

ICAPITAL.BIZ BERHAD (674900-X)
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30TH NOVEMBER 2016

	UNAUDITED AS AT 30/11/2016 RM'000	AUDITED AS AT 31/05/2016 RM'000
ASSETS		
Non-current assets		
Investments (Note 1)	130,420	126,022
Current assets		
Other receivables, deposit and prepayments	1,755	2,042
Tax Recoverable	263	-
Short term deposits	298,000	302,759
Bank balance	1,245	722
	<u>301,263</u>	<u>305,523</u>
TOTAL ASSETS	<u>431,683</u>	<u>431,545</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	140,000	140,000
Fair value adjustment reserve	56,242	50,035
Unappropriated profit	234,687	234,161
Total equity attributable to holders of the Company	<u>430,929</u>	<u>424,196</u>
Current liabilities		
Other payables and accruals	754	6,713
Provision for taxation	-	636
TOTAL LIABILITIES	<u>754</u>	<u>7,349</u>
TOTAL EQUITY AND LIABILITIES	<u>431,683</u>	<u>431,545</u>
Net assets per share (RM) (Note 2)	3.08	3.03
Net assets value per share (RM) (Note 2)	3.08	3.03

Notes:-

- Investments shown here as at 30 November 2016 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 RM430,928,896.23 (31.05.2016 : RM424,196,497.41) divided by the number of shares in issue at the end of the reporting period of 140,000,000 (31.05.2016 : 140,000,000).

ICAPITAL.BIZ BERHAD (674900-X)
 CONDENSED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE PERIOD ENDED 30TH NOVEMBER 2016

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR 30/11/2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/11/2015 RM'000	CURRENT YEAR TO DATE 30/11/2016 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/11/2015 RM'000
Revenue (Note B1)	1,539	2,832	5,623	6,272
Operating expenses (Note B1)				
- impairment loss on a quoted investment	-	-	-	(10,460)
- professional fees and other operating expenses	(2,554)	(2,750)	(4,501)	(4,566)
	(2,554)	(2,750)	(4,501)	(15,026)
(Loss) / Profit from operations	(1,015)	82	1,122	(8,754)
Finance cost	-	-	-	-
(Loss) / Profit before taxation	(1,015)	82	1,122	(8,754)
Taxation (Note B5)	(88)	(421)	(596)	(864)
(Loss) / Profit after taxation	(1,103)	(339)	526	(9,618)
Other comprehensive income:				
Net fair value changes in available-for-sale investments	(2,586)	23,567	6,207	16,499
Total comprehensive income for the period/year	(3,689)	23,228	6,733	6,881
(Loss) / Earnings per share (sen)				
- Basic (Note B10)	(0.79)	(0.24)	0.38	(6.87)
- Diluted (Note B10)	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 2016)

ICAPITAL.BIZ BERHAD (674900-X)
CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30TH NOVEMBER 2016

	Share Capital RM'000	Fair Value Adjustment Reserve RM'000	Unappropriated Profit RM'000	Total Equity RM'000
At 01.06.2016	140,000	50,035	234,161	424,196
Total comprehensive income for the year	-	6,207	526	6,733
At 30.11.2016	140,000	56,242	234,687	430,929
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

(The Condensed Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 May 2016)

ICAPITAL.BIZ BERHAD (674900-X)
CONDENSED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 30TH NOVEMBER 2016

	6 MONTHS ENDED 30/11/2016 RM'000	6 MONTHS ENDED 30/11/2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	1,122	(8,754)
Adjustments for:-		
Impairment loss on a quoted investment	-	10,460
Net loss on disposal of quoted investment	65	-
Operating profit before working capital changes	1,187	1,706
Decrease in other receivables, deposit and prepayments	287	2,376
Decrease in other payables and accruals	(5,959)	(81)
Proceeds from disposal of quoted investments	1,744	-
CASH (USED IN) GENERATED FROM OPERATIONS	(2,741)	4,001
Taxes paid	(1,495)	(912)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	(4,236)	3,089
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,236)	3,089
CASH AND CASH EQUIVALENTS AS AT 1 JUNE	303,481	257,952
CASH AND CASH EQUIVALENTS AS AT 30 NOV	299,245	261,041
CASH AND CASH EQUIVALENTS COMPRISE:-		
Bank balance	1,245	335
Short term deposits with licensed financial institutions	298,000	260,706
	299,245	261,041

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FINANCIAL REPORT FOR THE PERIOD ENDED 30TH NOVEMBER 2016
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 Malaysian Financial Reporting Standard ("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 2016. 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 2016.

