Financial Statements and Related Announcement::First Quarter Results

Issuer & Securities

Issuer/ Manager	CAPITACOMMERCIAL TRUST MANAGEMENT LIMITED
Securities	CAPITACOMMERCIAL TRUST - SG1P32918333 - C61U

Announcement Details

Announcement Title	Financial Statements and Related Announcement
Date & Time of Broadcast	30-Apr-2014 19:13:35
Status	New
Announcement Sub Title	First Quarter Results
Announcement Reference	SG140430OTHRSLHE
Submitted By (Co./ Ind. Name)	Doris Lai
Designation	Company Secretary, CapitaCommercial Trust Management Limited (As manager of CapitaCommercial Trust)
Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)	Announcements by Quill Capita Trust ("QCT"): (1) First Quarter 2014 Financial Results. (2) News release: Quill Capita Trust's First Quarter 2014 Realised Earnings Per Unit Increased by 0.7% year-on-year. (3) First Quarter 2014 Corporate Presentation Slides dated 30 April 2014. The above announcements issued by Quill Capita Management Sdn Bhd, as manager of QCT, to the Bursa Malaysia Securities Berhad, are attached for information. CapitaCommercial Trust is a substantial unitholder of QCT.

Additional Details

For Financial Period Ended	31/03/2014
Attachments	QCT_Financial_results_1Q2014.pdf QCT_News_release_1Q2014.pdf QCT_Corporation_Presentation_1Q2014.pdf Total size =4160K

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Financial Results

Form Version **8 (Enhanced)**
Initiated by **QUILL CAPITA TRUST** on **09/04/2014 10:18:31 AM**
Submitted by **QUILL CAPITA TRUST** on **30/04/2014 05:00:55 PM**
Reference No **QC-140409-37111**

Submitted

Company Information

Main Market Company
New Announcement
Submitting Investment Bank/Advisor (if applicable)
Submitting Secretarial Firm (if applicable)

* **Company name**	QUILL CAPITA TRUST
* **Stock name**	QCAPITA
* **Stock code**	5123
* **Contact person**	Corinne Tan
* **Designation**	Vice President
* **Contact number**	03-27888188
E-mail address	corinne.tan@qct.com.my

Part A : To be filled by Public Listed Company

* **Financial Year End**	**31/12/2014**
* **Quarter**	**1 Qtr**
* **Quarterly report for the financial period ended**	**31/03/2014**
* **The figures**	**have not been audited**

Please attach the full Quarterly Report here

QCT-1Q14 Financials (Final).pdf

Remarks

- DEFAULT CURRENCY
- OTHER CURRENCY

Currency Malaysian Ringgit (MYR)

Part A2 : SUMMARY OF KEY FINANCIAL INFORMATION

Summary of Key Financial Information for the financial period ended * 31/03/2014

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER *	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE *	PRECEDING YEAR CORRESPONDING PERIOD
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	[dd/mm/yyyy] $$'000	[dd/mm/yyyy] $$'000	[dd/mm/yyyy] $$'000	[dd/mm/yyyy] $$'000
1. Revenue	17,185	17,227	17,185	17,227
2. Profit/(loss) before tax	8,162	8,109	8,162	8,109
3. Profit/(loss) for the period	8,162	8,109	8,162	8,109
4. Profit/(loss) attributable to ordinary equity holders of the parent	8,162	8,109	8,162	8,109
5. Basic earnings/(loss) per share (Subunit)	2.09	2.08	2.09	2.08
6. Proposed/Declared dividend per share (Subunit)	0.00	0.00	0.00	0.00
	AS AT END OF CURRENT QUARTER*		AS AT PRECEDING FINANCIAL YEAR END	
7. Net assets per share attributable to ordinary equity holders of the parent ($$)		1.3458		1.3674

Remarks :

Definition of Subunit:

