

ICAPITAL.BIZ BERHAD (674900-X)
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 NOVEMBER 2015

	UNAUDITED AS AT 30/11/2015 RM'000	AUDITED AS AT 31/05/2015 RM'000
ASSETS		
Non-current assets		
Investments (Note 1)	151,636	145,597
Current assets		
Other receivables, deposit and prepayments	1,112	3,488
Short term deposits	260,706	257,434
Bank balance	335	518
	<u>262,153</u>	<u>261,440</u>
TOTAL ASSETS	<u>413,789</u>	<u>407,037</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	140,000	140,000
Fair value adjustment reserve	69,315	52,816
Unappropriated profit	203,183	212,801
Total equity attributable to holders of the Company	<u>412,498</u>	<u>405,617</u>
Current liabilities		
Other payables and accruals	1,164	1,245
Provision for taxation	127	175
TOTAL LIABILITIES	<u>1,291</u>	<u>1,420</u>
TOTAL EQUITY AND LIABILITIES	<u>413,789</u>	<u>407,037</u>
Net assets per share (RM) (Note 2)	2.95	2.90
Net assets value per share (RM) (Note 2)	2.95	2.90

Notes:

- Investments shown here as at 30 November 2015 are taken at market value.
- The net assets per share/net assets value per share of the Company is calculated based on the net assets at the end of the reporting period of RM412,497,706.97 (2015 : RM405,616,763.51) divided by the number of shares in issue at the end of the reporting period of 140,000,000 (2015 : 140,000,000).

ICAPITAL.BIZ BERHAD (674900-X)
 CONDENSED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE PERIOD ENDED 30 NOVEMBER 2015

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30/11/2015 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/11/2014 RM'000	CURRENT YEAR TO DATE 30/11/2015 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/11/2014 RM'000
Revenue (Note B1)	2,832	7,120	6,272	10,646
Operating expenses (Note B1)				
- impairment loss on a quoted investment	-	-	(10,460)	-
- professional fees and other operating expenses	(2,750)	(1,792)	(4,566)	(3,548)
	(2,750)	(1,792)	(15,026)	(3,548)
Profit/(Loss) from operations	82	5,328	(8,754)	7,098
Finance cost	-	-	-	-
Profit/(Loss) before taxation	82	5,328	(8,754)	7,098
Taxation	(421)	(419)	(864)	(17)
(Loss)/Profit for the period	(339)	4,909	(9,618)	7,081
Other comprehensive income/(expense):				
Net fair value changes in available-for-sale investments	23,567	(15,158)	16,499	(14,434)
Total comprehensive income/(expense) for the period	23,228	(10,249)	6,881	(7,353)
(Loss)/Earnings per share (sen)				
- Basic	(0.24)	3.51	(6.87)	5.06
- 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 2015)

ICAPITAL.BIZ BERHAD (674900-X)
CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 NOVEMBER 2015

	Share Capital RM'000	Fair Value Adjustment Reserve RM'000	Unappropriated Profit RM'000	Total Equity RM'000
At 01.06.2015	140,000	52,816	212,801	405,617
Total comprehensive income/(expense) for the period	-	16,499	(9,618)	6,881
At 30.11.2015	140,000	69,315	203,183	412,498
At 01.06.2014	140,000	84,846	202,319	427,165
Total comprehensive (expense)/income for the period	-	(14,434)	7,081	(7,353)
At 30.11.2014	140,000	70,412	209,400	419,812

(The Condensed Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 May 2015)

ICAPITAL.BIZ BERHAD (674900-X)
CONDENSED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 30 NOVEMBER 2015

