strong tenant management will be an essential aspect of our leasing strategy to ensure that higher tenant retention rates are achieved coupled with locking in longer lease renewals to achieve income stability for the Fund. Additionally, our priority will also be on managing MQREIT's operational cost effectively in addition to value adding through active asset management initiatives.

LETTER TO UNITHOLDERS

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With the growing competition in the market, it is necessary for MQREIT to constantly look for creative ways to enhance the value of our assets and deliver growth. Accordingly, regular asset enhancement works are essential to meet this objective. Over and above refurbishments performed, scheduled yearly asset enhancement works are implemented on selected properties in the portfolio. In addition to enhancing the quality and physical condition of the buildings, these asset enhancements ensure that our properties remain attractive and competitive to ensure 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 Plaza Mont' Kiara, Quill Building 3-BMW and Quill Building 2-HSBC. The asset enhancement work in Plaza Mont Kiara was in respect of the car park facility whereby the car park system was upgraded with new auto pay stations in March 2015 and the car park also underwent painting works which was completed in December 2015. For Quill Building 3-BMW, asset enhancement work was done to accommodate for the additional space taken up by BMW Malaysia Sdn. Bhd. and BMW Asia Technology Centre Sdn. Bhd. in July 2015. Refurbishment to all the toilets in Quill Building 2 – HSBC was completed in August 2015.

As part of the Manager's continuous focus to enhance the quality of MQREIT's portfolio of assets, improvement works will be initiated for three properties in 2016, namely Quill Building 2 – HSBC, Quill Building 1-DHL 1 and Quill Building 4 – DHL 2. The enhancement works on Quill Building 2 – HSBC is in respect of the construction of a new 4-storey car park facility and we are targeting the completion of this enhancement work by fourth quarter of 2016. Meanwhile, the enhancement works for Quill Building 1-DHL 1 and Quill Building 4 – DHL 2 will be centered upon helping the tenant to conserve energy and cost, as well as reducing carbon footprint.

An annual valuation of MQREIT's portfolio of properties was conducted at the close of the financial year ended 31 December 2015 ("FY 2015"). MQREIT's total portfolio registered a portfolio value of RM1.57 billion for FY 2015 compared to RM837.7million recorded in the financial year ended December 2014 ("FY 2014"). The gain of 87.4% was due to the acquisition of Platinum Sentral and revaluation surplus of RM6.7 million. The net asset value per unit (after income distribution) is RM1.3229.

FINANCIAL PERFORMANCE

MQREIT recorded a total realised income of RM54.02 million for FY 2015, an increase of 58.1% from the total realised income of RM34.16 million for FY 2014. The improved performance was mainly the result of managing MQREIT's operational cost effectively throughout the year as well as the new income contribution from Platinum Sentral after the completion of the acquisition exercise in March 2015. Correspondingly, MQREIT recorded a realised earnings per unit ("EPU") for FY 2015 of 9.06 sen, which is 3.4% higher than the FY 2014 EPU of 8.76 sen.

Despite the increasingly challenging operating landscape, MQREIT was able to achieve a commendable set of results mainly through its active marketing and asset management strategies which resulted in higher revenue year-on-year and managing MQREIT's operational cost effectively to achieve sustainable income distribution for the unitholders.

DISTRIBUTION TO UNITHOLDERS

On 22 January 2016, the Board had declared a final distribution per unit ("DPU") of 4.37 sen for the period from 1 July 2016 to 31 December 2016, to be paid out to unitholders of MQREIT on Monday, 29 February 2016.

This final DPU of 4.37 sen, together with the interim distribution of 1.88 sen per unit for the period from 1 January 2015 to 23 March 2015 and 2.22 sen per unit for the period from 24 March 2015 to 30 June 2015, which has been paid on 15 April 2015 and 28 August 2015 respectively, amounted to a FY 2015 DPU of 8.47 sen. On a year-on-year comparison, FY 2015 DPU of 8.47 sen, surpassed the FY 2014 DPU of 8.38 sen by 1.07%. MQREIT's distribution yield was 7.84% based on FY 2015 DPU of 8.47 sen and the closing price of RM1.08 per unit on 31 December 2015.

With the commitment of delivering sustainable distribution and growth in total return to unitholders, the Management has succeeded in delivering a total DPU of 71.59 sen since June 2007 to December 2016, translating into a compounded annual growth rate ("CAGR") of 3.1% since its listing.

CORPORATE DEVELOPMENTS

On 30 March 2015, MQREIT announced the listing and quotation of 65 million unit pursuant to the placement exercise and 206.25 million consideration units issued to Malaysia Resources Corporation Berhad ("MRCB") on the Main Market of Bursa Malaysia Securities Berhad, marking the completion of the acquisition of Platinum Sentral. Pursuant to the above, MRCB emerged as a substantial unitholder and co-sponsor of the Trust with 31.18% unitholding in MQREIT. Pursuant to the registration of the third supplement deed dated 2 April 2015 on 14 April 2015, the Trust's name was changed from "Quill Capita Trust" to "MRCB-Quill REIT".

In tandem with the completion of the acquisition of Platinum Sentral, the change in the shareholding structure of MQM, the management company of MQREIT, took effect on 31 March 2015 whereby CapitaLand RECM Pte. Ltd. ceased to be a shareholder of MQM. The new MQM shareholders are MRCB, Quill Resources Holding Sdn. Bhd. and Global Jejaka Sdn. Bhd. holding 41%, 39% and 20% equity interest in MQM, respectively. The shareholders of MQM also entered into an agreement with the Trustee, acting solely in the capacity as trustee for and on behalf of MQREIT, in relation to the Right of First Refusal. The Right of First Refusal is expected to provide a pipeline of office properties which MQREIT may consider to acquire if these assets fit into its investment objective of MQREIT to enhance its portfolio profile and presence in the industry.

Leveraging from the Right of First Refusal and the strong backing of its sponsors, MQREIT had within 8 months of completing the acquisition of Platinum Sentral i.e. on 3 December 2015, announced the execution of the heads of agreement ("HOA") with 348 Sentral Sdn. Bhd. ("348 Sentral"), a wholly-owned subsidiary of MRCB for the proposed acquisition of Menara Shell at a purchase consideration of RM640 million ("Proposed Acquisition of Menara Shell"). The definitive sales and purchase agreement is expected to be executed by first quarter of 2016.

LETTER TO UNITHOLDERS

cont'd

Moving forward, the Manager will continue to expand its asset portfolio and increase market presence in line with its investment objective to acquire and invest in accretive commercial properties primarily in Malaysia. We are adopting a prudent acquisition strategy with key emphasis on providing long-term growth and sustainable DPU to MQREIT unitholders as well as growth in the net asset value per unit of MQREIT.

EXTRAORDINARY UNITHOLDERS' MEETING AND THIRD ANNUAL UNITHOLDERS' MEETING

On 12 March 2015, at an Extraordinary General Meeting ("EGM"), unitholders approved the acquisition of Platinum Sentral, the placement exercise to fund the said acquisition, the exemption application by MRCB and persons acting in concert with them from the obligation of undertaking a mandatory offer for all the remaining units not already held by them, as well as other proposals in relations to the acquisition of Platinum Sentral.

We are pleased to report that we have received unanimous support from unitholders for the acquisition of Platinum Sentral.

On even date after the EGM, MQREIT held its third Annual General Meeting ("AGM") to brief unitholders on MQREIT's financial results for FY 2014.

We will continue to engage with unitholders regularly to ensure consistency in messages and understanding of the business and operating environment. The AGM will serve as a good platform for the Management 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 Management about the Trust's performance and strategies.

OUTLOOK

The underlying fundamentals of the Malaysian economy is expected to remain resilient underpinned by strong domestic demand, diversified sources of growth, low employment rate and moderate inflation growth. This, coupled with the on-going fiscal reforms and Bank Negara Malaysia's accommodative monetary stance is expected provide sustainable growth for the country, with a projected growth of between 4% to 5% in 2016.

(Sources: Malaysian Ministry of Finance Economic Report 2015/2016, Bank Negara Malaysia updates)

The Kuala Lumpur office market showed resilience in 2015 despite the challenging office market condition. We expect this resilience to persist in 2016 albeit pressures on rental rate and occupancy in view of the impending completion of mega projects such as Tun Razak Exchange and Warisan Merdeka, as well as more dual compliant (MSC and Green) buildings coming on stream. Notwithstanding, the various Government policies and incentives to lure companies to set up in Malaysia and the growing shared services and outsourcing industry in the region will augur well for the Kuala Lumpur office market. In addition, Cyberjaya is expected to continue to grow as an office location especially for IT companies, with the Government's initiative to turn Cyberjaya into a global technology hub under the new Cyberjaya Global Tech Blueprint.

We believe the outlook for MQREIT remains stable in view of its proactive asset and portfolio management strategies. Progressing into the next financial year, MQREIT 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 MQREIT's portfolio and deliver sustainable income distribution for unitholders.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

The Management believes that effective corporate social responsibility will benefit its business and in turn, deliver sustainable value to society at large. The Management will maintain the highest standard of integrity in their conduct of all their business relationships and in compliance with all applicable legal and regulatory requirements.

In line with MQREIT's focus in supporting the welfare of needy children, the Management has made contributions to Trinity Community Children's Home in 2015.

Donation to Trinity Community Children's Home

In December 2015, the Management donated RM100,000 in cash to the Trinity Children's Community Home, a registered voluntary welfare organisation that helps abused, abandoned, neglected, orphaned or at-risk children of all races between the ages of 5 to 17 years old. This donation helped to purchase a van used to chauffeur the children to school and for curriculum activities.

In conjunction with this event, the staff and management team of MQM 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, MQM continues with its current practice of reducing paper usage and intensifying recycling initiatives.

Further, to address climate change and global environment issues, MQM endeavors to conserve energy and reduce carbon footprint. Specifically, MQM constantly manages MQREIT's operations with the target to conserve energy and consumption of resources. Examples of such initiatives include installation of energy saving lights in place of the conventional fluorescent lights. In addition to this, we will be commencing enhancement works in selected buildings for the implementation of Building Automation System (BAS) for better control and management of the air-conditioning system with the objective of conserving energy and reducing carbon footprint. Installation of rain water harvesting systems for selected buildings will also be done this year to reuse rain water for landscaping which would help in reducing the operation cost to the building.

LETTER TO UNITHOLDERS

cont'd

MQM and the tenants from several of MQREIT's properties namely, Quill Building 1 - DHL & Quill Building 4 - DHL, Quill Building 2 - HSBC, Quill Building 3 - BNM, Quill Building 5 - IBM and Wisma Technip pledged support and participated in Earth Hour 2015, a global campaign to increase the awareness of global warming, by switching off their building façade and non-essential lights for 10 hours from 28 March 2015, 8.30 pm to 29 March 2015, 6.30 am.

INVESTOR RELATIONS

Research coverage in 2015

In 2015, MQREIT was covered by 5 investment banks, which includes one newly-initiated coverage report. Below is a summary of the reports published for fourth quarter of 2015:

Coverage	Rating	Target Price (RM)	Coverage Period
RHB Research Institute	Buy	1.23	4Q 2015
Hong Leong Investment	Buy	1.29	4Q 2015
Alliance DBS	Hold	1.20	4Q 2015
Maybank Investment	Hold	1.15	4Q 2015
AmResearch	Buy	1.35	2Q 2015

Awards and Recognition

Focus Malaysia – Inaugural Best Under Billion Awards ("BUBA") 2015

MQREIT was selected as one of the winners for BUBA 2015 by Focus Malaysia. Winners were selected based on seven (7) categories, namely Return on Asset (ROA), revenue growth, profit growth, cash flow from operations, enterprise value growth, dividend yield and transparency.

MQREIT emerged as runner-up for the Best in Transparency category during the BUBA 2015 held on 6 November 2015. Winning this award is a testimony of our continuous efforts to engage with our shareholders, the investment community and other stakeholders as part of our good corporate governance practice.



5th Malaysian Investor Relations Association (MIRA) Awards 2015

MQREIT was nominated for the prestigious "Best Company for IR" award for small cap companies listed on Bursa Malaysia Securities Berhad at the 5th MIRA Awards 2015 held on the 4 June 2015. In recognition of best IR practices by professionals and public-listed companies listed on Bursa Malaysia Securities Berhad, MIRA engaged NASDAQ to conduct the 5th Malaysian IR Survey. This is aimed at leveraging on NASDAQ's survey database of investment professionals to participate in the survey, which was conducted between 16 February 2015 and 10 April 2015. This nomination is a recognition of our continuous efforts to engage with our shareholders, the investment community and other stakeholders.

Also of worthy mention is Ms. Joyce Loh's nomination for "Best IR Professional" for small cap companies.

ACKNOWLEDGEMENT

Pursuant to the change in shareholding structure of MQM which took effect on 31 March 2015, the composition of MQM's Board of Directors was changed accordingly. The Board wish to thank Dato' Mohammed Bin Haji Che Hussein, Mr. Wen Khai Meng and Mr. Chong Lit Cheong for their respective contributions during their service tenures as directors of MQM. The Board would like to express their sincere appreciation to them for their valuable guidance and steering the management team to strive for excellence. In their place, the Board welcomes Datuk Seri Saw Choo Boon, Dato' Thanarajasingam Subramaniam, Dr. Roslan Bin Abdul Ghaffar, Mr. Ann Wan Tee and Mr. Kwan Joon Hoe.

In addition, we would like extend our sincere appreciation to 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 and staff of MQM, we record our appreciation for their dedication and commitment in managing MQM. 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,

DATUK SERI SAW CHOO BOON

Chairman

February 2016

YONG SU-LIN


Chief Executive Officer

MILESTONE 2015

TIMELINE	EVENT
February 2015	<p><u>Disposal of Quill Building 10 – Section 13</u></p> <p>On 25 February 2015, Maybank Trustees Berhad (“MTB”), as trustee for MQREIT, entered into a sale and purchase agreement with Aldwych Capital Sdn. Bhd. (formerly known as Superplas Trading Sdn. Bhd.) for the disposal of Quill Building 10 – Section 13. The disposal was completed on 4 September 2015.</p> <p><u>Distribution to Unitholders</u></p> <p>On 27 February 2015, a distribution of 4.28 sen per unit for the period 1 July 2014 to 31 December 2014 was paid to unitholders.</p>
March 2015	<p><u>Annual General Meeting</u></p> <p>MQREIT 3rd Annual General Meeting was held on 12 March 2015 wherein the Audited Financial Statements for the financial year ended 31 December 2014 of MQREIT together with the Trustee’s Report issued to the Unitholders issued by MTB, as trustee MQREIT and the Statement issued by MRCB Quill Management Sdn. Bhd. (“MQM”), as manager of MQREIT and the Independent Auditors’ Report thereon were duly laid.</p> <p><u>Completion of the Acquisition of Platinum Sentral</u></p> <p>On 12 March 2015, at an Extraordinary General Meeting, unitholders approved the acquisition of Platinum Sentral, the placement exercise to fund the acquisition, the exemption application by MRCB and persons acting in concert with them from the obligation of undertaking a mandatory offer for all the remaining units not already held by them, as well as other proposals in relations to the acquisition of Platinum Sentral.</p> <p>On 17 March 2015, MQREIT successfully completed the placement exercise vide a book building exercise whereby RM78 mil was raised to part finance the acquisition of Platinum Sentral. The issue price of the placement units was fixed at RM1.20 per unit and a total of 65 mil units were allocated to selected investors.</p> <p>On 30 March 2015, 65mil placement unit issued pursuant to the Proposed Placement and 206.25mil Consideration Units issued pursuant to the acquisition of Platinum Sentral were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) marking the completion of the acquisition exercise.</p> <p><u>Change in Shareholders of the Manager</u></p> <p>In tandem with the completion of the acquisition of Platinum Sentral, the change in the shareholding structure of MQM took effect on 31 March 2015.</p>
April 2015	<p><u>Interim Distribution to Unitholders</u></p> <p>On 15 April 2015, an interim distribution of 1.88 sen per unit for the period 1 January 2015 to 23 March 2015 was paid to unitholders.</p> <p><u>Change of Name of Trust</u></p> <p>Pursuant to the registration of the third supplement deed dated 2 April 2015 on 14 April 2015, the Trust’s name was changed from “Quill Capita Trust” to “MRCB-Quill REIT”.</p> <p><u>Interest Rate Swap (“IRS”) Arrangement</u></p> <p>As part of the Trust’s proactive capital management, it had on 21 April 2014 entered into an IRS arrangements with 2 financial institutions to swap the floating rate of the RM279 million Commercial Papers issued under Senior CP/MTN Programme to a fixed rate.</p>

MILESTONE 2015

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TIMELINE	EVENT
May 2015	<p><u>Change of Name of the Manager</u></p> <p>The Manager of MQREIT changed its name to MRCB Quill Management Sdn. Bhd. with effect from 22 May 2015.</p>
June 2015	<p><u>Malaysian Investor Relations Association (MIRA) Awards 2015</u></p> <p>MQREIT was nominated for the prestigious "Best Company for IR" award for small cap companies listed on Bursa Securities at the 5th Malaysian Investor Relations Association (MIRA) Awards 2015 held on the 4 June 2015.</p>
August 2015	<p><u>Interim Distribution to Unitholders</u></p> <p>On 28 August 2015, a distribution of 2.22 sen per unit for the period 24 March 2015 to 30 June 2015 was paid to unitholders.</p>
September 2015	<p><u>Completion of the Disposal of Quill Building 10 – Section 13</u></p> <p>The disposal was completed on 4 September 2015 in accordance with the terms and conditions of the sales and purchase agreement executed on 25 February 2015.</p>
November 2015	<p><u>Focus Malaysia – Inaugural Best Under Billion Awards ("BUBA") 2015</u></p> <p>MQREIT was selected as one of the winners for BUBA 2015 by Focus Malaysia. Winners were selected based on 7 categories, namely Return On Asset ("ROA"), revenue growth, profit growth, cash flow from operations, enterprise value growth, dividend yield and transparency.</p> <p>MQREIT emerged as runner-up for the Best in Transparency category.</p> 
December 2015	<p><u>Execution of Heads of Agreement for the Proposed Acquisition of Menara Shell</u></p> <p>On 3 December 2015, MTB acting solely in its capacity as trustee for MQREIT signed a heads of agreement ("HOA") to acquire a 33 storey office tower known as "Menara Shell" together with a 5 storey podium and a 4 storey basement car park in Kuala Lumpur Sentral from 348 Sentral Sdn. Bhd. ("Vendor"), a wholly-owned subsidiary of Malaysian Resources Corporation Berhad ("MRCB") for a purchase consideration of RM640 million.</p>
January 2016	<p><u>Final Distribution to Unitholders</u></p> <p>On 22 January 2016, a final gross distribution of 4.37 sen per unit for the period from 1 July 2015 to 31 December 2015 was proposed. The final gross distribution will be payable on 29 February 2016.</p>

CORPORATE HIGHLIGHTS & EVENTS

RM100,000 cash donation to Trinity Community Children's Home

In December 2014, MRCB Quill Management Sdn Bhd (formerly known as Quill Capita Management Sdn. Bhd. ("MQM"), the manager of MRCB-Quill REIT (formerly known as Quill Capita Trust) ("MQREIT"), donated RM100,000 in cash to Trinity Community Children's Home ("Trinity"). This contribution is in line with MQM's focus in supporting the welfare of needy children and this contribution helped to purchase a van to chauffeur the children to school, extra curriculum activities and weekend activities such church or sponsored events.

A cheque presentation ceremony was held on 28 December 2015 at Trinity's premise in Petaling Jaya. Yong Su Lin, Chief Executive Officer of MQM and Victor Wong, Chief Financial Officer of MQM presented the cheque to Trinity's Management Committee Chairman, Pastor Collin Gordon.



MQREIT Unitholders' Meeting 2015 and MQREIT 3rd Annual General Meeting (AGM) on 12 March 2015



Execution of Heads of Agreement for the Proposed Acquisition of Menara Shell on 3 December 2015



IN THE NEWS

桂嘉信托末季赚 860 万

[吉隆坡 19 日讯] 由于行政费用和贷款成本更高，桂嘉信托（QCAPITA，5123，产业信托）截至去年底末季，净利达 860 万 6000 令吉，仅微增 0.05%。

该公司向马交所报告，末季营业额达 1818 万 3000 令吉，较 5.06%。

桂嘉信托指出，全年净利为 3416 万 3000 令吉，跌 1.08%；营业额则起 1.9%，报 7624 万 9000 令吉。

同时，该公司建议派发每位收入分配 4.28 仙，较于今年 2 月 27 日派发，全年共派发 8.38 仙。

另外，截至 12 月底，公司产业租金的总价值达 8 亿 3779 万令吉，其中投资产业增值达 610 万令吉。

桂嘉信托主席拿督莫哈末胡申指出，该公司积极的管理策略，保持营业额持续增长和维持收入分配表现。未来，将继续积极提升。

管理及收购资产。

去年，该公司 97% 租约获得更新。同时，净租金面积出租率高达 91%，高于吉隆坡市内办公楼平均 83% 的出租率。

今年内，桂嘉信托的产业组合中 26% 租约到期，因此将继续加强行销，提高出租率。

另外，Platinum Sentral 的收购计划即将完成，料于年中就开办公楼带来稳定和持续的收入。

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 January 2015

MRCB plans to unlock value at KL Sentral

By THEAN LEE CHENG
lancheng@thean.com.my

KUALA LUMPUR: Malaysian Resources Corp Bhd (MRCB) will be selling some of its buildings in KL Sentral once it achieves a reasonable amount of yield in order to have strong operating profits.

The move is part of a wider strategy to "control cost in the next one to two years", as it improves its corporate profile and grows recurring income, according to chief financial officer Ann Wan Tee after an EGM.

MRCB received unanimous shareholder approval to sell Platinum Sentral - its first disposal - for RM740mil, RM476mil in cash and RM264mil via a unit swap at RM1.28 per unit in Quill Capita Trust (QCT). The vendor is Maybank Trustees Bhd, Quill's trustee. MRCB will get a net gain of about RM220mil from the disposal.

MRCB will also take up a 41% equity interest in Quill Capital Management Sdn Bhd, the manager of QCT, from Capitaland RECM Pte Ltd and Coast Capital Sdn Bhd for RM5.9mil.

"Two heads are better than one," said Ann. Partnering with Quill will enable MRCB to get on the real estate investment trust (REIT) ladder. QCT has a portfolio of 10 commercial properties.

The other corporate exercise was the proposed subscription for a 70% interest in Kwasa Development (2) Sdn Bhd (KD5B), a special-purpose vehicle developing Kwasa Damansara's 64-acre town centre.

The development will have a gross development value of about RM6bil. This also received unanimous shareholder approval. Kwasa Damansara is sited on the former Rubber Research Institute Malaysia land in Sengai Buloh.

MRCB was chosen as a development partner last year, but has to subscribe for new KD5B shares. This will cost MRCB RM616.61mil. It paid 10% last year and the balance of RM734.95mil is due in six to seven months.

MRCB group chief operating officer Mohd Inman Mohamad Selim (pic) said the disposal of the building was "not to fund the land purchase." Ann said the decision to dispose of its buildings was undertaken earlier.

He said although Platinum Sentral, which is 100% occupied, had a yield of 5.7%, much of its rental revenue went towards loan repayment. Disposing of Platinum Sentral would help it "to recycle its capital".

The move will reduce its bank borrowings. Platinum Sentral was built with an eight-to-10-year loan. It will have RM762mil worth of QCT units, which will give it a recurring income.

13 February 2015

► MRCB as major shareholder in QCT is fair

APPOINTED independent adviser KAF Investment Bank has stated the proposal for Malaysian Resources Corp Bhd (MRCB) to emerge as a major shareholder in Quill Capita Trust (QCT) is fair and reasonable. In a circular sent to unitholders yesterday, KAF Investment said the addition of Platinum Sentral would add greater geographical and income diversification to QCT's existing portfolio, fitting well into QCT's clientele requirements based on its strategic location as well as its existing tenancies. QCT had earlier announced a heads of agreement to acquire Platinum Sentral for RM740 million and MRCB will emerge with an effective 30% stake in QCT, an entity that acquires and invests in commercial properties mostly based in Malaysia. In addition, MRCB would be also taking a 41% stake in Quill Capital Management, the management company for QCT. Based on the evaluation by KAF as well as the additional considerations, QCT's board has recommended non-interested unitholders in QCT to vote in favour of the proposal at its next meeting which would be held on March 12, 2015.

