

MRCB-QUILL REIT
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2020 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Quarter	To Date	To Date
	31.3.2020	31.3.2019	31.3.2020	31.3.2019
	RM	RM	RM	RM
Total income				
Gross revenue				
-Realised gross revenue	41,711,667	41,383,475	41,711,667	41,383,475
-Unrealised rental income (unbilled lease income receivable) (a)	505,540	335,784	505,540	335,784
	<u>42,217,207</u>	<u>41,719,259</u>	<u>42,217,207</u>	<u>41,719,259</u>
Property operating expenses	(9,421,058)	(9,341,410)	(9,421,058)	(9,341,410)
Net property income	<u>32,796,149</u>	<u>32,377,849</u>	<u>32,796,149</u>	<u>32,377,849</u>
Interest income	579,642	827,954	579,642	827,954
Change in fair value of investment properties				
-As per valuation	-	-	-	-
-Unbilled lease income receivable (a)	(505,540)	(335,784)	(505,540)	(335,784)
Gain on divestment of investment property	-	-	-	-
	<u>32,870,251</u>	<u>32,870,019</u>	<u>32,870,251</u>	<u>32,870,019</u>
Total expenditure				
Manager's fees	(3,196,230)	(3,244,502)	(3,196,230)	(3,244,502)
Trustee's fee	(166,007)	(170,410)	(166,007)	(170,410)
Finance costs	(9,548,693)	(9,856,493)	(9,548,693)	(9,856,493)
Valuation fees	(93,874)	(90,450)	(93,874)	(90,450)
Auditors' remuneration	(36,792)	(35,868)	(36,792)	(35,868)
Tax agent's fee	(6,408)	(6,408)	(6,408)	(6,408)
Administrative expenses	(36,902)	(58,290)	(36,902)	(58,290)
	<u>(13,084,906)</u>	<u>(13,462,421)</u>	<u>(13,084,906)</u>	<u>(13,462,421)</u>
Income before taxation	19,785,345	19,407,598	19,785,345	19,407,598
Income tax expense	-	-	-	-
Income net of taxation	19,785,345	19,407,598	19,785,345	19,407,598
Other comprehensive income				
Gain/(Loss) on remeasurement of financial derivatives (b)	(1,865)	(345,338)	(1,865)	(345,338)
Adjustment of remeasurement of matured derivatives	326,103	-	326,103	-
Total comprehensive income for the financial year	20,109,583	19,062,260	20,109,583	19,062,260
Net income for the year is made up as follows:				
Realised	19,785,345	19,407,598	19,785,345	19,407,598
Unrealised	-	-	-	-
EARNINGS PER UNIT (c)				
- after manager's fees (sen)	1.85	1.81	1.85	1.81
- before manager's fees (sen)	2.14	2.11	2.14	2.11
EARNINGS PER UNIT (REALISED) (d)				
- after manager's fees (sen)	1.85	1.81	1.85	1.81
- before manager's fees (sen)	2.14	2.11	2.14	2.11
Realised Net income/ Distributable income	19,785,345	19,407,598	19,785,345	19,407,598
DISTRIBUTABLE INCOME PER UNIT (f)	1.85	1.81	1.85	1.81

(a) Recognition of unrealised rental income-unbilled lease income receivable pursuant to requirements of MFRS 117 Leases, to recognize income from operating lease on a straight-line basis, including contractual increase rates over the fixed tenure of the agreement.

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

(c) 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 of 1,071,783,000 units.

- (d) 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 of 1,071,783,000 units.
- (e) Distributable income per unit for the current quarter/period is computed based on the units in circulation of 1,071,783,000. Distributable income per unit for the preceding year corresponding quarter/period is based on the units in circulation of 1,071,783,000.

The Condensed Consolidated Statement Of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the financial statements.