	6 MONTHS ENDED 30/11/2015 RM'000	6 MONTHS ENDED 30/11/2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(8,754)	7,098
Adjustment for:		
Impairment loss on a quoted investment	10,460	-
Disposal of investments - net	-	3,091
Operating profit before working capital changes	1,706	10,189
Decrease in other receivables, deposit and prepayments	2,376	661
Decrease in other payables and accruals	(81)	(175)
CASH GENERATED FROM OPERATIONS	4,001	10,675
Taxes paid	(912)	(755)
NET CASH GENERATED FROM OPERATING ACTIVITIES	3,089	9,920
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,089	9,920
CASH AND CASH EQUIVALENTS AS AT 1 JUNE	257,952	240,390
CASH AND CASH EQUIVALENTS AS AT 30 NOV	261,041	250,310
CASH AND CASH EQUIVALENTS COMPRISE:		
Bank balance	335	7,113
Short term deposits with licensed financial institutions	260,706	243,197
	261,041	250,310

(The Condensed Statement of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 May 2015)

ICAPITAL.BIZ BERHAD (674900-X)
FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 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 (“MMLR”) 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 2015. 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 2015. 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/or interpretations (including the consequential amendments, if any):-

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

Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions

Annual Improvements to MFRSs 2010 – 2012 Cycle

Annual Improvements to MFRSs 2011 – 2013 Cycle

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 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2018
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 127 (2011): Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

A3 Auditors' opinion on preceding annual financial statements

The Company’s Financial Statements for the financial year ended 31 May 2015 were not qualified by the auditors.

A4 Seasonality or cyclicity of operations

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

ICAPITAL.BIZ BERHAD (674900-X)
FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2015

NOTES TO THE INTERIM FINANCIAL REPORT

A5 Individually significant items

There are no significant items affecting the assets, liabilities, equity, net income or cash flows during the current quarter. However, there was a provision for impairment loss on investment in Parkson Holdings Berhad of RM10,460,433 in the first quarter.

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 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 transaction ("RPT") with Capital Dynamics Asset Management Sdn Bhd ("CDAM"), the Fund Manager of the Company.

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.

ICAPITAL.BIZ BERHAD (674900-X)
FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2015

NOTES TO THE INTERIM FINANCIAL REPORT

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	
	30/11/2015	30/11/2014	30/11/2015	30/11/2014
	RM'000	RM'000	RM'000	RM'000
Fund management fees - CDAM	<u>752</u>	<u>809</u>	<u>1,518</u>	<u>1,622</u>
Investment advisory fees - CDSB	<u>752*</u>	<u>809**</u>	<u>1,518**</u>	<u>1,622**</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 re-presented to conform with current year's presentation.

PART B - AS REQUIRED BY THE LISTING REQUIREMENTS

B1 Review of performance

For the six months ended 30 November 2015, the Company recorded a loss before tax of RM8.8 million, compared with a profit before tax of RM7.1 million in the corresponding period of last year.

As shown in the following table, the loss before tax for the six month ended 30 November 2015 was mainly due to impairment loss on investment in Parkson Holdings Berhad in the preceding quarter ended 31 August 2015:

INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
30.11.2015	30.11.2014	30.11.2015	30.11.2014
RM'000	RM'000	RM'000	RM'000

Revenue Consist of :

Interest income	2,029	1,765	4,069	3,495
Dividend income	803	1,165	2,203	2,961
Gain on disposal of quoted investments	-	4,190	-	4,190
	<u>2,832</u>	<u>7,120</u>	<u>6,272</u>	<u>10,646</u>

Operating Expenses Consist of :

Impairment loss on a quoted investment	-	-	(10,460)	-
Professional fees - Fund Management fee	(752)	(809)	(1,518)	(1,622)
Professional fees - Investment Advisory fee	(752)	(809)	(1,518)	(1,622)
Other operating expenses	(1,246) *	(174)	(1,530)	(304)
	<u>(2,750)</u>	<u>(1,792)</u>	<u>(15,026)</u>	<u>(3,548)</u>
Profit/(Loss) before taxation	<u>82</u>	<u>5,328</u>	<u>(8,754)</u>	<u>7,098</u>

* This amount included an accrual of RM960,520 for 2015 Investor Day and AGM expenses. Last year, the accrual of RM835,210 for 2014 Investor Day and AGM expenses was made in the fourth quarter of the financial year ended 31 May 2015.

