

**MRCB-QUILL REIT**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 31 DECEMBER 2019 (UNAUDITED)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Year	Preceding Year Corresponding	Current Year	Preceding Year Corresponding
	Quarter 31.12.2019	Quarter 31.12.2018	To Date 31.12.2019	To Date 31.12.2018
	RM	RM	RM	RM
<b>Total income</b>				
Gross revenue				
-Realised gross revenue	41,983,789	42,663,182	162,066,468	173,376,079
-Unrealised rental income (unbilled lease income receivable) (a)	(1,361,610)	(849,536)	(1,074,265)	(849,536)
	<u>40,622,179</u>	<u>41,813,646</u>	<u>160,992,203</u>	<u>172,526,543</u>
Property operating expenses	(10,477,082)	(9,995,221)	(39,244,436)	(39,724,838)
Net property income	<u>30,145,097</u>	<u>31,818,425</u>	<u>121,747,767</u>	<u>132,801,705</u>
Interest income	1,126,394	1,699,644	3,222,627	4,327,333
Change in fair value of investment properties				
-As per valuation	(36,730,682)	(5,434,231)	(36,730,682)	(5,434,231)
-Unbilled lease income receivable (a)	1,361,610	849,536	1,074,265	849,536
Gain on divestment of investment property	-	-	-	2,196,632
	<u>(4,097,581)</u>	<u>28,933,374</u>	<u>89,313,977</u>	<u>134,740,975</u>
<b>Total expenditure</b>				
Manager's fees	(3,194,730)	(3,281,472)	(12,760,955)	(13,253,725)
Trustee's fee	(168,030)	(171,438)	(676,287)	(685,921)
Finance costs	(10,271,142)	(10,892,565)	(39,594,458)	(40,590,429)
Valuation fees	(57,273)	(95,750)	(328,623)	(357,043)
Auditors' remuneration	(39,566)	(41,962)	(147,170)	(146,842)
Tax agent's fee	(12,788)	(20,442)	(32,012)	(49,827)
Administrative expenses	(298,976)	(250,952)	(414,794)	(394,751)
	<u>(14,042,505)</u>	<u>(14,754,581)</u>	<u>(53,954,299)</u>	<u>(55,478,538)</u>
<b>Income before taxation</b>	<b>(18,140,086)</b>	<b>14,178,793</b>	<b>35,359,678</b>	<b>79,262,437</b>
Income tax expense (b)	(6,237,773)	(6,132,188)	(6,237,773)	(6,132,188)
<b>Income net of taxation (Note 1)</b>	<b>(24,377,859)</b>	<b>8,046,605</b>	<b>29,121,905</b>	<b>73,130,249</b>
<b>Other comprehensive income</b>				
Gain/(Loss) on remeasurement of financial derivatives (c)	335,052	(15,696)	103,784	237,709
<b>Total comprehensive income for the financial year</b>	<b>(24,042,807)</b>	<b>8,030,909</b>	<b>29,225,689</b>	<b>73,367,958</b>
<b>Note 1</b>				
<b>Net income for the year is made up as follows:</b>				
<b>Realised</b>	<b>18,607,783</b>	<b>19,570,114</b>	<b>72,107,547</b>	<b>84,653,758</b>
<b>Unrealised</b>				
- Unrealised rental income (in relation to unbilled lease income receivable)	(1,361,610)	(849,536)	(1,074,265)	(849,536)
- Changes in fair value of investment properties				
-as per valuation	(36,730,682)	(5,434,231)	(36,730,682)	(5,434,231)
-unbilled lease income receivable	1,361,610	849,536	1,074,265	849,536
- Amortisation of deferred lease income	601,108	858,541	601,108	858,541
- Unwinding of discount on security deposits	(618,295)	(815,631)	(618,295)	(815,631)
- Deferred tax on Real Property Gains Tax on investment properties held	(6,237,773)	(6,132,188)	(6,237,773)	(6,132,188)
	<u>(42,985,642)</u>	<u>(11,523,509)</u>	<u>(42,985,642)</u>	<u>(11,523,509)</u>
<b>(Loss)/Income net of taxation</b>	<b>(24,377,859)</b>	<b>8,046,605</b>	<b>29,121,905</b>	<b>73,130,249</b>
<b>(LOSS)/EARNINGS PER UNIT (d)</b>				
- after manager's fees (sen)	(2.27)	0.75	2.72	6.83
- before manager's fees (sen)	(1.98)	1.06	3.91	8.07
<b>EARNINGS PER UNIT (REALISED) (e)</b>				
- after manager's fees (sen)	1.74	1.83	6.73	7.91
- before manager's fees (sen)	2.03	2.13	7.92	9.14
<b>Realised Net income</b>	<b>18,607,783</b>	<b>19,570,114</b>	<b>72,107,547</b>	<b>84,653,758</b>
Distribution adjustments (f)	-	(1,388,000)	900,000	2,400,000
<b>Distributable income</b>	<b>18,607,783</b>	<b>18,182,114</b>	<b>73,007,547</b>	<b>87,053,758</b>
<b>DISTRIBUTABLE INCOME PER UNIT</b>	<b>1.74</b>	<b>1.70</b>	<b>6.81</b>	<b>8.13</b>

<b>INCOME DISTRIBUTION</b>					
Interim income distribution	(g)/(h)	-	-	36,762,157	45,336,421
Final income distribution		36,119,087	41,263,646	36,119,087	41,263,646
		<u>36,119,087</u>	<u>41,263,646</u>	<u>72,881,244</u>	<u>86,600,067</u>
<b>Income distribution per unit</b>					
<b>Gross (sen)</b>					
Interim income distribution	(g)/(h)	-	-	3.43	4.23
Final income distribution		3.37	3.85	3.37	3.85
Total income distribution		<u>3.37</u>	<u>3.85</u>	<u>6.80</u>	<u>8.08</u>