26 February 2015

Fundamental Pick | 基本选股

桂嘉信托资产 7 年翻 2 倍

桂嘉信托（QCAPITA，5123，产业信托）向马来西亚证券交易所（F38THM Sentral）的净收入，在 2014 年第四季录得 850 万令吉，较 2013 年第四季增加 5.1%。同时，该信托第四季录得 350 万令吉的财务成本，以及 130 万令吉的管理费。

桂嘉信托第四季录得 1818 万 3000 令吉的营业额，较 2013 年第四季增加 5.1%。同时，该信托第四季录得 480 万令吉的物业经营开支，较 2013 年第四季增加 12.4%。

桂嘉信托第四季录得 850 万令吉的净收入，较 2013 年第四季增加 5.1%。同时，该信托第四季录得 350 万令吉的财务成本，以及 130 万令吉的管理费。

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2 March 2015

IN THE NEWS

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6 November 2015

14-20 November 2015



MRCB looks to inject Menara Shell into MQ REIT

KUALA LUMPUR: Malaysian Resources Corp Bhd (MRCB)'s wholly-owned subsidiary, 348 Sentral Sdn Bhd, has entered into a heads of agreement (HoA) with Maybank Trustees Bhd, acting as trustee for MRCB-Quill REIT (MQ REIT), and formerly known as Quill Capital Trusts, for the sale of Menara Shell and the accompanying freehold land for a purchase consideration of RM640 million.

The HoA, which was signed yesterday, will ensure a smooth transition towards a definitive sale and purchase (S&P) agreement between 348 Sentral and MQ REIT within 30 business days from the date of the signing with a further 30 days extension for a final and mutually agreed S&P agreement.

During this time or up to the date when the parties have entered into a definitive S&P agreement, 348 Sentral

will cooperate exclusively with MQ REIT with respect to the proposed disposal.

"The HoA is towards securing an S&P agreement that will continue the transformation of MRCB into a company focusing on property and construction development, while retaining interest in its investment properties via REIT," said MRCB group managing director Tan Sri Muhammad Salim Fatch Din in a statement.



MRCB group MD Tan Sri Muhammad Salim Fatch Din

He added that the move was to enhance MRCB's earnings via a recurring income source, while creating a more tax-efficient structure to manage and maintain the company's investment properties.

Menara Shell is a green-friendly building comprising a 31-storey office tower, a five-storey podium and a four-storey basement car park.

4 December 2015

Platinum Sentral helps lift MQREIT net income

By WONG WEI-CHEN

wongwei@starhub.com.my

PETALING JAYA: MRCB-Quill REIT (MQREIT) posted higher net income at RM15.7mil for the quarter ended Sept 30, representing a 7.1% increase from the same quarter a year earlier up income contribution from Platinum Sentral.

Revenue during the quarter was higher at RM21.8mil against RM21.5mil a year ago due to the acquisition of Platinum Sentral in March 30, higher revenue from Plaza Midland, and rental rate increases for some properties.

The manager of MQREIT, MRCB Quill Management Sdn Bhd (MQM), said in a filing with Bursa Malaysia that the better performance was mainly due to the recognition of the income contribution from Platinum Sentral during the quarter, the gain on divestment of Quill Building 13 located in Pandan Jaya, Section 13 and higher net property income.

It recorded earnings per unit (EPS) of 1.38 sen for the quarter, up 1.9% from the previous corresponding period.

MQM said the percentage increase in the EPS is lower than the percentage increase in the net income due to the increase in MQREIT's weighted average units in circulation.

This is a result of the issuance of 61 million placement units and 204.21 million convertible

units pursuant to the placement exercise and acquisition of Platinum Sentral, respectively on March 30.

" amid a more challenging office market environment with lacklustre absorption rate, MQREIT had achieved a higher profile occupancy rate of 97% for the quarter as

review compared with the previous quarter of 95%, and 10.4% over the average market occupancy of the Kuala Lumpur city and Kuala Lumpur fringe of 84.8% and 87.9%," said MQM chief executive officer Yong Su-Lin.

This was due to the completion of the disposal of Quill Building 13 - Section 13 on Sept 4, 2014. Also, an existing major tenant namely Razer Malaysia Sdn Bhd and Razer Asia Technology Centre Sdn Bhd took up additional

office space in Quill Building 13.

RMW and new leases secured in Plaza Midland and Platinum Sentral during the quarter also contributed to the higher portfolio occupancy rate.

Yong added that MQM had successfully renewed 31% of leases due up to the third quarter, and is on target to finalize the renewal of the leases that are due in the last quarter of 2015.

MQM will continue manage MQREIT's operations and effectively address its value adding through active asset management initiatives.

The proceeds from the disposal of Quill Building 13 - Section 13 were used to pay down MQREIT's borrowings.

MRCB to sell Menara Shell for RM640mil

By P. ARUNA

arunak@starhub.com.my

KUALA LUMPUR: Malaysian Resources Corporation Bhd (MRCB) plans to sell its 31-storey green office tower Menara Shell (pic) to commercial real estate investment trust MQ REIT for RM640mil.

In an announcement to Bursa Malaysia, the property development group said in which it owned subsidiary, 348 Sentral, had entered into a heads of agreement with Maybank Trustees Bhd, which acted as trustee for MQ REIT.

The agreement is for the disposal of the office tower, together with a five-storey podium and four-storey basement car park in Jalan Tun Sambanthan.

It said the purchase consideration of RM640mil was based on the valuation of Menara Shell by an independent valuer appointed by MRCB.

MRCB said it would be satisfied by MQ REIT through a combination of cash and the issuance of new units in MQ REIT.

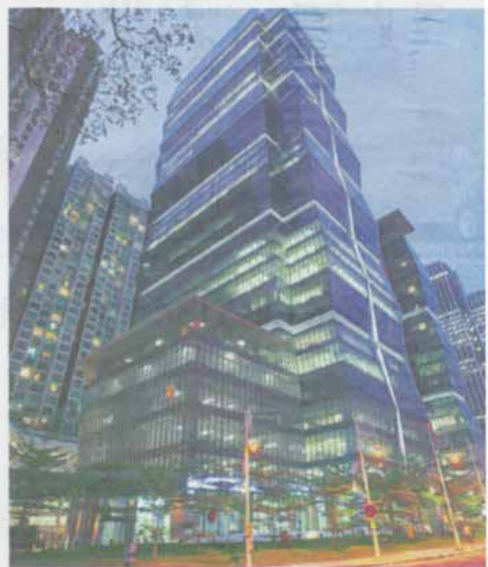
The proposed disposal is dependent on approval of shareholders of the respective companies and the authorities.

It said a detailed announcement would be made upon the signing of the sale and purchase agreement.

Menara Shell is an award-winning project, having bagged the Best Office category award at the Malaysia Property Press Awards 2015 (MPPA 2015) last month.

Menara Shell's MPPA win came a week after it grabbed the top place at the FIANCI Malaysia Property Award, also for the Office Development category.

The green office tower in the Kuala Lumpur Sentral CBD was awarded with the Leadership in Energy and Environmental Design (LEED) Platinum standard certification from the US Green Building Council and a Malaysian Green Building Index (GRII) certification.



MRCB unit disposes Menara Shell to MQ REIT

by FARHAN ABILA

farhan@starhub.com.my

MALAYSIAN Resources Corp Bhd (MRCB) said its wholly-owned subsidiary, 348 Sentral Sdn Bhd, is disposing the 31-storey Menara Shell in KL Sentral to MRCB-Quill REIT (MQ REIT) for RM640 million.

The company is in agreement to Bursa Malaysia said the transaction price of RM640 million is based on the valuation done by independent valuer CH Williams Talwar & PricewaterhouseCoopers.

The sale will be satisfied by a combination of cash and issuance of new units in the fund.

MRCB said Menara Shell, with a total net leasable area of 210,000 sq ft, commenced operations in May 2013. Today, it is fully occupied with various reputable tenants, including Third People Services Asia (Asia), and several other companies.

MRCB-Quill Management Sdn Bhd, CEO Yong Su-Lin, said the transaction will see another quality commercial asset added to MQ REIT's portfolio.

"This is a demonstration of two MRCB's commitment to provide the fund with the opportunity to invest in a portfolio of high-quality commercial real estate properties," Yong said.

He said the property is strategically located with excellent transport links and will provide a stable and growing income to MQ REIT.

"Subject to the due diligence exercise we believe the acquisition would fit well with MQ REIT's investment objective," she said.

A 30-business day sale and purchase agreement will be entered into between MQ REIT, trustee Maybank Trustees Bhd and 348 Sentral over the valuation and due diligence exercise on the property.

MRCB to sell office tower to MQ REIT for RM640 million

PETALING JAYA: Malaysia Resources Corp Bhd (MRCB) is selling its 31-storey office tower, namely Menara Shell, to MRCB-Quill real estate investment trust (MQ REIT) for RM640 million.

In a filing with Bursa Malaysia yesterday, MRCB said its subsidiary 348 Sentral Sdn Bhd has entered into a heads of agreement (HoA) with Maybank Trustees Bhd (MTB), acting as trustee for MQ REIT for the office tower disposal, together with a five-storey podium and four-storey basement car park erected on part of the freehold land.

MRCB said the RM640 million purchase consideration is based on the valuation of CH Williams Talwar and

Wong Sdn Bhd, an independent valuer appointed by MRCB, and will be satisfied by MQ REIT via a combination of cash and consideration units.

MRCB said the proposed disposal is subject to a sale and purchase agreement (SPA) to be entered into by MTB and 348 Sentral within 30 business days from the HoA date (cut-off date), with an automatic extension of a further 30 business days. It noted that if MQ REIT is unable to complete its due diligence investigations by the cut-off date, the further extension of time may be mutually agreed.

Meanwhile, MRCB Quill Management Sdn Bhd's CEO Yong Su-Lin said the office

tower is strategically located and has good quality property with reputable tenants that generates a stable and growing income stream.

"Hence, subject to the satisfactory due diligence exercise to be completed, we believe that the proposed acquisition would fit well with MQ REIT's investment objective and provide a good opportunity to grow MQ REIT's portfolio and expand its foothold into KL Sentral," she added.

MRCB has appointed Astramania Advisory Sdn Bhd as the financial adviser for the proposed disposal.

MRCB closed one sen lower at RM1.36 yesterday, with 1.24 million shares traded.

IN THE NEWS

cont'd



5-11 December 2015

Win-win deal for MRCB and MRCB-Quill REIT

BY JOSE BARROCK

When Malaysian Resources Corp Bhd (MRCB) announced the sale of Platinum Sentral to MRCB-Quill REIT (then Quill Capital Trust) for RM740 million, it was a win-win situation that also marked a new era for the two companies.

The RM740 million deal – a mix of cash and shares – resulted in MRCB walking away with RM476 million cash and 206.25 million

new Quill Capital Trust units issued at RM1.28 each, giving MRCB a 31% stake in the enlarged share capital of MRCB-Quill REIT (MQREIT). The REIT gives it an option to monetise mature assets. Also, MRCB walked away with a RM230 million gain from the disposal.

As for MQREIT, its asset base ballooned from RM838 million to RM1.56 billion, making it the seventh largest local REIT based on asset size, from No 12 previously.

But the deal didn't just end there.

MRCB suggested a RM1 billion injection of assets into MQREIT on a yearly basis and



With the purchase of Platinum Sentral, MQREIT's asset base ballooned to RM1.56 billion

Corporate restructuring		
	DETAIL	ADVISER
Best deal	Malaysian Resources Corp Bhd's disposal of Platinum Sentral to MRCB-Quill Real Estate Investment Trust for RM740 million	RHB Investment Bank, CIMB Investment Bank and Astramira Advisory
Notable mentions	Sunsurta Bhd's acquisition of the remaining 50% interest in Sime Darby Sunsurta Development Sdn Bhd for RM73.4 million	RHB Investment Bank, AmInvestment Bank and Astramira Advisory
	MCT Bhd's (formerly GW Plastic Holdings Bhd) acquisition of MCT Consortium Bhd for RM1.2 billion	RHB Investment Bank
Other nominations	OSK Holdings Bhd's takeover offer of OSK Property at RM1.95 per share	RHB Investment Bank
	Eco World Development Group Bhd's acquisition of development rights from certain subsidiaries of Eco World Development Sdn Bhd for RM3.8 billion	CIMB Investment Bank, Maybank Investment Bank and AmInvestment Bank

in that vein, recently announced the proposed sale of 33-storey office tower Menara Shell for RM640 million to the REIT. MRCB has offered MQREIT first right of refusal to purchase any office property it plans to dispose of.

Considering MRCB's large number of buildings and landbank that it can erect buildings on, there could be more of such dealings between the two companies.

MRCB's total assets, with large tracts slated for development, as at end Sept 30, 2015, amounted to RM6.63 billion. In Octo-

ber, MRCB inked a joint-venture agreement to take up a 70% stake in CSB Develop Sdn Bhd for RM269.5 million. The latter has a mandate to construct the Cyberjaya Centre, which has a gross development value of RM10 million.

It is also worth noting that MRCB acquired a 41% stake in MQREIT's management company, Quill Management Sdn Bhd (formerly Quill Capital Management Sdn Bhd), enables MRCB to have continued influence on the operations of Platinum Sentral and other properties under the REIT.

21-27 December 2015

BOARD OF DIRECTORS *OF THE MANAGER*



Name

Nationality

Designation

Standing from the left to right:

Dato' Thanarajasingam Subramaniam
Kwan Joon Hoe
Dato' Michael Ong Leng Chun
Datuk Dr. Mohamed Arif Bin Nun
Ann Wan Tee
Datuk Seri Saw Choo Boon

Malaysian
 Malaysian
 Malaysian
 Malaysian
 Malaysian
 Malaysian

Non-Independent Non-Executive Director
 Non-Independent Non-Executive Director
 Non-Independent Non-Executive Director
 Independent Non-Executive Director
 Non-Independent Non-Executive Director
 Non-Independent Non-Executive Chairman

Seated from the left to right:

Dr. Roslan Bin A. Ghaffar
Dato' Dr. Low Moi Ing, J.P.
Alex Foong Soo Hah

Malaysian
 Malaysian
 Malaysian

Independent Non-Executive Director
 Non-Independent Non-Executive Director
 Independent Non-Executive Director

PROFILE OF DIRECTORS OF THE MANAGER



DATUK SERI SAW CHOO BOON, 70

*Non-Independent Non-Executive Chairman
Malaysian*

Date of appointment as director: 22 January 2016

Length of service as director: 1 month

Board Committee(s) served on:
Nil

Academic/Professional Qualification(s)/Professional Membership(s):

Bachelor of Science (Chemistry), University of Malaya (1969)

Present Directorship(s):

Listed

RHB Capital Berhad
Guinness Anchor Berhad
DiGi.Com Berhad

Unlisted

MRCB Quill Management Sdn Bhd (the manager of MRCB-Quill REIT)
RHB Investment Bank Berhad
Phoenix Petroleum (M) Berhad
Integrated Petroleum Berhad
Ranhill Holdings Berhad

Others

Co-Chair the Government's Public-Private Sector Special Task Force on Facilitating Business (PEMUDAH)
President of the Federation of Malaysia Manufacturers (FMM) Council

Working Experience:

Datuk Seri Saw Choo Boon joined Shell in 1970 as a Refinery Technologist in Shell Refining Company (FOM) Bhd. He then served in various capacities in manufacturing, supply, trading and planning in Malaysia, Singapore and Netherlands. In 1996, Datuk Seri Saw was appointed as the Managing Director of Shell MDS (Malaysia) Sendirian Berhad. In 1998 - 1999, he assumed the positions of Managing Director for Oil Products (Downstream) Shell Malaysia and Managing Director of Shell Refining Company (FOM) Bhd.

In 1999, with the globalisation of the Shell Oil Products business, Datuk Seri Saw was appointed as the Vice-President of the commercial business in the Asia-Pacific region and in 2004 he became the President of Shell Oil Product East. In 2005, he assumed the role of Vice-President Global Marine Products. Datuk Seri Saw was appointed the Chairman of Shell Malaysia on 1 March 2006 and from 1 January 2010, he served as the Senior Advisor of Shell Malaysia until his retirement on 30 June 2010.

Other than as disclosed, he does not have any family relationship with any Director and/or major unitholder of MQREIT. He has no personal interest in any business arrangement involving MQREIT and has not been convicted of any offence within the past 10 years.



DATO' DR. LOW MOI ING, J.P., 55

*Non-Independent Non-Executive Director
Malaysian*

Date of appointment as director: 12 June 2006

Length of service as director: 9.6 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) (2010)

Present Directorship(s):

Unlisted

MRCB Quill Management Sdn Bhd (the manager of MRCB-Quill REIT)
Quill Group of Companies ("Quill Group")

Awards:

Women 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 on the Year Award (2011) by FIABCI
Woman Entrepreneur of the Year Award (2011) by the Asia Pacific Entrepreneurship Awards 2011

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 and 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.

Other than as disclosed, she does not have any family relationship with any Director and/or major unitholder of MQREIT. She has no personal interest in any business arrangement involving MQREIT and has not been convicted of any offence within the past 10 years.

PROFILE OF DIRECTORS OF THE MANAGER

cont'd



DATO' MICHAEL ONG LENG CHUN, 59

*Non-Independent Non-Executive Director
Malaysian*

Date of appointment as director: 12 June 2006

Length of service as director: 9.6 years

Board Committee(s) served on:
Executive 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 Perakabentuk Dalaman (IPDM) (1995)

Present Directorship(s):

Unlisted

MRCB Quill Management Sdn Bhd (the manager of MRCB-Quill REIT)
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 and 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 practising 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.

Other than as disclosed, he does not have any family relationship with any Director and/or major unitholder of MQREIT. He has no personal interest in any business arrangement involving MQREIT and has not been convicted of any offence within the past 10 years.



DATUK DR. MOHAMED ARIF BIN NUN, 70

*Independent Non-Executive Director
Malaysian*

Date of appointment as director: 25 September 2006

Length of service as director: 9.3 years

Board Committee(s) served on:
Audit 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

MRCB Quill Management Sdn Bhd (the manager of MRCB-Quill REIT)
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.

In 1996, he joined Multimedia Development Corporation ("MDC"), the onestop agency to oversee the development of the MSC Malaysia, as the Senior Vice-President and from 2003 to 2005, held the position of Chief Executive Officer of MDC. 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.

Other than as disclosed, he does not have any family relationship with any Director and/or major unitholder of MQREIT. He has no personal interest in any business major arrangement involving MQREIT and has not been convicted of any offence within the past 10 years.

PROFILE OF DIRECTORS OF THE MANAGER

cont'd



DATO' THANARAJASINGAM SUBRAMANIAM, 65

*Non-Independent Non-Executive Director
Malaysian*

Date of appointment as director: 31 December 2015

Length of service as director: 2 months

Board Committee(s) served on:
Nil

Academic/Professional Qualification(s)/Professional Membership(s):

Bachelor of Arts, University of Malaya
Masters of Arts, New York University

Present Directorship(s):

Listed

OSK Ventures International Berhad

Unlisted

MRCB Quill Management Sdn Bhd (the manager of MRCB-Quill REIT)
Mestari Adjusters Sdn Bhd

Others

Member of the Ambassadorial Advisory Panel of InvestKL
Advisor to Tan Chong Motors

Working Experience:

Dato' Thanarajasingam has an extensive experience in both the public and private sectors. He has served as a Malaysian diplomat for more than 36 years including as Malaysian Ambassador to France and Portugal from 2006 to 2010 and Ambassador to Brazil, Venezuela, Suriname and Guyana from 1998 to 2001. He had also served as the Chief of Staff to the President of the United Nations General Assembly in 1997. At home, he rose to become Deputy Secretary General for Multilateral Affairs, Ministry of Foreign Affairs Malaysia after being Director General for ASEAN Malaysia.

Upon his retirement from the Malaysian Foreign Service in 2010, he became a director of OSK International Bank Berhad from 2010 to 2011 as well as served as the Malaysian Eminent Person for ASEAN-India Eminent Persons Group from 2010 to 2012. He also served as a Commissioner at the Malaysia Communications and Multimedia Commission ("MCMC"), the regulatory arm for communications in Malaysia from 2010 to 2013.

Other than as disclosed, he does not have any family relationship with any Director and/or major unitholder of MQREIT. He has no personal interest in any business arrangement involving MQREIT and has not been convicted of any offence within the past 10 years.



DR. ROSLAN A. GHAFAR, 64

*Independent Non-Executive Director
Malaysian*

Date of appointment as director: 16 June 2015

Length of service as director: 8 months

Board Committee(s) served on:
Executive Committee
Audit Committee

Academic/Professional Qualification(s)/Professional Membership(s):

Bachelor of Science degree from the Louisiana State University, Baton Rouge, USA
Doctor of Philosophy from University of Kentucky, Lexington, USA

Present Directorship(s):

Listed

SYF Resources Berhad
Box-Pak (Malaysia) Berhad
YFG Berhad

Unlisted

MRCB Quill Management Sdn Bhd (the manager of MRCB-Quill REIT)
Cagamas Berhad
Kuala Lumpur Sentral Sdn Bhd
Straits International Education Group Sdn Bhd

Others

Adviser to Kumpulan Wang Simpanan Guru-Guru
Chairman of the Rating Committee of Malaysian Rating Corporation Berhad

Working Experience:

Dr. Roslan has over 28 years of experience in the areas of economics, finance and investment. He was the Head of Economics Department of Universiti Putra Malaysia ("UPM") from 1985 to 2001. While with UPM, he provided consultancy services to World Bank, Asian Development Bank, Winrock International and the Economic Planning Unit of the Prime Minister's Department.

In 1994, Dr. Roslan was appointed as Director of Investment and Economic Research Department, Employees Provident Fund ("EPF"). He was promoted to the position of Senior Director in 1996 and later, held the position of Deputy Chief Executive Officer of EPF until his retirement in 2007.

Other than as disclosed, he does not have any family relationship with any Director and/or major unitholder of MQREIT. He has no personal interest in any business arrangement involving MQREIT and has not been convicted of any offence within the past 10 years.

PROFILE OF DIRECTORS OF THE MANAGER

cont'd



FOONG SOO HAH, 66

*Independent Non-Executive Director
Malaysian*

Date of appointment as director: 11 April 2013

Length of service as director: 2.7 years

Board Committee(s) served on:
Audit 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):

Listed

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

Unlisted

MRCB Quill Management Sdn Bhd (the manager of MRCB-Quill REIT)
Bank Simpanan Nasional Berhad
Golden YangKwong Land Sdn Bhd
Golden YangKwong Development Sdn Bhd
Aviva Ltd
Navigator Investment Services Limited

Others

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.

Other than as disclosed, he does not have any family relationship with any Director and/or major unitholder of MQREIT. He has no personal interest in any business arrangement involving MQREIT and has not been convicted of any offence within the past 10 years.



ANN WAN TEE, 44

*Non-Independent Non-Executive Director
Malaysian*

Date of appointment as director: 31 March 2015

Length of service as director: 11 months

Board Committee(s) served on:
Audit Committee

Academic/Professional Qualification(s)/Professional Membership(s):

Bachelor of Commerce (Accounting) (Hons), University of Birmingham
Fellow of the Association of Chartered Certified Accountants (FCCA)
Member of the Malaysian Institute of Accountants (MIA)

Present Directorship(s):

Unlisted

MRCB Quill Management Sdn Bhd (the manager of MRCB-Quill REIT)
MRCB Group of Companies

Working Experience:

Ann Wan Tee has more than 17 years' experience spanning from project advisory, privatisation, private finance initiatives, financial feasibility studies, business valuations, mergers and acquisitions as well as corporate recovery.

He joined Malaysian Resources Corporation Berhad ("MRCB") as Chief Strategy Officer in May 2013 and was appointed as the Group's Chief Financial Officer in November, 2013. Prior to joining MRCB, Wan Tee was the Chief Financial Officer/Finance Director of Gapurna Strategic Alliance Sdn Bhd from June 2012 to May 2013.

Wan Tee was the Executive Director – Corporate Finance at PricewaterhouseCoopers (Advisory Services) from January 2006 to May 2012.

Other than as disclosed, he does not have any family relationship with any Director and/or major unitholder of MQREIT. He has no personal interest in any business arrangement involving MQREIT and has not been convicted of any offence within the past 10 years.

PROFILE OF DIRECTORS *OF THE MANAGER*

cont'd



KWAN JOON HOE, 33

*Non-Independent Non-Executive Director
Malaysian*

Date of appointment as director: 31 March 2015

Length of service as director: 11 months

Board Committee(s) served on:

Executive Committee

Academic/Professional Qualification(s)/Professional Membership(s):

Bachelor Of Commerce (Accounting and Finance) from University of Melbourne, Australia
Member of the Certified Public Accountant, Australia

Present Directorship(s):

Unlisted

MRCB Quill Management Sdn Bhd (the manager of MRCB-Quill REIT)
MRCB Group of Companies

Working Experience:

Kwan Joon Hoe is currently a Chief Operating Officer of Malaysian Resources Corporation Berhad ("MRCB"). He joined MRCB as Senior Vice President of the Groups' Property Division in January 2014 before assuming his current position in MRCB.

He joined Gapurna in 2008 as the Group's Financial Controller, spearheading the RM1 billion Lot 348 development (Menara Shell) in Kuala Lumpur Sentral CBD. He was then promoted to the position of Chief Executive Officer managing the Group's property development function in 2012 before joining MRCB.