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

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

QUILL CAPITA TRUST
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2014 (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2014	Preceding Year Corresponding Quarter 31.03.2013	Current Year To Date 31.03.2014	Preceding Year Corresponding To Date 31.03.2013
	RM	RM	RM	RM
TOTAL INCOME				
Gross revenue	17,184,794	17,226,965	17,184,794	17,226,965
Property operating expenses	(4,171,964)	(4,161,340)	(4,171,964)	(4,161,340)
Net property income	13,012,830	13,065,625	13,012,830	13,065,625
Interest income	113,174	291,967	113,174	291,967
	13,126,004	13,357,592	13,126,004	13,357,592
TOTAL EXPENDITURE				
Manager's fee	(1,347,195)	(1,351,866)	(1,347,195)	(1,351,866)
Trustee's fee	(62,733)	(65,248)	(62,733)	(65,248)
Finance costs	(3,430,493)	(3,456,966)	(3,430,493)	(3,456,966)
Valuation fees	(47,500)	(172,500)	(47,500)	(172,500)
Auditors' remuneration	(30,879)	(60,879)	(30,879)	(60,879)
Tax agent's fee	95,371	(55,829)	95,371	(55,829)
Administrative expenses	(140,579)	(85,161)	(140,579)	(85,161)
	(4,964,008)	(5,248,449)	(4,964,008)	(5,248,449)
INCOME BEFORE TAX	8,161,996	8,109,143	8,161,996	8,109,143
Income tax expense	-	-	-	-
NET INCOME FOR THE PERIOD	8,161,996	8,109,143	8,161,996	8,109,143
OTHER COMPREHENSIVE INCOME				
Gain / (Loss) on remeasurement of financial derivatives (a)	96,859	(21,076)	96,859	(21,076)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	8,258,855	8,088,067	8,258,855	8,088,067
Net income for the period is made up as follows:				
Realised	8,161,996	8,109,143	8,161,996	8,109,143
Unrealised	-	-	-	-
EARNINGS PER UNIT (b)				
- after manager's fees (sen)	2.09	2.08	2.09	2.08
- before manager's fees (sen)	2.44	2.43	2.44	2.43
EARNINGS PER UNIT (REALISED) (c)				
- after manager's fees (sen)	2.09	2.08	2.09	2.08
- before manager's fees (sen)	2.44	2.43	2.44	2.43

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

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

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

The Condensed Consolidated Statement Of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the financial statements.

QUILL CAPITA TRUST
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 31 MARCH 2014 (UNAUDITED)

	AS AT END OF CURRENT QUARTER 31.03.2014 UNAUDITED RM	AS AT PRECEDING FINANCIAL YEAR END 31.12.2013 AUDITED RM
NON-CURRENT ASSETS		
Plant and equipment	7,553	9,482
Investment properties	825,629,241	825,560,000
Derivative assets (i)	1,120,043	1,023,184
	826,756,837	826,592,666
CURRENT ASSETS		
Trade and other receivables	18,304,170	2,612,114
Deposits with licensed financial institution	11,458,570	24,738,926
Cash on hand and at banks	4,410,782	6,176,487
	34,173,522	33,527,527
CURRENT LIABILITIES		
Trade and other payables	7,500,052	11,650,980
Security deposits	5,638,487	5,365,479
	13,138,539	17,016,459
NET CURRENT ASSETS	21,034,983	16,511,068
NON-CURRENT LIABILITIES		
Borrowings	318,399,500	304,887,413
Security deposits	4,371,116	4,756,365
	322,770,616	309,643,778
NET ASSETS	**525,021,204**	**533,459,956**
Represented by:		
UNITHOLDERS' FUND		
Unitholders' capital	411,712,067	411,712,067
Undistributed and Non-distributable income	113,309,137	121,747,889
	525,021,204	**533,459,956**
NET ASSET VALUE PER UNIT (before provision for distribution)	1.3458	1.3674
NET ASSET VALUE PER UNIT (after provision for distribution) (ii)	1.3248	1.3246
NUMBER OF UNITS IN CIRCULATION	390,131,000	390,131,000

(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 RM8,161,996 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 2013 and the accompanying explanatory notes attached to the financial statements.