- (a) Recognition of unrealised rental income-unbilled lease income receivable pursuant to requirements of MFRS 117 Leases, to recognize income from operating lease on a straight-line basis, including contractual increase rates over the fixed tenure of the agreement.
- (b) Tax expenses relates to deferred tax expenses recognised in the provision of deferred tax liabilities on Real Property Gains Tax ("RPGT") on the fair value gain in the investment properties.
- (c) This relates to the gain/(loss) on the remeasurement of the fair values of interest rate swaps ("IRSs"). (please refer Note B15)
- (d) Earnings Per Unit for the current quarter/period is computed based on the Net Income for the quarter/period divided by 1,071,783,000 units during the quarter/period. EPU for the preceding year corresponding quarter/period is based on the units in circulation/weighted average units in circulation of 1,071,783,000/1,070,808,748 units during the quarter/period.
- (e) Earnings Per Unit (Realised) for the current quarter/period is computed based on the Realised Net Income for the quarter/period divided by 1,071,783,000 units during the quarter/period. EPU for the preceding year corresponding quarter/period is based on the units in circulation/weighted average units in circulation of 1,071,783,000/1,070,808,748 units during the quarter/period.
- (f) Distribution adjustments comprise:

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTERS</b>	
	<b>Current Year</b>	<b>Preceding Year Corresponding</b>	<b>Current Year</b>	<b>Preceding Year Corresponding</b>
	<b>Quarter</b>	<b>Quarter</b>	<b>To Date</b>	<b>To Date</b>
	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Manager's management fee payable in units	-	(1,388,000)	-	-
Amount previously not distributed	-	-	900,000	2,400,000
	<u>-</u>	<u>(1,388,000)</u>	<u>900,000</u>	<u>2,400,000</u>

The manager's management fee payable in units of RM1,388,000 as proposed in the 1st quarter 2018 has been paid in cash.

- (g) Income distribution of 3.43 sen per unit being the distribution of income for the period 1 January 2019 to 30 June 2019 was paid on 23 September 2019.
- (h) Income distribution of 4.23 sen per unit being the distribution of income for the period 1 January 2018 to 30 June 2018 was paid on 19 September 2018.
- (i) Proposed final gross distribution of 3.37 sen per unit relates to the distribution of income for the period 1 July 2019 to 31 December 2019, will be payable on 28 February 2020 to all unitholders as at book closure date on 3 February 2020. Pls refer to Note B17 for details of the distribution.

The Condensed Consolidated Statement Of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the financial statements.

**MRCB-QUILL REIT**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019 (UNAUDITED)**

	<b>AS AT END OF CURRENT QUARTER</b>	<b>AS AT PRECEDING FINANCIAL YEAR END</b>
	<b>31.12.2019 UNAUDITED RM</b>	<b>31.12.2018 AUDITED RM</b>
<b>NON-CURRENT ASSETS</b>		
Plant and equipment	363,265	345,125
Investment properties	2,125,182,320	2,158,708,055
Investment properties-accrued rental income	17,817,680	18,891,945
Lease receivables	773,211	1,326,763
	<u>2,144,136,476</u>	<u>2,179,271,888</u>
<b>CURRENT ASSETS</b>		
Trade and other receivables	5,755,440	5,969,634
Lease receivables	553,552	688,167
Deposits with licensed financial institution	59,363,150	80,486,003
Cash and cash equivalents	3,895,740	5,289,600
	<u>69,567,882</u>	<u>92,433,404</u>
<b>TOTAL ASSETS</b>	<b><u>2,213,704,358</u></b>	<b><u>2,271,705,292</u></b>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	503,018,839	853,704,352
Derivative liabilities (i)	-	428,022
Security deposits	19,106,575	11,168,217
Other payables	1,602,022	1,825,879
Deferred tax liability	12,369,961	6,132,188
	<u>536,097,397</u>	<u>873,258,658</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	15,703,152	16,114,325
Derivative liabilities (i)	324,238	-
Borrowings	332,697,543	-
Security deposits	5,392,610	10,042,778
	<u>354,117,543</u>	<u>26,157,103</u>
<b>TOTAL LIABILITIES</b>	<b><u>890,214,940</u></b>	<b><u>899,415,761</u></b>
<b>NET ASSETS VALUE ("NAV")</b>	<b><u>1,323,489,418</u></b>	<b><u>1,372,289,531</u></b>
<b>UNITHOLDERS' FUNDS</b>		
<b>Unitholders' funds attributable to unitholders of MQREIT</b>		
Unitholders' capital	1,235,876,768	1,235,876,768
Undistributed and non-distributable income	87,612,650	136,412,763
<b>Total unitholders' funds</b>	<b><u>1,323,489,418</u></b>	<b><u>1,372,289,531</u></b>
<b>NUMBER OF UNITS IN CIRCULATION</b>	1,071,783,000	1,071,783,000
<b>NET ASSET VALUE PER UNIT</b>		
- before income distribution (ii)	1.2348	1.2804
- after income distribution (iii)	1.2011	1.2419

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

(ii) Net Asset Value per unit before the proposed final gross income distribution of 3.37 sen per unit.

(iii) Net Asset Value per unit after the proposed final gross income distribution of 3.37 sen per unit.

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the financial statements.