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)

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011): Investment Entities – Applying the Consolidation Exception

Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants

Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012 – 2014 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 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 2 : Classification and measurement of share - based payment transactions	1 January 2018

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The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Company upon their initial application.

A3 Auditors' opinion on preceding annual financial statements

The Company's Financial Statements for the financial year ended 31 May 2016 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.

A5 Individually significant items

There are no significant items affecting the assets, liabilities, equity, net income or cash flows during the current 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.

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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.

In accordance with the requirements in the MMLR, which took effect on 27 January 2015, the provision of investment advisory services 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	
	30/11/2016	30/11/2015	30/11/2016	30/11/2015
	RM'000	RM'000	RM'000	RM'000
Fund management fees - CDAM	<u>811</u>	<u>752</u>	<u>1614</u>	<u>1518</u>
Investment advisory fees - CDSB	<u>811</u>	<u>752</u>	<u>1614</u>	<u>1518</u>

PART B - AS REQUIRED BY THE LISTING REQUIREMENTS

B1 Review of performance

For the six months ended 30 November 2016, the Company recorded a profit before tax of RM1.1 million, compared with loss before tax of RM8.8 million in the corresponding period of last year.

As shown in the following table, the increase in the profit before tax for the six months ended 30 November 2016 compared with 30 November 2015 was mainly due to provision for impairment loss on investment in the preceding year's corresponding period.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30.11.2016	30.11.2015	30.11.2016	30.11.2015
	RM'000	RM'000	RM'000	RM'000

Revenue Consist of:-

Interest income	578	2,029	2,939	4,069
Dividend income	961	803	2,749	2,203
Net loss on disposal of quoted investments	-	-	(65)	-
	<u>1,539</u>	<u>2,832</u>	<u>5,623</u>	<u>6,272</u>

Operating Expenses Consist of:-

Impairment loss on a quoted investment	-	-	-	(10,460)
Professional fees - Fund Management fee	(811)	(752)	(1,614)	(1,518)
Professional fees - Investment Advisory fee	(811)	(752)	(1,614)	(1,518)
Other operating expenses	(932)	(1,246)	(1,273)	(1,530)
	<u>(2,554)</u>	<u>(2,750)</u>	<u>(4,501)</u>	<u>(15,026)</u>
(Loss) / Profit before taxation	<u>(1,015)</u>	<u>82</u>	<u>1,122</u>	<u>(8,754)</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 30 November 2016 was RM3.08, compared with NAV per share of RM3.03 as at 31 May 2016, an increase of 1.7%.

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B2 Comparison with immediate preceding quarter's results

In the second quarter ended 30 November 2016, the Company recorded a loss after tax of RM1.1 million, compared with a profit after tax of RM1.6 million in the preceding quarter. The loss after tax in the current quarter was mainly due to reduction in interest and dividend income received in the current quarter. The reduction in interest income was mainly due to the transition to the new custodian bank. For the current quarter, the revenue and operating expenses were RM1.5 million and RM2.6 million respectively, compared with RM4.1 million and RM1.9 million for the preceding quarter.

The NAV per share decreased by 0.65% from RM3.10 in the preceding quarter to RM3.08 in the current quarter due to the decrease in the share price of the Company's investments.

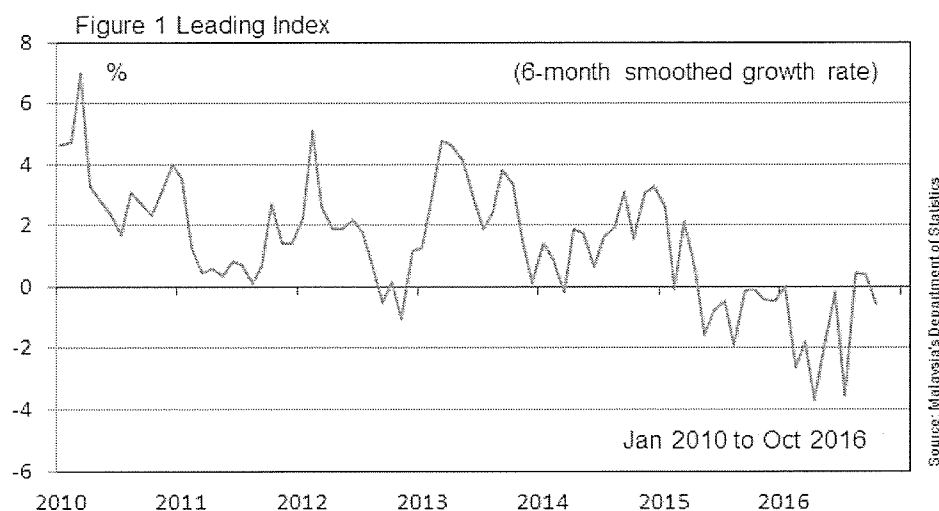
The following items are not applicable to the Company:-

- (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 top-down/market-timing investors – please read this section.