QUILL CAPITA TRUST
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE PERIOD ENDED 31 MARCH 2014 (UNAUDITED)

		Distributable	Non-Distributable			
	Unitholders' Capital	Undistributed Income Realised	Undistributed Income Unrealised	Net Fair Value (Loss)/Gain On Derivatives Unrealised	Total Undistributed and Non-Distributable Income	Unitholders' Funds
	RM	RM	RM	RM	RM	RM
As 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 period	-	8,161,996	-	96,859	8,258,855	8,258,855
	411,712,067	33,761,297	95,125,404	1,120,043	130,006,744	541,718,811
Unitholders' transactions:						
Distribution paid on 10 March 2014	-	(16,697,607)	-	-	(16,697,607)	(16,697,607)
As at 31 March 2014	411,712,067	17,063,690	95,125,404	1,120,043	113,309,137	525,021,204
As at 1 January 2013	411,712,067	23,391,562	94,889,632	(1,144,288)	117,136,906	528,848,973
Total Comprehensive Income for the period	-	8,109,143	-	(21,076)	8,088,067	8,088,067
	411,712,067	31,500,705	94,889,632	(1,165,364)	125,224,973	536,937,040
Unitholders' transactions:						
Distribution paid on 12 March 2013	-	(16,697,607)	-	-	(16,697,607)	(16,697,607)
As at 31 March 2013	411,712,067	14,803,098	94,889,632	(1,165,364)	108,527,366	520,239,433

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 2013 and the accompanying explanatory notes attached to the financial statemets.

QUILL CAPITA TRUST
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2014 (UNAUDITED)

	CURRENT YEAR TO DATE 31.03.2014 RM	PRECEDING YEAR TO DATE 31.03.2013 RM
OPERATING ACTIVITIES		
Income before tax	8,161,996	8,109,143
Adjustments for:		
Finance costs	3,430,493	3,456,966
Depreciation	1,929	1,929
Interest income	(113,174)	(291,967)
Operating cash flows before changes in working capital	11,481,244	11,276,071
Receivables	(15,760,202)	5,486,469
Payables	(2,198,545)	(4,952,509)
Cash flows from operations	(6,477,503)	11,810,031
Income tax paid	-	-
Net cash flows (used in) / generated from operating activities	(6,477,503)	11,810,031
INVESTING ACTIVITIES		
Additions to investment properties	(69,241)	(135,000)
Interest income	127,287	319,584
Net cash flows generated from investing activities	58,046	184,584
FINANCING ACTIVITIES		
Distribution to unitholders	(16,697,607)	(16,697,607)
Finance costs paid	(6,928,997)	(6,508,952)
Proceeds from borrowings	15,000,000	-
Net cash flows used in financing activities	(8,626,604)	(23,206,559)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,046,061)	(11,211,944)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	30,915,413	30,452,227
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15,869,352	19,240,283
Cash and cash equivalents at end of period comprises:		
Deposits with licensed financial institutions	11,458,570	11,887,516
Cash on hand and at banks	4,410,782	7,352,767
	15,869,352	19,240,283

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes to the financial statements.

A1 BASIS OF PREPARATION

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

The financial statements comply with the Malaysian Financial Reporting Standards ("MFRS") 134 "Interim Financial Reporting", provisions of the Trust Deed and the Securities Commission's Guidelines on Real Estate Investment Trusts and should be read in conjunction with QCT's audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

A2 BASIS OF CONSOLIDATION

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

A3 CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted in the interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2013 except for the adoption of the following standards which are effective for annual periods beginning on and after 1 January 2014:

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21 Levies

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

A4 AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2013

The audit report of the financial statements for the preceding year ended 31 December 2013 was not qualified.

A5 SEASONALITY OR CYCLICALITY OF OPERATIONS

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

A6 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

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

A7 CHANGES IN ESTIMATES OF AMOUNTS REPORTED

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

A8 CHANGES IN DEBT AND EQUITY

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

A9 INCOME DISTRIBUTION POLICY

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

A10 SEGMENT REPORTING

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

A11 VALUATION OF INVESTMENT PROPERTIES

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

For the quarter ended 31 March 2014, there was no revaluation of investment properties.

A12 SIGNIFICANT EVENTS DURING THE QUARTER ENDED 31 MARCH 2014

There were no significant events during the quarter ended 31 March 2014 not otherwise disclosed in the financial statements.