**MRCB-QUILL REIT**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE**  
**FOR THE PERIOD ENDED 31 DECEMBER 2019 (UNAUDITED)**

	Unitholders' Capital	Distributable		Non-Distributable Net Fair Value (Loss) / Gain On Derivatives Unrealised	Total Undistributed and Non-Distributable Income	Unitholders' Funds
		Undistributed Income Realised	Undistributed Income Unrealised			
	RM	RM	RM	RM	RM	RM
<b>As at 1 January 2019</b>	1,235,876,768	54,923,500	81,917,285	(428,022)	136,412,763	1,372,289,531
Total Comprehensive Income for the financial year	-	72,107,547	(42,985,642)	103,784	29,225,689	29,225,689
	<u>1,235,876,768</u>	<u>127,031,047</u>	<u>38,931,643</u>	<u>(324,238)</u>	<u>165,638,452</u>	<u>1,401,515,220</u>
<b>Unitholders' transactions:</b>						
Distribution to unitholders	-	(78,025,802)	-	-	(78,025,802)	(78,025,802)
<b>As at 31 December 2019</b>	<u>1,235,876,768</u>	<u>49,005,245</u>	<u>38,931,643</u>	<u>(324,238)</u>	<u>87,612,650</u>	<u>1,323,489,418</u>
<b>As at 1 January 2018</b>	1,231,914,544	60,034,963	93,440,794	(665,731)	152,810,026	1,384,724,570
Issuance of new units	3,974,420	-	-	-	-	3,974,420
Expenses on issuance of new units	(12,196)	-	-	-	-	(12,196)
Total Comprehensive Income for the financial year	-	84,653,758	(11,523,509)	237,709	73,367,958	73,367,958
	<u>1,235,876,768</u>	<u>144,688,721</u>	<u>81,917,285</u>	<u>(428,022)</u>	<u>226,177,984</u>	<u>1,462,054,752</u>
<b>Unitholders' transactions:</b>						
Distribution to unitholders	-	(89,765,221)	-	-	(89,765,221)	(89,765,221)
<b>As at 31 December 2018</b>	<u>1,235,876,768</u>	<u>54,923,500</u>	<u>81,917,285</u>	<u>(428,022)</u>	<u>136,412,763</u>	<u>1,372,289,531</u>

The Condensed Consolidated Statement of Changes in Net Asset Value should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the financial statements.

**MRCB-QUILL REIT**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2019 (UNAUDITED)**

	<b>CURRENT YEAR TO DATE 31.12.2019 RM</b>	<b>PRECEDING YEAR TO DATE 31.12.2018 RM</b>
<b>OPERATING ACTIVITIES</b>		
Income before tax	35,359,678	79,262,437
Adjustments for:		
Finance costs	39,594,458	40,590,429
Depreciation	156,668	76,758
Interest income	(3,222,627)	(4,327,333)
Loss on revaluation of investment properties	36,730,682	5,434,231
Gain on divestment of investment property	-	(2,196,632)
Operating cash flows before changes in working capital	<u>108,618,859</u>	<u>118,839,890</u>
Receivables	1,539,336	557,981
Payables	2,427,518	(12,244,946)
Cash flows from operations	<u>112,585,713</u>	<u>107,152,925</u>
Income tax paid	-	-
Net cash flows generated from operating activities	<u>112,585,713</u>	<u>107,152,925</u>
<b>INVESTING ACTIVITIES</b>		
Additions to investment properties	(2,130,682)	(3,834,231)
Proceed from divestment of QB8	-	28,000,000
Purchase of plant & equipment	(174,808)	(249,450)
Interest received	2,717,909	3,686,860
Net cash flow generated from investing activities	<u>412,419</u>	<u>27,603,179</u>
<b>FINANCING ACTIVITIES</b>		
Distribution to unitholders	(78,025,802)	(89,765,221)
Finance costs paid	(38,489,043)	(39,218,830)
Proceeds from borrowings	35,000,000	-
Repayment of borrowings	(54,000,000)	-
Proceeds from issuance of new units	-	3,974,420
Expenses paid on issuance of new units	-	(12,196)
Cash flows used in financing activities	<u>(135,514,845)</u>	<u>(125,021,827)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(22,516,713)	9,734,277
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>85,775,603</u>	<u>76,041,326</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><u>63,258,890</u></u>	<u><u>85,775,603</u></u>
Cash and cash equivalents at end of period comprises:		
Deposits with licensed financial institutions	59,363,150	80,486,003
Cash on hand and at banks	3,895,740	5,289,600
	<u>63,258,890</u>	<u>85,775,603</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes to the financial statements.

**MRCB-QUILL REIT**  
**EXPLANATORY NOTES FOR PERIOD ENDED 31 DECEMBER 2019**

**A1 BASIS OF PREPARATION**

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

The financial statements comply with the Malaysian Financial Reporting Standards ("MFRS") 134 "Interim Financial Reporting", provisions of the Trust Deed and the Securities Commission's Guidelines on Real Estate Investment Trusts and should be read in conjunction with MRCB-Quill Reit's ("MQREIT") audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these unaudited condensed consolidated financial statements.

**A2 BASIS OF CONSOLIDATION**

The consolidated financial statements include the financial statements of MQREIT and its special purpose entities ("SPEs"). The SPEs were established for the specific purpose of raising financing on behalf of MQREIT. A SPE is consolidated if, based on an evaluation of the substance of its relationship with MQREIT and the SPE's risks and rewards, MQREIT concludes that it controls the SPE. SPEs controlled by MQREIT were established under terms that impose strict limitations on the decision-making powers of the SPE's management resulting in MQREIT receiving all of the benefits related to the SPE's operations and net assets.

**A3 CHANGES IN ACCOUNTING POLICIES**

The significant accounting policies adopted in the interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2018.

**A4 AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2018**

The audit report of the financial statements for the preceding year ended 31 December 2018 was unqualified.

**A5 SEASONALITY OR CYCLICALITY OF OPERATIONS**

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

**A6 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE**

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

**A7 CHANGES IN ESTIMATES OF AMOUNTS REPORTED**

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

## **A8 CHANGES IN DEBT AND EQUITY**

There were no repurchase, resale and repayment of debt and equity instruments for the current quarter.