MRCB-QUILL REIT
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020 (UNAUDITED)

	AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END
	31.3.2020 UNAUDITED RM	31.12.2019 AUDITED RM
NON-CURRENT ASSETS		
Plant and equipment	387,452	363,265
Investment properties	2,143,000,000	2,125,182,320
Investment properties-accrued rental income	-	17,817,680
Lease receivables	625,549	773,211
	<u>2,144,013,001</u>	<u>2,144,136,476</u>
CURRENT ASSETS		
Trade and other receivables	8,873,386	5,755,440
Lease receivables	568,199	553,552
Deposits with licensed financial institution	40,740,455	59,363,150
Cash and cash equivalents	9,574,714	3,895,740
	<u>59,756,754</u>	<u>69,567,882</u>
	<u>2,203,769,755</u>	<u>2,213,704,358</u>
TOTAL ASSETS		
NON-CURRENT LIABILITIES		
Borrowings	844,429,634	503,018,839
Security deposits	19,050,126	19,106,575
Other payables	1,602,022	1,602,022
Deferred tax liability	12,369,961	12,369,961
	<u>877,451,743</u>	<u>536,097,397</u>
CURRENT LIABILITIES		
Trade and other payables	12,404,537	15,703,152
Derivative liabilities (i)	-	324,238
Borrowings	-	332,697,543
Security deposits	6,433,561	5,392,610
	<u>18,838,098</u>	<u>354,117,543</u>
	<u>896,289,841</u>	<u>890,214,940</u>
TOTAL LIABILITIES		
NET ASSETS VALUE ("NAV")		
	<u>1,307,479,914</u>	<u>1,323,489,418</u>
UNITHOLDERS' FUNDS		
Unitholders' funds attributable to unitholders of MQREIT		
Unitholders' capital	1,235,876,768	1,235,876,768
Undistributed and non-distributable income	71,603,146	87,612,650
Total unitholders' funds	<u>1,307,479,914</u>	<u>1,323,489,418</u>
NUMBER OF UNITS IN CIRCULATION		
	1,071,783,000	1,071,783,000
NET ASSET VALUE PER UNIT		
- before income distribution (ii)	1.2199	1.2348
- after income distribution (iii)	1.2015	1.2011

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

(ii) Net Asset Value assuming 100% of realised net income for the current quarter of RM19,785,345 is provided for income distribution.

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2019 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 MARCH 2020 (UNAUDITED)

	← Distributable →			Non-Distributable Net Fair Value (Loss) / Gain On Derivatives Unrealised	Total Undistributed and Non-Distributable Income	Unitholders' Funds
	Unitholders' Capital	Undistributed Income Realised	Undistributed Income Unrealised			
	RM	RM	RM			
As at 1 January 2020	1,235,876,768	49,005,245	38,931,643	(324,238)	87,612,650	1,323,489,418
Total Comprehensive Income for the financial period	-	19,785,345	-	(1,865)	19,783,480	19,783,480
Adjustment of remeasurement of matured derivatives	-	-	-	326,103	326,103	326,103
	<u>1,235,876,768</u>	<u>68,790,590</u>	<u>38,931,643</u>	<u>-</u>	<u>107,722,233</u>	<u>1,343,599,001</u>
Unitholders' transactions:						
Distribution to unitholders	-	(36,119,087)	-	-	(36,119,087)	(36,119,087)
As at 31 March 2020	<u>1,235,876,768</u>	<u>32,671,503</u>	<u>38,931,643</u>	<u>-</u>	<u>71,603,146</u>	<u>1,307,479,914</u>
As at 1 January 2019	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 period	-	19,407,598	-	(345,338)	19,062,260	19,062,260
	<u>1,235,876,768</u>	<u>74,331,098</u>	<u>81,917,285</u>	<u>(773,360)</u>	<u>155,475,023</u>	<u>1,391,351,791</u>
Unitholders' transactions:						
Distribution to unitholders	-	(41,263,646)	-	-	(41,263,646)	(41,263,646)
As at 31 March 2019	<u>1,235,876,768</u>	<u>33,067,452</u>	<u>81,917,285</u>	<u>(773,360)</u>	<u>114,211,377</u>	<u>1,350,088,145</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 2019 and the accompanying explanatory notes attached to the financial statements.

MRCB-QUILL REIT
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2020 (UNAUDITED)