A13 SIGNIFICANT EVENTS SUBSEQUENT TO THE QUARTER ENDED 31 MARCH 2014

As announced to Bursa Malaysia Securities Berhad on 10 April 2014, Maybank Trustees Berhad, solely in its capacity as Trustee for and on behalf of QCT, had on 10 April 2014 entered into a conditional Sale and Purchase Agreement ("SPA ") with MRCB Sentral Properties Sdn Bhd ("MSP"), a wholly-owned subsidiary of Malaysian Resources Corporation Berhad ("**MRCB**"), for the proposed acquisition of all that parcel of land together with the deck structure, including the road(s) constructed on part of the deck, held under Geran 46222, Lot 73, Seksyen 70, Bandar Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan ("**Land**"), together with a commercial development erected thereon known as Platinum Sentral, consisting of 5 blocks of 4 to 7 storey commercial building comprising office-cum retail space, a multi-purpose hall and 2 levels of car park together with 637 car parks bays ("**Platinum Sentral**"), and all such plant and equipment, fixtures and fittings attached to the Land and/or Platinum Sentral (collectively, the "**Property**") for a purchase consideration of RM750,000,000 ("**Purchase Consideration**") ("**Proposed Acquisition**").

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

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

(ii) Proposed Authority to give the Board flexibility in allotting and issuing new Units to the Manager as payment of management fee. Pursuant thereto, certain clauses in the Deed of Trust constituting QCT dated 9 October 2006, as amended by the first supplemental deed dated 27 August 2009 and the second supplemental deed dated 28 May 2013 entered into between the Manager and the Trustee (the "**Deed**") shall be amended to allow the Proposed Authority;

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

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

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

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

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

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

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

Following the Proposed Shares Disposals, CRPL will cease to be a shareholder of QCM while MRCB, QRHSB and CCSB will hold 41%, 39% and 20% equity interest in QCM respectively. Approval will be sought from the Securities Commission Malaysia ("**SC**") for the change in shareholding structure of the Manager as a result of the Proposed Shares Disposals.

A14 CHANGES IN CONTINGENT LIABILITIES

There are no contingent liabilities to be disclosed.

A15 CAPITAL COMMITMENTS

The amount of capital commitment not provided for in the financial statement as at 31 March 2014 are as follows:

	As at 31 March 2014 RM
Approved and contracted for :	
Investment properties	8,094,729

B1 REVIEW OF PERFORMANCE

Quarter and year todate results

QCT recorded total revenue of RM17.18 million and property operating expenses of RM4.17 million respectively for the current quarter ended 31 March 2014. Realised income of RM8.16 million was achieved. Borrowing costs of RM3.43 million and manager's fee of RM1.35 million were incurred during the quarter.

As compared with the preceding year corresponding quarter, the revenue is about 0.2% lower mainly due to higher vacancy, mitigated by rental rate increases of some properties. Property operating expenses is higher by 0.3% due to higher repair and maintenance costs. The lower revenue and higher property operating expenses resulted in lower net property income by 0.4%. Finance costs is marginally lower by 0.8% during the quarter due mainly to lower interest on borrowings in the current quarter. Administrative expenses are higher by 65% mainly due to accrual of GST advisory fee in the current quarter. Tax agent fee was lower due to write back of over-accrued fee in the current quarter. Valuation fee is lower as there is no plan to do a mid year valuation and thus there was no accrual of mid year valuation fee in the current quarter. Notwithstanding the lower net property income, the realised income of RM8.16 million is 0.7% higher than the preceding year corresponding quarter mainly due to lower valuation fee and tax agent fee, and savings in finance costs in the current quarter.

As compared with the immediate preceding quarter, revenue of RM17.18 million is lower by 0.7% mainly due to higher vacancy, net of rental rate increases of some properties. Property operating expenses is lower by 1.7% due to lesser repair costs incurred. The lower revenue net of savings in property operating expenses resulted in a lower net property income by 0.4%. Finance costs are higher by 2.9% mainly due to the write back of over-accrued annual credit facility fee in the preceding quarter. Administrative expenses are higher by 163.7% mainly due to write back of over-accrued professional fee in relation to business development activities in preceding quarter, as well as accrual of GST advisory fee in the current quarter. The realised income of the current quarter is lower by 5.1% mainly due to lower net property income, lower interest income, higher finance costs and higher administrative expenses.