Other than as disclosed, he does not have any family relationship with any Director and/or major unitholder of MQREIT. He has no personal interest in any business arrangement involving MQREIT and has not been convicted of any offence within the past 10 years.

THE MANAGEMENT TEAM



Standing from the left:

Chan Fong Hin

Stephanie Tang Pit Yen

Jean Wong Wen Looi

Christie Pun Nyuk Len

Ho Ngan Chui

Senior Manager, Asset Management

Senior Manager, Investment and Asset Management

Senior Executive, Legal

Manager, Lease Administration

Company Secretary

Seated from the left :

Yong Su Lin

Victor Wong Tze Meng

Joyce Loh Mun Ching

Chief Executive Officer

Chief Financial Officer

Senior Manager, Investment and Investor Relations

Not in the picture:

Shirley Tam Soot Lee

Mohamed Noor Rahim Bin Yahaya

Senior Manager, Finance

Company Secretary

THE MANAGEMENT TEAM

cont'd



YONG SU-LIN, 42
Chief Executive Officer
 Malaysian

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 MRCB Quill Management Sdn Bhd (formerly known as Quill Capita Management Sdn Bhd) ("MQM"), 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 MQREIT. She has been involved in the day-to-day operations of MQREIT, and led the investment and investor relations functions as part of the core team since May 2006. She was appointed the Interim Chief Executive Officer on 1 June 2012 and was subsequently designated as Chief Executive Officer on 9 July 2015.

As at 31 December 2015, she hold 3,000 MQREIT units.

Other than as disclosed, she does not have any family relationship with any Director and/or major unitholder of MQREIT. She has no personal interest in any business arrangement involving MQREIT and has not been convicted of any offence within the past 10 years.



VICTOR WONG TZE MENG, 44
Chief Financial Officer
 Malaysian

Victor Wong Tze Meng graduated with a Bachelor of Commerce (Accounting & Finance) degree with merit from the University of New South Wales, Australia. He is a Chartered Accountant with the Malaysian Institute of Accountants and a Certified Practising Accountant with the Australian Society of CPAs.

Upon graduation in 1994, he began his career with Arthur Andersen & Co in the Assurance & Business Advisory Division.

In 2002, he joined Malaysian Resources Corporation Berhad ("MRCB") with the KL Sentral Development Division and rose through the ranks until being appointed the Head of Finance for Property Division & Building Services Division in 2009. In 2014, he had a short stint within the Special Projects Division of MRCB prior to joining MQM on 1 April 2015 and his appointment as Chief Financial Officer on 20 May 2015.

Other than as disclosed, he does not have any family relationship with any Director and/or major unitholder of MQREIT. He has no personal interest in any business arrangement involving MQREIT and has not been convicted of any offence within the past 10 years.

CORPORATE GOVERNANCE

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

MRCB Quill Management Sdn Bhd (formerly known as Quill Capita Management Sdn Bhd) ("MQM" or "the Manager") as the manager of MRCB-Quill REIT (formerly known as Quill Capita Trust) ("MQREIT"), 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 MQREIT.

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 Malaysia ("SC REIT Guidelines"), the Malaysian Code on Corporate Governance 2012 issued by the Securities Commission Malaysia ("Code") and the Main Market Listing Requirements ("Main Market Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

THE MANAGER OF MQREIT

MQM as the Manager of MQREIT has general powers of management over the assets of MQREIT. Its main responsibility is to manage the assets and liabilities of MQREIT 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 MQREIT and make recommendations to Maybank Trustees Berhad, acting solely in its capacity as trustee for and on behalf of MQREIT ("Trustee") on the acquisition or divestment of assets of MQREIT 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 MQREIT.

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

- **Investment Strategy.** Formulate and implement MQREIT's investment strategy, including determining the location, sub-sector, market risk, type and other characteristic of MQREIT'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 MQREIT's existing investments.
- **Asset Management.** Supervise and oversee the management of MQREIT'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 MQREIT's assets.
- **Financing.** Formulate plans for equity and debt financing for MQREIT's debt requirements.
- **Accounting Records.** Keep books and prepare or cause to be prepared accounts and annual reports, including annual budgets for MQREIT.
- **Supervisory Services.** Supervise day-to-day administrative service as MQREIT'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 MQREIT, and ensure that MQREIT 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.

CORPORATE GOVERNANCE

cont'd

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

The Manager also manages and supervises the service providers including the property managers, Knight Frank (Malaysia) Sdn Bhd (from 1 January 2015 – 31 August 2015), Zaharin & Partners Sdn Bhd (from 1 January 2015 – 31 December 2015) and Savills (KL) Sdn Bhd (from 1 September 2015 – 31 December 2015) ("Property Managers") who performs the day-to-day property management functions for MQREIT's properties pursuant to the property management agreement signed for each property.

MQREIT, 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 MQREIT.

MQM is appointed as the manager of MQREIT in accordance with the terms of the Trust Deed dated 9 October 2006 as amended by the Supplemental Deed dated 27 August 2007, Second Supplemental Deed dated 28 May 2013 and Third Supplemental Deed dated 2 April 2015 ("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 MQM is responsible for the overall management and the corporate governance of MQREIT, 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 MQREIT.

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 MQREIT 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 MQREIT, 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 MQREIT. The Board meetings are scheduled in advance, and are held at least once every quarter, to deliberate on business strategies and policies of MQREIT, 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 MQREIT and approve the release of the quarterly and full year results. The Board also reviews the risks to the assets of MQREIT, and acts upon comments from the auditors of MQREIT, 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 that provide independent supervision of the management of MQREIT. The Board is also assisted by an Executive Committee ("EXCO") on the operational and administrative matters of the Manager and MQREIT. 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 MQREIT. 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 MQREIT and its Unitholders. An effective Board is able to provide firm support to management at all times and steer MQREIT in the right direction.

CORPORATE GOVERNANCE

cont'd

For the financial year ended 31 December 2015, the Board has met for a total of 5 times. The frequency of meetings and the attendance of each Director at every Board and Board Committee meetings held in the year 2015 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 MQREIT 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 quarterly basis to keep abreast of MQREIT'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 nine (9) members. Three (3) of the members are independent non-executive Directors.

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 is appropriate and effective, taking into consideration the nature and scope of MQREIT'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 MQREIT 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 MQREIT's business is present in the composition of the Board.

CORPORATE GOVERNANCE

cont'd

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 MQREIT, 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 MQREIT, its strategic directions and policies and the regulatory environment in which MQREIT 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 MQREIT'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 MQREIT. 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 MQREIT in the appropriate direction, and the long-term performance of MQREIT 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 MQREIT.

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

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, Datuk Seri Saw Choo Boon is a non-independent non-executive Director while Ms. Yong Su-Lin is the 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 ensure 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 in managing MQREIT.

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 representative of one of the shareholders of the Manager. Nonetheless, the Board believes that the interests of the Unitholders are best served by a Chairman who has the requisite experience, expertise and leadership skills 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, one third of the Board comprised of independent directors and is in compliance with the Main Market Listing Requirements.

CORPORATE GOVERNANCE

cont'd

DIRECTORS' FEES

Directors' fees are paid by the Manager and not MQREIT. Directors' fees for the year ended 31 December 2015 are shown in the table below:-

Board Members	FY 2015 Director's Fees	FY 2014 Director's Fees
Dato' Mohammed Bin Haji Che Hussein ⁽³⁾	RM 17,260.27	RM 70,000.00
Dato' Dr. Low Moi Ing, J.P.	RM 55,000.00	RM 55,000.00
Dato' Michael Ong Leng Chun	RM 42,958.90	RM 48,000.00
Mohd Imran Mohamad Salim ⁽²⁾⁽⁵⁾	RM 26,520.55	Nil
Kwan Joon Hoe ⁽²⁾⁽⁴⁾	RM 30,246.58	Nil
Ann Wan Tee ⁽²⁾⁽⁴⁾	RM 38,424.66	Nil
Dato' Thanarajasingam Subramaniam ⁽⁷⁾	RM 109.59	Nil
Wen Khai Meng ⁽¹⁾⁽³⁾	RM 11,835.61	RM 48,000.00
Chong Lit Cheong ⁽¹⁾⁽³⁾	RM 9,863.01	RM 40,000.00
Foong Soo Hah	RM 79,109.60	RM 55,000.00
Dr. Roslan bin A. Ghaffar ⁽⁶⁾	RM 29,986.30	Nil
Datuk Dr Mohamed Arif Bin Nun	RM 55,000.00	RM 55,000.00

(1) Fees to these Directors are payable directly to CapitaLand Financial Limited (200308451M) ("CFL").

(2) 50% of the fees to these Directors are payable to Malaysian Resources Corporation Berhad and 50% are payable to the Directors.

(3) Dato' Mohammed Bin Haji Che Hussein, Wen Khai Meng and Chong Lit Cheong resigned as Directors with effect from 31 March 2015.

(4) Kwan Joon Hoe and Ann Wan Tee were appointed as Directors with effect from 31 March 2015.

(5) Mohd Imran Mohamad Salim was appointed as Director on 31 March 2015 and thereafter resigned as Director on 27 November 2015.

(6) Dr. Roslan bin A. Ghaffar was appointed as Director with effect from 16 June 2015.

(7) Dato' Thanarajasingam Subramaniam was appointed as Director with effect from 31 December 2015.

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

CORPORATE GOVERNANCE

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BOARD AND COMMITTEES' MEETING ATTENDANCE

The meeting attendance of Directors for the year ended 31 December 2015 in relation to MQREIT is shown in the table below:-

Board Members	Board Meetings No. of meetings held: 5	EXCO Meetings No. of meetings held: 2	Audit Committee Meetings No. of meetings held: 4
Dato' Mohammed Bin Haji Che Hussein ⁽¹⁾	1	-	-
Dato' Dr. Low Moi Ing, J.P.	5	-	4
Dato' Michael Ong Leng Chun	5	2	-
Mohd Imran Mohamad Salim ⁽³⁾	4	1	-
Kwan Joon Hoe ⁽²⁾	4	1	-
Ann Wan Tee ⁽²⁾	4	-	2
Dato' Thanarajasingam Subramaniam ⁽⁵⁾	-	-	-
Wen Khai Meng ⁽¹⁾	1	-	-
Chong Lit Cheong ⁽¹⁾	1	-	-
Foong Soo Hah	5	-	4
Dr. Roslan bin A. Ghaffar ⁽⁴⁾	3	2	2
Datuk Dr Mohamed Arif Bin Nun	5	-	4

(1) Dato' Mohammed Bin Haji Che Hussein, Wen Khai Meng and Chong Lit Cheong resigned as Directors with effect from 31 March 2015.

(2) Kwan Joon Hoe and Ann Wan Tee were appointed as Directors with effect from 31 March 2015.

(3) Mohd Imran Mohamad Salim was appointed as Director on 31 March 2015 and thereafter resigned as Director on 27 November 2015.

(4) Dr. Roslan bin A. Ghaffar was appointed as Director with effect from 16 June 2015.

(5) Dato' Thanarajasingam Subramaniam was appointed as Director with effect from 31 December 2015.

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.

CORPORATE GOVERNANCE

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The training programmes, conferences and seminars attended by the Directors during the financial year ended 31 December 2015 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.	Oxford High Performance Leadership Program	15 – 20 February 2015
2.	Basel II/III Training Workshop	23 April 2015
3.	FIDE Forum – Invitation to Industry Consultation Session	6 May 2015
4.	Psychology in a Bear Market	20 May 2015
5.	Global REITs & REITs IPO (Its' Time to Buy & Best Laid Plans in REITs)	29 May 2015
6.	Mandatory Accreditation Programme for Directors of Public Listed Companies	16 May 2015
7.	FIABCI 66th World Real Estate Congress 2015	29 – 31 May 2015
8.	7th Annual Corporate Governance Summit	8 – 9 June 2015
9.	Price Control and Anti Profiteering	23 July 2015
10.	Green Building Forum (GBF) 2015	13 August 2015
11.	Kuala Lumpur Design Forum (KLDF) 2015	13 August 2015
12.	Global & Regional Developments in Institutional Stewardship and Corporate Governance Practices	28 August 2015
13.	Board Chairman Series: Tone from the Chair and Establishing Boundaries	15 September 2015
14.	7th International Conference on World Class Sustainable Cities (WCSC) 2015: Urban Regeneration Through Smart Partnerships	29 September 2015
15.	Boarding Pass: AAA Rated Tour 2015	29 September 2015
16.	PAM Housing and Urbanity Symposium	19 November 2015
17.	FIDE Forum Directors' Remuneration Report 2015	7 December 2015
18.	Global REITs, MORTGAGE REITs & IPO	17 December 2015

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 Dr. Roslan bin A. Ghaffar (Chairman), Dato' Michael Ong Leng Chun and Kwan Joon Hoe.

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.

There were 2 EXCO meetings held during the financial year ended 31 December 2015. 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 2015 are disclosed above.

CORPORATE GOVERNANCE

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(B) Audit Committee

An Audit Committee has been established by the Board and comprises five (5) 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:-

Foong Soo Hah (Chairman)
 Datuk Dr Mohamed Arif Bin Nun
 Dato' Dr. Low Moi Ing, J.P.
 Dr. Roslan bin A. Ghaffar
 Ann Wan Tee

The role of the Audit Committee is to monitor and evaluate the effectiveness of MQREIT'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 MQREIT:-

- 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 MQM (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 MQREIT;
- 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 MQREIT;
- 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

CORPORATE GOVERNANCE

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- Reviewing related party transactions periodically, if any, to ensure compliance with MQREIT'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 MQREIT 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 MQREIT's external auditor and internal auditor, without the presence of management at least once annually. MQREIT'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 MQREIT's external auditor's recommendation.

In its review of the audited financial statements for the financial year ended 31 December 2015, 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 2015, the Audit Committee has met for a total of 4 times. The frequency of meetings and the attendance of each of the members of the Audit Committee held in the year 2015 are disclosed above.

INTERNAL CONTROLS

(A) Internal Audit

The Manager has put in place a system of internal control procedures and processes to safeguard the assets of MQREIT, 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 MQM in respect of its role as the Manager of MQREIT, 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:-

- preparation of annual internal audit plan for the financial year;
- 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;
- conducting follow up review to report on the status of implementation of management action plans arising from the ICR; and

CORPORATE GOVERNANCE

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- (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 MQM'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 2015 is RM39,800 (excluding goods and services 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 MQREIT. 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. All related parties transactions 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.

The Audit Committee 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 MQREIT should be:

- a) carried out at arm's length basis and on normal commercial terms;
- b) in the best interests of the Unitholders of MQREIT;
- c) adequately disclosed to the Unitholders of MQREIT;
- d) in relation to a real estate transaction:-
 - (i) consented by the Trustee;
 - (ii) consistent with the investment objective and strategy of MQREIT; 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.

CORPORATE GOVERNANCE

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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 MQREIT (after acquisition). Where the transaction value does not exceed 5% of the total asset value of MQREIT (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 MQREIT. The Manager incorporates into its internal audit plan, a review of all related party transactions entered into by MQREIT 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 2015 are as disclosed in Note 31 of the Notes to the financial statements for the year ended 31 December 2015.

(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 MQREIT 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 MQREIT are to be executed on terms that are best available to MQREIT and which are no less favourable to MQREIT 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 MQREIT. 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 MQREIT:-

- the Manager is a dedicated manager to MQREIT and will not manage any other REIT which invests in the same types of properties as MQREIT, 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 MQREIT must be decided by a majority vote of the Directors.

The Directors of the Manager are under a fiduciary duty to MQREIT to act in its best interests in relation to decisions affecting MQREIT 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.

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(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 MQREIT. 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 MQREIT 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 MQREIT against the approved budget. The Board also reviews the risks to the assets of MQREIT and acts upon any comments by the auditors of MQREIT. 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 MQREIT 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 MQREIT 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 MQREIT, the Board adopts a policy to inform its Unitholders in a timely manner of all major developments in its business that impact MQREIT. 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 reports;
- b) various disclosure and announcements to Bursa Malaysia;
- c) analysts and media briefings;
- d) one-on-one/group investor meetings and conference calls;

CORPORATE GOVERNANCE

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- e) local and overseas roadshows and conferences;
- f) press releases on major developments of MQREIT; and
- g) MQREIT website at www.mrcbquillreit.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 and Singapore. These meetings with investors enabled the Manager to update potential and current Unitholders on MQREIT'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 Malaysia 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 MQREIT's website for information on MQREIT's major developments, property descriptions, announcements and other corporate information. In addition, the public can pose questions via a dedicated "Enquiries" email address, and have their queries addressed accordingly. Also available on the website is an archive of MQREIT'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 MQREIT UNITS

The Manager adopts best practices and issues guidelines to its Directors and employees which prohibit dealings in MQREIT'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 MQREIT's Units during the period commencing on and from one month prior to the targeted date of announcement of MQREIT's quarterly results to Bursa Malaysia, up to one full market day after the announcement of MQREIT's quarterly results. If any of such affected persons deal in MQREIT'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 MRCB Quill Management Sdn Bhd (formerly known as Quill Capita Management Sdn Bhd) ("the Manager"), as the manager of MRCB-Quill REIT (formerly known as Quill Capita Trust) ("MQREIT"), 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 MQREIT, 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 Malaysia. The corporate governance framework established within the structure of MQREIT 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 MQREIT's corporate governance framework is also set out on page 40. 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 MQREIT. The Board is committed to maintain a sound system of risk management and internal control with a view to safeguard the interest of the Unitholders, its investment and MQREIT'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 2015.

BOARD RESPONSIBILITY

In discharging the Board's principal responsibilities, the Board assumes the responsibility for the Manager's system of risk management and internal control. The Board is responsible for the adequacy and integrity of the system of risk management and internal control. 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 risk management and internal control is designed to manage rather than eliminate the risk of failure to achieve the business strategies and objectives of MQREIT. 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 MQREIT in order to mitigate any potential loss of value of Unitholders' investment in MQREIT. 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 MQREIT'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 MQREIT's system of risk management and internal control includes identifying any significant failings or weaknesses in risk management and internal control and whether necessary actions are being taken promptly to remedy any such significant failings or weakness.

Our Chief Executive Officer and Chief Financial Officer have also provided the Board an assurance that MQREIT'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 MQREIT.

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 risk management and 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 risk management and internal control of MQREIT, 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 48;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

The internal audit review undertaken by BDO Governance for the financial year 2015 and the findings arising from the review reported to the Audit Committee include the following:

- (i) internal control review ("ICR") on procurement to payment of property operating expenses and acquisition and divestment of investment properties; and
- (ii) review of related party transactions for the financial year 2015 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 Securities Commission Malaysia ("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 2015 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 2015 is RM39,800 (excluding goods and services tax and disbursements) and is borne by the Manager.

The Board is satisfied that the current system of risk management and internal control 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 MQREIT's internal control, financial and risk management issues raised by the external and internal auditors, regulatory authorities and management. The reviews include 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 47;
- (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 MQREIT and operating expenses, trust expenses and capital expenditure to be incurred by MQREIT. The management prepares management report on a quarterly basis to update and explain any major variation to the Board on MQREIT'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 accessing 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 risk management and internal control system which sets out the approval/authority limits imposed on 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 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 MQREIT. 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 49 and 50;

STATEMENT ON *RISK MANAGEMENT AND INTERNAL CONTROL* cont'd

- (g) Policies, guidelines and processes for dealing with any potential conflicts of interest. This is explained in further detail on page 50. 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 MQREIT are to be executed on terms that are best available to MQREIT and which are no less favourable to MQREIT than on arm's length transactions between independent parties;
- (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 MQREIT 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;
- (i) Scheduled regular meetings of the Board, AC with representation from the management provide the key to systematic monitoring of MQREIT's activities and for identifying, evaluating and managing the significant risks faced by MQREIT. The Chief Executive Officer is entrusted to manage the daily operations of the Manager and MQREIT and holds the responsibility of leading the respective heads of departments towards achieving the identified objectives; and
- (j) In order to maintain quality and efficiency, the Manager's personnel across all functions are given the opportunity to attend relevant trainings. A systematic staff performance appraisal mechanism has also been adopted to ensure adequate and sufficient rewards are awarded to well-deserving personnel.

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 2015 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 system in place for the financial year ended 31 December 2015 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 MQREIT'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 MRCB Quill Management Sdn Bhd (formerly known as Quill Capita Management Sdn Bhd), is responsible to ensure that the financial statements for the financial year ended 31 December 2015 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 Supplemental Deed dated 27 August 2007, Second Supplemental Deed dated 28 May 2013, Third Supplemental Deed dated 2 April 2015 and the Guidelines on Real Estate Investment Trusts issued by the Securities Commission Malaysia, so as to give a true and fair view of the financial position of MQREIT as at 31 December 2015 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 2015, 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

The Manager's report

MRCB Quill Management Sdn. Bhd. ("MQM") [formerly known as Quill Capita Management Sdn. Bhd. ("QCM")], being the manager (the "Manager") of MRCB-Quill REIT ("MQREIT") [formerly known as Quill Capita Trust ("QCT")], is pleased to present the Manager's Report on MQREIT together with the audited financial statements of MQREIT for the financial year ended 31 December 2015.

MQREIT, the Manager and their principal activities

MQREIT was constituted under a Deed dated 9 October 2006 (the "Trust Deed"), by MQM as the Manager and Maybank Trustees Berhad as the trustee (the "Trustee"); a Supplemental Deed dated 27 August 2007; a Second Supplemental Deed dated 28 May 2013 and Third Supplemental Deed dated 2 April 2015, and is categorised as a real estate investment trust. MQREIT 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 MQREIT 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 MQREIT as disclosed in Note 22 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 MQREIT. There has been no significant change in the nature of this activity during the financial year.

Manager's fees and commission

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

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

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 MQREIT 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 MQREIT.

Term of Trust

MQREIT 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 MQREIT is to acquire and invest in commercial properties primarily in Malaysia with a view to provide long-term growth and sustainable distribution of income to unitholders and to achieve long-term growth in the net asset value per unit of MQREIT.

THE MANAGER'S REPORT

cont'd

Investment strategies

The Manager plans to achieve the key investment objectives while seeking additional income growth and enhancement of MQREIT'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 MQREIT'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 MQREIT'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 MQREIT's capital structure to meet future investment and/or capital expenditure requirements.

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 MQREIT under the current market conditions, the Manager will continue to adopt them in the coming year.

THE MANAGER'S REPORT

cont'd

Investment policies

MQREIT'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 MQREIT

(i) Review of financial results for the financial year ended 31 December 2015

	Actual Financial year ended 31 December 2015 ("FY 2015") RM	Actual Financial year ended 31 December 2014 ("FY 2014") RM
Net property income	90,271,639	53,325,178
Net realised income	54,020,625	34,162,743
Realised earnings per unit ("EPU") [(sen)]	9.06	8.76
Total distribution relating to the income of the financial year	50,919,471	32,692,978
Distribution per unit ("DPU") [(sen)]	8.47	8.38

As compared with the last financial year, FY 2014, net property income of RM90.3 million is higher by 69.3% mainly due to additional income arising from the acquisition of Platinum Sentral on 30 March 2015 and rental rate increases for certain buildings. The realised income of RM54.02 million is higher by 58.1% mainly due to higher net property income by 69.3% and gain on divestment of Quill Building 10, offset by higher finance costs by 99.1% due to additional borrowings drawdown as stated in Note 20(c) to the financial statements, higher manager's fees, trustee's fee and administrative expenses. The higher administrative expenses comparative to FY 2014 is mainly due to writeback of over accrued fee in the FY 2014.

Correspondingly, realised EPU for the FY 2015 of 9.06 sen was higher by 3.4% compared to realised EPU of 8.76 sen recorded for the FY 2014.

MQREIT has achieved a total DPU of 8.47 sen for the FY 2015. Income distribution of 4.10 sen per unit being the distribution of income for the period of 1 January 2015 to 30 June 2015 were paid on 15 April 2015 (of 1.88 sen per unit) and 28 August 2015 (of 2.22 sen per unit) respectively. Proposed final gross distribution of 4.37 sen per unit relating to the distribution of income for the period of 1 July 2015 to 31 December 2015, will be payable on 29 February 2016 to all unitholders as at book closure date on 11 February 2016.

The Manager's active asset management strategy throughout the year has ensured successful tenancy renewals for most of the leases due in 2015. MQREIT's occupancy rate for the year stood at 97.5% in terms of Net Lettable Area ("NLA").

The performance of MQREIT for the FY 2015 was in line with its investment objective.

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

For the FY 2015, MQREIT's total NAV and NAV per unit after proposed final income distribution changed to RM874.95 million and RM1.3229 per unit (2014: RM524.55 million and RM1.3446 per unit), mainly due to net change in fair values of investment properties of RM6.68 million (2014: RM6.12 million), net changes in fair values of derivatives and balance of undistributed income retained.

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

For the FY 2015, the unit price of MQREIT has decreased from RM1.17 at the close of trade as at 31 December 2014 to RM1.08 at the close of trade as at 31 December 2015. The Manager believes that the movement in price is due to changes in market sentiment.