	CURRENT YEAR TO DATE 31.3.2020 RM	PRECEDING YEAR TO DATE 31.3.2019 RM
OPERATING ACTIVITIES		
Income before tax	19,785,345	19,407,598
Adjustments for:		
Finance costs	9,548,693	9,856,493
Depreciation	53,863	37,040
Interest income	(579,642)	(827,954)
Operating cash flows before changes in working capital	<u>28,808,259</u>	<u>28,473,177</u>
Receivables	(3,546,925)	(5,186,402)
Payables	1,314,568	3,157,003
Cash flows from operations	<u>26,575,902</u>	<u>26,443,778</u>
Income tax paid	-	-
Net cash flows generated from operating activities	<u>26,575,902</u>	<u>26,443,778</u>
INVESTING ACTIVITIES		
Additions to investment properties	-	(209,090)
Purchase of plant & equipment	(78,050)	-
Interest received	684,217	1,315,139
Net cash flow generated from investing activities	<u>606,167</u>	<u>1,106,049</u>
FINANCING ACTIVITIES		
Distribution to unitholders	(36,119,087)	(41,263,646)
Finance costs paid	(10,006,703)	(13,136,198)
Proceeds from borrowings	341,000,000	35,000,000
Repayment of borrowings	(335,000,000)	(54,000,000)
Cash flows used in financing activities	<u>(40,125,790)</u>	<u>(73,399,844)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,943,721)	(45,850,017)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	63,258,890	85,775,603
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>50,315,169</u>	<u>39,925,586</u>
Cash and cash equivalents at end of period comprises:		
Deposits with licensed financial institutions	40,740,455	34,781,473
Cash on hand and at banks	9,574,714	5,144,113
	<u>50,315,169</u>	<u>39,925,586</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes to the financial statements.

MRCB-QUILL REIT
EXPLANATORY NOTES FOR PERIOD ENDED 31 MARCH 2020

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 2019 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 2019.

A4 AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2019

The audit report of the financial statements for the preceding year ended 31 December 2019 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 ended 31 March 2020, there was no revaluation of investment properties.

A12 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 31 MARCH 2020

- (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 and superseded the Original Deed.

A13 SIGNIFICANT EVENTS SUBSEQUENT TO THE QUARTER ENDED 31 MARCH 2020

There is no significant events subsequent to the quarter ended 31 March 2020.

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 March 2020 are as follows:

	As at 31 March 2020
	RM
Approved and contracted for :	
Investment properties	<u>593,502</u>

B1 REVIEW OF PERFORMANCE

Quarter Results (1Q 2020 vs 1Q 2019)

MQREIT recorded gross revenue of RM42.2 million in 1Q 2020, a increase of RM0.5 million or 1.2% compare to 1Q 2019. The increase was mainly due to higher revenue generated from Menara Shell, Wisma Technip and Tesco.

Property operating expenses for 1Q 2020 were RM9.4 million, a marginal increase of approximately RM0.1 million or 0.9% compared to 1Q 2019, mainly due to higher operating expenses incurred for some properties.

These have resulted in higher net property income by RM0.4 million or 1.3% in 1Q 2020 compared to 1Q 2019.

Manager's fees incurred for 1Q 2020 were RM3.2 million, lower by 1.5% compared to 1Q 2019; and Trustee's fee incurred for 1Q 2020 was reduced by 2.6% compared to 1Q 2019, mainly due to lower total gross assets value in 1Q 2020. Finance costs incurred for 1Q 2020 of RM9.5 million were lower by 3.1% compared to 1Q 2020, mainly due to lower KLIBOR rate in 1Q 2020 compared to 1Q 2019.

As a result of all the above, income before taxation for the current quarter under review of RM19.8 million was higher by RM0.04 million or 2.0% compared to 1Q 2019.

Financial Year-to-date Results (YTD 2020 vs YTD 2019)

Review of financial year-to-date results is the same as above.

Current Quarter vs Immediate Preceding Quarter (1Q 2020 vs 4Q 2019)

As compared with the immediate preceding quarter ("4Q 2019"), realised gross revenue in 1Q 2020 of RM42.2 million was higher by 3.9% and property operating expenses of RM9.4 million were lower by 10.1% respectively, resulted in lower net property income by 8.8%. Finance costs were lower in 1Q 2020 due to lesser number of days in 1Q 2020 as compared to 4Q 2019. Overall, realised net income before taxation of RM19.8 million were marginally higher by 6.3% compared to 4Q 2019.

The performance of MQREIT for the period ended 31 March 2020 is in line with the investment objectives of MQREIT.

B2 INVESTMENT OBJECTIVES AND STRATEGIES

The investment objective of MQREIT is to acquire and invest in commercial properties primarily in Malaysia with a view to provide long-term growth and sustainable distribution of income to unitholders to achieve long-term growth in the net asset value per unit. There has been no change in the investment objective of MQREIT since the date of the Annual Report for 2019.

