

ICAPITAL.BIZ BERHAD (674900-X)
CONDENSED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 31ST MAY 2015

| | UNAUDITED AS AT 31/05/2015 RM'000 | AUDITED AS AT 31/05/2014 RM'000 |
|--|--|--|
| ASSETS | | |
| Non-current assets | | |
| Investments (Note 1) | 145,597 | 185,732 |
| Current assets | | |
| Other receivables and prepayments | 3,488 | 2,342 |
| Short term deposits | 257,434 | 239,709 |
| Cash and bank balances | 518 | 681 |
| | <u>261,440</u> | <u>242,732</u> |
| TOTAL ASSETS | <u>407,037</u> | <u>428,464</u> |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share capital | 140,000 | 140,000 |
| Fair value adjustment reserve | 52,816 | 84,846 |
| Unappropriated profit | 212,801 | 202,319 |
| Total equity attributable to holders of the Company | <u>405,617</u> | <u>427,165</u> |
| Current liabilities | | |
| Other payables and accruals | 1,245 | 339 |
| Provision for taxation | 175 | 960 |
| | <u>1,420</u> | <u>1,299</u> |
| TOTAL EQUITY AND LIABILITIES | <u>407,037</u> | <u>428,464</u> |
| Net assets per share (RM) (Note 2) | 2.90 | 3.05 |
| Net asset value per share (RM) (Note 2) | 2.90 | 3.05 |

Notes:

- Investments shown here as at 31 May 2015 are taken at market value.
- The net assets per share/net asset value per share of the Company is calculated based on the net assets at the end of the reporting period of RM405,616,764 (2014 - RM427,165,393) divided by the number of shares in issue at the end of the reporting period of 140,000,000 (2014 - 140,000,000).

(The Condensed Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 May 2014)

ICAPITAL.BIZ BERHAD (674900-X)
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31ST MAY 2015

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|--|--|--|---|
| | CURRENT YEAR QUARTER 31/05/2015 RM'000 | PRECEDING YEAR CORRESPONDING QUARTER 31/05/2014 RM'000 | CURRENT YEAR TO DATE 31/05/2015 RM'000 | PRECEDING YEAR CORRESPONDING PERIOD 31/05/2014 RM'000 |
| Revenue (Note B1) | 3,874 | 9,278 | 21,808 | 43,682 |
| Operating expenses (Note B2) | (2,912) | (2,496) | (10,417) | (8,637) |
| Profit from operations | 962 | 6,782 | 11,391 | 35,045 |
| Finance cost | - | - | - | - |
| Profit before taxation | 962 | 6,782 | 11,391 | 35,045 |
| Taxation | (457) | (375) | (909) | (1,599) |
| Profit for the period | 505 | 6,407 | 10,482 | 33,446 |
| Other comprehensive income: | | | | |
| Net fair value changes in available-for-sale investments | (7,100) | 2,989 | (32,030) | (15,225) |
| Total comprehensive income for the period | (6,595) | 9,396 | (21,548) | 18,221 |
| Earnings per share (sen) | | | | |
| - Basic | 0.36 | 4.58 | 7.49 | 23.89 |
| - Diluted | N/A | N/A | N/A | N/A |

(The Condensed Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 May 2014)

ICAPITAL.BIZ BERHAD (674900-X)
CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31ST MAY 2015

| | Share Capital RM'000 | Fair Value Adjustment Reserve RM'000 | Unappropriated Profit RM'000 | Total Equity RM'000 |
|---|-------------------------------------|---|---|------------------------------------|
| At 01.06.2014 | 140,000 | 84,846 | 202,319 | 427,165 |
| Total comprehensive income for the period | - | (32,030) | 10,482 | (21,548) |
| At 31.05.2015 | 140,000 | 52,816 | 212,801 | 405,617 |
| At 01.06.2013 | 140,000 | 100,071 | 178,848 | 418,919 |
| Total comprehensive income for the period | - | (15,225) | 33,446 | 18,221 |
| Special dividend | - | - | (9,975) | (9,975) |
| At 31.05.2014 | 140,000 | 84,846 | 202,319 | 427,165 |