THE MANAGER'S REPORT

cont'd

Composition of investment portfolio

As at 31 December 2015, MQREIT's portfolio comprised ten commercial buildings. There was one acquisition namely Platinum Sentral and one disposal, Quill Building 10 ("QB10") during the financial year ended 31 December 2015. The details of the portfolio are as follows:

(a) Quill Building 1 - DHL 1 ("QB1")

Address/location	3509 & 3511 Jalan Teknokrat 5, 63000 Cyberjaya, Selangor Darul Ehsan
Property type and age	Commercial building, 13 years
Description	4-storey office building together with a sub-basement and a basement car park
Tenure	Term in perpetuity
Net lettable area ("NLA")	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 5 + 5 years from 1 January 2016
Occupancy rate	100%
Encumbrances	Charged to Malaysian Trustees Berhad as security agent
Date of last valuation	31 December 2015
Market value/net carrying amount as at 31 December 2015	Note (i)
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

THE MANAGER'S REPORT

cont'd

Composition of investment portfolio (cont'd)

(b) Quill Building 4 - DHL 2 ("QB4")

Address/location	3509 & 3511, Jalan Teknokrat 5, 63000 Cyberjaya, Selangor Darul Ehsan
Property type and age	Commercial building, 10 years
Description	4-storey office building together with a sub-basement and 2 levels basement car park
Tenure	Term in perpetuity
Net lettable area ("NLA")	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 5 + 5 years from 1 January 2016
Occupancy rate	100%
Encumbrances	Charged to Malaysian Trustees Berhad as security agent
Date of last valuation	31 December 2015
Market value/net carrying amount as at 31 December 2015	Note (i)
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

Note (i) The respective pieces of land on which QB1 and QB4 are situated have been amalgamated on 14 August 2008 pursuant to the condition imposed by the SC during the initial public offering of MQREIT. As such, the valuations for QB1 and QB4 have since been carried out based on the amalgamated properties. Based on the latest valuation dated 31 December 2015, the total aggregate valuation of the two properties amounted to RM126,000,000.

THE MANAGER'S REPORT

cont'd

Composition of investment portfolio (cont'd)

(c) Quill Building 2 - HSBC ("QB2")

Address/location	3500, Jalan Teknokrat 3, 63000 Cyberjaya, Selangor Darul Ehsan
Property type and age	Commercial building, 12 years
Description	4-storey office building together with a sub-basement car park
Tenure	Term in perpetuity
Net lettable area ("NLA")	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%
Encumbrances	Charged to Malaysian Trustees Berhad as security agent
Date of last valuation	31 December 2015
Market value/net carrying amount as at 31 December 2015	RM120,700,000
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

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cont'd

Composition of investment portfolio (cont'd)

(d) Quill Building 3 - BMW ("QB3")

Address/location	3501, Jalan Teknokrat 5, 63000 Cyberjaya, Selangor Darul Ehsan
Property type and age	Commercial building, 11 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 ("NLA")	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	Ground Floor: 5 + 3 + 3 years from 1 December 2004 First Floor: 5 + 3 + 1 + 1 + 0.25 years from 1 December 2004 10 years from 7 July 2015
Tenant	BMW Malaysia Sdn. Bhd.
Tenancy period	5 + 3 + 1 + 1 + 0.25 years from 1 December 2004 10 years from 7 July 2015
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 + 1.5 years from 1 July 2011 2 + 2 years from 1 January 2016
Tenant	Huawei Technologies (Malaysia) Sdn. Bhd.
Tenancy period	3 + 3 years from 1 February 2012
Occupancy rate	80%
Encumbrances	Nil
Date of last valuation	31 December 2015
Market value/net carrying amount as at 31 December 2015	RM75,500,000
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

THE MANAGER'S REPORT

cont'd

Composition of investment portfolio (cont'd)

(e) Wisma Technip ("WT")

Address/location	241, Jalan Tun Razak, 50400 Kuala Lumpur
Property type and age	Office building, 22 years
Description	12-storey office building with a mezzanine floor and 3 split-levels basement car park
Tenure	Term in perpetuity
Net lettable area ("NLA")	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%
Encumbrances	Charged to Hong Leong Investment Bank Berhad as security agent
Date of last valuation	31 December 2015
Market value/net carrying amount as at 31 December 2015	RM172,000,000
Name of valuer	CH Williams Talhar & Wong Sdn. Bhd.

THE MANAGER'S REPORT

cont'd

Composition of investment portfolio (cont'd)

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

Address/location	Plaza Mont' Kiara 2, Jalan Kiara, Mont' Kiara, 50480 Kuala Lumpur
Property type and age	Commercial lots and car parks, 13 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 ("NLA")	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, such as banking, food & beverages, beauty & fashion and convenient stores
Tenancy period	Ranging between 1 to 3 years tenancy
Occupancy rate	92%
Encumbrances	Charged to Hong Leong Investment Bank Berhad as security agent
Date of last valuation	31 December 2015
Market value/net carrying amount as at 31 December 2015	RM114,000,000
Name of valuer	CH Williams Talhar & Wong Sdn. Bhd.

THE MANAGER'S REPORT

cont'd

Composition of investment portfolio (cont'd)

(g) Quill Building 5 - IBM ("QB5")

Address/location	3500, Jalan Teknokrat 3, 63000 Cyberjaya, Selangor Darul Ehsan
Property type and age	Commercial buildings, 8 years
Description	5-storey office building with a level of sub-basement and 1 1/2 levels of basement car park
Tenure	Term in perpetuity
Net lettable area ("NLA")	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%
Encumbrances	Charged to Hong Leong Investment Bank Berhad as security agent
Date of last valuation	31 December 2015
Market value/net carrying amount as at 31 December 2015	RM45,200,000
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

THE MANAGER'S REPORT

cont'd

Composition of investment portfolio (cont'd)

(h) Quill Building 8 - DHL XPJ ("QB8")

Address/location	8, Jalan Pemaju U1/15, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan
Property type and age	Industrial building, 9 years
Description	3-storey office building with an annexed single storey detached warehouse
Tenure	Term in perpetuity
Net lettable area ("NLA")	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%
Encumbrances	Charged to Hong Leong Investment Bank Berhad as security agent
Date of last valuation	31 December 2015
Market value/net carrying amount as at 31 December 2015	RM26,400,000
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

THE MANAGER'S REPORT

cont'd

Composition of investment portfolio (cont'd)

(i) Tesco Building, Penang ("Tesco")

Address/location	1, Lebuhr Tengku Kudin 1, 11700 Penang
Property type and age	Commercial building, 11 years
Description	3-storey purpose built hypermarket
Tenure	Term in perpetuity
Net lettable area ("NLA")	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%
Encumbrances	Charged to Malaysian Trustees Berhad as security agent
Date of last valuation	31 December 2015
Market value/net carrying amount as at 31 December 2015	RM140,000,000
Name of valuer	DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd.

THE MANAGER'S REPORT

cont'd

Composition of investment portfolio (cont'd)

(j) Platinum Sentral

Address/location	Platinum Sentral, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur
Property type and age	Commercial building, 4 years
Description	A commercial development consisting of 5 blocks of 4-7 storey commercial buildings consisting of office-cum retail space, a multi-purpose hall together with 2 levels of car park
Tenure	Term in perpetuity
Net lettable area ("NLA")	476,370 sq. ft.
Existing use	Commercial building
Parking space	637 lots
Date of acquisition	30 March 2015
Acquisition price	RM740,000,000
Major tenant and tenancy details:	
Tenant	Small and Medium Enterprise Corporation Malaysia
Tenancy period	15 + 3 years from 1 July 2011
Tenant	SBM Malaysia Sdn Bhd
Tenancy period	3 + 3 + 3 + 3 + 3 years from 28 October 2011
Tenant	Suruhanjaya Pengangkutan Awam Darat
Tenancy period	3 + 3 + 3 + 3 + 3 years from 1 March 2012
Tenant	Remaining: Multi-tenanted office-cum retail tenants from various sectors from government-linked office, education, food & beverages, fitness and convenient stores.
Tenancy Period	Ranging between 1 to 3 years tenancy
Occupancy rate	100%
Encumbrances	Charged to Pacific Trustees Berhad as security agent
Date of last valuation	31 December 2015
Market value/net carrying amount as at 31 December 2015	RM750,000,000
Name of valuer	CH Williams Talhar & Wong Sdn. Bhd.

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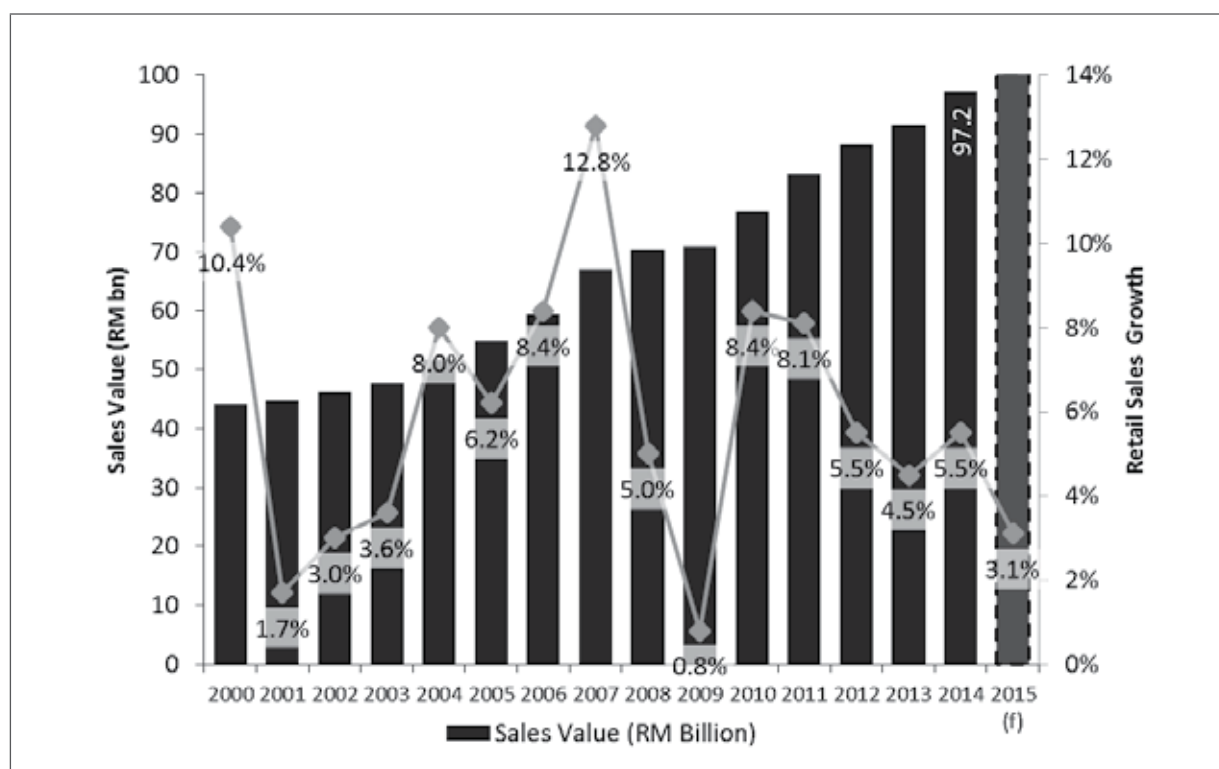
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Review of the market in which MQREIT invests in during the period and future prospects of the market

1 Retail Sector

The retail sector suffered from deteriorating consumer sentiment during the year and is expected to experience one of the slowest growths in recent years. The initial forecast for the year of 6% has been revised downward several times to the current estimate of 3.1% for 2015. Retail sales has been affected by the imposition of the Goods & Service Tax ("GST") in April 2015 and households' purchasing power had been further eroded by the decline in the value of the Ringgit, which suffered one of the worse fall amongst regional currencies against the US Dollar. The high household debt to Gross Domestic Product ("GDP") ratio of 88.1% in August (2014: 86.8%) also cast a shadow over retail sales.

Figure 1.0: Retail Sales Growth



Source: DTZ Consulting & Research, Retail Group Malaysia

THE MANAGER'S REPORT

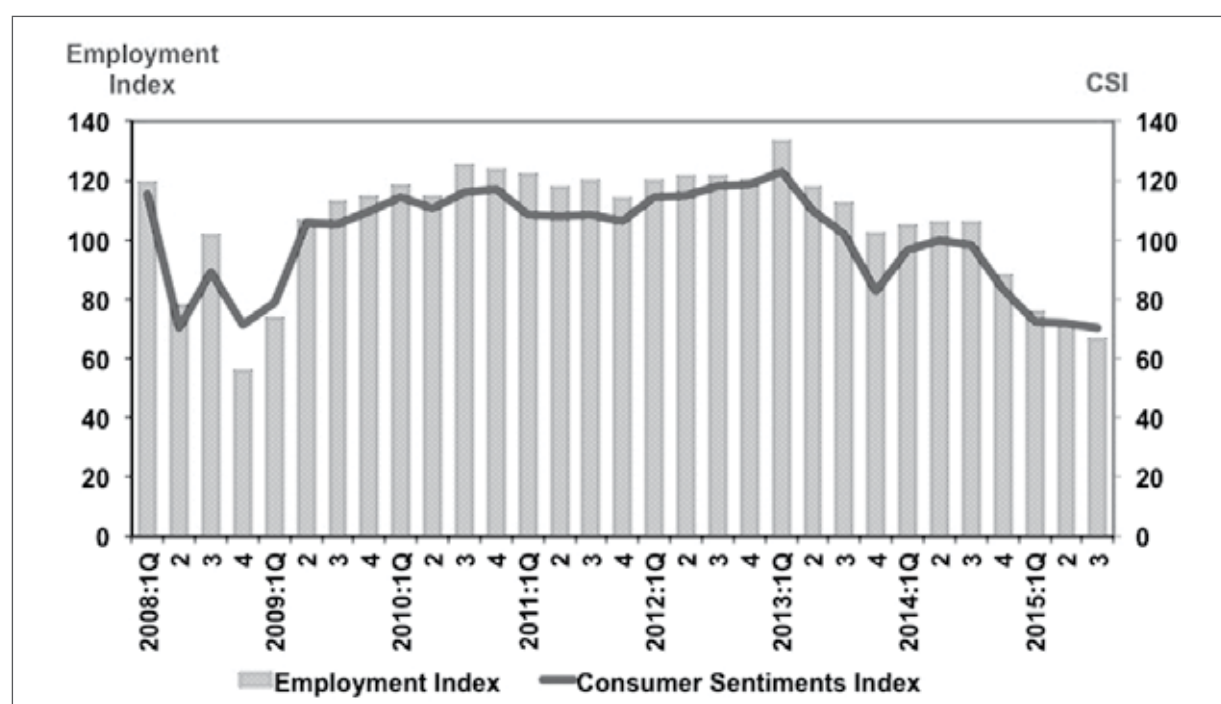
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Review of the market in which MQREIT invests in during the period and future prospects of the market (cont'd)

1 Retail Sector (cont'd)

After barely touching the 100-point mark in 2Q 2014 (100.1-points), the Consumer Sentiment Index ("CSI") trended downward. 4Q 2014 recorded an index of 83.0-points, and by 3Q 2015, Malaysian Institute of Economic Research ("MIER") reported the CSI to be at a new low of 70.2-points. The institute further noted due to the deteriorating income, consumers are putting their major spending plans on hold.

Figure 1.1: Consumer Confidence



Source: MIER

1.1 Kuala Lumpur

Kuala Lumpur houses more than 25 million sq. ft. of retail space, half of the overall supply in Klang Valley. Retail space per capita in Klang Valley stands at 7.5 sq. ft. per person, a fairly high ratio as the country's capital and as a centre of key economic activities.

The average occupancy rate of retail malls in Kuala Lumpur was generally stable in 2014 – 2015, hovering between 91% and 92%. Owners and operators continue to invigorate their retail spaces to stay competitive amidst the large supply of retail space. In early 2015, Kuala Lumpur saw some significant activities including the closure of the old mall BB Plaza due to the MRT construction, the re-opening of several refurbished malls – Jakel Textile Mall – the refurbished and rebranded former CapSquare Mall and Sunway Putra Mall, (previously known as The Mall) which opened with an impressive 80% occupancy rate. Other notable new malls in Greater Kuala Lumpur include Mitsui Outlet Park in Sepang – the first outlet mall in Greater Kuala Lumpur, and Ikea Cheras, opened late 2015.

Notwithstanding the general poor short term retail sentiment, large supply of retail spaces are expected to enter the market within the next 2 years, with more being planned for the future.

THE MANAGER'S REPORT

cont'd

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

1 Retail Sector (cont'd)

1.1 Kuala Lumpur (cont'd)

Rental rates for retail spaces in the city centre retail malls range between RM7 – RM25 per sq. ft. per month. Currently, most malls experiencing a slower rental growth at the point of renewals as a result of rising retail supply as well as weak retail sales which has affected the ability of retailers to pay higher rents. In this regard, most retail malls, including the most prime ones, are required to constantly revive their tenant mixes and concepts to adapt to the more challenging market conditions.

Table 1.0 Notable Upcoming Malls in Klang Valley

Building name	Expected Completion	Net Floor Area (sq. ft.)
Glo Damansara	2016	350,000
Empire City	2017	1,500,000
Sunway Velocity	2018	800,000
Pavilion (extension)	2019	225,000
MyTown	2020	1,100,000

Source: DTZ Consulting and Research

The short term retail outlook is expected to be challenging as the higher cost of living is impacting household disposable income with the employment prospect being murky at best. Malaysians are feeling the heat of higher price of goods due to hikes in toll roads and public transport as well as the drop in the value of the Ringgit. The Ringgit is not expected to improve significantly in the near future, and consumers' income has certainly not moved in tandem with the increased cost of living.

In this current environment, upcoming malls are expected to have a challenging time committing new tenants, at previously targeted rents.

1.2 Penang

As of 2Q 2015, the National Property Information Centre ("NAPIC") reported that the total retail space supply in Penang stood at 18.0 million sq. ft.. This supply encompasses retail malls, commercial complexes and hypermarkets with retail malls having a total retail space of approximately 11.5 million sq. ft..

THE MANAGER'S REPORT

cont'd

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

1 Retail Sector (cont'd)

1.2 Penang (cont'd)

The total retail space in Penang has remained the same since 2014. George Town holds the most numbers of retail malls (20 malls) providing 28% (4.9 million sq. ft.) of the overall supply. This is followed by Seberang Prai, housing 17% or 3.0 million sq. ft. of overall supply. Major retail malls in Penang are listed below in Table 1.1:

Table 1.1 Major Retail Malls in Penang

Retail Malls	Location	NLA (sq. ft.)
Gurney Plaza	George Town	875,000
Gurney Paragon	George Town	700,000
One Stop Midlands Park	George Town	500,000
Prangin Mall	George Town	870,000
First Avenue	George Town	400,000
Komtar	George Town	660,000
Queensbay Mall	Bayan Lepas	1,000,000
Bukit Jambul Complex	Bayan Lepas	600,000
Sunway Carnival Mall	Seberang Jaya	570,000
Megamall Penang	Seberang Jaya	1,600,000
Perda City Mall	Bukit Mertajam	790,000
Aeon Mall	Bukit Mertajam	600,000

Source: DTZ Consulting and Research

Penang's current population as estimated by the Department of Statistics Malaysia ("DOSM") is approximately 1.7 million, thus indicating its retail space per capita is 6.11 sq. ft..

Table 1.2 Notable Upcoming Retail Malls in Penang

Retail Malls	NLA (sq. ft.)	Expected Completion
Designer Village	400,000	2016
The Pearl City Mall	300,000	2016
IKEA	n/a	2018
The Light Waterfront Mall	1,000,000	2022
Penang World City	1,000,000	2025

Source: DTZ Consulting and Research

Rental rates of retail malls in Penang have stayed competitive with prime malls commanding overall rental of approximately between RM6 per sq. ft. – RM8 per sq. ft. per month, while individual prime shop lots are fetching rental rates of RM15 per sq. ft. – RM20 per sq. ft. per month.

THE MANAGER'S REPORT

cont'd

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

1 Retail Sector (cont'd)

1.2 Penang (cont'd)

Penang is experiencing an increased commercial vibrancy and the mall lifestyle is catching up among the local population supported by influx of domestic and foreign tourists. In view of the above, more retail malls are expected to come on board in the coming years, mainly in the Penang mainland where there has been an increase in property development activities.

2 Office Sector

2.1 Kuala Lumpur

The office sector in Kuala Lumpur experienced a stable occupancy rate above 80% despite the 3.4 million sq. ft. of office space that came into the market in 2Q 2015. The largest inflow of NLA of 1.4 million sq. ft. was contributed by the completion of Q Sentral, a strata titled project at KL Sentral.

The total office space in Kuala Lumpur now stands at 76 million sq. ft.. New office buildings completed in 2015 are tabulated in Table 2.0. In addition, approximately another 2 million sq. ft. are expected to be completed in early 2016.

Table 2.0 New Office Buildings Completed in Kuala Lumpur in 2015

Buildings	Location	NLA (sq. ft.)
Q Sentral	KL Sentral	1,400,000
The Vertical Business Suites I & II	Jalan Kerinchi	808,000
Naza Tower	Jalan Binjai	580,000
Ilham Tower	Jalan Binjai	426,200
Centara Tower	Jalan Tuanku Abdul Rahman	200,000
	TOTAL	3,414,200

Source: DTZ Consulting and Research

Approximately 9 million sq. ft. of office space are expected to enter the market within the next 2 years. KL Eco City and The Vertical (2 towers) will contribute the largest amount of office space with an estimated 2.3 million sq. ft. each.

Mega projects such as Tun Razak Exchange and Warisan Merdeka are expected to enter the market as early as 2020, assuring no shortage of office space in Kuala Lumpur in the mid future.

Average occupancy rate in 2015 thus far remains healthy at 81%, despite the large supply of office space entering the market. The average rental rate in the city centre has also remained stable at RM6.25 per sq. ft.. To stay competitive in the midst of a tenant-favoured market, building owners are refurbishing older buildings to improve the building's attractiveness while offering better services and competitive rental rates.

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

2 Office Sector (cont'd)

2.1 Kuala Lumpur (cont'd)

Table 2.1 Rental Rates of Selected Office Buildings in Kuala Lumpur, 2015

Buildings	Average Rental (RM per sq. ft.)
Naza Tower	7.50
Ilham Baru Tower	7.50
Standard Chartered Tower	6.50
Citibank Tower	7.00
IMC Tower	7.80

Source: DTZ Consulting and Research

Capital value has seen a marginal increase in 2015 and is currently at RM933 per sq. ft.. Office building transactions in 2015 are tabled below:

Table 2.2 Office Transactions in Kuala Lumpur, 2015

Buildings	Price (RM million)	Price (RM per sq. ft.)
Quill 10	27.3	156
Plaza Pekeliling	28.28	196
Menara Raja Laut	220	553
Empire City (Block N)	155.35	650
Wisma AmanahRaya	78	507
Menara Shell	640	1,129

Source: DTZ Consulting and Research

The current economic challenges that befall the country due to the plunging crude oil price, the depreciation value of the Ringgit as well as political uncertainties have made adverse impact on the office sector especially the oil and gas sector. The banking sector is also affected with local banks initiating rationalisation exercises to reduce their workforce.

Overall, the office sector is expected to remain challenging in the near future. Nevertheless, the Ringgit's depreciation and the competitive cost of occupancy in Malaysia will continue to provide a plus point for Multinational Corporations ("MNCs") seeking a presence in the region, especially with the commencement of the ASEAN Economic Community in 2016.

THE MANAGER'S REPORT

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

2 Office Sector (cont'd)

2.2 Cyberjaya

With the slow erosion of its MSC advantage due to the proliferation of new competitors with such accreditation elsewhere, Cyberjaya is making a significant step forward from the known ICT hub of Malaysia to become a global technological hub. Cyberview Sdn. Bhd. alongside Setia Haruman Sdn. Bhd. are shifting their focus to tech hub-based development after receiving a new mandate from the government to transform the city to a tech hub. Cyberjaya City Centre, a mega project sandwiched between Cyberjaya and Putrajaya, will be the catalyst project under the Cyberjaya Global Tech Hub Blueprint.

In the light of Cyberjaya's new focus, it is expected that there will be new office developments in the pipeline to cater for such purposes. The current total office supply in Cyberjaya stands at 8.6 million sq. ft. (approximately 60 office buildings) some of which are tabled below:

Table 2.3 Notable Office Supply in Cyberjaya

Buildings	NLA (sq. ft.)	Completion Year
Prima 10	100,272	2010
NeoCyber Office Tower	262,748	2010
MKN Embassy Techzone (Phase 3A - Block I)	206,000	2011
Bangunan Lestari	360,000	2011
Shaftsbury Square - iTech Tower	188,000	2014
Shaftsbury Square - MCMC Tower 1 & 2	400,000	2014
Quill 18	523,000	2014

Source: DTZ Consulting and Research

Cyberjaya's IT infrastructure, incentives and attractive rental rates are considered its strong points when compared with Kuala Lumpur or Petaling Jaya. Typical rental rates in Cyberjaya are still competitive ranging from RM2 per sq. ft. per month for bare units while furnished units command rental rates of between RM3 per sq. ft. – RM5 per sq. ft..