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 2019 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 - Kuala Lumpur

Existing supply of office space is approximately 85 million as at 3Q 2019. 8.8 million sq. ft of office space will be completed during 2019 - 2022, 80% of which are located in the Golden Triangle. Overall, the occupancy rate has been heading downwards, from 89% in 2010 to 79% in 3Q 2019 due to the slower growth of occupiers' demand. Drop in rentals were recorded in the Golden Triangle area for both prime and secondary office buildings, from RM7.23 psf (3Q 2019) to RM7.18 psf (4Q 2019). KL Sentral area increased slightly from RM7.10 psf (3Q 2019) to RM7.16 psf (4Q 2019). As a transportation hub integrating various public transportation lines, prime office rentals in KL Sentral remain resilient due to high demand as well as limited new office supply.

(Source : Property Market Outlook 2020 by Nawawi Tie Leung Property Consultants Sdn Bhd)

The Covid-19 outbreak has also impacted the office market landscape. Landlords has had to establish preventive measures to mitigate the risk of its properties being exposed to Covid-19. Tenants have also been required to evaluate its current business operations and may have opted for remote working or splitting its office operations to various back up sites. This would translate to tenants reevaluating its office space requirements to meet the new way of operating. The disruptions in the overall economy and business operations are expected to be prolonged and this will put more pressure on the overall occupancy and rental levels, in an already challenging and vulnerable office market.

Review of retail market - Klang Valley and Penang

Total supply of retails space in Kuala Lumpur and Selangor as at 3Q 2019 is 33.72 million sq. ft. and 38.37 million sq. ft. respectively. Average occupancy rate for both Kuala Lumpur and Selangor is hovering at 83%. Meanwhile, Penang recorded a total supply and average occupancy rate of 18.75 million and 72.3% respectively during the same period.

The retail malls have been significantly affected by the Covid-19 outbreak and the Movement Control Order ("MCO") imposed by the Malaysian Government. Challenges in rental collection lower revenues are expected as only essential service providers were allowed to continue their business during the MCO. Some tenants may not be able to survive the MCO and may consider termination of tenancy. Shoppers traffic will continue be affected as Landlords will still carry out social distancing and other preventive measures after the MCO is lifted. There will be a shift in the way consumers' shop i.e. favoring online or the e-commerce platforms.

(Source : Property Market Outlook 2020 by Nawawi Tie Leung Property Consultants Sdn Bhd)

B4 PROSPECTS

In 2020, 19% of MQREIT's total net lettable area ("NLA") or approximately 371,000 sq. ft. are due for renewal. 2% of these leases were due in 1Q2020. As at 31 March 2020, 93% of the leases due in 1Q 2020 have been renewed. 8% will be due in the second quarter, 4% will be due in the third quarter and the balance 86% will be due in the fourth quarter. The Manager has started early negotiations for the balance of the leases with the intention to lock in the tenancy ahead of its expiry.

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.

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 2020.

(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 MARCH 2020

As at 31 March 2020, MQREIT's portfolio comprises of ten buildings as follows:

Investment properties	Cost of Investment	Market Value / Net Carrying amount as at 31 March 2020	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	10.20%
2 QB2 - HSBC	107,500,000	123,000,000	9.41%
3 QB3 - BMW	59,400,000	78,000,000	5.97%
4 Wisma Technip	125,000,000	173,200,000	13.25%
5 Part of Plaza Mont' Kiara	90,000,000	118,500,000	9.06%
6 QB5 - IBM	43,000,000	40,000,000	3.06%
7 Tesco Building Penang	132,000,000	140,000,000	10.71%
8 Platinum Sentral	740,000,000	686,000,000	52.47%
9 Menara Shell	640,000,000	651,000,000	49.79%
	<u>2,046,000,000</u>	<u>2,143,000,000</u>	

No capital expenditure were incurred during the quarter. The NAV as at 31 March 2020 is RM1,307,479,914.

B14 BORROWINGS AND DEBT SECURITIES

	As at end of period ended 31 March 2020
<u>NON-CURRENT LIABILITIES:</u>	
(a) Fixed Rate Term Loan Facility of up to RM150 million ("RM150 million Term Loan")	116,884,832
(b) Senior CPs/MTNs 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")	-
(c) CPs/MTNs Programme of up to RM3 billion	387,151,516
(d) CPs/MTNs Programme of up to RM450 million	340,393,288
	<u>844,429,636</u>
(a) <u>Fixed Rate Term Loan Facility of up to RM150 million ("RM150 million Term Loan")</u>	RM
Term Loan draw down	117,000,000
Transaction cost b/f	(123,590)
	<u>116,876,410</u>
Amortisation of transaction costs during the period	8,422
	<u>116,884,832</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 drawdown 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.