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 30 November 2015 was RM2.95, compared with NAV per share of RM2.90 as at 31 May 2015, an increase of 1.7%.

ICAPITAL.BIZ BERHAD (674900-X)
FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2015

NOTES TO THE INTERIM FINANCIAL REPORT

B2 Comparison with immediate preceding quarter's results

In the second quarter ended 30 November 2015, the Company recorded a loss after tax of RM0.3 million, compared with a loss after tax of RM9.3 million in the preceding quarter. The higher loss after tax in the preceding quarter was mainly due to impairment loss on investment in Parkson Holdings Berhad.

The NAV per share increased by 6.1% from RM2.78 in the preceding quarter to RM2.95 in the current quarter due to the increase in market value of the investment.

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

Stock markets globally are swooning again. Not surprisingly, the current market sell-off has again been blamed on the Shanghai stock market. Is this right ? Or is the current sell-off merely a continuation of the earlier global plunge in mid-2015 ?

Richard Fisher

For a frank explanation of the current market turbulence, listen to the excellent CNBC interview with Richard Fisher, an ex-president of the Dallas Federal Reserve. Richard Fisher is not just an ex-voting member of the FOMC, he invests in China shares. Go to the link below for his insightful interview and listen for yourself why China is not to be blamed: <http://www.cnbc.com/2016/01/06/dont-blame-china-for-the-market-sell-off-commentary.html>

Chapter Two

From the way I see it, the 2008-2009 US-led global financial crisis was Chapter One and there will be a Chapter Two of the said crisis. This time, it will hit Asia (except China) and other emerging economies in Africa, South America, Middle East and Eastern Europe harder. What is causing Chapter Two to happen ?

To begin with, Japan, Europe, and the US to a lesser extent, are caught in a high income trap situation ("high income trap" is a term coined by Tan Teng Boo and refers to developed economies that are trapped with high wages, high costs, high debts, losing competitiveness, high unemployment and lacking the capabilities to engage in fiscal spending). They cannot get out of such a trap merely with helicopters which their central banks have been desperately trying to do since 2009. Initially, there was a global synchronised recovery but this soon petered out. With Europe and Japan weak, with the US hesitant, with China soft landing, with the rest of the world struggling, the end result is insufficient global demand. Growth in world trade has been weak and has been below world GDP growth, a rare and indeed a worrying trend. The essence of Chapter Two is a global structural-type of slowdown or recession. It is not the typical cyclical recession, caused by say too much inventories or monetary tightening in reaction to rising inflation. Chapter Two is a continuation of Chapter One. One difference between the 1929 Great Depression and the current global contraction is that in 1929, the contraction was one prolonged downturn lasting from 1930 until 1939 whereas in the current contraction, it is split into two phases or chapters; one from 2008 to 2013 and another from 2015 to 2017.

US Monetary Policy

Can China's economy withstand another 7% limit down? Yes. Can the global economy withstand another US rate hike? No. The underlying cause of Chapter Two is the conduct of the US monetary policy and the little publicised failure on the part of the US government and the American politicians to urgently implement policies to lessen the burden on monetary policy.

ICAPITAL.BIZ BERHAD (674900-X)
FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2015

NOTES TO THE INTERIM FINANCIAL REPORT

In its relatively short history of just over a hundred years, the US Federal Reserve has made expensive blunders and mistakes. The most recent created the most serious economic and financial crisis since the 1929 Great Depression. The collapse of Lehman Brothers in September 2008 triggered a global calamity, the consequence of which the global economy, 7 long years later, is still trying to recover from.

Ever since Lehman Brothers went bust in September 2008, I have been saying that Ben Bernanke could have and should have rescued Lehman Brothers and by failing to do so, he caused the greatest financial and economic crisis since the 1929 Great Depression. It has been difficult to get US experts to back up his views. Now, Eric Posner, a law professor from Chicago University is confirming what I have been saying.