Since my last commentary dated 24 October 2016, the Malaysian economy has continued to expand at a slower pace. Malaysia's GDP growth rate has slipped from a range of 5.5%-6.0% in 2nd half of 2014/1st half of 2015 to 4.0%-4.5% % in 2016. Prospects for 2017 do not look promising. In this regards, Malaysia's Leading Index, a useful economic indicator, is confirming this weak outlook. Weakness in the said Leading Index – see **figure 1** - has persisted and it is indicating more weakness for Malaysia's economy in the coming quarters.



Major uncertainties surrounding the policies of the incoming US president are expected to exert further downward pressure on Malaysia's economy. Many countries are watching what his anti-China trade team of billionaire Wilbur Ross, Dan DiMicco (former chief executive of steelmaker Nucor), Peter Navarro (a professor) and Robert Lighthizer, a trade lawyer, would be doing after 20 January 2017.

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The incoming US trade team would inevitably make economic, investment and trade ties between China and the US extremely difficult. Many observers see this as similar to what Ronald Reagan did to Japan in the Eighties. America won and Japan's economy was never the same economic powerhouse again. The 45th US president may be planning to repeat this "feat" with China. China now is not Japan then. Bashing Japan then did not harm the global economy. Hitting China now will be like hitting yourself. So, what has the incoming US trade team got up their sleeves ? The Smoot-Hawley Tariff Act of 1930 was sponsored by two Republicans in 1930. The Smoot-Hawley Tariff Act is famous for sending the global economy deeper into the Great Depression of the 1930s. It may be wiser to take Donald Trump's tough talk seriously and literally.

For long term value investors – please read this section.

icapital.biz Berhad is a Malaysia-focused fund, with an objective of long-term capital appreciation based on the eclectic value investing of Capital Dynamics. It is not allowed to sell short, invest in derivatives or undertake any borrowings.

Successful long-term value investing requires a few factors.

Be Patient. Wait for the right stock at the right price to buy. Top-down/market timers would wait for the right time instead. When opportunities emerge, patient investors are the best prepared, as they always have cash on hand.

Keep Compounding. Long term value investing works because of the power of exponential growth or compounding and this requires patience and discipline.

Go Against Conventional Wisdom. Be fearful when others are greedy. As Sun Tzu said, prepare for war in times of peace.

Think and Act Independently. Be confident enough to be able to think and act without needing affirmation from others or the market on one's investment decisions.

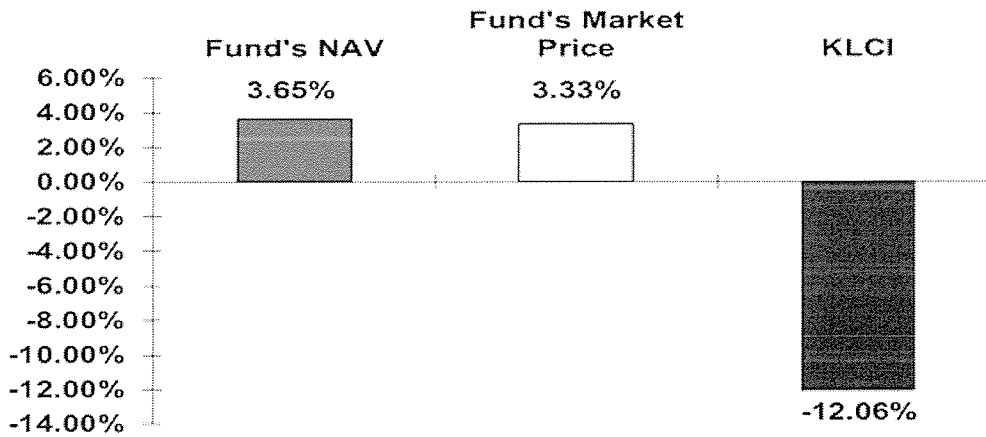
Require a Margin of Safety. Having a sufficient margin of safety is vital as it means that mistakes, which are inevitable, will not be permanently damaging.

The cash holdings of icapital.biz Berhad have remained at about the same level as in my last commentary. Finding attractive stocks to invest for the long-term with sufficient margin of safety remains an elusive activity.