Cyberjaya's average occupancy rates have also remained stable at approximately 76%. An estimated 65% of companies in Cyberjaya are MSC status companies, while others include administrative operations, food and beverages, as well as banks and financial institutions.

Table 2.4 Rental Rate of Selected Office Buildings in Cyberjaya in 2015

Buildings	Rental (RM per sq. ft.)
SME Technopreneur Centre 1	2.50
SME Technopreneur Centre 2	3.50
Prima 10	4.20
Century Square (Block 2330 & 2250)	4.50
Wisma Mustapha Kamal (Tower 2)	4.50
Axis Eureka	4.90

Source: DTZ Consulting and Research

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

2 Office Sector (cont'd)

2.2 Cyberjaya (cont'd)

Cyberjaya is expected to continue growing as an office location especially for Information Technology ("IT") companies, aligned with becoming a global tech hub. The development of a MRT station near the upcoming catalyst project, Cyberjaya City Centre is also expected to increase the attractiveness of Cyberjaya as an IT tech hub. The MRT line will connect Cyberjaya and Putrajaya to Sungai Buloh, passing through KL city by 2022. Thus, commuting to the satellite city of Cyberjaya will be much easier, resulting in higher traffic and increased vibrancy to the city. In addition, retail and residential facilities being completed will complement the existing commercial ecology of the city.

Income distribution

In line with the Trust Deed, MQREIT intends to distribute at least 90% (or any other higher 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, income distribution of 4.10 sen per unit being the distribution of income for the period of 1 January 2015 to 30 June 2015 were paid on 15 April 2015 (of 1.88 sen per unit) and 28 August 2015 (of 2.22 sen per unit) respectively.

The Manager has declared a final gross distribution for the financial year ended 31 December 2015 of 4.37 sen per unit, being distribution of income for the period of 1 July 2015 to 31 December 2015. The said declared distribution will be payable on 29 February 2016.

The total distribution declared is 8.47 sen per unit, totalling RM50,919,471 representing approximately 94.3% of the net realised income for the financial year ended 31 December 2015. The details of the total distribution for the financial year ended 31 December 2015 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 2015 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 RM	After proposed final income distribution RM
Net asset value ("NAV") per unit	1.3666	1.3229

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Breakdown of unitholdings as at 31 December 2015

Unit class	Number of unitholders	Number of unitholdings	Percentage of unitholdings (%)
Less than 100	40	660	0.00
100 to 1,000	503	375,540	0.06
1,001 to 10,000	1,742	9,677,900	1.46
10,001 to 100,000	1,068	37,827,000	5.72
100,001 to less than 5% of approved fund size	214	195,445,900	29.55
5% and above of approved fund size	4	418,054,000	63.21
	3,571	661,381,000	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 NAV.

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' Mohammed Bin Haji Che Hussein	<i>(resigned on 31 March 2015)</i>
Dato' Dr. Low Moi Ing, J.P.	<i>(appointed on 12 June 2006)</i>
Dato' Michael Ong Leng Chun	<i>(appointed on 12 June 2006)</i>
Wen Khai Meng	<i>(resigned on 31 March 2015)</i>
Chong Lit Cheong	<i>(resigned on 31 March 2015)</i>
Datuk Dr. Mohamed Arif bin Nun	<i>(appointed on 25 September 2006)</i>
Aw Hong Boo	<i>(resigned on 4 November 2015)</i>
(alternate director to Dato' Dr. Low Moi Ing, J.P.)	
Foong Soo Hah	<i>(appointed on 11 April 2013)</i>
Kwan Joon Hoe	<i>(appointed on 31 March 2015)</i>
Mohd Imran Bin Tan Sri Mohamad Salim	<i>(appointed on 31 March 2015 and resigned on 27 November 2015)</i>
Ann Wan Tee	<i>(appointed on 31 March 2015)</i>
Dr. Roslan Bin A. Ghaffar	<i>(appointed on 16 June 2015)</i>
Dato' Thanarajasingam Subramaniam	<i>(appointed on 31 December 2015)</i>
Datuk Seri Saw Choo Boon	<i>(appointed on 22 January 2016)</i>

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 MQREIT 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 MQREIT 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 MQREIT as disclosed in Note 28 to the financial statements and the related party transactions as disclosed in Note 31 to the financial statements.

THE MANAGER'S REPORT

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Directors' interests

		Units as at 1 January 2015	Number of units acquired/ (disposed)	Units as at 31 December 2015
Direct interest:				
Dato' Dr. Low Moi Ing, 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. Low Moi Ing, J.P.)		50,000	-	_*
Indirect interest:				
Dato' Dr. Low Moi Ing, J.P.	(a)	117,040,000	-	117,040,000
Dato' Michael Ong Leng Chun	(b)	117,040,000	-	117,040,000

(a) Deemed interest by virtue of her direct shareholding in Quill Properties Sdn. Bhd. ("QPSB"), Quill Land Sdn. Bhd. ("QLSB") and Quill Estates Sdn. Bhd. ("QESB").

(b) Deemed interest by virtue of his direct shareholding in QPSB, QLSB and QESB.

* As announced on 4 November 2015, with effect from 4 November 2015 Mr Aw Hong Boo has resigned as Non-Independent and Non-Executive Director; to pursue other interest.

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 MQREIT.

Issuance of new units

There were issuance of 206,250,000 new MQREIT's units at an issue price of RM1.28 per unit and private placement of 65,000,000 units at RM1.20 per unit on 30 March 2015 as part of the purchase consideration for the acquisition of Platinum Sentral. The units were listed on the Main Market of Bursa Malaysia on 30 March 2015.

Utilisation of proceeds raised from issuance of new units

The proceeds from the issuance of new units are used partly to finance the acquisition of Platinum Sentral on 30 March 2015.

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

During the financial year ended 31 December 2015, there were no sanctions and/or penalties imposed on MQREIT, 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 MQREIT by its auditors, or a firm of company affiliated to the auditors' firm

During the financial year ended 31 December 2015, there was a non-audit fee of RM5,000 for the review of Statement of Risk Management and Internal Control services rendered to MQREIT by its auditors.

THE MANAGER'S REPORT

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

Details of material contracts with related parties other than manager's fees to the Manager are as follows (refer Note 31 to the financial statements):

- (i) Fit-out works for QB3 of RM2.6 million payable to Quill Construction Sdn. Bhd. ("QCSB"), has been financed by MQREIT, to secure top up rentals with tenants under a long term 10-year lease agreement as disclosed in Note 16 to the financial statements.

QCSB is a member of the Quill Group of companies ("Quill Group"), and is related to MQREIT's major unitholders namely QPSB, QLSB, QESB and two of the directors of MQREIT's Manager, namely Dato' Dr. Low Moi Ing, J.P. and Dato' Michael Ong Leng Chun.

- (ii) Award of a contract of asset enhancement works of RM6.32 million to QCSB, by the Manager on 25 October 2013; the amount billed and paid for during the financial year ended 31 December 2015 amounted to RM176,536.
- (iii) Award of a contract of toilet refurbishment works for QB2 of RM1.68 million to Accord Construction Sdn. Bhd. ("ACSB"), by the Manager on 12 February 2015.

Total amount accounted for the year ended 31 December 2015 is RM1,532,654.

ACSB is related to Quill Group, and owned by two of the directors of MQREIT's Manager, namely Dato' Dr. Low Moi Ing, J.P. and Dato' Michael Ong Leng Chun.

- (iv) Ad hoc repair work for QB2 to supply and install glass panel at office lobby done by ACSB, after finalising and awarded in view of the lowest quotation amongst other vendors, the amount incurred was RM7,130.
- (v) Renewed tenancy agreement of the premises known as Unit G02-G0, Ground Floor at Platinum Sentral to Prema Bonanza Sdn. Bhd. ("PBSB") for a term of one year. The total rental received for the financial year ended 31 December 2015 amounted to RM811,853.

PBSB is a 51% subsidiary of Malaysian Resources Corporation Berhad ("MRCB"), which is a major unitholder of MQREIT and a major shareholder of the Manager. The balance 49% shareholding in PBSB is held by Quill Residences Sdn. Bhd. ("QRSB"), a member of the Quill Group, which is also related to MQREIT's major unitholders namely QPSB, QLSB, QESB as well as Quill Resources Holding Sdn. Bhd. ("QRHSB") which is a major shareholder of the Manager.

- (vi) Car park operation agreement with Semasa Parking Sdn. Bhd. ("SPSB") to appoint SPSB as the sole car park operator vested with car park operations rights including occupying, managing and operating car park charges in respect of car parking bays located at Platinum Sentral; from April 2015 up to December 2015 amounted to RM1,426,669.

SPSB is a wholly owned subsidiary of MRCB.

- (vii) Auxiliary police services with Semasa Services Sdn. Bhd. ("SSRV") for deployment of auxiliary police personnel at Platinum Sentral, from April 2015 up to December 2015, amounted to RM428,220.

SSRV is a wholly owned subsidiary of MRCB.

- (viii) Supply of chilled water by Semasa District Cooling Sdn. Bhd. ("SDCSB") for installation, maintenance and meter reading for Platinum Sentral, the year to date charges amounted to RM2,281,709.

SDCSB is a wholly owned subsidiary of MRCB.

- (ix) Lease agreement with Malaysian Resources Sentral Sdn. Bhd. ("MRSSB") on encroachment on 2 pieces of land located on Platinum Sentral, measuring total NLA of 156,959 sq. ft., amounted to RM67,078.

MRSSB is a wholly owned subsidiary of MRCB.

- (x) The Manager has appointed QCSB as consultant and project manager for consultancy and project management services for the proposed multi-storey car park construction at QB2 for a contract sum of RM925,614 exclusive of GST. The work has yet to be commenced as of 31 December 2015.

THE MANAGER'S REPORT

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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 adequate allowance had been made for doubtful debts; 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 the amount of the allowance for doubtful debts in the financial statements of the Group inadequate to any substantial extent; 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.

THE MANAGER'S REPORT

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Other significant events

(a) Proposed Acquisition; Proposed Placement; Proposed Authority to allot new Units for the purpose of the payment of Management Fee in the form of new Units; Proposed Increase in the existing Approved Fund Size; Proposed Change of Name and Proposed Amendments to the Trust Deed (collectively referred to as the "Proposals")

As announced on 8 January 2015, the Trustee and MRCB Sentral Properties Sdn. Bhd. ("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 Sale and Purchase Agreement ("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 were submitted to Bursa Malaysia on 22 January 2015.

As announced on 16 February 2015, Bursa Malaysia had, vide its letter dated 16 February 2015, approved the following:

- (i) listing of and quotation for 206,250,000 new Units to be issued pursuant to the Proposed Acquisition;
- (ii) listing of and quotation for up to 85,000,000 new Units to be issued pursuant to the Proposed Placement; and
- (iii) listing of and quotation for up to 18,619,000 new Units to be issued pursuant to the Proposed Authority;

The above approval granted by Bursa Malaysia was subject to the following conditions:

- (i) QCT and Hong Leong Investment Bank Berhad ("HLIB") must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisition, Proposed Placement and Proposed Authority;
- (ii) QCT and HLIB to inform Bursa Malaysia upon the completion of the Proposed Acquisition, Proposed Placement and Proposed Authority;
- (iii) QCT to furnish Bursa Malaysia with a certified true copy of the resolution passed by the unitholders in general meeting approving the Proposed Acquisition, Proposed Placement and Proposed Authority.

On 12 March 2015, QCT announced that its unitholders have supported and approved QCT's Proposed Acquisition of Platinum Sentral at the Extraordinary General Meeting ("EGM") held on 12 March 2015 and the unitholders of QCT have, at the Meeting held on the same day, approved all the resolutions as set out in the Notice of Meeting for the EGM, wherein all the resolutions were duly carried by way of poll.

As announced on 17 and 18 March 2015, following the book-building exercise, the Board had, on 17 March 2015 ("Pre-Fixing Date"), fixed the issue price of the Placement Units at RM1.20 per Unit, representing a discount of approximately 1.86% or RM0.0227 to the 5-day Volume Weighted Average Market Price ("VWAMP") of the Units up to and including 16 March 2015, being the last trading date immediately prior to the Price-Fixing Date, of RM1.2227. The total of 65,000,000 Units allocated to selected investors representing approximately 16.66% of the existing approved fund size of QCT of 390,131,000 units, raised gross proceeds of approximately RM78,000,000.

An announcement was made on 24 March 2015, that all the conditions precedent under the SPA for the Proposed Acquisition were fulfilled on 23 March 2015. Accordingly the SPA for the Proposed Acquisition had become unconditional on even date.

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Other significant events (cont'd)

(a) Proposed Acquisition; Proposed Placement; Proposed Authority to allot new Units for the purpose of the payment of Management Fee in the form of new Units; Proposed Increase in the existing Approved Fund Size; Proposed Change of Name and Proposed Amendments to the Trust Deed (collectively referred to as the "Proposals") [(cont'd)]

As announced in the Trust's Additional Listing Announcement on 27 March 2015, a private placement of 65,000,000 units was placed at the unit price of RM1.20 per Unit and listed on the Main Market of Bursa Malaysia on 30 March 2015. In the same announcement, 206,250,000 new Units was issued to MSP, a wholly-owned subsidiary of MRCB at an issue price of RM1.28 per Unit pursuant to the Proposed Acquisition of Platinum Sentral.

As announced on 30 March 2015, 65,000,000 Placement Units issued pursuant to the Proposed Placement and 206,250,000 Consideration Units issued pursuant to the Proposed Acquisition have been listed and quoted on the Main Market of Bursa Malaysia on 30 March 2015, thereby marking the completion of the Proposed Placement and Proposed Acquisition.

As announced on 31 March 2015, the proposed change in shareholding structure of QCM was completed on the even day.

As announced on 21 April 2015, the third supplemental deed dated 2 April 2015 governing QCT ("**Third Supplemental Deed**") has been registered by and lodged with the SC on 14 April 2015 and 20 April 2015 respectively. The Third Supplemental Deed takes effect from 14 April 2015 and the name of QCT has been changed from "Quill Capita Trust" to "MRCB-Quill REIT".

As announced on 25 May 2015, the management company of MRCB-Quill REIT (formerly known as Quill Capita Trust) has changed its name from "Quill Capita Management Sdn. Bhd." to "MRCB Quill Management Sdn. Bhd.".

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

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

(b) Proposed disposal of QB10

As announced on 25 February 2015, the Trustee, acting solely in the capacity as trustee for and on behalf of QCT, had entered into a SPA with Aldwych Capital Sdn. Bhd. (formerly known as Superplas Trading Sdn. Bhd.) for the disposal of a 5-storey office building together with a level of basement car park located at No. 2A, Lorong 13/6A, Section 13, 46200 Petaling Jaya, Selangor erected on a parcel of leasehold land held under Pajakan Negeri 3699, Lot 57 Seksyen 13, in the town of Petaling Jaya, District of Petaling and state of Selangor for a cash consideration of RM27.3 million.

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

(c) Award of Contract to a Related Party (under Paragraph 9.43(1) of the Main Market Listing Requirements)

As announced on 13 November 2015, the Board of Directors of MQM, the management company of MQREIT on behalf of MQREIT, has appointed QCSB as consultant and project manager for consultancy and project management services for the proposed multi-storey car park construction at QB2 for a contract sum of RM925,614 exclusive of GST ("Appointment").

The transaction with QCSB is regarded as a Related Party Transaction ("RPT") by virtue of QCSB being a company within the Quill Group and is related to MQREIT's major unitholders namely QPSB, QLSB, QESB, as well as QRHSB.

THE MANAGER'S REPORT

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Other significant events (cont'd)

(d) Execution of Heads of Agreement ("HOA") between MQREIT and 348 Sentral Sdn. Bhd. ("Vendor"), a wholly-owned subsidiary of MRCB

As announced on 3 December 2015, the Trustee, had on 3 December 2015, entered into HOA with the Vendor for the proposed acquisition of a 33 storey office tower known as Menara Shell together with a 5 storey podium and 4 storey basement car park, bearing the postal address of No. 211, Jalan Tun Sambanthan, 50470 Kuala Lumpur, Wilayah Persekutuan, Malaysia (collectively "the Property") erected on part of a freehold land held under Geran 40094, Lot 348, Section 72, Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur for a purchase consideration of RM640 million ("Proposed Acquisition").

The purchase consideration of RM640 million for the Proposed Acquisition is based on valuation and is subject to such adjustment (if any) prior to the execution of the definitive SPA. The purchase price will be satisfied by MQREIT via a combination of cash and issuance of new MQREIT units, which allocation shall be mutually determined and agreed upon prior to the execution of the SPA.

The Proposed Acquisition shall be conditional upon, among others, approvals being obtained from the shareholders of the Vendor and MRCB, unitholders of MQREIT and the relevant authorities.

The Proposed Acquisition is subject to a SPA to be entered into between the Trustee and the Vendor (collectively, the "Parties") within 30 business days from the date of the HOA ("Cut-Off Date") with an automatic extension of a further period of 30 business days in the event that MQREIT is unable to complete its due diligence investigations by the Cut-Off Date, and thereafter, such further extension of time as may be mutually agreed.

During this time, or up to the date when the Parties have entered into a definitive SPA, the Parties agree to co-operate exclusively with each other with respect to the Proposed Acquisition.

A detailed announcement will be made upon signing of the SPA.

Astramina Advisory Sdn. Bhd. has been appointed as Transaction Arranger for the Proposed Acquisition.

(e) Renewal of tenancy with a Related Party (under Paragraph 9.43(1) of the Main Market Listing Requirements)

As announced on 14 December 2015, the Trustee, had on 14 December 2015 renewed the tenancy of the premises known as Unit G02-G04, Ground Floor at Platinum Sentral to PBSB for a term of one year with an option to renew for a further term of one year at an estimated annual rental of RM787,000 ("Tenancy Renewal").

PBSB was incorporated in Malaysia under the Companies Act, 1965 on 11 December 2006 and its principal activity is property development.

PBSB is a 51% subsidiary of MRCB, which is a major unitholder of MQREIT and a major shareholder of the Manager. The balance 49% shareholding in PBSB is held by QRSB, a member of the Quill Group, which is also related to MQREIT's major unitholders namely QPSB, QLSB, QESB as well as QRHSB which is a major shareholder of the Manager.

The Tenancy Renewal will not have any material effect on earnings, NAV and gearing of MQREIT. The Audit Committee is of the opinion that the term of the Tenancy Renewal are fair, reasonable and on normal commercial terms and will not be detrimental to the interests of the non-interested unitholders of MQREIT.

THE MANAGER'S REPORT

cont'd

Subsequent event

Proposed Authority to allot new Units for the purpose of the payment of Management Fee in the form of new Units ("Proposed Authority")

Pursuant to Paragraph 6.62(1) of the Main Market Listing Requirements of Bursa Malaysia, stipulates that a proposal relating to the issuance of securities must be completed within 6 months from the date of listing approval by Bursa Malaysia, failing which the listing approval given with regard to the proposal will lapse.

As announced on 28 January 2016, an application has been submitted to Bursa Malaysia on 28 January 2016 to seek a further extension of time of 6 months from 16 February 2016 to 15 August 2016 to implement the Proposed Authority.

Auditors

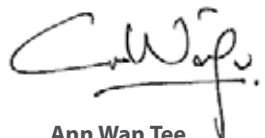
The auditors, Ernst & Young, have expressed their willingness to continue in office.

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



Dato' Michael Ong Leng Chun
Director

Kuala Lumpur, Malaysia
22 February 2016



Ann Wan Tee
Director

STATEMENT BY MANAGER

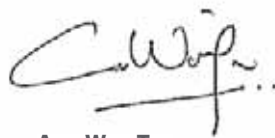
We, **Dato' Michael Ong Leng Chun** and **Ann Wan Tee**, being two of the directors of the Manager, MRCB Quill Management Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 89 to 141 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and applicable provisions of the Trust Deed and Guidelines on Real Estate Investment Trusts issued by the Securities Commission so as to give a true and fair view of the financial position of the Group as at 31 December 2015 and its financial performance and cash flows of the Group for the year then ended.

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



Dato' Michael Ong Leng Chun
Director

Kuala Lumpur, Malaysia
22 February 2016

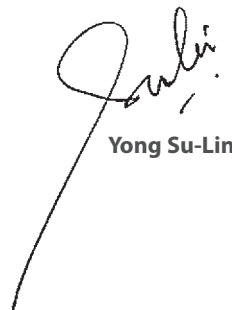


Ann Wan Tee
Director

STATUTORY DECLARATION

I, **Yong Su-Lin**, being the officer primarily responsible for the financial management of MRCB-Quill REIT, do solemnly and sincerely declare that the accompanying financial statements set out on pages 89 to 141 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 22 February 2016



Yong Su-Lin

Before me,
Commissioner of Oath



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

TRUSTEE'S REPORT

To the Unitholders of MRCB-Quill REIT

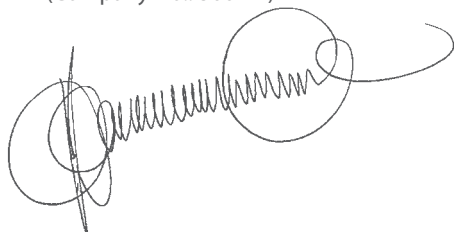
We have acted as Trustee of MRCB-Quill REIT ("MQREIT") [formerly known as Quill Capita Trust ("QCT")] for the financial year ended 31 December 2015. To the best of our knowledge, MRCB Quill Management Sdn. Bhd. ("the Manager") [formerly known as Quill Capita Management Sdn. Bhd. ("QCM")] has managed MQREIT 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 MQREIT is carried out in accordance with the Trust Deed and other regulatory requirements.

A total income distribution of 4.10 sen per unit for the period of 1 January 2015 to 30 June 2015 were paid on 15 April 2015 (of 1.88 sen per unit) and 28 August 2015 (of 2.22 sen per unit) respectively. Proposed final gross distribution of 4.37 sen per unit for the period of 1 July 2015 to 31 December 2015 will be payable on 29 February 2016 to all unitholders as at book closure date of 11 February 2016.

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

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



BERNICE K M LAU
Head, Operations
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

To the Unitholders of MRCB-Quill REIT ("MQREIT")

[Formerly known as Quill Capita Trust ("QCT")]

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of MRCB-Quill REIT ("MQREIT") [formerly known as Quill Capita Trust ("QCT")], which comprise the statement of financial position as at 31 December 2015, 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 notes, as set out on pages 89 to 141.