(The Condensed Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 May 2014)

ICAPITAL.BIZ BERHAD (674900-X)
CONDENSED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 31ST MAY 2015

| | 12 MONTHS ENDED 31/05/2015 RM'000 | 12 MONTHS ENDED 31/05/2014 RM'000 |
|---|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before working capital changes | 11,391 | 35,045 |
| Changes in working capital | | |
| Purchase of investments | - | (1,227) |
| Disposal of investments | 5,712 | 9,457 |
| Other receivable and prepayments | (1,146) | (392) |
| Other payables and accruals | 906 | 10 |
| Impairment loss on a quoted investment | 2,392 | 514 |
| CASH GENERATED FROM OPERATIONS | 19,255 | 43,407 |
| Dividend paid | - | (9,975) |
| Taxes paid | (1,693) | (1,047) |
| NET CASH GENERATED FROM OPERATING ACTIVITIES | 17,562 | 32,385 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 17,562 | 32,385 |
| CASH AND CASH EQUIVALENTS AT 1 JUNE | 240,390 | 208,005 |
| CASH AND CASH EQUIVALENTS AT 31 MAY | 257,952 | 240,390 |
| CASH AND CASH EQUIVALENTS COMPRISE: | | |
| Cash on hand and at banks | 518 | 681 |
| Deposits with licensed financial institutions | 257,434 | 239,709 |
| | 257,952 | 240,390 |

(The Condensed Statement of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 May 2014)

ICAPITAL.BIZ BERHAD (674900-X)
FINANCIAL REPORT FOR THE PERIOD ENDED 31 MAY 2015

NOTES TO THE INTERIM FINANCIAL REPORT

PART A - EXPLANATORY NOTES

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial statements also comply with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

The interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 May 2014. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the year ended 31 May 2014. The transition to MFRS has no material impact on the Company’s reported financial position, financial performance and cash flows.

A2 Changes in Accounting Policies

During the current financial year, the Company has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

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

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Company’s financial statements.

The Company has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective for the current financial year:-

| MFRSs and/or IC Interpretations (Including The Consequential Amendments) | Effective Date |
|--|-----------------------|
| MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014) | 1 January 2018 |
| MFRS 15 Revenue from Contracts with Customers | 1 January 2017 |
| Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2016 |
| Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities – Applying the Consolidation Exception | 1 January 2016 |
| Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants | 1 January 2016 |
| Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions | 1 July 2014 |
| Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements | 1 January 2016 |
| Annual Improvements to MFRSs 2010 – 2012 Cycle | 1 July 2014 |
| Annual Improvements to MFRSs 2011 – 2013 Cycle | 1 July 2014 |
| Annual Improvements to MFRSs 2012 – 2014 Cycle | 1 January 2016 |

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A3 Auditors' opinion on preceding annual financial statements

The Company's Financial Statements for the financial year ended 31 May 2014 were not qualified by the auditors.

A4 Seasonality or cyclical nature of operations

As the Company is a closed-end fund, it is dependent on the performance of the companies in which it has invested.

A5 Individually significant items

There was a provision for impairment of a quoted investment of RM232,160 in the current quarter and RM2,159,964 in the preceding quarter. (Refer Note B2 for further details)

A6 Changes in estimates

There were no significant changes in estimates that have a material effect on the current financial year to-date.

A7 Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter under review.

A8 Dividend paid

There was no dividend paid during the current financial year-to-date.

A9 Segmental reporting

No segmental information is presented as the Company is a closed-end fund and operates primarily in Malaysia.

The Company's investments are managed as a portfolio of equity investments. The fund manager of the Company is responsible for allocating resources for investment in accordance with the overall investment strategies as set out in the prospectus. The fund manager assesses the performance of the investments portfolio and provides updates to the Board of Directors on the financial performance of the Company's investments.