The performance of QCT for the quarter and period ended 31 March 2014 is in line with the investment objective of QCT.

B2 INVESTMENT OBJECTIVES AND STRATEGIES

The investment objective of QCT is to acquire and invest in commercial properties primarily in Malaysia with a view to provide long-term growth and sustainable distribution of income to unitholders to achieve long-term growth in the net asset value per unit. There has been no change in the investment objective of QCT since the date of QCT's Annual Report for 2013.

The Manager will continue to focus on its portfolio management and acquisition growth strategy, active asset management strategy and capital management strategy to achieve the objective of QCT. There has been no change in the strategies employed by the Manager since the date of QCT's Annual Report for 2013 as they remain relevant in the current market conditions.

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

Review of office market - Klang Valley

For 4Q 2013, overall rental rates and occupancy levels in the Klang Valley office market are expected to hold firm in the short to medium term. The office market in the KL city centre saw a 0.5% increase in occupancy quarter-to-quarter (q-o-q) to 83.4%, while the occupancy in the city fringe dipped slightly by 2.3% q-o-q to 81.6% attributed to new office space coming on stream. Average rental rates have remained flattish in 4Q 2013 with the KL city centre and city fringes registering average rental rates of RM5.96 psf and RM5.53 psf, respectively. The cumulative supply of office space in the KL city centre has remained unchanged at 48.3 million sq ft while the city fringes has registered increase in office space to about 20.5 million sq ft.

(Sources : The Edge / Knight Frank Klang Valley Office Monitor 4Q2013)

B3 REVIEW OF THE MARKETS IN WHICH QCT INVESTS IN DURING THE PERIOD AND GENERAL ASSESSMENT OF THE FUTURE PROSPECTS OF THESE MARKETS (CONT'D)

Review of retail market - Klang valley

Cumulative supply in the Klang Valley recorded a marginal growth of 0.5% in 2013 y-o-y compared to the historical 5 year average of 2% annually. Retail stock stood at 44.0 million sq ft in 2013 compared to 43.8 million sq ft in 2012 and 40.9 million sq ft in 2011. 2013 has been a stable year for retail centres in the Klang Valley – average vacancy dropped marginally to 10% from 11.4%.

(Sources : WTW Property Market 2014)

Review of retail market - Penang

The existing supply of the retail property sector in Penang Island in 2013 continued to expand to 10.27 million sq ft. Penang retail property vacancy rate was approximately 28% as at end of 2013. Rentals and prices have generally remained stable or increased steadily for the newer and better performing centres.

(Sources : WTW Property Market 2014)

B4 PROSPECTS

Demand for commercial space in Klang Valley will likely see modest growth in 2014 given that external demand will be robust whilst domestic spending stays stable throughout the year. Notwithstanding, the office segment will continue to be a tenant's market in 2014 as in-coming supply will keep the office rental market competitive. However, the Manager will continue to explore acquisition opportunities as well as to focus on active asset management and capital and portfolio management initiatives.

Based on the lease expiry profile for net lettable area, 31% of its is due for renewal in 2014. For leases that are due in 2014, 24% of it will be due for renewal in the second quarter, 21% in the third quarter while the balance are only due in 4Q 2014. The Manager has initiated discussion with tenants on the renewals with the intention to lock in the tenancy ahead of its expiry.

B5 REVENUE RECOGNITION

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

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

B6 PROFIT FORECAST / PROFIT GUARANTEE VARIANCE

a) **Profit forecast**

There has been no profit forecast issued by QCT for the financial year 2014.

b) **Profit guarantee**

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

B7 TAXATION

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

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

B8 PROFIT ON SALE OF INVESTMENTS IN UNQUOTED SECURITIES/PROPERTIES

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

B9 PARTICULARS OF PURCHASE OR DISPOSAL OF INVESTMENT IN QUOTED SECURITIES

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

B10 STATUS OF CORPORATE PROPOSALS

There were no corporate proposals during the current quarter.