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

The Manager of MQREIT 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 MQREIT'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 MQREIT'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 MQREIT as at 31 December 2015 and of its financial performance, the changes in net asset value and the cash flows of MQREIT 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 MQREIT, 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

Kuala Lumpur, Malaysia
22 February 2016



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

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

	Note	Group 2015 RM	2014 RM
Total income			
Revenue	5	115,174,498	70,249,414
Property operating expenses	6	(24,902,859)	(16,924,236)
Net property income		90,271,639	53,325,178
Interest income		927,484	724,223
Net fair value gain on investment properties	14	6,677,375	6,120,279
Gain on divestment of investment property		594,734	-
		98,471,232	60,169,680
Total expenditure			
Manager's fees	7	(8,553,750)	(5,389,038)
Trustee's fee	8	(436,003)	(257,451)
Finance costs	9	(27,983,598)	(14,053,911)
Valuation fees		(243,000)	(190,000)
Auditors' remuneration		(140,960)	(123,500)
Tax agent's fee		(34,128)	81,600
Administrative expenses		(381,793)	45,642
		(37,773,232)	(19,886,658)
Income before taxation		60,698,000	40,283,022
Income tax expense	10	-	-
Income net of taxation		60,698,000	40,283,022
Other comprehensive income:			
Net fair value gain on derivatives		1,056,288	201,009
Total comprehensive income for the financial year		61,754,288	40,484,031
Net income for the year is made up as follows:			
- Realised		54,020,625	34,162,743
- Unrealised		6,677,375	6,120,279
		60,698,000	40,283,022

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

cont'd

	Note	Group 2015 RM	2014 RM
Earnings per unit			
After manager's fees (sen)	11(a)	10.18	10.33
Before manager's fees (sen)	11(b)	11.62	11.71
Earnings per unit (realised)			
After manager's fees (sen)	11(c)	9.06	8.76
Before manager's fees (sen)	11(d)	10.50	10.14
Income distribution			
Interim distribution of 4.10 sen paid on 29 August 2014 (RM)	12	-	15,995,371
1st interim distribution of 1.88 sen paid on 15 April 2015 (RM)	12	7,334,463	-
2nd interim distribution of 2.22 sen paid on 28 August 2015 (RM)	12	14,682,658	-
Proposed final distribution:			
- 4.28 sen payable on 27 February 2015 (RM)	12	-	16,697,607
- 4.37 sen payable on 29 February 2016 (RM) *	12	28,902,350	-
		50,919,471	32,692,978
Income distribution per unit			
		1	2
Interim distribution per unit			
Gross (sen) ³		4.10	4.10
Final distribution per unit			
Gross (sen) ³		4.37	4.28

1 Based on 390,131,000 units entitled to 1st interim distribution; and 661,381,000 units entitled to 2nd interim distribution and proposed final distribution;

2 Based on 390,131,000 units entitled to distribution for financial year 2014;

3 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 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 2015

	Note	Group 2015 RM	2014 RM
Assets			
Non-current assets			
Plant and equipment	13	236,582	17,376
Investment properties	14	1,569,800,000	837,700,000
Derivatives	15	1,594,224	1,224,193
Lease receivable	16	2,000,864	-
		1,573,631,670	838,941,569
Current assets			
Trade and other receivables	17	5,648,126	6,142,148
Derivatives	15	686,257	-
Lease receivable	16	409,684	-
Cash and cash equivalents	18	44,863,963	23,288,996
		51,608,030	29,431,144
Total assets		1,625,239,700	868,372,713
Liabilities			
Non-current liabilities			
Borrowings	20	500,811,606	305,113,452
Security deposits		15,572,463	7,503,503
		516,384,069	312,616,955
Current Liabilities			
Trade and other payables	19	13,574,839	12,241,188
Borrowings	20	188,910,256	-
Security deposits		2,515,677	2,263,561
		205,000,772	14,504,749
Total liabilities		721,384,841	327,121,704
Net Assets Value ("NAV")		903,854,859	541,251,009
Unitholders' funds			
Unitholders' funds attributable to unitholders of MQREIT			
Unitholders' capital	21	751,276,357	411,712,067
Undistributed and non-distributable income		152,578,502	129,538,942
Total unitholders' funds		903,854,859	541,251,009

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

cont'd

	Note	Group 2015 RM	2014 RM
Net asset value per unit			
Before income distribution ¹		1.3666	1.3874
After income distribution ²		1.3229	1.3446
Number of units in circulation			
As at 31 December (units)	21	661,381,000	390,131,000

1 Before the proposed final income distribution of 4.37 sen per unit (2014: 4.28 sen per unit)

2 After the proposed final income distribution of 4.37 sen per unit (2014: 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 2015

Group	Unitholders' capital	Distributable	Non-distributable		Total Undistributed and non-distributable income	Unitholders' funds
		Undistributed income realised	Undistributed income unrealised	Net fair value gain on derivatives unrealised		
	RM	RM	RM	RM	RM	RM
At 1 January 2015	411,712,067	27,069,066	101,245,683	1,224,193	129,538,942	541,251,009
Issuance of new units/placements on 30 March 2015	342,000,000	-	-	-	-	342,000,000
Expenses on issuance of new units/placements	(2,435,710)	-	-	-	-	(2,435,710)
Total comprehensive income for the financial year	-	54,020,625	6,677,375	1,056,288	61,754,288	61,754,288
	751,276,357	81,089,691	107,923,058	2,280,481	191,293,230	942,569,587
Transactions with unitholders						
Distribution to unitholders	-	(38,714,728)	-	-	(38,714,728)	(38,714,728)
At 31 December 2015	751,276,357	42,374,963	107,923,058	2,280,481	152,578,502	903,854,859
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

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 2015

		Group	
	Note	2015 RM	2014 RM
Cash flows from operating activities			
Income before taxation		60,698,000	40,283,022
Adjustments for:			
Finance costs	9	27,983,598	14,053,911
Depreciation of plant and equipment	13	13,794	8,806
Net fair value gain on investment properties	14	(6,677,375)	(6,120,279)
Allowance for impairment loss	17	67,372	-
Gain on divestment of investment property		(594,734)	-
Interest income		(927,484)	(724,223)
Operating cash flows before changes in working capital		80,563,171	47,501,237
Changes in working capital:			
Decrease/(increase) in trade and other receivables		36,958	(3,257,689)
Increase in trade and other payables		6,390,163	110,744
Net cash flows generated from operating activities		86,990,292	44,354,292
Cash flows from investing activities			
Additions to investment properties	14	(751,922,625)	(6,019,721)
Proceed from divestment of investment property		27,300,000	-
Purchase of plant and equipment	13	(233,000)	(16,700)
Investment in lease receivable	16	(2,410,548)	-
Interest income		887,706	733,190
Net cash flows used in investing activities		(726,378,467)	(5,303,231)
Cash flows from financing activities			
Distribution to unitholders		(38,714,728)	(32,692,978)
Proceeds from borrowings	20	534,000,000	15,000,000
Proceeds from issuance of new units/placements	21	342,000,000	-
Repayment of borrowings	20	(145,000,000)	(15,000,000)
Expenses on issuance of new units/placements	21	(2,435,710)	-
Finance costs paid		(28,886,420)	(13,984,500)
Net cash flows generated from/(used in) financing activities		660,963,142	(46,677,478)
Net increase/(decrease) in cash and cash equivalents		21,574,967	(7,626,417)
Cash and cash equivalents at 1 January		23,288,996	30,915,413
Cash and cash equivalents at 31 December	18	44,863,963	23,288,996

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

1. MQREIT, THE MANAGER AND THEIR PRINCIPAL ACTIVITIES

MRCB-Quill REIT ("MQREIT") [formerly known as Quill Capita Trust ("QCT")] was constituted under a Deed dated 9 October 2006 (the "Trust Deed"), by MRCB Quill Management Sdn. Bhd. [(formerly known as 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, Second Supplemental Deed dated 28 May 2013 and Third Supplemental Deed dated 2 April 2015, and is categorised as a real estate investment trust. MQREIT 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 MQREIT 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 MQREIT as disclosed in Note 22 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 MQREIT. 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 22 February 2016.

2. TERM OF MQREIT

MQREIT 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 ("IFRS") 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 Changes in accounting policies

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

On 1 January 2015, the Group adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2015:

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

The adoption of the above standards, amendments and interpretations did not have any material effect on the financial performance or position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Changes in accounting policies (cont'd)

Annual Improvements to MFRSs 2010–2012 Cycle

The Annual Improvements to MFRSs 2010-2012 Cycle include a number of amendments to various MFRSs, which are summarised below. The directors of the Manager do not anticipate that the application of these amendments will have a material impact on the Group's financial statements.

Standards	Descriptions
MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets	The amendments remove inconsistencies in the accounting for accumulated depreciation or amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amendments clarify that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between gross and carrying amounts of the asset. This amendment did not have any impact on the Group.
MFRS 124 Related Party Disclosures	The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. The reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. This amendment is not applicable to the Group as the Group does not receive any management services from other entities.

Annual Improvements to MFRSs 2011–2013 Cycle

The Annual Improvements to MFRSs 2011-2013 Cycle include a number of amendments to various MFRSs, which are summarised below. The Group has applied the amendments for the first time in the current year.

Standards	Descriptions
MFRS 13 Fair Value Measurement	The amendments to MFRS 13 clarify 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). The Group does not apply the portfolio exception.
MFRS 140 Investment Property	<p>The amendments to MFRS 140 clarify that an entity acquiring investment property must determine whether:</p> <ul style="list-style-type: none"> - the property meets the definition of investment property in terms of MFRS 140; and - the transaction meets the definition of a business combination under MFRS 3 <p>to determine if the transaction is a purchase of an asset or is a business combination.</p> <p>In previous financial years, the Group has applied MFRS 3 and not MFRS 140 in determining whether an acquisition is of an asset or is a business combination. Accordingly, this amendment did not have any impact to the Group.</p>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 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
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018

The directors of the Manager expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset forms part of the business) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to MFRS 101: Disclosure Initiatives

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The directors of the Manager do not anticipate that the application of these amendments will have a material impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, such as when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The directors of the Manager anticipate that the application of MFRS 15 will not have a material impact on the amounts reported and disclosures made in the Group's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

MFRS 9 Financial Instruments

In November 2014, MASB 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. 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.

Annual Improvements to MFRSs 2012–2014 Cycle

The Annual Improvements to MFRSs 2012–2014 Cycle include a number of amendments to various MFRSs, which are summarised below. The directors of the Manager do not anticipate that the application of these amendments will have a significant impact on the Group's financial statements.

Standards	Descriptions
MFRS 7 Financial Instruments: Disclosures	<p>The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required.</p> <p>In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.</p>
MFRS 134 Interim Financial Reporting	MFRS 134 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of MQREIT and the special purpose entities ("SPEs") [collectively known as "the Group"] as at the reporting date. The financial statements of the SPEs used in the preparation of the consolidated financial statements are prepared for the same reporting date as MQREIT. Consistent accounting policies are applied to like transactions and events in similar circumstances. The SPEs are established for the specific purpose of raising financing on behalf of MQREIT for the acquisition of real estate and single-purpose companies.

MQREIT controls the SPEs if and only if MQREIT has all the following:

- (i) Power over the SPEs (such as existing rights that give it the current ability to direct the relevant activities of the SPEs);
- (ii) Exposure, or rights, to variable returns from its investment with the SPEs; and
- (iii) The ability to use its power over the SPEs to affect its returns.

SPEs controlled by MQREIT were established under terms that impose strict limitations on the decision-making powers of the SPEs management resulting in MQREIT receiving all of the benefits related to the SPEs operations and net assets.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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 charged to the income statement during the financial period in which they are incurred.

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 criterias are satisfied. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

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%

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. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss in the period of derecognition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Investment properties

Investment properties consist of investment in real estate assets primarily in commercial properties. These properties which are held either to earn rental income or for capital appreciation or for both.

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. Valuations are performed by accredited independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are recognised in the profit or loss in the year in which they arise. A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Company holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

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. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for plant and equipment as set out in Note 3.5 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, the Group 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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 through 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.8 Financial assets (cont'd)

Subsequent measurement (cont'd)

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.8 Financial assets (cont'd)

Derecognition (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

cont'd

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)

Fair value hedges (cont'd)

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 or 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Impairment of financial assets (cont'd)

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 EIR. The impairment loss is recognised in profit or loss.

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.

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.

NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2015

cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances, demand deposits, and short term highly liquid investments that are readily convertible to known amounts of cash and 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.

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 are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use. Capitalisation of borrowing costs shall cease when substantially all the activities to prepare the asset for its intended use or sale are completed.

NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2015
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.13 Borrowing costs (cont'd)

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred 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.

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 and other income

Revenue and other income are recognised to the extent that it is probable that the economic benefits will flow to the Group and they can be reliably measured. Revenue and other income are measured at the fair value of consideration received or receivable.

(i) Rental income

Rental income is recognised on accrual basis as the increase of rental rates are due to expected increases of market rental rates and to compensate for expected annual inflation over the lease period as opposed to other factors such as back loaded or front loaded rental payments.

(ii) Utilities recovery and others

Utilities recovery and others (such as license and service charges) are recognised on an accrual basis taking into account contractually defined terms.

(iii) Car park operations

Revenue from car park operations are recognised as and when the services are rendered.

(iv) Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as AFS, interest income is recorded using the EIR method.

EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in revenue and other income in the statement of profit or loss.

3.16 Income taxes

(i) Current tax

Current 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 by the reporting date.

NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2015

cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.16 Income taxes (cont'd)

(i) Current tax (cont'd)

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in OCI or directly in equity. 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 using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2015
cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 Current versus non-current classification

The Group presents their 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

3.19 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 35

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.

NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2015

cont'd

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.19 Fair value measurement (cont'd)

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 — Other techniques for which all inputs that have 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

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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires the management to make judgements, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material judgement 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.

NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2015
cont'd

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

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 17.

(b) Valuation of investment properties

The Group carries its investment properties at fair value. The Group engaged independent valuation specialists to assess fair value as at 31 December 2015 on investment properties. Significant judgement is required in determining fair value which may be derived based on different valuation methods. 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. Otherwise, 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.

(d) Income tax

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Under Section 61A of the Income Tax Act 1967, the undistributed income of a Real Estate Investment Trust ("REIT") are exempted from income tax provided that the REIT distributes 90% or more of its total income for the year. The management require judgement in establishing income distribution for the year to ensure tax exemption criterias are met.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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5. REVENUE

	Group	
	2015	2014
	RM	RM
Rental income and service charges	99,481,293	59,290,251
Car park income	10,284,643	5,204,746
Utilities recovery	5,330,752	5,692,206
Others	77,810	62,211
	115,174,498	70,249,414

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

6. PROPERTY OPERATING EXPENSES

	Group	
	2015	2014
	RM	RM
Quit rent and assessment	4,524,135	2,804,698
Depreciation	13,794	8,806
Insurance	714,814	435,754
Property management fee	2,163,314	1,965,952
Service contracts and maintenance	7,303,708	4,783,807
Utilities	10,183,094	6,925,219
	24,902,859	16,924,236

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 FEES

	Group	
	2015	2014
	RM	RM
Base fee	5,794,301	3,665,958
Performance fee	2,759,449	1,723,080
	8,553,750	5,389,038

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.

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 MQREIT and divestment fee of 0.5% of the disposal value of any asset divested by MQREIT.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
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7. MANAGER'S FEES (cont'd)

During the financial year ended 31 December 2015, the Manager was entitled to an acquisition fee of RM7,844,000 (inclusive of 6% service tax) in respect of Platinum Sentral acquisition which was capitalised as part of the carrying amount of the investment properties (as disclosed in Note 14).

The Manager was also entitled to a divestment fee of RM144,690 (inclusive of 6% GST) in respect of the disposal of QB10 which was disposed off on 4 September 2015. The divestment fee was charged to profit or loss and netted off against the gain on divestment of investment property.

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 MQREIT.

8. TRUSTEE'S FEE

Trustee's fee accrued to the Trustee for the financial year ended 31 December 2015 amounted to RM436,003 (2014: RM257,451).

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	
	2015	2014
	RM	RM
Accretion of interest expense	17,667,001	5,311,518
Amortisation of transaction costs incurred to obtain Commercial Papers ("CPs")/ Medium Term Notes ("MTNs")	518,120	198,863
Amortisation of transaction costs incurred to obtain Term Loan	196,607	196,607
Annual CPs/MTNs Programme expense	351,998	192,000
Gain on interest rate swap arrangements	(445,470)	(167,077)
Interest expense on MTNs	2,940,000	2,940,000
Interest expense on Term Loan	6,755,342	5,382,000
	27,983,598	14,053,911

10. INCOME TAX EXPENSE

	Group	
	2015	2014
	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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

cont'd

10. INCOME TAX EXPENSE (cont'd)

As MQREIT has paid and proposed income distribution of more than 90% of its total income to unitholders, the total income of MQREIT for the year of assessment 2015 shall be exempted from tax.

A reconciliation of income tax expense applicable to income before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group for the financial years ended 31 December 2015 and 2014 is as follows:

	Group	
	2015	2014
	RM	RM
Income before taxation	60,698,000	40,283,022
Tax at Malaysian statutory tax rate of 25% (2014: 25%)	15,174,500	10,070,756
Income not subject to taxation	(13,398,332)	(8,439,682)
Unrealised income not subject to tax	(1,669,344)	(1,530,070)
Exempt income not subject to tax	(380,555)	(181,056)
Expenses not deductible for tax purpose	273,731	80,052
Income tax expense for the year	-	-

11. EARNINGS PER UNIT ("EPU")

- EPU after manager's fees is based on net income for the year of RM60,698,000 (2014: RM40,283,022) divided by the weighted average number of units in circulation during the year of 595,983,740 (2014: 390,131,000).
- EPU before manager's fees is based on net income for the year of RM69,251,750 (2014: RM45,672,060) after adding back manager's fees of RM8,553,750 (2014: RM5,389,038) divided by the weighted average number of units in circulation during the year of 595,983,740 (2014: 390,131,000).
- EPU after manager's fees (realised) is based on realised net income for the year of RM54,020,625 (2014: RM34,162,743) divided by the weighted average number of units in circulation during the year of 595,983,740 (2014: 390,131,000).
- EPU before manager's fees (realised) is based on realised net income for the year of RM62,574,375 (2014: RM39,551,781) after adding back manager's fees of RM8,553,750 (2014: RM5,389,038) divided by the weighted average number of units in circulation during the year of 595,983,740 (2014: 390,131,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
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12. DISTRIBUTION TO UNITHOLDERS

Distribution to the unitholders is from the following sources:

	Group	
	2015	2014
	RM	RM
Revenue (Note 5)	115,174,498	70,249,414
Interest income	927,484	724,223
Gain on divestment of investment property	594,734	-
	116,696,716	70,973,637
Less: Total expenses	(62,676,091)	(36,810,894)
	54,020,625	34,162,743
Distribution to unitholders	50,919,471	32,692,978
Gross distribution per unit (sen) **	8.47	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 2015				
Group				
Cost				
At 1 January 2015	6,000	36,452	19,400	61,852
Additions	-	233,000	-	233,000
At 31 December 2015	6,000	269,452	19,400	294,852
Accumulated depreciation				
At 1 January 2015	5,998	21,773	16,705	44,476
Depreciation charge for the year	-	11,100	2,694	13,794
At 31 December 2015	5,998	32,873	19,399	58,270
Net carrying amount	2	236,579	1	236,582

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

cont'd

13. PLANT AND EQUIPMENT (cont'd)

	Plant and machinery RM	Office equipment RM	Furniture and fittings RM	Total 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

14. INVESTMENT PROPERTIES

	Group	
	2015	2014
	RM	RM
At beginning of the year	837,700,000	825,560,000
Additions from acquisition	740,000,000	-
Capital expenditure for acquisition during the year	8,920,867	-
Additions from assets enhancement	3,001,758	6,019,721
Fair value adjustments	6,677,375	6,120,279
Divestment of investment property	(26,500,000)	-
At end of the year	1,569,800,000	837,700,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
cont'd

14. INVESTMENT PROPERTIES (cont'd)

Description of properties	Date of acquisition	Cost of investment RM'000	Market value/ Net carrying amount as at 31 December 2015 RM'000	% of NAV	Market value/ Net carrying amount as at 31 December 2014 RM'000
<u>Commercial buildings</u>					
Quill Building 1 - DHL 1	20-Nov-06	109,100	126,000	13.94	125,700
Quill Building 4 - DHL 2	20-Nov-06				
Quill Building 2 - HSBC	20-Nov-06	107,500	120,700	13.35	119,100
Quill Building 3 - BMW	20-Nov-06	59,400	75,500	8.35	74,400
Wisma Technip	3-Sep-07	125,000	172,000	19.03	169,000
Part of Plaza Mont' Kiara	3-Sep-07	90,000	114,000	12.61	111,700
Quill Building 5 - IBM	14-Mar-08	43,000	45,200	5.00	45,200
Quill Building 10					
- HSBC Section 13	25-Mar-08	22,740	-	-	26,500
Tesco Building, Penang	7-Nov-08	132,000	140,000	15.49	139,700
Platinum Sentral	30-Mar-15	740,000	750,000	82.98	-
<u>Industrial building</u>					
Quill Building 8					
- DHL XPJ	25-Mar-08	28,800	26,400	2.92	26,400
		1,457,540	1,569,800		837,700

On 14 August 2008, the respective pieces of the land on which QB1 and QB4 are situated were amalgamated pursuant to the conditions imposed by the SC during the initial public offering of MQREIT. As such, the valuation for QB1 and QB4 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 2 external valuers, namely DTZ Nawawi Tie Leung Property Consultants Sdn. Bhd., and CH Williams Talhar & Wong Sdn. Bhd.; independent firms of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the investment, comparison and cost methods of valuation.

MQREIT acquired Platinum Sentral on 30 March 2015, with the acquisition price of RM740 million of which the purchase consideration was settled via issuance of new MQREIT's units and private placement as disclosed in Note 21. Capital expenditure of RM8,920,867 was incurred for the acquisition of Platinum Sentral during the financial year ended 31 December 2015.

On 4 September 2015, MQREIT has disposed off QB10 with the net carrying amount of RM26.5 million, at the sale consideration of RM27.3 million, in accordance with the terms and conditions of the SPA executed on 25 February 2015.

Investment properties with net carrying amount totalling RM1,494,300,000 (2014: RM736,800,000) are pledged as securities for borrowings as disclosed in Note 20.

No provision for deferred tax liability has been made in respect of fair value gains to the investment properties as MQREIT 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 3.19. There have been no transfers between Level 1 and Level 2 during the financial year ended 31 December 2015 and 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

cont'd

15. DERIVATIVES

		Group	
		2015	2014
	Contract/ Notional Amount RM	Fair value of derivatives assets RM	
Non-current			
Interest rate swap (Note 32 (i))	65 million	-	611,239
Interest rate swap (Note 32 (ii))	65 million	-	612,954
Interest rate swap (Note 32 (iii))	139.5 million	772,358	-
Interest rate swap (Note 32 (iv))	139.5 million	821,866	-
		1,594,224	1,224,193
Current			
Interest rate swap (Note 32 (i))	65 million	325,423	-
Interest rate swap (Note 32 (ii))	65 million	360,834	-
		686,257	-

The Group has entered into interest rate swap transactions to manage the risks associated with interest rate movement as disclosed in Note 32. The derivatives figures were obtained with reference to marked to market from reputable financial institutions as at the reporting date.

16. LEASE RECEIVABLE

	Group	
	2015	2014
Non-current		
Lease receivable	2,000,864	-
Current		
Lease receivable	409,684	-

During the year, the Group had entered into a finance lease arrangement with a tenant (QB3) to part finance RM2.6 million of fit-out costs upon the renewal of tenancy agreement for another 10 years. The amount will be recovered through the top up rentals cumulatively amounted to RM3.5 million (at the approximate internal rate of return of 10.4% per annum).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
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17. TRADE AND OTHER RECEIVABLES

	Note	Group	
		2015 RM	2014 RM
Trade receivables, net	(a)	2,078,001	1,639,923
Other receivables			
Deposits		2,389,944	1,509,946
Prepayments		895,609	647,295
Sundry receivables	(b)	284,572	2,344,984
		3,570,125	4,502,225
Total trade and other receivables		5,648,126	6,142,148
Less: Prepayments		(895,609)	(647,295)
Add: Cash and cash equivalents (Note 18)		44,863,963	23,288,996
Total loans and receivables		49,616,480	28,783,849

(a) Trade receivables

Concentration of credit risk relating to trade receivables arises mainly due to majority of MQREIT'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 30-day terms (2014: 7 to 30-day terms). They are recognised at the original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

	Group	
	2015 RM	2014 RM
Neither past due nor impaired	1,672,495	1,229,740
1 - 30 days past due not impaired	111,065	88,991
31 - 60 days past due not impaired	156,958	66,632
61 - 90 days past due not impaired	70,175	254,560
More than 90 days past due not impaired	134,680	-
	472,878	410,183
	2,145,373	1,639,923
Less : Allowance for impairment loss	(67,372)	-
	2,078,001	1,639,923

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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17. TRADE AND OTHER RECEIVABLES (cont'd)

(a) Trade receivables (cont'd)

Receivables that are past due but not impaired

The Group have trade receivables amounted to RM472,878 (2014: RM410,183) that are past due at the reporting date but not impaired.

Trade receivables from tenants are secured by security deposits.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2015	2014
	RM	RM
Trade receivables - nominal amounts (after offsetting security deposits)	67,372	-
Less : Allowance for impairment loss	(67,372)	-
	-	-

Movement in trade receivables allowance accounts:

	Group	
	2015	2014
	RM	RM
At beginning of the year	-	-
Charge for the year	67,372	-
At end of the year	67,372	-

The Manager assesses at each reporting date whether there is any objective evidence that the trade receivable is impaired. The Manager makes an allowance for impairment loss after considering factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

(b) Sundry receivables

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

18. CASH AND CASH EQUIVALENTS

	Group	
	2015	2014
	RM	RM
Deposits with licensed financial institutions	38,636,273	14,863,008
Cash on hand and at banks	6,227,690	8,425,988
	44,863,963	23,288,996

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
cont'd

18. CASH AND CASH EQUIVALENTS (cont'd)

Included in deposits with licensed financial institutions is an amount of RM4,610,949 (2014: RM4,463,308) maintained in the debt service reserves accounts which are assigned for the borrowings as disclosed in Note 20.

Included in cash on hand and at banks is an amount of RM5,238,102 (2014: RM5,089,385) maintained in the revenue and operations accounts which are assigned for the borrowings as disclosed in Note 20.

The weighted average EIR of deposits at the reporting date were as follows:

	Group	
	2015	2014
Deposits with licensed financial institutions (per annum)	3.87%	3.17%

The average maturities of deposits of the Group as at the end of the financial year were 58 days (2014: 36 days).