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

(i) <u>Senior CP / MTN Programme</u>	RM
Face value of CPs issued	244,000,000
Discount	(2,256,164)
Cash proceeds	<u>241,743,836</u>
Accretion of interest expenses	<u>2,256,164</u>
	244,000,000
Transaction costs b/f	(47,930)
Amortisation of transaction costs during the period	47,930
Redeemed on 30 March 2020	<u>(244,000,000)</u>
	<u>-</u>
	<u>-</u>
(ii) <u>Fixed Rate Subordinated Term Loan</u>	RM
Term Loan draw down	91,000,000
Transaction costs b/f	(23,431)
	<u>90,976,569</u>
Amortisation of transaction costs during the period	23,431
Redeemed on 30 March 2020	<u>(91,000,000)</u>
	<u>-</u>
	<u>-</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% per annum to the Bank whilst the Bank will pay a floating rate to MQREIT. These interest rate swap arrangements commenced on 21 April 2015 and matured on 30 March 2020.

On 30 March 2020, the RM244 million outstanding CPs and RM91 million MTNs were redeemed using the proceeds from the new issuance of RM341 million MTNs under the RM450 million CPs/MTNs Programme (as disclosed under Note 14 (d)). As such, there was no outstanding balance under the RM290 million Senior CP/ MTN Programme and RM250 million Fixed Rate Subordinated Term Loan Programme as at 31 March 2020.

B14 BORROWINGS AND DEBT SECURITIES (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")**

	RM
(i) Issue 1	217,921,221
(ii) Issue 2	169,230,295
	<u>387,151,516</u>

(i) (a) RM144 million in nominal value of CP and RM20 million in nominal value of MTN ("Issue 1") issued on 22 December 2016

	RM
Face value of CP/ MTN issued	164,000,000
Discount	(2,951,093)
Cash proceeds	<u>161,048,907</u>
Accretion of interest expenses	1,670,124
	<u>162,719,031</u>
Transaction costs b/f	(179,614)
Amortisation of transaction costs during the period	23,417
	<u>162,562,834</u>

(b) RM21 million in nominal value of CP ("Issue 1") issued on 6 March 2017

	RM
Face value of CP issued	21,000,000
Discount	(403,142)
Cash proceeds	<u>20,596,858</u>
Accretion of interest expenses	57,592
	<u>20,654,450</u>
Transaction costs b/f	(15,572)
Amortisation of transaction costs during the period	1,796
	<u>20,640,674</u>

(c) RM35 million in nominal value of CP ("Issue 1") issued on 29 March 2019

	RM
Face value of CPs issued	35,000,000
Discount	(294,940)
Cash proceeds	<u>34,705,060</u>
Accretion of interest expenses	16,205
	<u>34,721,265</u>
Transaction costs on CP/MTN issued	(4,085)
Amortisation of transaction costs during the period	533
	<u>34,717,713</u>

Total Issue 1	<u><u>217,921,221</u></u>
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B14 BORROWINGS AND DEBT SECURITIES (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):**

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.

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% per annum and 4.30% per annum 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.

On 6 March 2017, RM21 million in nominal value of CPs were issued at the interest rate of 4.14% per annum. The proceeds raised from this issuance were utilised to partially redeemed the CPs under the RM270 million CP/ MTN Programme which matured on 6 March 2017.

On 29 March 2019, RM35 million in nominal value of CPs were issued at the interest rate of 4.29% per annum for the purpose of partial redemption of the RM35 million Senior CPs under the RM279 million CP/ MTN programme issued by Murud.

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

(ii) RM40 million in nominal value of CP and RM130 million in nominal value of MTN ("Issue 2") issued on 6 March 2017

	RM
Face value of CPs issued	170,000,000
Discount	(767,890)
Cash proceeds	<u>169,232,110</u>
Accretion of interest expenses	109,699
	<u>169,341,809</u>
Transaction costs on CP/MTN issued	(126,054)
Amortisation of transaction costs during the period	14,540
	<u><u>169,230,295</u></u>

On 6 March 2017, RM40 million in nominal value of CPs and RM130 million nominal value of MTNs from the CP/ MTN Programme were issued at the interest rate of 4.14% per annum and 4.40% per annum respectively. The proceeds raised from this issuance were utilised to redeem the CPs/ MTNs under the RM270 million CP/ MTN Programme which matured on 6 March 2017.