B11 UTLILISATION OF PROCEEDS RAISED FROM ANY NEW ISSUANCE

There were no issuance of new units during the 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 interest of the unitholders.

B13 COMPOSITION OF INVESTMENT PORTFOLIO AS AT 31 MARCH 2014

As at 31 March 2014, QCT's portfolio comprised of ten buildings as follows:

	Investment properties	Cost of Investment	Market Value /Net Carrying amount as at 31 March 2014	Market value /Net Carrying amount as % of NAV
		RM	RM	
	Commercial buildings			
1	QB1 -DHL 1 & QB 4-DHL2	109,100,000	125,000,000	23.81%
2	QB 2- HSBC	107,500,000	119,000,000	22.67%
3	QB 3- BMW	59,400,000	73,060,000	13.92%
4	Wisma Technip	125,000,000	161,169,241	30.70%
5	Part of Plaza Mont' Kiara	90,000,000	110,000,000	20.95%
6	QB5- IBM	43,000,000	45,200,000	8.61%
7	QB10-HSBC Section 13	22,740,000	26,500,000	5.05%
8	Tesco Building Penang	132,000,000	139,500,000	26.57%
	Industrial building			
9	QB 8 -DHL XPJ	28,800,000	26,200,000	4.99%
		717,540,000	825,629,241	

There were no changes to the total number of buildings held by QCT since the preceding financial year ended 31 December 2013.

Capital expenditure of RM69,241 was incurred during the quarter. Maintenance costs were normal expenses incurred for the upkeep of the buildings.

B14 BORROWINGS AND DEBT SECURITIES

	As at end of current quarter ended 31 March 2014 RM
Non-Current Liabilities:	
RM 270 million CP/MTN Programme	
Face value of CPs and MTNs issued	205,000,000
Discount	(2,744,178)
Cash proceeds	202,255,822
Interest expense on CPs	405,308
	202,661,130
Transaction costs b/f	(376,089)
Transaction costs on CP issued in current quarter	(54,995)
Amortisation of transaction costs during the period	37,800
	202,267,846
RM150 million Term Loan	
Term Loan drawndown	117,000,000
Transaction cost c/f	(917,498)
	116,082,502
Amortisation of transaction costs during the period	49,152
	116,131,654
Total:	318,399,500

B14 BORROWINGS AND DEBT SECURITIES (cont'd)

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

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

Todate, CPs/MTNs totalling RM205 million were issued by Kinabalu, details as follows:

- RM12 million nominal values of CPs issued on 5 September 2011. The effective interest rate for the RM12 million CPs is 3.34% p.a. due to the IRS arrangement as disclosed in Note B15.
- RM60 million of MTNs issued on 5 September 2011 for 3 years, at interest rate of 4.9% p.a..
- RM118 million nominal values of CPs issued on 30 November 2011. The effective interest rate for the RM118 million CP is 3.34% p.a. due to the IRS arrangement as disclosed in Note B15.
- RM15 million nominal values of CPs issued on 3 March 2014 at the interest rate of 3.75% p.a.. Transaction cost of the programme attributable to the CPs drawndown amounted to RM54,995 were to be amortised from 3 March 2014 to the maturity of the programme.

The transaction costs relating to the programme are amortised from the dates of issuance of the CPs/MTNs to the maturity of the programme.

The RM270 million Programme is a secured borrowings.

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

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

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

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

The RM150 million Programme is a secured borrowings.

There was no drawdown of the facility during the quarter.

B15 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

The differences between the floating rate and the fixed rate of the respective IRSs are settled between QCT and the Bank semi-annually and are charged or credited to profit or loss accordingly.

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

The fair values of the IRSs and the maturity profile as at 31 March 2014 are as follows:

	Fair values of derivative assets/(liabilities) as at 31 March 2014
	RM
- less than one year	-
- one to three years	1,120,043
- more than three years	-
Total	1,120,043

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

B16 CHANGES IN MATERIAL LITIGATION

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

B17 INCOME DISTRIBUTION

The distribution policy of QCT is to distribute at least 90% (or any other lower percentage at the discretion of the Manager) of its distributable income at least semi-annually, or at such other intervals as the Manager may determine.