“Bernanke’s Biggest Blunder - This student of the Great Depression repeated a terrible mistake of the Great Depression” written by professor Eric Posner is a must be read. We reproduce parts of his article below.

“In his just-published memoir, Ben Bernanke repeats his claim that he failed to rescue the Lehman Brothers investment bank in September 2008, while he was chairman of the Federal Reserve, because he believed that he lacked the legal authority to do so. This claim is a convenient excuse for the biggest mistake in the government’s response to the financial crisis He can’t blame the law.”

“The law in question is [section 13\(3\) of the Federal Reserve Act](#), which authorizes a Federal Reserve Bank, with the board of governors’ approval, to make loans during a crisis to nonbanks like Lehman if the loan is “secured to the satisfaction of the Federal Reserve bank.” It is this vague bit of language that blocked a loan, according to Bernanke. Because, he says, Lehman was insolvent, the Fed couldn’t lend to it.”

“The problem with this argument is that the Fed rarely allowed legal niceties to stand in its way during the crisis. Back in March 2008, it had arranged for a transaction in which it effectively purchased \$30 billion of Bear Stearns’ toxic assets. Technically, the Fed (along with JPMorgan) loaned money to a trust called Maiden Lane, but because the Federal Reserve Bank of New York owned the equity in the trust, it received the proceeds from the sales of the assets once the loans to it and JP Morgan were paid off. Section 13(3) authorizes loans only; it does not authorize the Fed to buy assets.”

“Subsequently, in the AIG rescue, the Fed demanded that AIG transfer 80 percent of its equity into a trust, which ultimately paid the proceeds to the Treasury — exactly where the Fed’s profits go. A federal court recently [held](#) that the Fed effectively acquired the equity, which is not authorized by the law, as the Fed’s lawyers apparently knew at the time of the transaction. (Disclosure: I worked as a lawyer on this case on behalf of the plaintiffs.) Still later, the Fed bought unsecured short-term debt from corporations — again, in violation of section 13(3), which authorizes only secured loans. The Fed also made billions of dollars of loans against the type of toxic asset that filled Lehman’s balance sheet — believing (correctly as it turned out) that those assets were significantly undervalued by the market.”

“The Fed pushed against the boundaries of the law in these instances because it believed that strict interpretations of the law would block actions that it needed to take in order to save the financial system. And the phrase, “secured to the satisfaction of the Federal Reserve bank,” invites the Fed to exercise discretion by relying on its own judgment when evaluating collateral or a borrower’s prospects for repayment. If the Fed was willing to push forward against the law in these other cases, then why not for Lehman?”

“Lehman’s major problem was illiquidity. It owned valuable assets but could not sell them off during a panic, except at fire-sale prices that would drive it into insolvency. Officials in the New York Fed believed that Lehman was “narrowly solvent,” according to the New York Times. Later, the Lehman bankruptcy examiner Anton Valukas would find that Lehman’s own valuation of its assets, on the basis of which it claimed to be solvent, was [not unreasonable](#). This is hardly a ringing endorsement, but surely it was enough to allow a loan “secured to the satisfaction” of the Fed.”

“Bernanke’s claim that he believed that Lehman was insolvent is also hard to credit in light of his efforts to facilitate a sale of Lehman to Barclays Bank. The Fed was ready to provide a loan to make this happen. But if Lehman were insolvent, then Barclays — one of the largest banks in the world — would have choked on its carcass, possibly imploding itself, with consequences for the financial system even worse than the Lehman collapse. Bernanke would not have helped Barclays acquire Lehman if he had believed that Lehman was insolvent. In fact, Barclays’ willingness to buy Lehman was evidence that Lehman was not. Bernanke also has never explained why a “small” loan to facilitate Barclays’ acquisition of Lehman would have been lawful if a “large” loan to save Lehman itself was not.”