## **A9 INCOME DISTRIBUTION POLICY**

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

## **A10 SEGMENT REPORTING**

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

## **A11 VALUATION OF INVESTMENT PROPERTIES**

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

For the quarter and financial year ended 31 December 2019, the investment properties were valued based on valuation performed by 3 independent registered valuers, i.e. Nawawi Tie Leung Property Consultants Sdn. Bhd., Knight Frank Malaysia Sdn Bhd and C H Williams Talhar & Wong Sdn. Bhd. on 31 December 2019. A deficit on revaluation amounted to RM36,730,682 was charged to the statement of comprehensive income and is unrealised in nature.

## **A12 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 31 DECEMBER 2019**

- (a) Proposed Amendments And Restatements of The Deed of Trust Constituting MRCB-Quill Reit (Previously known as Quill Capita 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 ("Manager") and Maybank Trustees Berhad ("Trustee") (Collectively Referred As The "Original Deed")(Referred To As "Proposed Amendment And Reinstatement of The Trust Deed")**

Pursuant to Paragraph 9.43(j) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the board of directors of the Manager ("Board") has on 22 November 2019, approved the Proposed Amendments and Restatements. The Manager and the Trustee has amended and restated trust deed to incorporate the Proposed Amendment and Restatement of the Trust Deed ("Amended and Restated Trust Deed").

The Proposed Amendments and Restatements of the Trust Deed are for the purpose of streamlining the Original Deed to be in line with the Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission Malaysia ("SC") on 15 March 2018 (which was subsequently revised on 18 June 2019) ("Listed REIT Guidelines"), the Listing Requirements and the Companies Act 2016 ("Companies Act"), as applicable, as well as to update the Original Deed, where relevant.

The Proposed Amendments and Restatements will not have any effect on the issued unit capital and substantial unitholders' unitholdings in MQREIT as the Proposed Amendments and Restatements do not involve any issuance of new units.

As announced on 2 December 2019, the Manager and the Trustee had on the same day executed the Amended and Restated Trust Deed. The Amended and Restated Trust Deed has been submitted to the Securities Commission ("SC") for registration and lodged with the SC.

## **A12 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 31 DECEMBER 2019**

### **(b) Award of Contract to Semasa Parking Sdn Bhd For The Operation of Car Park At Menara Shell**

As announced on 20 December 2019, the Trustee, had on 20 December 2019, award the contract to Semasa Parking Sdn Bhd ("SPSB"), a wholly-owned subsidiary of Malaysian Resources Corporation Berhad ("MRCB"), as the car park operator for Menara Shell ("the Appointment") for a period of 3 years commencing from 22 December 2019 to 21 December 2022.

The Related Party Transaction is not expected to have any material effect on the net assets per share, earnings per share and gearing of MQREIT for the financial year ending 2019.

## **A13 SIGNIFICANT EVENTS SUBSEQUENT TO THE QUARTER ENDED 31 DECEMBER 2019**

### **(a) Others Proposed Amendments And Restatements of The Deed of Trust Constituting MRCB-Quill Reit (Previously known as Quill Capita 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 ("Manager") and Maybank Trustees Berhad ("Trustee") (Collectively Referred As The "Original Deed")(Referred To As "Proposed Amendment And Reinstatement of The Trust Deed")**

As announced on 3 January 2020, the Amended and Restated Trust Deed dated 2 December 2019 has been registered with the Securities Commission ("SC") on 31 December 2019 and lodged with the SC on 3 January 2020.

The effective date of the Amended and Restated Trust Deed is on 31 December 2019.

## **A14 CHANGES IN CONTINGENT LIABILITIES**

There are no contingent liabilities to be disclosed.

## **A15 CAPITAL COMMITMENTS**

The amount of capital commitment not provided for in the condensed consolidated financial statements as at 31 December 2019 are as follows:

	As at 31 December 2019
	RM
Approved and contracted for :	
Investment properties	<u>593,502</u>

## **B1 REVIEW OF PERFORMANCE**

### **Quarter Results (4Q 2019 vs 4Q 2018)**

MQREIT recorded gross revenue of RM40.6 million in 4Q 2019, a decrease of RM1.2 million or 2.9% compare to 4Q 2018. The decrease was mainly due to lower revenue generated from Wisma Technip, QB5 and Platinum Sentral.

Property operating expenses for 4Q 2019 were RM10.5 million, a marginal increase of RM0.5 million or 4.8% compared to 4Q 2018, mainly due to higher operating expenses incurred for some properties.

These have resulted in lower net property income by RM1.7 million or 5.3% in 4Q 2019 compared to 4Q 2018.

Manager's fees incurred for 4Q 2019 were RM3.2 million, lower by 2.6% compared to 4Q 2018; and Trustee's fee incurred for 4Q 2019 was reduced by 2% compared to 4Q 2018, mainly due to lower net property income and total gross assets value in 4Q 2019. Finance costs incurred for 4Q 2019 of RM10.3 million were lower by 5.7% compared to 4Q 2018, mainly due to lower borrowings after the partial repayment of Murud Capital Sdn Bhd ("Murud")'s Fixed Rate Sub-ordinated Term Loan ("SSL") of RM19mil on 29 Mar 2019; lower KLIBOR rate in 4Q 2019 and adjustment on unwinding of discount on security deposits under MFRS 139.

MQREIT recorded a net loss after tax of RM24.4 million in 4Q 2019 (4Q 2018 : net income of RM8.0 million), which consist of realised income of RM18.6 million (4Q 2018 : RM19.6 million); and unrealised loss amounted to RM43.0 million in 4Q 2019 (4Q 2018 : RM11.5 million).