19. TRADE AND OTHER PAYABLES

	Group	
Note	2015	2014
	RM	RM
Trade payables		
Trade payables (a)	2,329,859	2,644,957
Trade accruals	3,055,882	2,958,145
	5,385,741	5,603,102
Other payables		
Amount due to the Manager (b)	2,699,250	1,481,173
Other payables (a)	752,436	1,693,812
Accruals	4,737,412	3,463,101
	8,189,098	6,638,086
Total trade and other payables	13,574,839	12,241,188
Add: Borrowings (Note 20)	689,721,862	305,113,452
Add: Security deposits	18,088,140	9,767,064
Total financial liabilities carried at amortised cost	721,384,841	327,121,704

(a) Trade and other payables

Trade and other payables are normally settled between 30 to 90 days (2014: 30 to 90 days).

(b) Amount due to the Manager

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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20. BORROWINGS

	Note	2015 RM	Group 2014 RM
Non-current			
Secured:			
CPs/MTNs Programme of up to RM270 million	(a)	-	188,834,344
Fixed Rate Term Loan Facility of up to RM150 million	(b)	116,475,715	116,279,108
Senior CPs/MTNs Programme of up to RM290 million	(c)	274,930,520	-
Fixed Rate Subordinated Term Loan Facility of up to RM250 million	(c)	109,405,371	-
		500,811,606	305,113,452
Current			
Secured:			
CPs/MTNs Programme of up to RM270 million	(a)	188,910,256	-
		188,910,256	-

The maturities of the Group's borrowings as at 31 December 2015 are as follows:

	2015 RM	Group 2014 RM
Less than 1 year	188,910,256	-
More than 1 year and less than 5 years	500,811,606	305,113,452
	689,721,862	305,113,452

Other information on financial risks on borrowings are disclosed in Note 36(a) and 36(c).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
cont'd

20. BORROWINGS (cont'd)

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

The RM270 million Programme is analysed as follows:

	Group	
	2015	2014
	RM	RM
Face value of CPs/MTNs issued	195,000,000	205,000,000
Discount	(2,814,219)	(2,968,419)
Cash proceeds	192,185,781	202,031,581
Accretion of interest expenses	1,812,828	2,034,984
	193,998,609	204,066,565
Transaction costs carried forward	(232,221)	(376,089)
Amortisation of transaction costs during the year	162,200	198,863
Transaction costs on CPs issued during the year	(18,332)	(54,995)
	193,910,256	203,834,344
Redeemed on 3 June 2015/5 September 2014	(5,000,000)	(15,000,000)
	188,910,256	188,834,344

On 18 July 2011, MQREIT through its SPE, Kinabalu Capital Sdn. Bhd. ("Kinabalu") established a CPs/MTNs Programme of up to RM270 million ("RM270 million Programme") for 5 years.

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

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

CPs totalling RM5 million were issued on 3 March 2015 at the interest rate of 4.19% per annum and were since repaid on 3 June 2015.

The CPs/MTNs outstanding at 31 December 2015 are subject to interest at the following interest rates per annum as at the reporting date:

	2015	2014
	%	%
RM12 million nominal value CPs	4.26	4.16
RM60 million nominal value MTNs	4.90	4.90
RM118 million nominal value CPs	4.26	4.16

The interest rates for the CPs are subject to interest rate swap arrangements as disclosed in Note 32.

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 RM5 million CPs amounted to RM18,332 were charged to profit or loss during the year.

NOTES TO THE FINANCIAL STATEMENTS

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20. BORROWINGS (cont'd)

(a) CPs/MTNs Programme of up to RM270 million ("RM270 million Programme") [(cont'd)]

The RM270 million Programme is secured, inter-alia by the following:

- (i) Third party first legal charge by the Trustee over QB1, QB4, QB2 and Tesco, 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 the 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.

(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:

	2015 RM	2014 RM
Term loan drawdown	117,000,000	117,000,000
Transaction costs carried forward	(720,892)	(917,499)
	116,279,108	116,082,501
Amortisation of transaction costs	196,607	196,607
	116,475,715	116,279,108

On 18 July 2013, MQREIT through its SPE, Trusmadi Capital Sdn. Bhd. ("Trusmadi"), established a RM150 million Fixed Rate Term Loan Facility agreement for 5 years ("RM150 million Term Loan").

NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2015
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20. BORROWINGS (cont'd)

(b) Fixed Rate Term Loan Facility Up to RM150 million ("RM150 million Term Loan") [(cont'd)]

On 13 September 2013, Tranche 1 of the Facility of RM117 million at the interest rate of 4.60% per annum was drawdown to repay the RM117 million MTN outstanding under the RM134 million CP/MTN Programme 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 WT, QB8 and QB5, respectively disclosed as investment properties in Note 14 (collectively, the "Charged Properties");
- (ii) Third party legal assignment of the SPA for the acquisitions of part of PMK, 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, the "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;
- (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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

cont'd

20. BORROWINGS (cont'd)

- (c) **Senior CPs/MTNs Programme of up to RM290 million ("Senior CP/MTN Programme"), Junior CPs/MTNs Programme of up to RM450 million ("Junior CP/MTN Programme") and Fixed Rate Subordinated Term Loan Facility of up to RM250 million ("Fixed Rate Subordinated Term Loan")**

	2015 RM
Senior CP/MTN Programme	
Face value of CPs issued/rollover	279,000,000
Discount	(2,949,298)
Cash proceeds	276,050,702
Accretion of interest expense	64,820
	276,115,522
Transaction costs on CPs issued during the year	(1,422,002)
Amortisation of transaction costs during the year	237,000
	274,930,520
Junior CP/MTN Programme	
Face value of CPs issued	140,000,000
Discount	(3,373,501)
Cash proceeds	136,626,499
Accretion of interest expense	3,373,501
	140,000,000
Transaction costs on CPs issued during the year	(83,244)
Amortisation of transaction costs during the year	83,244
Redeemed on 30 September 2015	(140,000,000)
	-
Fixed Rate Subordinated Term Loan	
Term Loan drawdown	110,000,000
Transaction costs on Term Loan	(630,305)
	109,369,695
Amortisation of transaction costs during the year	35,676
	109,405,371

On 13 March 2015, MQREIT through its SPE, Murud Capital Sdn. Bhd. ("Murud") established a RM290 million Senior CP/MTN Programme and Junior CP/MTN Programme of up to RM450 million for 5 years.

On 30 March 2015, RM279 million nominal values of Senior CPs were issued at an interest rate of 4.13% per annum. Junior CPs of RM140 million nominal values were issued at an interest rate of 4.78% per annum where the effective rate is 4.9% per annum. These Junior CPs had been redeemed on 30 September 2015 upon its maturity, and had been refinanced by a Subordinated Term Loan of RM110 million at the interest rate of 4.9% per annum and balance via proceeds from disposal of QB10 and internal funds.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
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20. BORROWINGS (cont'd)

- (c) **Senior CPs/MTNs Programme of up to RM290 million ("Senior CP/MTN Programme"), Junior CPs/MTNs Programme of up to RM450 million ("Junior CP/MTN Programme") and Fixed Rate Subordinated Term Loan Facility of up to RM250 million ("Fixed Rate Subordinated Term Loan") [(cont'd)]**

The CPs/Term Loan outstanding at 31 December 2015 are subject to interest at the following interest rates per annum as at the reporting date:

	2015 %
RM279 million nominal value CPs	4.24
RM110 million nominal value term loan	4.90

The interest rates for the CPs are subject to interest rate swap arrangements as disclosed in Note 32.

The transaction costs relating to the programme are amortised over the tenure of the programme and are charged to profit or loss.

The programme is secured, inter-alia by the following:

- (i) A third party first ranking legal charge over Platinum Sentral, disclosed as investment properties in Note 14 ("Property");
- (ii) A first party first ranking debenture over all present and future assets of Murud;
- (iii) An irrevocable and unconditional undertaking from the Manager:
 - (a) to deposit all rental, deposits, other income, insurance claim proceeds in relation to the Property and any proceeds generated from the Property into the revenue account; and
 - (b) that it shall not declare any dividends/distributions to MQREIT's unitholders if:
 - an event of default has occurred under the Transaction Documents, is continuing and has not been waived or remedied, or following such declaration of dividends or distributions, an event of default would occur; or
 - the financial covenants are not met prior to and/or after such distribution;
- (iv) Third party legal assignment of the SPA entered into between MSP ("Vendor") and the REIT Trustee on behalf of MQREIT in respect of the Property ("SPA");
- (v) Assignment and charge over the Designated Accounts as follows:
 - (a) third party assignment and charge over the revenue account and operations account by the Trustee; and
 - (b) first party assignment and charge of the debt service reserves account by Murud;
- (vi) Third party legal assignment of all the proceeds under the tenancy/lease agreements of the Property and any part thereof;
- (vii) Third party legal assignment over all rights, title, interest and benefits under all the insurance policies in relation to the Property;
- (viii) An irrevocable Power of Attorney to be granted by the Trustee in favour of the Security Trustee to manage and dispose of the Property upon declaration of a trigger event;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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20. BORROWINGS (cont'd)

- (c) **Senior CPs/MTNs Programme of up to RM290 million ("Senior CP/MTN Programme"), Junior CPs/MTNs Programme of up to RM450 million ("Junior CP/MTN Programme") and Fixed Rate Subordinated Term Loan Facility of up to RM250 million ("Fixed Rate Subordinated Term Loan") [(cont'd)]**

- (ix) Legal assignment over the REIT Trustee Financing Agreement entered into between Murud and the Trustee;
- (x) Third party first ranking legal charge over 100% of the shares of Murud; and
- (xi) Any other securities deemed appropriate and mutually agreed between Murud and the Lead Arranger prior to execution of all the Transaction Documents.

21. UNITHOLDERS' CAPITAL

	2015 No. of units	2014 No. of units
Approved fund size:		
At beginning of the year	490,131,000	490,131,000
Increase in approved fund size	209,869,000	-
At end of the year	700,000,000	490,131,000
Issued and fully paid:		
At beginning of the year	390,131,000	390,131,000
Issuance of new units on 30 March 2015	206,250,000	-
Private placement on 30 March 2015	65,000,000	-
At end of the year	661,381,000	390,131,000
	Amount RM	Amount RM
Issued and fully paid:		
At beginning of the year	411,712,067	411,712,067
Issuance of new units on 30 March 2015	264,000,000	-
Private placement on 30 March 2015	78,000,000	-
Expenses on issuance of new units/placements	(2,435,710)	-
At end of the year	751,276,357	411,712,067

Issuance of 206,250,000 new MQREIT's units at an issue price of RM1.28 per unit and private placement of 65,000,000 units at RM1.20 per unit on 30 March 2015 were done as part of the purchase consideration for the acquisition of Platinum Sentral. The units were listed on the Main Market of Bursa Malaysia on 30 March 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
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22. INVESTMENT IN SPEs

Details of SPEs are as follows:

Name of SPEs	Country of incorporation	Principal activities	Proportion of controlling interest	
			2015 %	2014 %
Murud Capital Sdn. Bhd.	Malaysia	Facilitating financing for MQREIT	100	100
Trusmadi Capital Sdn. Bhd.	Malaysia	Facilitating financing for MQREIT	100	100
Samwise Capital Sdn. Bhd.	Malaysia	Facilitating financing for MQREIT	100	100
Kinabalu Capital Sdn. Bhd.	Malaysia	Facilitating financing for MQREIT	100	100

All the above subsidiaries are audited by Ernst & Young, Malaysia.

23. CAPITAL COMMITMENTS

	Group	
	2015 RM	2014 RM
<u>Capital expenditure commitments</u>		
Investment properties:		
Approved and contracted for	3,160,527	2,319,729

24. OPERATING LEASE

Operating lease commitments - as lessor

MQREIT has entered into leases on its investment properties. The non-cancellable leases have remaining lease terms of between one to seventeen years (2014: between one to eighteen years).

Future rentals receivable under non-cancellable leases at the reporting date are as follows:

	2015 RM	2014 RM
Not later than 1 year	115,537,962	58,504,541
Later than 1 year but not later than 5 years	223,294,837	143,363,386
Later than 5 years	132,798,544	134,256,238
	471,631,343	336,124,165

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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25. NET ASSET VALUE PER UNIT

The calculation of net asset value per unit is based on 661,381,000 units (2014: 390,131,000 units) in circulation as at 31 December 2015.

26. TRANSACTIONS WITH STOCKBROKING COMPANIES

No transactions with stockbroking companies were made during the financial year.

27. UNITHOLDINGS BY THE MANAGER

As at 31 December 2015 and 2014, the Manager did not hold any units in MQREIT.

28. UNITHOLDERS RELATED TO THE MANAGER

	MQREIT				
	No. of units 2015	No. of units 2014	Percentage of total units 2015 %	Percentage of total units 2014 %	Market value 2015 RM
Malaysian Resources Corporation Berhad	206,250,000	-	31.18	-	222,750,000
HLIB Nominee (Tempatan) Sdn. Bhd. for:					
Quill Properties Sdn. Bhd.	45,997,000	45,997,000	6.95	11.79	49,676,760
Quill Land Sdn. Bhd.	48,767,000	48,767,000	7.37	12.50	52,668,360
Quill Estates Sdn. Bhd.	22,276,000	22,276,000	3.37	5.71	24,058,080
	323,290,000	117,040,000	48.88	30.00	349,153,200

The Manager's directors' direct unitholding in MQREIT:

Dato' Dr. Low Moi Ing, J.P.	50,000	50,000	0.01	0.01	54,000
Dato' Michael Ong Leng Chun	55,000	55,000	0.01	0.01	59,400
Datuk Dr. Mohamed Arif Bin Nun	10,000	10,000	0.00	0.00	10,800
Aw Hong Boo *	-	50,000	-	0.01	-
(Alternate to Dato' Dr. Low Moi Ing, J.P.)					

* As announced on 4 November 2015, with effect from 4 November 2015 Mr Aw Hong Boo has resigned as Non-Independent and Non-Executive Director; to pursue other interest.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
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28. UNITHOLDERS RELATED TO THE MANAGER (cont'd)

The Manager's directors' indirect unitholding in MQREIT:

	Note	MQREIT				
		No. of units 2015	No. of units 2014	Percentage of total units	Percentage of total units	Market value
				2015	2014	2015
				%	%	RM
Dato' Dr. Low Moi Ing, J.P.	(a)	117,040,000	117,040,000	17.70	30.00	126,403,200
Dato' Michael Ong Leng Chun	(b)	117,040,000	117,040,000	17.70	30.00	126,403,200

(a) Deemed interest by virtue of her direct shareholding in QPSB, QLSB and QESB.

(b) Deemed interest by virtue of his direct shareholding in QPSB, QLSB and QESB.

The market value of the units held by the unitholders related to the Manager is determined by using the closing market value of MQREIT as at 31 December 2015 of RM1.08 per unit (2014: RM1.17 per unit).

29. PORTFOLIO TURNOVER RATIO

	Group	
	2015	2014
Portfolio turnover ratio ("PTR") [(times)]	0.46	-

PTR is the ratio of the average of acquisitions and disposals of investments for the period to the average net asset value of MQREIT for the period calculated on a monthly basis.

Since the basis of calculating the PTR can vary among the REITs, there is no sound basis for providing an accurate comparison of MQREIT against other REITs.

30. MANAGEMENT EXPENSE RATIO

	Group	
	2015	2014
	%	%
Management expense ratio ("MER")	1.19	1.10

MER is calculated based on the total fees including manager's fees, trustee's fee, valuation fee and administration expenses charged to MQREIT divided by the average net asset value during the year.

Since the average net asset value of MQREIT is calculated on a monthly basis, the MER of MQREIT may not be comparable to the MER of other REITs or unit trusts which may use a different basis of calculation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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31. RELATED PARTIES TRANSACTIONS

	Group	
	2015	2014
	RM	RM
The related parties transactions other than as disclosed in Note 7 are as follows:		
(i) Fit-out works for QB3	2,600,000	-
(ii) Asset enhancement for WT	176,536	4,176,241
(iii) Toilet refurbishment work for QB2	1,532,654	-
(iv) Ad hoc repair work for QB2	7,130	-
(v) Tenancy agreement with Prema Bonanza Sdn. Bhd.	811,853	-
(vi) Car park income from Semasa Parking Sdn. Bhd.	1,426,669	-
(vii) Auxiliary police services with Semasa Sentral Sdn. Bhd.	428,220	-
(viii) Supply of chilled water services with Semasa District Cooling Sdn. Bhd.	2,281,709	-
(ix) Encroachment of land at Platinum Sentral	67,078	-
(x) Consultancy and project management services for QB2 car park	-	-
	9,331,849	4,176,241

Details of material contract with the related parties other than as disclosed in Note 7 are as follows:

- (i) Fit-out work for QB3 of RM2.6 million payable to QCSB, has been financed by MQREIT, to secure top up rentals with tenants under a long term 10-year lease agreement as disclosed in Note 16.

QCSB is a member of the Quill Group, and is related to MQREIT's major unitholders namely QPSB, QLSB, QESB and two of the directors of MQREIT's Manager, namely Dato' Dr. Low Moi Ing, J.P. and Dato' Michael Ong Leng Chun.

- (ii) Award of a contract for asset enhancement works of RM6.32 million to QCSB, by the Manager on 25 October 2013; the amount billed and paid for during the financial year ended 31 December 2015 amounted to RM176,536.
- (iii) Award of a contract for toilet refurbishment works for QB2 of RM1.68 million to ACSB, by the Manager on 12 February 2015.

Total amount accounted for the year ended 31 December 2015 is RM1,532,654.

ACSB is related to Quill Group, and owned by two of the directors of MQREIT's Manager, namely Dato' Dr. Low Moi Ing, J.P. and Dato' Michael Ong Leng Chun.

- (iv) Ad hoc repair work for QB2 to supply and install glass panel at office lobby done by ACSB, after finalising and awarded in view of the lowest quotation amongst other vendors, the amount incurred was RM7,130.
- (v) Renewed tenancy agreement of the premises known as Unit G02-G0, Ground Floor at Platinum Sentral to PBSB for a term of one year. The total rental received for the financial year ended 31 December 2015 amounted to RM811,853.

PBSB is a 51% subsidiary of MRCB, which is a major unitholder of MQREIT and a major shareholder of the Manager. The balance 49% shareholding in PBSB is held by QRSB, a member of the Quill Group, which is also related to MQREIT's major unitholders namely QPSB, QLSB, QESB as well as QRHSB which is a major shareholder of the Manager.

- (vi) Car park operation agreement with SPSB to appoint SPSB as the sole car park operator vested with car park operations rights including occupying, managing and operating car park charges in respect of car parking bays located at Platinum Sentral; from April 2015 up to December 2015 amounted to RM1,426,669.

SPSB is a wholly owned subsidiary of MRCB.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
cont'd

31. RELATED PARTIES TRANSACTIONS (cont'd)

Details of material contract with the related parties other than as disclosed in Note 7 are as follows: (cont'd)

- (vii) Auxiliary police services with SSRV for deployment of auxiliary police personnel at Platinum Sentral, from April 2015 up to December 2015, amounted to RM428,220.

SSRV is a wholly owned subsidiary of MRCB.

- (viii) Supply of chilled water by SDCSB for installation, maintenance and meter reading for Platinum Sentral, the year to date charges amounted to RM2,281,709.

SDCSB is a wholly owned subsidiary of MRCB.

- (ix) Lease agreement with MRSSB on encroachment on 2 pieces of land located on Platinum Sentral, measuring total NLA of 156,959 sq. ft., amounted to RM67,078.

MRSSB is a wholly owned subsidiary of MRCB.

- (x) The Manager has appointed QCSB as consultant and project manager for consultancy and project management services for the proposed multi-storey car park construction at QB2 for a contract sum of RM925,614 exclusive of GST. The work has yet to be commenced as of 31 December 2015.

32. INTEREST RATE SWAP ("IRS") ARRANGEMENTS

As part of the active interest rate management strategy of MQREIT, the following IRS arrangements have been entered into:

- (i) On 21 November 2011, an IRS arrangement swapping floating rate for fixed rate for a notional amount RM65 million ("IRS No. 5") was entered into in relation to the RM130 million nominal value CPs issued (Note 20(a)) with HSBC Bank ("HSBC"). Pursuant to IRS No. 5, MQREIT will pay a fixed rate of 3.34% per annum to HSBC whilst HSBC will pay a floating rate to MQREIT. IRS No. 5 commenced on 30 November 2011 and will mature on 5 September 2016.
- (ii) On 21 November 2011, an IRS arrangement swapping floating rate for fixed rate for a notional amount RM65 million ("IRS No. 6") was entered into in relation to the RM130 million nominal value CPs issued (Note 20(a)) with CIMB Bank ("CIMB"). Pursuant to IRS No. 6, MQREIT will pay a fixed rate of 3.34% per annum to CIMB whilst CIMB will pay a floating rate to MQREIT. IRS No. 6 commenced on 30 November 2011 and will mature on 5 September 2016.
- (iii) On 21 April 2015, an IRS arrangement swapping floating rate for fixed rate for a notional amount of RM139.5 million ("IRS No. 7") was entered into in relation to the RM279 million CPs (Note 20(c)) with HSBC. Pursuant to IRS No. 7, MQREIT will pay a fixed rate of 3.82% per annum to HSBC whilst HSBC will pay a floating rate to MQREIT. IRS No. 7 commenced on 21 April 2015 and will mature on 30 March 2020.
- (iv) On 21 April 2015, an IRS arrangement swapping floating rate for fixed rate for a notional amount of RM139.5 million ("IRS No. 8") was entered into in relation to the RM279 million CPs (Note 20(c)) with CIMB. Pursuant to IRS No. 8, MQREIT will pay a fixed rate of 3.82% per annum to CIMB whilst CIMB will pay a floating rate to MQREIT. IRS No. 8 commenced on 21 April 2015 and will mature on 30 March 2020.

The differences between the floating rate and the fixed rate of the respective IRS arrangements are settled between MQREIT and the banks (HSBC and CIMB) semi-annually for IRS No. 5 and IRS No. 6 and quarterly for IRS No. 7 and IRS No. 8. These are charged or credited to profit or loss accordingly.

The risk associated with the IRS arrangements above would be credit risk, which is the counterparty risk of the financial institutions with whom the IRS were contracted. However, the Manager has taken precaution to mitigate this risk by entering into the IRS contracts with reputable licensed financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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32. INTEREST RATE SWAP ("IRS") ARRANGEMENTS (cont'd)

The fair values of the IRS arrangements are the estimated amount that would be received or paid to terminate the IRS arrangements 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.

MQREIT was eligible to apply hedge accounting for its IRS arrangements with effect from 1 October 2010, upon satisfying the requirements of the standard. Changes in fair values of the IRS arrangements were since recognised in OCI. Prior to adoption of hedge accounting, the fair values changes of the IRS arrangements were recognised in profit or loss.

The fair values of the derivatives and the maturity profile as at the respective dates are as follows:

	Group	
	2015	2014
	RM	RM
Less than 1 year	686,257	-
More than 1 year and less than 5 years	1,594,224	1,224,193
	2,280,481	1,224,193

33. OTHER SIGNIFICANT EVENTS

(a) Proposed Acquisition; Proposed Placement; Proposed Authority to allot New Units for the purpose of the payment of Management Fee in the form of new Units; Proposed Increase in the existing Approved Fund Size; Proposed Change of Name and Proposed Amendments to the Trust Deed (collectively referred to as the "Proposals")

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 were submitted to Bursa Malaysia on 22 January 2015.

As announced on 16 February 2015, Bursa Malaysia had, vide its letter dated 16 February 2015, approved the following:

- (i) listing of and quotation for 206,250,000 new Units to be issued pursuant to the Proposed Acquisition;
- (ii) listing of and quotation for up to 85,000,000 new Units to be issued pursuant to the Proposed Placement; and
- (iii) listing of and quotation for up to 18,619,000 new Units to be issued pursuant to the Proposed Authority;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
cont'd

33. OTHER SIGNIFICANT EVENTS (cont'd)

- (a) **Proposed Acquisition; Proposed Placement; Proposed Authority to allot New Units for the purpose of the payment of Management Fee in the form of new Units; Proposed Increase in the existing Approved Fund Size; Proposed Change of Name and Proposed Amendments to the Trust Deed (collectively referred to as the "Proposals") [(cont'd)]**

The above approval granted by Bursa Malaysia was subject to the following conditions:

- (i) QCT and HLIB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisition, Proposed Placement and Proposed Authority;
- (ii) QCT and HLIB to inform Bursa Malaysia upon the completion of the Proposed Acquisition, Proposed Placement and Proposed Authority;
- (iii) QCT to furnish Bursa Malaysia with a certified true copy of the resolution passed by the unitholders in general meeting approving the Proposed Acquisition, Proposed placement and Proposed Authority.

On 12 March 2015, QCT announced that its unitholders have supported and approved QCT's proposed acquisition of Platinum Sentral at the EGM held on 12 March 2015 and the unitholders of QCT have, at the Meeting held on the same day, approved all the resolutions as set out in the Notice of Meeting for the EGM, wherein all the resolutions were duly carried by way of poll.