ICAPITAL.BIZ BERHAD (674900-X)
FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2015

NOTES TO THE INTERIM FINANCIAL REPORT

“There are other inconvenient facts. The Fed loaned significant sums — as much as \$28 billion in one instance — to Lehman through its Primary Dealer Credit Facility in the months after Bear Stearns’ collapse. It must have believed then that Lehman could repay the loans. Even if Lehman were insolvent by September, the Fed could have saved it before its financial position deteriorated. The failure to act earlier was itself a choice, not compelled by the law.”

“Why, then, did Bernanke & co. fail to rescue Lehman? The answer that emerges from Bernanke’s memoir — largely consistent with the memoirs and testimony of Paulson and Geithner, and reporting by journalists — is that (1) anti-bailout sentiment was loud and intimidating; (2) Lehman’s counterparties had had months to prepare for its failure; (3) a Lehman rescue would encourage recklessness among creditors; and (4) Congress would get angry if the Fed lost money on its emergency loans. While many sophisticated investors and officials rejected these worries, they weren’t unreasonable. But, in the end, these worries were wrong.”

“Milton Friedman and Anna Jacobson Schwartz famously [attributed](#) the extraordinary severity of the Great Depression to the Fed’s failure to supply emergency loans during a series of liquidity crises, which caused the collapse of the nation’s financial system. This was a catastrophic failure by the Fed to exercise authority Congress had given it — as if firefighters decided not to put out a building that was on fire and instead allowed the fire to spread through the rest of the city. In a [2002 speech](#) in celebration of Milton Friedman’s birthday, Bernanke, who has written important scholarship on the Great Depression, declared:

I would like to say to Milton and Anna: Regarding the Great Depression. You’re right, we did it. We’re very sorry. But thanks to you, we won’t do it again.”

“But in failing to rescue Lehman, the Fed “did it again historical accuracy requires us to recognize that Bernanke, not the law, is responsible for the Lehman blunder. For a scholar of the Great Depression, this must be a bitter irony.”

Source: <http://www.slate.com>

Eric Posner is 100% right in saying that it must be a bitter irony for Ben Bernanke, a scholar of the Great Depression to put up lame excuses for not rescuing Lehman Brothers.

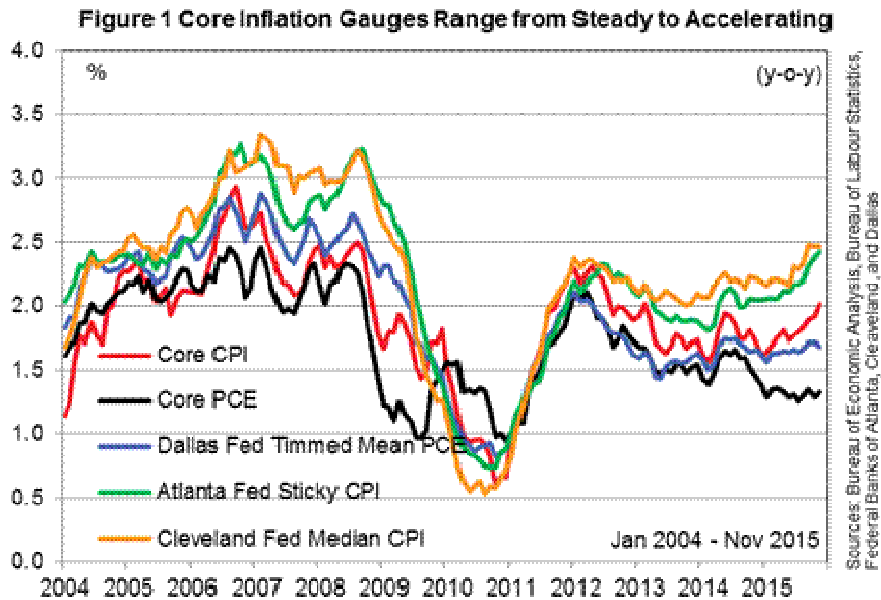
Low Inflation?