### **Financial Year-to-date Results (YTD December 2019 vs YTD December 2018)**

MQREIT recorded gross revenue of RM161.0 million in YTD December 2019, a decrease of RM11.5 million or 6.7% over the previous financial year ended YTD December 2018. The decrease was mainly due to lower revenue generated from Platinum Sentral, Wisma Technip, QB5 and loss of revenue from QB8-DHL XPJ after the disposal took place on 12 April 2018. A gain on divestment of QB8 - DHL XPJ amounted to RM2.2 million was recorded in YTD December 2018, upon the completion of disposal on 12 April 2018.

Property operating expenses for YTD December 2019 were RM39.2 million, a decrease of approximately RM0.5 million or 1.2% against the previous financial year ended 31 December 2018. The decrease was mainly attributable to lower expenses incurred by some properties.

Overall, the net property income for YTD December 2019 was lower by RM11.1 million or 8.3% compared to YTD December 2018.

Manager's fees for YTD December 2019 were RM12.8 million, marginally lower by 3.7% compared to YTD December 2018, and Trustee's fee also reduced marginally by 1.4%, mainly due to lower net property income and total gross asset value in YTD December 2019. Finance costs for YTD December 2019 amounted to RM39.6 million were 2.5% marginally lower due to lower borrowings after the partial repayment of Murud's Fixed Rate SSL of RM19 million on 29 Mar 2019; lower KLIBOR rate in 4Q 2019 and adjustment on unwinding of discount on security deposits under MFRS 139.

MQREIT recorded a net income after tax of RM29.1 million in YTD December 2019 (YTD December 2018 : RM73.1 million), which consist of realised income of RM72.1 million (YTD December 2018 : RM84.6 million) and an unrealised loss amounted to RM43.0 million (YTD December 2018 : RM11.5 million).

## **B2 INVESTMENT OBJECTIVES AND STRATEGIES**

The investment objective of MQREIT is to acquire and invest in commercial properties primarily in Malaysia with a view to provide long-term growth and sustainable distribution of income to unitholders to achieve long-term growth in the net asset value per unit. There has been no change in the investment objective of MQREIT since the date of the Annual Report for 2018.

The Manager will continue to focus on its portfolio management and acquisition growth strategy, active asset management strategy and capital management strategy to achieve the objective of MQREIT. There has been no change in the strategies employed by the Manager since the date of the Annual Report for 2018 as they remain relevant in the current market conditions.

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

### Review of office market - Klang Valley

As at 3Q 2019, Klang Valley ("KV") had a total of 111.93 million square feet of Purpose-Built Office ("PBO") space. The existing supply of PBO buildings in Cyberjaya and Putrajaya was 5.6 million square feet and 4.01 million square feet respectively. Another seventeen (17) PBO buildings contributing approximately 10.23 million square feet of PBO space are expected to be completed by end-2022.

During the review period, KV occupancy rates were stable averaging 80.4%. In Cyberjaya / Putrajaya, occupancy rates for PBO buildings averaged 62.2% (Cyberjaya: 72.9%, Putrajaya: 51.4%).

Capital value remains stable with yields at 5.5% to 6.0% based on latest transactions of en-bloc office buildings in KV.

Selected prime PBO buildings within Central KL (excluding Petronas Twin Towers) are currently offering monthly gross rents of around RM6.80 – RM11.00 per square foot whereas in Metropolitan KL and Greater KL, asking gross rents are between RM3.80 and RM5.50 per square foot per month (with the exception of KL Sentral and Bangsar South, which generally offered RM6.50-RM7.50 per square foot per month for MSC Status buildings). For PBO buildings in Putrajaya/Cyberjaya, monthly gross rents are generally in the range of RM4.50 to RM 6.00 per square foot.

(Source : Property Market Commentary on Purpose-Built Office Sector in Klang Valley and Purpose Built Retail Sector in Klang Valley and Penang dated December 2019 prepared by C H Williams Talhar & Wong Sdn Bhd)

### Review of retail market - Klang Valley and Penang

The supply of purpose-built retail ("PBR") space in KV is estimated at 58.13 million square feet with no new completions during the review period. A total of ten (10) PBR centres are expected to be completed in Kuala Lumpur by 2022, contributing approximately 8.46 million square feet of retail PBR space. The average occupancy rate of PBR space in the Klang Valley in 3Q 2019 stood at 85.3%. The average gross rental of prime PBR spaces in KV was about RM16 per square foot. Prime retail rentals in Klang Valley are expected to remain stable.

The existing supply of PBR space in Penang state stands at approximately 19.655 million square feet. Approximately 2.83 million square feet of new net lettable area is being planned. The overall occupancy rate of PBR spaces in Penang was in the region of 66% to 73% in the past 5 years. Gross rentals for the ground floor of selected prime shopping centres in Penang Island commanded higher rental rates of up to RM45 per square foot per month. For en-bloc hypermarket, the gross rentals range from RM2.30 to RM3.20 per square foot per month in Seberang Perai and Penang Island.

(Source : Property Market Commentary on Purpose-Built Office Sector in Klang Valley and Purpose Built Retail Sector in Klang Valley and Penang dated December 2019 prepared by C H Williams Talhar & Wong Sdn Bhd)

#### **B4 PROSPECTS**

In 2019, 19% of MQREIT's total net lettable area ("NLA") or approximately 369,000 sq. ft. are due for renewal. As at 31 December 2019, approximately 71% or 260,120 sq. ft. of these leases have been renewed by existing tenants, 21% or 77,000 sq. ft have not been renewed by existing tenants but new leases have been secured and the balance 8% or 32,000 sq. ft. have not been renewed and currently vacant.

The Klang Valley office market is expected to remain challenging. We will continue to focus on asset management and leasing strategies that are centred on tenant retention to overcome the challenging operating environment for the 2020.

#### **B5 REVENUE RECOGNITION**

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

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

#### **B6 PROFIT FORECAST / PROFIT GUARANTEE VARIANCE**

##### **(a) Profit forecast**

There has been no profit forecast issued by MQREIT for the financial year 2019.