A10 Valuations of property, plant and equipment

No valuation was carried out as the Company does not have any property, plant and equipment.

A11 Subsequent event

There were no material events subsequent to the end of the interim period reported on that have not been reflected in the financial statements for the said period.

A12 Changes in the composition of the Company

There were no changes in the composition of the Company during the current financial year-to-date.

A13 Contingent liabilities or contingent assets

There were no contingent liabilities or contingent assets pending as at the date of this report.

A14 Significant related party transactions

The Company has a related party relationship ("RPT") with Capital Dynamics Asset Management Sdn Bhd ("CDAM"), the Fund Manager of the Company. A former Director of the Company, YM Tunku Tan Sri Dato' Seri Ahmad Bin Tunku Yahaya is a director of CDAM. YM Tunku ceased as a related party on 31 May 2015 pursuant to Paragraphs 1.01 and 10.02(c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") as he had retired from the Board of icapital.biz Berhad on 30 November 2014.

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Following the amendments to the related party transaction requirements in the MMLR, which took effect on 27 January 2015, the provision of investment advisory by Capital Dynamics Sdn Bhd ("CDSB") to the Fund is regarded as a RPT. CDSB is regarded as a related party because it is a person connected with Capital Dynamics Global Private Limited who is a major shareholder of CDAM.

The amounts transacted with CDAM and CDSB during the current quarter and cumulative year to-date are as follows:

| | Current Quarter Ended | | Cumulative Quarter Ended | |
|---------------------------------|-----------------------|--------------|--------------------------|----------------|
| | 31/05/2015 | 31/05/2014 | 31/05/2015 | 31/05/2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Fund management fees - CDAM | <u>776</u> | <u>788</u> | <u>3,187</u> | <u>3,109</u> |
| Investment advisory fees - CDSB | <u>776*</u> | <u>788**</u> | <u>3,187*</u> | <u>3,109**</u> |

Note: * Effective 27 January 2015, the provision of investment advisory by CDSB to the Company is regarded as a RPT.

** The comparative figures have been adjusted to conform with current year's presentation.

PART B - AS REQUIRED BY THE LISTING REQUIREMENTS

B1 Review of performance

For the twelve months ended 31 May 2015, the Company recorded a profit before tax of RM11.4 million, compared with a profit before tax of RM35.0 million in the corresponding period of last year.

The lower profit before tax is mainly due to lower revenue as shown in the following table :

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|----------------------|--------------------------------------|----------------------|-------------------------------------|
| | CURRENT YEAR QUARTER | PRECEDING YEAR CORRESPONDING QUARTER | CURRENT YEAR TO DATE | PRECEDING YEAR CORRESPONDING PERIOD |
| | 31.05.2015 | 31.05.2014 | 31.05.2015 | 31.05.2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue Consist of : | | | | |
| INTEREST | | | | |
| Interest amount | 2,025 | 1,650 | 7,397 | 5,942 |
| DIVIDEND INCOME | | | | |
| Dividend received | 1,849 | 1,594 | 6,133 | 6,993 |
| GAIN/(LOSS) ON DISPOSAL OF QUOTED INVESTMENT | | | | |
| Gain on disposal of securities | - | 6,034 | 8,278 | 30,747 |
| | <u>3,874</u> | <u>9,278</u> | <u>21,808</u> | <u>43,682</u> |

As the company is a closed-end fund, a better indication of its performance would be the movement of its Net Assets Value (NAV). The NAV per share as at 31 May 2015 was RM2.90, compared with NAV per share of RM3.05 as at 31 May 2014, a decrease of 5.2%.

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NOTES TO THE INTERIM FINANCIAL REPORT

B2 Comparison with immediate preceding quarter's results

In the fourth quarter ended 31 May 2015, the Company recorded a lower profit after tax of RM0.5 million, compared with RM2.9 million in the preceding quarter due mainly to profit on disposal of securities in the preceding quarter.