A final distribution of RM16,697,607 or 4.28 sen per unit, being income distribution for the period 1 July 2013 to 31 December 2013, has been made on 10 March 2014.

No income distribution was declared in relation to the income for the quarter ended 31 March 2014.

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

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

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

	As at 31 March 2014	As at 31 December 2013
NAV (RM)	525,021,204	533,459,956
Number of units in circulation (unit)	390,131,000	390,131,000
NAV per unit (RM) (after provision for distribution)	1.3458	1.3674
Market price (RM)	1.10	1.18

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

The changes in NAV per unit is mainly due to 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 QCT the following fees:

(i) Base fee of 0.4% per annum of the gross asset value, payable monthly in arrears;

(ii) Performance fee of 3% per annum on the net investment income, payable semi-annually in arrears.

(iii) Acquisition fee of 1% of the acquisition value of any asset, being authorised investments, acquired by QCT; and

(iv) Divestment fee of 0.5% of the disposal value of any asset divested by QCT.

Total fees accrued to the Manager (inclusive of 6% service tax) for the quarter ended 31 March 2014 are :

	RM
Base fee	919,914
Performance fee	427,281
	1,347,195

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

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

B20 TRUSTEE'S FEE

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

Trustee's fee accrued to the Trustee for the quarter ended 31 March 2014 amounted to RM62,733.

B21 UNITHOLDINGS BY THE MANAGER

As at 31 March 2014, the Manager did not hold any units in QCT.

B22 UNITHOLDINGS BY PARTIES RELATED TO THE MANAGER

	No. of units	Percentage of total units	Market Value as at 31 March 2014 RM
HLIB Nominee (Tempatan) Sdn. Bhd. for :			
-Quill Properties Sdn. Bhd.	45,997,000	11.79%	50,596,700
-Quill Land Sdn. Bhd.	48,767,000	12.50%	53,643,700
-Quill Estates Sdn. Bhd.	22,276,000	5.71%	24,503,600
HSBC Nominees (Asing) Sdn. Bhd. for CapitaCommercial Trust	117,040,000	30.00%	128,744,000
	234,080,000	60.00%	257,488,000

The Manager's directors' direct unitholding in QCT:

	No. of units	Percentage of total units	Market Value as at 31 March 2014 RM
Dato' Dr. Low Moi Ing, J.P	50,000	0.01%	55,000
Dato' Michael Ong Leng Chun	55,000	0.01%	60,500
Datuk Dr. Mohamed Arif Bin Nun	10,000	0.00%	11,000
Aw Hong Boo (Alternate to Dato' Dr. Low Moi Ing, J.P)	50,000	0.01%	55,000

The Manager's directors' indirect unitholding in QCT:

	No. of units	Percentage of total units	Market Value as at 31 March 2014 RM
Dato' Dr. Low Moi Ing, J.P	117,040,000 (a)	30.00%	128,744,000
Dato' Michael Ong Leng Chun	117,040,000 (b)	30.00%	128,744,000

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

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

The market value of the units is computed based on the closing price as of 31 March 2014 of RM1.10 per unit.

B23 UNITHOLDERS CAPITAL

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

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

B24 FINANCE COSTS INCURRED DURING THE QUARTER AND YEAR TO DATE

	Current Quarter RM	Cumulative Quarter RM
Interest expenses	3,295,541	3,295,541
Amortisation of transaction costs and credit facility costs	134,952	134,952
Total finance costs	3,430,493	3,430,493

B25 OTHER INCOME AND EXPENSES

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

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

B26 RESPONSIBILITY STATEMENT AND STATEMENT BY THE DIRECTORS OF THE MANAGER

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

In the opinion of the directors of the Manager, the quarterly report has been prepared in accordance with MFRS 134: Interim Financial reporting and Paragraph 9.44 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of QCT as at 31 March 2014 and of its financial performance and cash flows for the quarter ended on that date and duly authorised for release by the Board of the Manager on 30 April 2014.

BY ORDER OF THE BOARD

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

Date: 30 April 2014