As announced on 17 and 18 March 2015, following the book-building exercise, the Board had, on 17 March 2015 ("Pre-Fixing Date"), fixed the issue price of the Placement Units at RM1.20 per Unit, representing a discount of approximately 1.86% or RM0.0227 to the 5-day VWAMP of the Units up to and including 16 March 2015, being the last trading date immediately prior to the Price-Fixing Date, of RM1.2227. The total of 65,000,000 Units allocated to selected investors representing approximately 16.66% of the existing approved fund size of QCT of 390,131,000 units, raised gross proceeds of approximately RM78,000,000.

An announcement was made on 24 March 2015, that all the conditions precedent under the SPA for the Proposed Acquisition were fulfilled on 23 March 2015. Accordingly the SPA for the Proposed Acquisition had become unconditional on even date.

As announced in the Trust's Additional Listing Announcement on 27 March 2015, a private placement of 65,000,000 units was placed at the unit price of RM1.20 per Unit and listed on the Main Market of Bursa Malaysia on 30 March 2015. In the same announcement, 206,250,000 new Units was issued to MSP, a wholly-owned subsidiary of MRCB at an issue price of RM1.28 per Unit pursuant to the Proposed Acquisition of Platinum Sentral.

As announced on 30 March 2015, 65,000,000 Placement Units issued pursuant to the Proposed Placement and 206,250,000 Consideration Units issued pursuant to the Proposed Acquisition have been listed and quoted on the Main Market of Bursa Malaysia on 30 March 2015, thereby marking the completion of the Proposed Placement and Proposed Acquisition.

As announced on 31 March 2015, the proposed change in shareholding structure of QCM was completed on the even day.

As announced on 21 April 2015, the third supplemental deed dated 2 April 2015 governing QCT ("**Third Supplemental Deed**") has been registered by and lodged with the SC on 14 April 2015 and 20 April 2015 respectively. The Third Supplemental Deed takes effect from 14 April 2015 and the name of QCT has been changed from "Quill Capita Trust" to "MRCB-Quill REIT".

As announced on 25 May 2015, the management company of MRCB-Quill REIT (formerly known as Quill Capita Trust) has changed its name from "Quill Capita Management Sdn. Bhd." to "MRCB Quill Management Sdn. Bhd.."

NOTES TO THE *FINANCIAL STATEMENTS*

For the financial year ended 31 December 2015

cont'd

33. OTHER SIGNIFICANT EVENTS (cont'd)

- (a) **Proposed Acquisition; Proposed Placement; Proposed Authority to allot New Units for the purpose of the payment of Management Fee in the form of new Units; Proposed Increase in the existing Approved Fund Size; Proposed Change of Name and Proposed Amendments to the Trust Deed (collectively referred to as the "Proposals") [(cont'd)]**

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

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

- (b) **Proposed disposal of QB10**

As announced on 25 February 2015, the Trustee, acting solely in the capacity as trustee for and on behalf of QCT, had entered into a SPA with Aldwych Capital Sdn. Bhd. (formerly known as Superplas Trading Sdn. Bhd.) for the disposal of a 5-storey office building together with a level of basement car park located at No. 2A, Lorong 13/6A, Section 13, 46200 Petaling Jaya, Selangor erected on a parcel of leasehold land held under Pajakan Negeri 3699, Lot 57 Seksyen 13, in the town of Petaling Jaya, District of Petaling and state of Selangor for a cash consideration of RM27.3 million.

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

- (c) **Award of Contract to a Related Party (under Paragraph 9.43(1) of the Main Market Listing Requirements)**

As announced on 13 November 2015, the Board of Directors of MQM, the management company of MQREIT on behalf of MQREIT, has appointed QCSB as consultant and project manager for consultancy and project management services for the proposed multi-storey car park construction at QB2 for a contract sum of RM925,614 exclusive of GST ("Appointment").

The transaction with QCSB is regarded as a RPT by virtue of QCSB being a company within the Quill Group and is related to MQREIT's major unitholders namely QPSB, QLSB, QESB, as well as QRHSB.

- (d) **Execution of Heads of Agreement ("HOA") between MQREIT and 348 Sentral Sdn. Bhd. ("Vendor"), a wholly-owned subsidiary of MRCB**

As announced on 3 December 2015, the Trustee, had on 3 December 2015, entered into HOA with the Vendor for the proposed acquisition of a 33 storey office tower known as Menara Shell together with a 5 storey podium and 4 storey basement car park, bearing the postal address of No. 211, Jalan Tun Sambanthan, 50470 Kuala Lumpur, Wilayah Persekutuan, Malaysia (collectively "the Property") erected on part of a freehold land held under Geran 40094, Lot 348, Section 72, Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur for a purchase consideration of RM640 million ("Proposed Acquisition").

The purchase consideration of RM640 million for the Proposed Acquisition is based on valuation and is subject to such adjustment (if any) prior to the execution of the definitive SPA. The purchase price will be satisfied by MQREIT via a combination of cash and issuance of new MQREIT units, which allocation shall be mutually determined and agreed upon prior to the execution of the SPA.

The Proposed Acquisition shall be conditional upon, among others, approvals being obtained from the shareholders of the Vendor and MRCB, unitholders of MQREIT and the relevant authorities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
cont'd

33. OTHER SIGNIFICANT EVENTS (cont'd)

(d) Execution of Heads of Agreement ("HOA") between MQREIT and 348 Sentral Sdn. Bhd. ("Vendor"), a wholly-owned subsidiary of MRCB (cont'd)

The Proposed Acquisition is subject to a SPA to be entered into between the Trustee and the Vendor (collectively, the "Parties") within 30 business days from the date of the HOA ("Cut-Off Date") with an automatic extension of a further period of 30 business days in the event that MQREIT is unable to complete its due diligence investigations by the Cut-Off Date, and thereafter, such further extension of time as may be mutually agreed.

During this time, or up to the date when the Parties have entered into a definitive SPA, the Parties agree to co-operate exclusively with each other with respect to the Proposed Acquisition.

A detailed announcement will be made upon signing of the SPA.

Astramina Advisory Sdn. Bhd. has been appointed as Transaction Arranger for the Proposed Acquisition.

(e) Renewal of tenancy with a Related Party (under Paragraph 9.43(1) of the Main Market Listing Requirements)

As announced on 14 December 2015, the Trustee, had on 14 December 2015 renewed the tenancy of the premises known as Unit G02-G04, Ground Floor at Platinum Sentral to PBSB for a term of one year with an option to renew for a further term of one year at an estimated annual rental of RM787,000 ("Tenancy Renewal").

PBSB was incorporated in Malaysia under the Companies Act, 1965 on 11 December 2006 and its principal activity is property development.

PBSB is a 51% subsidiary of MRCB, which is a major unitholder of MQREIT and a major shareholder of the Manager. The balance 49% shareholding in PBSB is held by QRSB, a member of the Quill Group, which is also related to MQREIT's major unitholders namely QPSB, QLSB, QESB as well as QRHSB which is a major shareholder of the Manager.

The Tenancy Renewal will not have any material effect on earnings, NAV and gearing of MQREIT. The Audit Committee is of the opinion that the terms of the Tenancy Renewal are fair, reasonable and on normal commercial terms and will not be detrimental to the interests of the non-interested unitholders of MQREIT.

34. SUBSEQUENT EVENT

Proposed Authority to allot new Units for the purpose of the payment of Management Fee in the form of new Units ("Proposed Authority")

Pursuant to Paragraph 6.62(1) of the Main Market Listing Requirements of Bursa Malaysia, stipulates that a proposal relating to the issuance of securities must be completed within 6 months from the date of listing approval by Bursa Malaysia, failing which the listing approval given with regard to the proposal will lapse.

As announced on 28 January 2016, an application has been submitted to Bursa Malaysia on 28 January 2016 to seek a further extension of time of 6 months from 16 February 2016 to 15 August 2016 to implement the Authority.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

cont'd

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments by classes that are not carried at fair value are as follows:

	Note	Group Carrying value RM	Fair value RM
Financial liabilities:			
At 31 December 2015			
<u>Non-current:</u>			
Fixed Rate Term Loan Facility of up to RM150 million	20	116,475,715	117,000,000
Senior CPs/MTNs Programme of up to RM290 million	20	274,930,520	276,251,850
Fixed Rate Subordinated Term Loan Facility of up to RM250 million	20	109,405,371	110,000,000
Security deposits		15,572,463	13,233,094
At 31 December 2014			
<u>Non-current:</u>			
CPs/MTNs Programme of up to RM270 million	20	188,834,344	189,601,323
Fixed Rate Term Loan Facility of up to RM150 million	20	116,279,108	116,279,108
Security deposits		7,503,503	6,347,581

(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, security deposits 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

IRS contracts are valued using reference to their marked to market fair values as at the reporting date quoted by the financial institution.

(c) Fair value hierarchy

The Group uses the hierarchy as per Note 3.19 for determining and disclosing the fair value of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
cont'd

35. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

(c) Fair value hierarchy (cont'd)

As at 31 December 2015, the Group held the following financial instruments carried at fair value in the statement of financial position:

Assets measured at fair value

	2015 RM	Level 1 RM	Level 2 RM	Level 3 RM
Derivatives				
- non-current	1,594,224	-	1,594,224	-
- current	686,257	-	686,257	-

During the financial year ended 31 December 2015, there were no transfers between Level 1 and Level 2 fair value measurements.

	2014 RM	Level 1 RM	Level 2 RM	Level 3 RM
Derivatives				
- non-current	1,224,193	-	1,224,193	-
- current	-	-	-	-

During the financial year ended 31 December 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

36. 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.

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 20. 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. IRS arrangements have been entered into to partially manage the exposure to interest rate risk. Details of the IRS arrangements are as described in Note 32.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

cont'd

36. 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):

(a) Interest rate risk (cont'd)

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 IRS arrangements as described in Note 32. 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 2015, the Group's maximum exposure to credit risk is represented by the carrying amount of its financial assets as follows:

	Group	
	2015	2014
	RM	RM
Trade and other receivables	5,648,126	6,142,148
Cash and cash equivalents	44,863,963	23,288,996
Derivatives	2,280,481	1,224,193
Lease receivables	2,410,548	-

(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 REIT Guidelines concerning the limits to total borrowings and ensures compliance with stated financial covenants per terms of its borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015
cont'd

36. 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 (cont'd)

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 RM	One to five years RM	Total RM
At 31 December 2015			
Trade and other payables	13,574,839	-	13,574,839
Borrowings	217,834,721	570,895,110	788,729,831
Security deposits	2,515,677	15,572,463	18,088,140
	233,925,237	586,467,573	820,392,810
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

(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.

37. 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 REIT Guidelines.

The Manager employs a combination of appropriate and flexible debt and financing policies to manage both current and future funding requirements of MQREIT. The Manager, on an on-going basis, manages the capital structure of MQREIT and makes adjustments to it when necessary, in the light of changes in economic conditions.

MQREIT's capital includes units issued, undistributed distributable income and non-distributable reserves.

38. 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 2015

DISTRIBUTION OF UNITHOLDINGS AS AT 31 DECEMBER 2015

Unit Class	No. of Unitholders	% of Unitholders	No. of Unitholdings	% of Unitholdings
Less than 100	40	1.12	660	-
100 – 1,000	503	14.09	375,540	0.06
1,001 – 10,000	1,743	48.81	9,687,900	1.46
10,001 – 100,000	1,067	29.88	37,817,000	5.72
100,001 to less than 5% of issued units	214	5.99	195,445,900	29.55
5% and above of issued units	4	0.11	418,054,000	63.21
TOTAL	3,571	100.00	661,381,000	100.00

CLASSIFICATION OF UNITHOLDERS AS AT 31 DECEMBER 2015

CATEGORY OF UNITHOLDERS		NO. OF UNITHOLDERS			NO. OF UNITS		
		MALAYSIAN		FOREIGN	MALAYSIAN		FOREIGN
		BUMIPUTRA	NON-BUMIPUTRA		BUMIPUTRA	NON-BUMIPUTRA	
1.	Individual	78	2,641	52	979,000	58,610,400	842,300
2.	Body Corporate						
	Banks/Finance Companies	3	2	-	6,673,000	10,278,600	-
	Investments Trusts/ Foundations/Charities	-	1	-	-	220,500	-
	Other Types of Companies	12	70	1	3,398,000	235,963,800	58,000
3.	Government Agencies/ Institutions	-	-	-	-	-	-
4.	Nominees	385	287	39	33,881,300	189,945,800	120,530,300
5.	Others	-	-	-	-	-	-
TOTAL		478	3,001	92	44,931,300	495,019,100	121,430,600
GRAND TOTAL		3,571			661,381,000		

UNITHOLDINGS AND 30 LARGEST UNITHOLDERS

As at 31 December 2015
cont'd

30 LARGEST UNITHOLDERS AS AT 31 DECEMBER 2015

NO.	NAME OF UNITHOLDERS	UNITHOLDINGS	%
1	MALAYSIAN RESOURCES CORPORATION BERHAD	206,250,000	31.18
2	HSBC NOMINEES (ASING) SDN BHD <i>HSBC-FS FOR CAPITACOMMERCIAL TRUST</i>	117,040,000	17.70
3	HLIB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR QUILL LAND SDN BHD (IB)</i>	48,767,000	7.37
4	HLIB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR QUILL PROPERTIES SDN BHD (IB)</i>	45,997,000	6.95
5	HLIB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR QUILL ESTATES SDN BHD (IB)</i>	22,276,000	3.37
6	HONG LEONG ASSURANCE BERHAD <i>AS BENEFICIAL OWNER (LIFE PAR)</i>	15,933,300	2.41
7	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD <i>YAYASAN HASANAH (AUR-VCAM)</i>	15,873,800	2.40
8	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (P)</i>	10,627,000	1.61
9	AFFIN HWANG INVESTMENT BANK BERHAD <i>IVT (JBD)</i>	9,778,600	1.48
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR AIA BHD.</i>	9,559,100	1.45
11	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)</i>	7,500,000	1.13
12	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD <i>HONG LEONG ASSET MANAGEMENT BERHAD FOR CHE KING TOW (ND100-JA)</i>	6,691,600	1.01
13	CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD</i>	5,864,300	0.89
14	AMANAHRAYA TRUSTEES BERHAD <i>PUBLIC OPTIMAL GROWTH FUND</i>	5,850,000	0.88
15	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (VCAM EQUITY FD)</i>	3,307,700	0.50
16	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>AMTRUSTEE BERHAD FOR PACIFIC DIVIDEND FUND (UT-PM-DIV)</i>	2,368,500	0.36
17	HONG LEONG ASSURANCE BERHAD <i>AS BENEFICIAL OWNER (UNITLINKED BCF)</i>	2,295,000	0.35
18	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD (KIB)</i>	2,221,100	0.34
19	HONG LEONG ASSURANCE BERHAD <i>AS BENEFICIAL OWNER (LIFE NON PAR)</i>	2,050,000	0.31
20	DB (MALAYSIA) NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS SMALL-CAP FUND</i>	2,000,000	0.30
21	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD <i>CIMB COMMERCE TRUSTEE BERHAD - KENANGA PREMIER FUND</i>	1,966,500	0.30
22	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD <i>DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG PENNY STOCKFUND</i>	1,780,000	0.27

UNITHOLDINGS AND 30 LARGEST UNITHOLDERS

As at 31 December 2015

cont'd

30 LARGEST UNITHOLDERS AS AT 31 DECEMBER 2015 (cont'd)

NO.	NAME OF UNITHOLDERS	UNITHOLDINGS	%
23	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 3)</i>	1,608,200	0.24
24	HSBC NOMINEES (TEMPATAN) SDN BHD <i>HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (PACIFIC6939-407)</i>	1,470,900	0.22
25	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (ULIFE)</i>	1,268,200	0.19
26	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (SHF)</i>	1,227,100	0.19
27	MOK TECK LIANG	1,058,900	0.16
28	MALAYSIAN REINSURANCE BERHAD	1,024,000	0.15
29	YAP AH NGAH @ YAP NEO NYA	1,000,000	0.15
30	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. <i>DBS VICKERS SECS (S) PTE LTD FOR ABD KHALID BIN IBRAHIM</i>	998,000	0.15
		555,651,800	84.01

NOTICE OF FOURTH ANNUAL GENERAL MEETING



MRCB-QUILL REIT (FORMERLY KNOWN AS QUILL CAPITA TRUST)

(Established in Malaysia under the Deed of Trust dated 9 October 2006, as amended by the first supplemental deed dated 27 August 2007, the second supplemental deed dated 28 May 2013 and third supplemental deed dated 2 April 2015 entered into between MRCB Quill Management Sdn. Bhd. (formerly known as 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 Fourth Annual General Meeting of MRCB-Quill REIT (formerly known as Quill Capita Trust) ("**MQREIT**") will be held at Mahkota III Ballroom, Hotel Istana Kuala Lumpur City Centre, No. 73 Jalan Raja Chulan, 50200 Kuala Lumpur on Wednesday, 13 April 2016 at 11.00 a.m. or at any adjournment thereof, for the following purpose:

AGENDA

As Ordinary Business:

- To receive the Audited Financial Statements for the financial year ended 31 December 2015 of MQREIT together with the Trustee's Report to the Unitholders issued by Maybank Trustees Berhad, as trustee for MQREIT ("**Trustee**") and the Statement issued by MRCB Quill Management Sdn. Bhd. (formerly known as Quill Capita Management Sdn. Bhd.), as the Manager of MQREIT ("**Manager**") and the Independent Auditors' Report therein. *(Please refer to Explanatory Note 1)*

As Special Business:

To consider and if thought fit, to pass the following resolution with or without modifications:

- Proposed authority to allot and issue new units pursuant to Clause 14.03 of the Guidelines on Real Estate Investment Trusts issued by Securities Commission Malaysia ("**REIT Guidelines**")** *Ordinary Resolution*

"THAT pursuant to the REIT Guidelines, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approval of the relevant regulatory authorities, where such approval is required, approval be and is hereby given to the Directors of the Manager, to issue and allot new units in MQREIT ("**New Units**") from time to time to such persons and for such purposes as the Directors of the Manager may deem fit, provided that the aggregate number of the New Units to be issued pursuant to this resolution, when aggregated with the number of units issued during the preceding 12 months must not exceed 20% of the approved fund size of MQREIT for the time being comprising 661,381,000 units ("**Proposed Mandate**");

THAT such approval shall continue to be in force until:

- the conclusion of the next Annual General Meeting of the Unitholders at which time it will lapse, unless the authority is renewed by a resolution passed at the meeting;
- the expiration of the period within which the next Annual General Meeting of the Unitholders is required by law to be held; or
- revoked or varied by a resolution passed by the Unitholders in a Unitholders' meeting, whichever is the earlier;

NOTICE OF *FOURTH ANNUAL GENERAL MEETING*

cont'd

THAT the New Units to be issued pursuant to the Proposed Mandate shall, upon allotment and issue, rank *pari passu* in all respects with the existing units except that the New Units will not be entitled to any income distribution, right, benefit, entitlement and/or any other distributions that may be declared prior to the date of allotment and issuance of such New Units;

AND THAT authority be and is hereby given to the Directors of the Manager and the Trustee, acting for and on behalf of MQREIT, to give effect to the Proposed Mandate with full powers to assent to any conditions, modifications, variations and/or amendments in any manner as may be imposed by the relevant authorities or as the Manager and the Trustee may deem to be in the best interest of the Unitholders and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and to give full effect to the Proposed Mandate.

3. To transact such other business of which due notice shall have been given in accordance with the Trust Deed constituting MQREIT.

BY ORDER OF THE BOARD

MRCB Quill Management Sdn. Bhd.

(formerly known as Quill Capita Management Sdn. Bhd.)

The Manager of MRCB-Quill REIT

Mohamed Noor Rahim bin Yahaya

(MAICSA 0866820)

Ho Ngan Chui

(MAICSA 7014785)

Company Secretaries

Kuala Lumpur

Date: 29 February 2016

Notes:

1. *Only Unitholders whose name appear in the Record of Depositors of MQREIT on 6 April 2016 shall be eligible to attend in person or appoint proxies to attend and/or vote on their behalf at the Fourth Annual General Meeting.*
2. *A Unitholder who is entitled to attend and vote at this meeting is entitled to appoint another person to attend and vote in his stead. A proxy may but need not be a Unitholder.*
3. *Where a Unitholder appoints two (2) proxies, the appointment shall be invalid unless it specifies the proportions of its holdings to be represented by each proxy.*
4. *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.*
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 MRCB Quill Management Sdn. Bhd. (formerly known as Quill Capita Management Sdn. Bhd.) at Level 33A, Menara NU 2, No. 203, Jalan Tun Sambanthan, Kuala Lumpur Sentral, 50470 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.*

NOTICE OF FOURTH ANNUAL GENERAL MEETING

cont'd

Explanatory Notes on Ordinary and Special Business:

1. Item 1 of the Agenda

This Agenda is meant for discussion only as the Audited Financial Statements do not require formal approval of Unitholders in accordance with Clause 15.33A of the Guidelines on Real Estate Investment Trust issued by the Securities Commission Malaysia. Therefore, this agenda will not be put for voting.

2. Item 2 of the Agenda – Proposed Mandate

The proposed ordinary resolution, if passed, will give a mandate to the Manager to issue units of MQREIT from time to time provided that the aggregate number of the new units to be issued, when aggregated with the number of units issued during the preceding 12 months must not exceed 20% of the approved fund size of MQREIT for the time being. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of MQREIT.

The Proposed Mandate will allow the Manager the flexibility to allot and issue new units to raise funds to finance future investments, acquisitions and capital expenditure to enhance the value of MQREIT and/or to refinance existing debt as well as for working capitals purposes, subject to the relevant laws and regulations.

MRCB-QUILL REIT

(FORMERLY KNOWN AS 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, the second supplemental deed dated 28 May 2013 and third supplemental deed dated 2 April 2015)

CDS Account No.	
No. of Units held	

*I/We [FULL NAME AS PER NRIC, IN CAPITAL LETTERS] _____

*NRIC No./Passport No./Company No. _____

of (FULL ADDRESS) _____

being a unitholder/unitholders of MRCB-Quill REIT, hereby appoint:

First Proxy

Full Name of Proxy in capital letters		Proportion of Unitholdings	
		No. of units	Percentage [%]
Address :	NRIC Number/Passport No./ Company No.:		

and/or failing *him/her

Second Proxy

Full Name of Proxy in capital letters		Proportion of Unitholdings	
		No. of units	Percentage [%]
Address :	NRIC Number/Passport No./ Company No.:		

or failing *him/her the Chairman of the Meeting as *my/our proxies to attend and vote for *me/us on *my/our behalf at the Fourth Annual General Meeting of MRCB-Quill REIT to be held at Mahkota III Ballroom, Hotel Istana Kuala Lumpur City Centre, No. 73 Jalan Raja Chulan, 50200 Kuala Lumpur on Wednesday, 13 April 2016 at 11.00 a.m. or any adjournment thereof.

*My/our proxy is to vote on the Resolution as indicated by an "X" in the appropriate spaces below. If this form is returned without any indication as to how the proxy shall vote, the proxy shall vote or abstain as he/she thinks fit.

No	Resolution	For	Against
1	ORDINARY RESOLUTION – PROPOSED MANDATE		

Dated this _____ day of _____ 2016

Signature of Unitholders

*DELETE IF NOT APPLICABLE

Notes :

Proxy

- Only Unitholders whose name appear in the Record of Depositors of MQREIT on 6 April 2016 shall be eligible to attend in person or appoint proxies to attend and/or vote on their behalf at the Fourth Annual General Meeting.
- A Unitholder who is entitled to attend and vote at this meeting is entitled to appoint another person to attend and vote in his stead. A proxy may but need not be a Unitholder.
- Where a Unitholder appoints two (2) proxies, the appointment shall be invalid unless it specifies the proportions of its holdings to be represented by each proxy.
- 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.
- 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.
- 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 MRCB Quill Management Sdn. Bhd. (formerly known as Quill Capita Management Sdn. Bhd.) at Level 33A, Menara NU 2, No. 203, Jalan Tun Sambanthan, Kuala Lumpur Sentral, 50470 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

Fold this flap for sealing

Then fold here

Affix
stamp

The Company Secretary
MRCB Quill Management Sdn. Bhd.
(formerly known as Quill Capita Management Sdn. Bhd.)

The Manager of MRCB-Quill REIT
(formerly known as Quill Capita Trust)
Level 33A, Menara NU 2,
No.203, Jalan Tun Sambanthan,
Kuala Lumpur Sentral,
50470 Kuala Lumpur

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www.mrcbquillreit.com

MRCB Quill Management Sdn. Bhd. (formerly known as Quill Capita Management Sdn. Bhd.)
(737252-X) (the Manager of MRCB-Quill REIT)

Level 35, Menara Nu 2, No. 203 Jalan Tun Sambanthan,
Kuala Lumpur Sentral, 50470 Kuala Lumpur.

Tel: +603 2786 8080 / 2859 7070

Fax: +603 2780 7988