There was a provision for impairment loss for a quoted investment of RM0.2 million in the current quarter and together with provisions for impairment loss of RM2.2 million in the preceding quarter results in a total provision for impairment loss of RM2.4 million for the financial year 2015. The aggregate provision for impairment for the financial years 2014 and 2015 now stands at RM2.9 million.

The NAV per share decreased by 1.4% compared to the preceding quarter due to the declining market value of the investments.

The following items are not applicable to the company :

- (a) Interest expense;
- (b) Depreciation and amortization;
- (c) Provision for and write off of receivables;
- (d) Provision for and write off of inventories;
- (e) Gain or loss on disposal of unquoted investments or properties
- (f) Foreign exchange gain or loss;
- (g) Gain or loss on derivatives; and
- (h) Exceptional items (with details).

B3 Commentary by Fund Manager - Prospects for the next financial year

Over the years, I have met with many investors, locally and abroad, young and old, retail and institutional, students and CEOs, salaried and very wealthy, educated and uneducated and more. In the course of meeting these people, I have often been asked what my investment philosophy is as a fund manager. When I answered that it is value investing, I get an interesting variety of response.

Some seem to understand this time-proven investing style and after a short elaboration, they get it. After lengthy explanations, many, including the educated professionals, the CEOs, and the institutional type, do not seem able to grasp the idea of value. After lengthy explanations on value investing, many would still ask me when is a good time to buy or sell. Short of fainting, I would then patiently find all sorts of examples to make the simple notion of value investing even simpler. After all these efforts, and explaining that Warren Buffett uses value investing, many would still ask apparently innocently, when the next bear market will start or why are you holding so much cash or worse still, accuse me of lacking investment ideas.

The concept of value investing is really simple. However, understanding and applying this time-proven investing style consistently is another story altogether. Value investing is about finding the intrinsic value or sustainable earning power of a stock, a business or an asset and then buying it at an attractive price, which is always below the intrinsic value of the stock, business or asset. Doing so provides the buyer a margin of safety, one of the central concepts in value investing.

What is margin of safety ? If value investing is hard to understand for some people, margin of safety is even more difficult for them. In this commentary, I hope I can make this key concept clearer.

At the time of writing this, icapital.biz Berhad still has a high cash level. The high cash level is a result of the "Bamboo" eclectic value investing philosophy of Capital Dynamics. With the rich valuation of the stock market, it has been difficult to find sound investment ideas at attractive prices. We have plenty of investment ideas but are they at prices that are attractive ? An attractive price would mean that there is built in a margin of safety.

This brings us to the central principle that makes value investing such a time-tested and successful investing method. Many of us would have read about the recent cruise ship disaster in the Yangtze River in China where hundreds of passengers died. As a value investor, this tragedy offers precious insights and lessons about margin of safety and risk management. While investigations are being conducted in the capsizing of MV Dong Fang Zhi Xing (Eastern Star), a few points stand out.

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At around the same time as the Eastern Star capsized, the captains of at least two other ships on the same section of the Yangtze River chose to anchor their ships on that night after the local maritime bureau sent warnings to expect heavy rain and thunderstorms. The passenger vessel, Yangtze Sightseer No. 6, anchored at around 9:10 pm, six miles away from the disaster. The car carrier, Changhang Jiangning, dropped anchor in order to wait out the storm.

It was clear that the weather conditions in the Yangtze River were rough and dangerous. A safe approach, that is, an approach with a margin of safety, was to anchor and wait for the adverse weather conditions to pass. The same principle applies when investing in the stock markets. Like the captains of the two other ships, we know that the prevailing economic and investment landscape is stormy. With the valuations of the stock market high and based on forever zero interest rate, and the US monetary policy badly handled, investing now would be like the tragic Eastern Star that did not anchor. In not anchoring, the captain of Eastern Star made the ship vulnerable to nasty surprises as he ignored the safety margin principle. Holding a high level of cash is like anchoring our ship and patiently waiting. We do not know when the weather conditions will get better but what we know is that sailing in such adverse weather conditions is dangerous. A highly valued stock market, like a ship in turbulent weather conditions, can be easily capsized by any adverse event.