##### **(b) Profit guarantee**

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

#### **B7 TAXATION**

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

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

**B8 PROFIT ON SALE OF INVESTMENTS IN UNQUOTED SECURITIES / PROPERTIES**

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

**B9 PARTICULARS OF PURCHASE OR DISPOSAL OF INVESTMENT IN QUOTED SECURITIES**

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

**B10 STATUS OF CORPORATE PROPOSALS**

There were no corporate proposals during the current quarter and period to date.

**B11 UTILISATION OF PROCEEDS RAISED FROM ANY NEW ISSUANCE**

There were no issuance of new units during the current quarter.

**B12 CIRCUMSTANCES WHICH MATERIALLY AFFECT ANY INTEREST OF THE UNITHOLDERS**

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

## B13 COMPOSITION OF INVESTMENT PORTFOLIO AS AT 31 DECEMBER 2019

As at 31 December 2019, MQREIT's portfolio comprises of ten buildings as follows:

Investment properties	Cost of Investment	Market Value / Net Carrying amount as at 31 December 2019	Market value /Net Carrying amount as % of NAV
	RM	RM	
<u>Commercial buildings</u>			
1 QB1 - DHL 1 & QB4 - DHL 2	109,100,000	133,300,000	10.07%
2 QB2 - HSBC	107,500,000	123,000,000	9.29%
3 QB3 - BMW	59,400,000	78,000,000	5.89%
4 Wisma Technip	125,000,000	173,200,000	13.09%
5 Part of Plaza Mont' Kiara	90,000,000	118,500,000	8.95%
6 QB5 - IBM	43,000,000	40,000,000	3.02%
7 Tesco Building Penang	132,000,000	140,000,000	10.58%
8 Platinum Sentral	740,000,000	686,000,000	51.83%
9 Menara Shell	640,000,000	651,000,000	49.19%
	<u>2,046,000,000</u>	<u>2,143,000,000</u>	

Capital expenditure of RM2,130,682 were incurred during the quarter. The NAV as at 31 December 2019 is RM1,323,489,418.

## B14 BORROWINGS AND DEBT SECURITIES

	As at end of period ended 31 December 2019
	RM
<b><u>CURRENT LIABILITIES:</u></b>	
(a) (i) Senior CP / MTN Programme of up to RM290 million	241,720,974
(a) (ii) Fixed Rate Subordinated Term Loan Facility of up to RM250 million	90,976,569
	<u>332,697,543</u>
<b><u>NON-CURRENT LIABILITIES:</u></b>	
(b) Fixed Rate Term Loan Facility of up to RM150 million ("RM150 million Term Loan")	116,876,410
(c) CPs/MTNs Programme of up to RM3 billion	386,142,429
	<u>503,018,839</u>
<b>TOTAL BORROWINGS</b>	<b>835,716,382</b>
<b><u>CURRENT LIABILITIES:</u></b>	
<b>(a) Senior CP / MTN Programme of up to RM290 million ("Senior CP / MTN Programme") and Fixed-Rate Subordinated Term Loan Facility of up to RM250 million ("Fixed Rate Subordinated Term Loan")</b>	
<hr/>	
<b>(i) Senior CP / MTN Programme</b>	<b>RM</b>
Face value of CPs issued / rollover	279,000,000
Discount	(2,256,164)
Cash proceeds	276,743,836
Accretion of interest expenses	25,068
	<u>276,768,904</u>
Transaction costs b/f	(332,863)
Amortisation of transaction costs during the period	284,933
Partial redeemed on 29 March 2019	(35,000,000)
	<u>241,720,974</u>

**B14 BORROWINGS AND DEBT SECURITIES (cont'd)**

<b>(ii) <u>Fixed Rate Subordinated Term Loan</u></b>	<b>RM</b>
Term Loan draw down	110,000,000
Transaction costs b/f	(166,408)
	<hr/>
	109,833,592
Amortisation of transaction costs during the period	142,977
Partial repaid on 29 March 2019	(19,000,000)
	<hr/>
	<u>90,976,569</u>

On 13 March 2015, MQREIT through its SPE, Murud Capital Sdn Bhd ("Murud") established a RM290 million Senior CP/MTN Programme 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. On 30 September 2015, a Fixed Rate Subordinated Term Loan of RM110 million were established at the interest rate of 4.90% per annum.

On 21 April 2015, MQREIT entered into two interest rate swap arrangements, swapping floating rate for fixed rate for a notional amount of RM139.5 million respectively, in relation to the CPs issued by Murud. MQREIT will pay a fixed rate of 3.82% p.a. to the Bank whilst the Bank will pay a floating rate to MQREIT. These interest rate swap arrangements commenced on 21 April 2015 and will mature on 30 March 2020.

On 29 March 2019, RM35 million nominal value of Senior CPs had been early redeemed and refinanced by a RM35 million nominal value of CPs issued by Kinabalu Capital Sdn Bhd ("Kinabalu"), at the interest rate of 4.29% p.a.. On the same day, RM19 million Fixed Rate Subordinated Term Loan had been early repaid via the proceeds from disposal of QB8 and internal funds.

The transaction costs relating to the programme are amortised over the tenure of the programmes and are charged to profit or loss. The Senior CP and Subordinated Term Loan are secured borrowings.

**B14 BORROWINGS AND DEBT SECURITIES (cont'd)****NON-CURRENT LIABILITIES:**

<b>(b) <u>Fixed Rate Term Loan Facility of up to RM150 million ("RM150 million Term Loan")</u></b>	<b>RM</b>
Term Loan draw down	117,000,000
Transaction cost b/f	<u>(157,274)</u>
	116,842,726
Amortisation of transaction costs during the period	<u>33,684</u>
	<u><u>116,876,410</u></u>

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

On 13 September 2013, Tranche 1 of the facility of RM117 million at interest rate of 4.60% per annum was draw down to repay the RM117 million MTN outstanding under the RM134 million CP/MTN Programme which matured in September 2013. Tranche 2 will be used for capital expenditure and investments at the interest rate at MGS + 1.40% per annum.