This brings us to the current situation. We have been saying for quite some time now that the US economy has already normalised and the US monetary policy needs to normalise too. In raising the federal funds target rate in December 2015, the Federal Open Market Committee (FOMC) has finally admitted that the US economy has normalised. Does this then make it right for the FOMC to hike interest rate ?

First, by delaying the rate hike for so long, the FOMC had no choice. As we write this commentary, the US registered another strong employment report. The December 2015 jobs report showed 292,000 new jobs with the figures for November and October revised upwards by 50,000 jobs. The only possible reason left for the FOMC not to raise interest rate was the apparently subdued inflation rate. The headline consumer price index (CPI) in November was unchanged from the previous month. Excluding the food and energy components, the core CPI edged up by 0.2% for the third consecutive month. Year-on-year, the headline CPI rose by 0.5%, the largest increase since December 2014, while the core CPI gained 2.0%, the strongest since May 2014. As a counter argument, the doves would then point to the falling rate of core personal consumption expenditure (PCE), a favourite inflation indicator of the Federal Reserve. Is this right and prudent ? Is the core PCE measuring core inflation correctly ? What if the core PCE has missed out measuring the real inflationary pressures ? Look at **figure 1**.

ICAPITAL.BIZ BERHAD (674900-X)
FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2015

NOTES TO THE INTERIM FINANCIAL REPORT



Besides the usual core PCE and CPI, the interesting figure 1 shows 3 alternate measures of inflation. All the 3 alternate measures of inflation are expanding at a faster pace than the core PCE and core CPI and they are all pointing upwards. If these 3 alternate measures are more reliable, then, they confirm the view of Capital Dynamics that the FOMC is behind the monetary tightening curve and that rate hike in 2016 would have to be quicker than anticipated or desired. This view is reinforced by the strong December job report, which surpassed all expectations. For the NYSE, this is not only worrying, it is scary. From its current high level of valuation, a fall can be devastating for all of us.

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	
	30/11/2015	30/11/2014	30/11/2015	30/11/2014
	RM'000	RM'000	RM'000	RM'000
Tax expense	421	419	864	17

A reconciliation of income tax expense applicable to profit/(loss) 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	
	30/11/2015	30/11/2014	30/11/2015	30/11/2014
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before taxation	82	5,328	(8,754)	7,098
Tax at the statutory rate of 24%	20	-	(2,101)	-
Tax at the statutory rate of 25%	-	1,332	-	1,775
Tax effects of :				
Non-taxable income	-	(1,048)	-	(1,048)
Tax-exempt dividends	(193)	(291)	(529)	(740)
Non-deductible expenses	594	426	3,494	821
Over provision in prior years	-	-	-	(791)
Tax expense	421	419	864	17

ICAPITAL.BIZ BERHAD (674900-X)
FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2015

NOTES TO THE INTERIM FINANCIAL REPORT

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.

B9 Dividend

The Directors did not declare any dividend for the current quarter ended 30 November 2015.

B10 (Loss)/Earnings per share

a) Basic loss per share

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

	Current Quarter Ended 30/11/2015 RM'000	Cumulative To-Date Ended 30/11/2015 RM'000
Loss after tax (RM'000)	(339)	(9,618)
No. of ordinary share capital in issue during the current quarter/current year to-date ('000 of shares at RM1.00 each)	140,000	140,000
Basic loss per share (sen)	(0.24)	(6.87)

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 30 November 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.

ICAPITAL.BIZ BERHAD (674900-X)
FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2015

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 30/11/2015 RM'000	As at 31/05/2015 RM'000
Retained profits of the Company comprise of:-		
Realised Profits	203,183	212,801
Unrealised Profits	-	-
	<hr/>	<hr/>
Total retained profits as per statement of financial position	<u>203,183</u>	<u>212,801</u>

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

SECRETARIES