B4 Profit forecast / guarantee

The Company has not given any profit forecast or profit guarantee for the year.

B5 Taxation

| | Current Quarter Ended | | Cumulative Quarter Ended | |
|---------------------|-----------------------|------------|--------------------------|------------|
| | 31/05/2015 | 31/05/2014 | 31/05/2015 | 31/05/2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current tax expense | 457 | 375 | 909 | 1,599 |

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

| | Current Quarter Ended | | Cumulative Quarter Ended | |
|----------------------------------|-----------------------|------------|--------------------------|------------|
| | 31/05/2015 | 31/05/2014 | 31/05/2015 | 31/05/2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit before taxation | 962 | 6,782 | 11,391 | 35,045 |
| Tax at the statutory rate of 25% | 241 | 1,695 | 2,848 | 8,761 |
| Tax effects of | | | | |
| Non-taxable income | - | (1,508) | (2,069) | (7,687) |
| Tax-exempt dividends | (462) | (399) | (1,533) | (1,424) |
| Non-deductible expenses | 678 | 587 | 2,457 | 2,015 |
| Over provision in prior years | - | - | (794) | (66) |
| Tax for the financial period | 457 | 375 | 909 | 1,599 |

B6 Status of corporate proposals

There was no corporate proposal announced during the current quarter or the current financial year-to-date.

B7 Borrowings and debt securities

There were no group borrowings and debt securities outstanding as at the end of the reporting period.

B8 Changes in material litigation

There was no material litigation pending as at the date of this report.

ICAPITAL.BIZ BERHAD (674900-X)
FINANCIAL REPORT FOR THE PERIOD ENDED 31 MAY 2015

NOTES TO THE INTERIM FINANCIAL REPORT

B9 Dividend

The Directors did not declare any dividend for the current quarter ended 31 May 2015.

B10 Earnings per share

a) Basic earnings per share

The basic earnings per share for the current quarter under review and cumulative year to-date are computed as follows:

| | Current Quarter Ended 31/05/2015 RM'000 | Cumulative To-Date Ended 31/05/2015 RM'000 |
|--|--|---|
| Profit after tax (RM'000) | 505 | 10,482 |
| No. of ordinary share capital in issue during the current quarter/current year to-date ('000 of shares of RM1.00 each) | 140,000 | 140,000 |
| Basic earnings per share (sen) | 0.36 | 7.49 |

b) Diluted earnings per share

There are no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the current quarter.

B11 Net asset value

The net asset value per share is calculated in accordance with the Securities Commission's Guidelines for Public Offerings of Securities of Closed-end Funds.

B12 Investments

As at 31 May 2015, the Company did not have any investments in:

- (1) securities listed on other stock exchanges;
- (2) other investment vehicles;
- (3) securities of unlisted companies; and
- (4) derivatives other than warrants, transferable subscriptions rights and convertible loan stocks.

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NOTES TO THE INTERIM FINANCIAL REPORT

B13 Realised and unrealised profits.

The breakdown of the retained profits of the Company as at the end of the reporting period into realised and unrealised profits are presented in accordance with directive issued by Bursa Malaysia Securities Berhad dated 20 December 2010 and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Main Market Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

| | As at 31/05/2015 RM'000 | As at 31/05/2014 RM'000 |
|---|--|--|
| Retained profits of the Company comprise of:- | | |
| Realised Profits | 212,801 | 202,319 |
| Unrealised Profits | - | - |
| Total retained profits as per statement of financial position | <u>212,801</u> | <u>202,319</u> |

BY ORDER OF THE BOARD
KUAN HUI FANG (MIA 16876)
THAM WAI YING (MAICSA 7016123)

SECRETARIES

Kuala Lumpur