On 13 September 2018, the term loan facility has been extended for a further term of five (5) years from 13 September 2018 to 13 September 2023, at interest rate of 4.75% 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 borrowing and there was no draw down of the facility during the quarter.

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

<b>(i) <u>RM144 million in nominal value of CP and RM20 million in nominal value of MTN</u></b>	<b>RM</b>
Face value of CPs / MTNs issued	164,000,000
Discount	<u>(2,951,093)</u>
Cash proceeds	161,048,907
Accretion of interest expenses	<u>194,577</u>
	161,243,484
Transaction costs b/f	<u>(273,248)</u>
Amortisation of transaction costs during the period	<u>93,634</u>
	<u><u>161,063,870</u></u>

<b>(ii) <u>RM61 million in nominal value of CP and RM130 million in nominal value of MTN</u></b>	<b>RM</b>
Face value of CPs / MTNs issued	191,000,000
Discount	<u>(1,262,282)</u>
Cash proceeds	189,737,718
Accretion of interest expenses	<u>811,467</u>
	190,549,185
Transaction costs b/f	<u>(206,956)</u>
Amortisation of transaction costs during the period	<u>65,330</u>
	<u><u>190,407,559</u></u>

**B14 BORROWINGS AND DEBT SECURITIES (cont'd)****NON-CURRENT LIABILITIES (cont'd):****(c) Commercial Papers Programme ("CP Programme") and Medium Term Notes Programme ("MTN Programme") with aggregate combined limit of RM3.0 billion in nominal value ("RM3 billion Programme") (cont'd):****(iii) RM35 million in nominal value of CP**

Face value of CPs issued	35,000,000
Discount	(343,805)
Cash proceeds	34,656,195
Accretion of interest expenses	18,890
	<u>34,675,085</u>
Transaction costs on CP/MTN issued	(5,683)
Amortisation of transaction costs during the period	1,598
	<u>34,671,000</u>
	<u><u>386,142,429</u></u>
<b>Total:</b>	

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

**(i) RM144 million in nominal value of CP and RM20 million in nominal value of MTN**

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

The transaction costs relating to the programme are amortised over the tenure of the programme and are charged to profit or loss. The RM144 million CP and RM20 million MTN are secured borrowings.

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

On 6 March 2017, RM61 million in nominal value of CPs and RM130 million nominal value of MTNs from the CP and MTN Programme were issued at the interest rate of 4.14% p.a. and 4.40% p.a. respectively.

The transaction costs relating to the programme are amortised over the tenure of the programme and are charged to profit or loss. The RM61 million CP and RM130 million MTN are secured borrowings. There were no draw down of the facility during the quarter.

**(iii) RM35 million in nominal value of CPs**

On 29 March 2019, RM35 million in nominal value of CPs were issued at the interest rate of 4.29% p.a. for the purpose of redemption of the RM35 million Senior CPs issued by Murud.

## B15 DERIVATIVE FINANCIAL INSTRUMENTS

As part of the active interest rate management strategy of MQREIT, the following Interest Rate Swap ("IRS") arrangements have been entered into:

- (i) On 21 April 2015, an IRS arrangement swapping floating rate for fixed rate for a notional amount of RM139.5 million ("IRS No. 7") was entered into in relation to the CPs issued by Murud. Pursuant to IRS No. 7, MQREIT will pay a fixed rate of 3.82% p.a. to the Bank whilst the Bank will pay a floating rate to MQREIT. IRS No. 7 commenced on 21 April 2015 and will mature on 30 March 2020.
- (ii) On 21 April 2015, an IRS arrangement swapping floating rate for fixed rate for a notional amount of RM139.5 million ("IRS No. 8") was entered into in relation to the CPs issued by Murud. Pursuant to IRS No. 8, MQREIT will pay a fixed rate of 3.82% p.a. to the Bank whilst the Bank will pay a floating rate to MQREIT. IRS No. 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 IRSs are settled between MQREIT and the Bank on quarterly basis for IRS No. 7 and IRS No. 8 respectively, and are charged or credited to profit or loss accordingly.

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

The fair values of the 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, hence the changes in fair values of the IRS arrangements were recognised in other comprehensive income.

The details of the outstanding derivatives as at 31 December 2019 are as follows:

Type of Derivatives	Contract/Notional Value As at 31 December 2019	Fair values of derivative liabilities as at 31 December 2019
	RM	RM
<b>Interest Rate Swap ("IRS")</b>		
(i) IRS No. 7 - within 1 year	139,500,000	162,129
(ii) IRS No. 8 - within 1 year	139,500,000	162,109
	<u>279,000,000</u>	<u>324,238</u>

## B16 CHANGES IN MATERIAL LITIGATION

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

## B17 INCOME DISTRIBUTION

MQREIT intends to distribute at least 90% of its distributable income at least semi-annually, or at such other intervals as the Manager may determine.

An interim income distribution of RM36,762,157 or 3.43 sen per unit, being approximately 100% of the distributable income for the period 1 January 2019 to 30 June 2019 was made on 23 September 2019.

A final income distribution of RM36,119,087, or 3.37 sen per unit is proposed, being 99.65% of the distributable income for the period 1 July 2019 to 31 December 2019. The proposed final income distribution has been approved by the Board and the Trustee on 17 January 2020 and will be payable on 28 February 2020 to all unitholders as at book closure date on 3 February 2020.