Despite the drag from its cash holdings, icapital.biz Berhad's performance has still handsomely beaten the KLCI. In fact, its cash level, which currently represents around 69% of its NAV or RM2.16 per share, has protected share owners from a slump in the KLCI. **Figure 2** for the period 1st January 2014 to 31 December 2016 amply shows this reassuring performance.

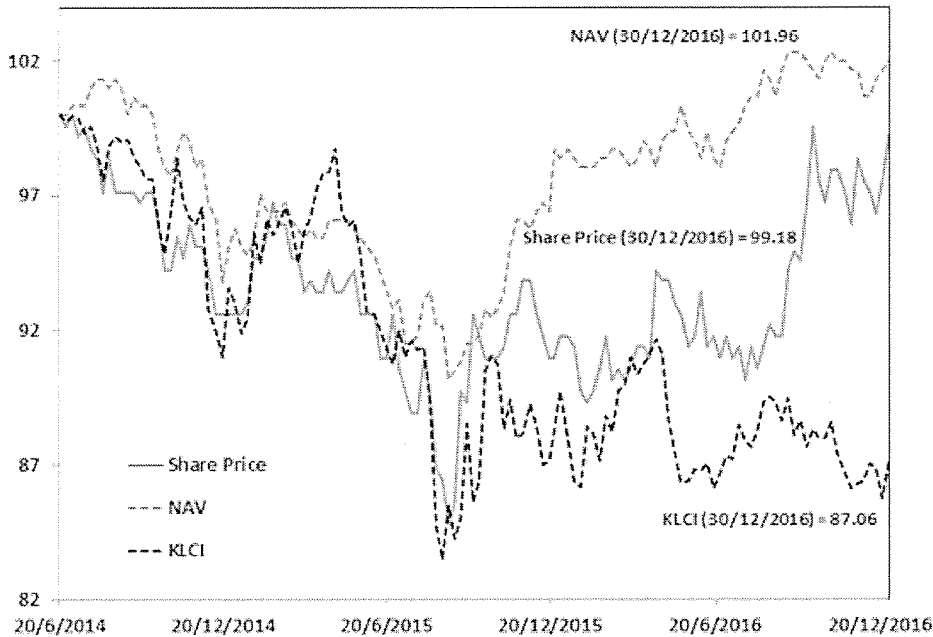
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Figure 2: Fund's Return vs KLCI (1 Jan 2014 to 31 Dec 2016)



The same reassuring performance can also be viewed by comparing the KLCI at its peak in 2014 until 31st December 2016 – see figure 3.

Figure 3 icapital.biz Bhd vs KLCI



Source: Capital Dynamics, Bursa

In summary, for top-down/market-timing investors, 2017 may turn out to be an “unpresided” year. For long-term value investors, remember what Mark Twain famously wrote : “October: This is one of the peculiarly dangerous months to speculate in stocks. The others are July, January, September, April, November, May, March, June, December, August and February.”

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B4 Financial forecast / profit guarantee

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

B5 Taxation

	Current Quarter Ended		Cumulative Quarter Ended	
	30/11/2016	30/11/2015	30/11/2016	30/11/2015
	RM'000	RM'000	RM'000	RM'000
Tax expense	88	421	596	864

A reconciliation of income tax expense applicable to (loss) / 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	
	30/11/2016	30/11/2015	30/11/2016	30/11/2015
	RM'000	RM'000	RM'000	RM'000
(Loss) / Profit before taxation	(1,015)	82	1,122	(8,754)
Tax at the statutory rate of 24%	(243)	20	269	(2,101)
Tax effects of :				
Tax-exempt dividends	(231)	(193)	(660)	(529)
Non-deductible expenses	562	594	987	3,494
Tax expense	88	421	596	864

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 2016.

B10 (Loss) / Earnings per share

a) Basic (loss) / earnings per share

The basic (loss) / earnings per share for the current quarter under review and cumulative quarter ended are computed as follows:-

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	Current Quarter Ended 30/11/2016 RM'000	Cumulative Quarter Ended 30/11/2016 RM'000
(Loss) / Profit after taxation	(1,103)	526
No. ordinary share capital in issue during the current quarter / current year to-date of shares at RM1.00 each	140,000	140,000
Basic (loss) / earnings per share (sen)	(0.79)	0.38

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 Malaysia's Guidelines for Public Offerings of Securities of Closed-end Funds.

B12 Investments

As at 30 November 2016, 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.

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 30/11/2016 RM'000	As at 30/11/2015 RM'000
Retained profits of the Company comprise of:-		
Realised Profits	234,687	203,183
Unrealised Profits	-	-
Total retained profits as per statement of financial position	<u>234,687</u>	<u>203,183</u>

BY ORDER OF THE BOARD

SECRETARIES