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

B14 BORROWINGS AND DEBT SECURITIES (cont'd)

(d) Commercial Papers ("CP")/ Medium Term Notes ("MTNs") (collectively the CP/MTN Programme ("CP/MTN Programme")) of up to RM450 million in nominal value ("RM450 million Programme"):

<u>RM341 million in nominal value of MTN</u>	<u>RM</u>
Face value of MTNs issued	341,000,000
Transaction costs on CP/MTN issued	(620,340)
Amortisation of transaction costs during the period	13,628
	<u>340,393,288</u>

On 30 March 2020, MQREIT through its SPE, Murud Capital Sdn Bhd ("Murud") established a RM450 million nominal value of CP/ MTN Programme for a tenure of 7 years. On the same day, RM341 million nominal values of MTNs were issued at the blended interest rate of 3.99% per annum, the proceeds from the issuance were utilised to repay the existing RM244 million Senior CP and RM91 million Fixed Rate Subordinated Term Loan which due on 30 March 2020, and the balance is for working capital purposes.

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

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% per annum to the Bank whilst the Bank will pay a floating rate to MQREIT. IRS No. 7 commenced on 21 April 2015 and has matured 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% per annum to the Bank whilst the Bank will pay a floating rate to MQREIT. IRS No. 8 commenced on 21 April 2015 and has matured 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.

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.

A final income distribution of RM36,119,087, or 3.37 sen per unit, being income distribution for the period 1 July 2019 to 31 December 2019, has been made on 28 February 2020.

No income distribution was proposed for the current quarter as MQREIT's distribution of income is paid on a half yearly basis.

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 investor	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 March 2020	As at 31 December 2019
NAV (RM)	1,307,479,914	1,323,489,418
Number of units in circulation (units)	1,071,783,000	1,071,783,000
NAV per unit (RM) (after provision for distribution)	1.2015	1.2011
Market price (RM)	0.675	1.00

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 the income distribution made 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 March 2020 are :

	RM
Base fee	2,210,122
Performance fee	986,108
	<u>3,196,230</u>

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

B20 TRUSTEE'S FEE

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

Trustee's fee accrued to the Trustee for the quarter ended 31 March 2020 amounted to RM166,007.

B21 UNITHOLDINGS BY THE MANAGER

As at 31 March 2020, 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 March 2020 RM
Malaysian Resources Corporation Berhad	298,297,000	27.83%	201,350,475
HLIB Nominee (Tempatan) Sdn. Bhd. for :			
-Quill Land Sdn. Bhd.	59,040,000	5.51%	39,852,000
MRCB Quill Management Sdn. Bhd.	2,857,000	0.27%	1,928,475
Quill Resources Holding Sdn. Bhd.	361,000	0.03%	243,675
Global Jejaka Sdn. Bhd.	185,000	0.02%	124,875
	<u>360,740,000</u>	<u>33.66%</u>	<u>243,499,500</u>

The Manager's directors' direct unitholding in MQREIT:

	No. of units	Percentage of total units	Market Value as at 31 March 2020 RM
Dato' Dr. Low Moi Ing, J.P	50,000	0.005%	33,750
Dato' Michael Ong Leng Chun	55,000	0.005%	37,125
Kwan Joon Hoe	150,000	0.014%	101,250

The Manager's directors' indirect unitholding in MQREIT:

	No. of units	Percentage of total units	Market Value as at 31 March 2020 RM
Dato' Dr. Low Moi Ing, J.P	59,401,000 (a)	5.54%	40,095,675
Dato' Michael Ong Leng Chun	59,401,000 (b)	5.54%	40,095,675
Tan Sri Saw Choo Boon	185,000 (c)	0.02%	124,875

(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 March 2020 of RM0.675 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	6,380,945	6,380,945
Interest expenses on term loan	2,572,682	2,572,682
Interest on interest rate swap arrangements	321,538	321,538
Amortisation of transaction costs	148,266	148,266
Credit facility costs	125,262	125,262
Total finance costs	9,548,693	9,548,693

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 March 2020 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 June 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 June 2020