The total gross distribution relating to the financial year ended 31 December 2019 amounted to RM72,881,244 or 6.80 sen per unit, being approximately 99.83% of the total distributable income of MQREIT for the financial year ended 31 December

Distributions are from the following sources :

	01.01.2019 to 31.12.2019	
	RM	
Revenue (Realised)	162,066,468	
Interest income (Realised)	2,621,519	
Less : Property operating expenses and trust expenses (realised)	(92,580,440)	
Total realised income net of taxation	72,107,547	
Add : Distribution adjustments	900,000	
Total distributable income	73,007,547	
Less : Interim income distribution paid on 23 September 2019	(36,762,157)	
Less : Undistributable and non-distributable income	(126,303)	
Balance for income distribution	36,119,087	
Gross final income distribution (RM)	36,119,087	
Distribution per unit (sen) of which:	RM	
- taxable distribution of income (sen)	35,047,304	3.27 sen per unit
- tax exempt distribution of income (sen)	1,071,783	0.10 sen per unit
	36,119,087	3.37 sen per unit

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

Resident and non-resident individuals	10%
Resident and non-resident institutional investors	10%
Resident companies (flow through)	0%
Non-resident companies	24%

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

	As at 31 December 2019	As at 30 September 2019
NAV (RM)	1,323,489,418	1,347,532,224
Number of units in circulation (units)	1,071,783,000	1,071,783,000
NAV per unit (RM) (after provision for distribution)	1.2011	1.2408
Market price (RM)	1.00	1.02

NAV per unit is arrived at by dividing the NAV with the number of units in circulation as at the date of reporting.

The changes in NAV per unit is mainly due to loss on revaluation of investment properties in the current quarter.

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

**B19 MANAGER'S FEE AND SOFT COMMISSION**

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

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

Total fees accrued to the Manager for the quarter ended 31 December 2019 are :

	RM
Base fee	2,233,770
Performance fee	960,960
	3,194,730

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

**B20 TRUSTEE'S FEE**

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

Trustee's fee accrued to the Trustee for the quarter ended 31 December 2019 amounted to RM168,030.

**B21 UNITHOLDINGS BY THE MANAGER**

As at 31 December 2019, the Manager held 2,857,000 units in MQREIT.

## B22 UNITHOLDINGS BY PARTIES RELATED TO THE MANAGER

	No. of units	Percentage of total units	Market Value as at 31 December 2019 RM
Malaysian Resources Corporation Berhad	298,297,000	27.83%	298,297,000
HLIB Nominee (Tempatan) Sdn. Bhd. for :			
-Quill Land Sdn. Bhd.	59,040,000	5.51%	59,040,000
MRCB Quill Management Sdn. Bhd.	2,857,000	0.27%	2,857,000
Quill Resources Holding Sdn. Bhd.	361,000	0.03%	361,000
Global Jejaka Sdn. Bhd.	185,000	0.02%	185,000
	<u>360,740,000</u>	<u>33.66%</u>	<u>360,740,000</u>

The Manager's directors' direct unitholding in MQREIT:

	No. of units	Percentage of total units	Market Value as at 31 December 2019 RM
Dato' Dr. Low Moi Ing, J.P	50,000	0.005%	50,000
Dato' Michael Ong Leng Chun	55,000	0.005%	55,000
Kwan Joon Hoe	80,000	0.007%	80,000

The Manager's directors' indirect unitholding in MQREIT:

	No. of units	Percentage of total units	Market Value as at 31 December 2019 RM
Dato' Dr. Low Moi Ing, J.P	59,401,000 (a)	5.54%	59,401,000
Dato' Michael Ong Leng Chun	59,401,000 (b)	5.54%	59,401,000
Tan Sri Saw Choo Boon	185,000 (c)	0.02%	185,000

(a) Deemed interest by virtue of her direct shareholding in Quill Land Sdn. Bhd., and Quill Resources Holding Sdn. Bhd.

(b) Deemed interest by virtue of his direct shareholding in Quill Land Sdn. Bhd., and Quill Resources Holding Sdn. Bhd.

(c) Deemed interest by way of his substantial shareholding in Morningale Sdn. Bhd. and Jendela Elit Sdn. Bhd., which in turn are substantial shareholders of Global Jejaka Sdn. Bhd.

The market value of the units is computed based on the closing price as of 31 December 2019 of RM1.00 per unit.

**B23 UNITHOLDERS CAPITAL**

	No. of units	
	Current Quarter	Preceding Quarter
Approved fund size	1,100,000,000	1,100,000,000
Issued and fully paid	1,071,783,000	1,071,783,000

**B24 FINANCE COSTS INCURRED DURING THE QUARTER AND YEAR TO DATE**

	Current Quarter	Cumulative Quarter
	RM	RM
Interest expenses on CPMTN	6,480,445	26,444,093
Interest expenses on term loan	2,627,923	10,668,289
Interest on interest rate swap arrangements	309,767	748,676
Amortisation of transaction costs	169,618	677,825
Credit facility costs	65,094	437,280
Interest expenses on unwinding of discount on rental deposits	618,295	618,295
Total finance costs	10,271,142	39,594,458

**B25 RESPONSIBILITY STATEMENT AND STATEMENT BY THE DIRECTORS OF THE MANAGER**

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

In the opinion of the directors of the Manager, the quarterly report has been prepared in accordance with MFRS 134: Interim Financial reporting and Paragraph 9.44 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of MQREIT as at 31 December 2019 and of its financial performance and cash flows for the quarter ended on that date and duly authorised for release by the Board of Directors of the Manager on 17 January 2020.

**BY ORDER OF THE BOARD**

**MOHAMED NOOR RAHIM YAHAYA**  
**COMPANY SECRETARY (MAICSA No. 0866820)**  
**HO NGAN CHUI**  
**COMPANY SECRETARY (MAICSA No. 7014785)**  
**MRCB Quill Management Sdn Bhd**  
**(Company No: 737252-X)**  
**(As Manager of MRCB-QUILL REIT)**  
**Kuala Lumpur**

**Date : 17 January 2020**