

**ICAPITAL.BIZ BERHAD (674900-X)**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MAY 2017**

	<b>UNAUDITED AS AT 31/05/2017 RM'000</b>	<b>AUDITED AS AT 31/05/2016 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investments (Note 1)	177,605	126,022
<b>Current assets</b>		
Other receivables, deposit and prepayments	1,875	2,042
Tax Recoverable	302	-
Short term deposits	282,769	302,759
Bank balance	1,183	722
	<u>286,129</u>	<u>305,523</u>
<b>TOTAL ASSETS</b>	<u>463,734</u>	<u>431,545</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	140,000	140,000
Fair value adjustment reserve	87,513	50,035
Retained profits	235,772	234,161
<b>Total equity attributable to holders of the Company</b>	<u>463,285</u>	<u>424,196</u>
<b>Current liabilities</b>		
Other payables and accruals	449	6,713
Provision for taxation	-	636
<b>TOTAL LIABILITIES</b>	<u>449</u>	<u>7,349</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>463,734</u>	<u>431,545</u>
Net assets per share (RM) (Note 2)	3.31	3.03
Net asset value per share (RM) (Note 2)	3.31	3.03

**Notes:-**

- Investments shown here as at 31 May 2017 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 RM463,285,018 (31.05.2016 : RM424,196,497) 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 31 MAY 2017**

	INDIVIDUAL QUARTER*		CUMULATIVE QUARTER**	
	CURRENT YEAR QUARTER 31/05/2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/05/2016 RM'000	CURRENT YEAR TO DATE 31/05/2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/05/2016 RM'000
<b>Revenue</b> (Note B1)	<b>3,565</b>	<b>3,574</b>	<b>13,440</b>	<b>44,035</b>
<b>Operating expenses</b> (Note B1)				
- impairment loss on a quoted investment	-	(2,046)	(1,821)	(12,506)
- professional fees and other operating expenses	(2,027)	(1,438)	(8,515)	(7,811)
	(2,027)	(3,484)	(10,336)	(20,317)
<b>Profit from operations</b>	<b>1,538</b>	<b>90</b>	<b>3,104</b>	<b>23,718</b>
Finance cost	-	-	-	-
<b>Profit before taxation</b>	<b>1,538</b>	<b>90</b>	<b>3,104</b>	<b>23,718</b>
Taxation	(491)	(579)	(1,493)	(2,358)
<b>Profit/(Loss) after taxation</b>	<b>1,047</b>	<b>(489)</b>	<b>1,611</b>	<b>21,360</b>
<b>Other comprehensive income/(expenses):</b>				
Net fair value changes in available-for-sale investments	18,870	1,338	37,478	(2,781)
<b>Total comprehensive income for the period</b>	<b>19,917</b>	<b>849</b>	<b>39,089</b>	<b>18,579</b>
<b>Earnings per share (sen)</b>				
- Basic (Note B10)	0.75	(0.35)	1.15	15.26
- Diluted (Note B10)	N/A	N/A	N/A	N/A

\* 4th Quarter

\*\* For the 12 months of the financial year

(The Condensed Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 May 2017)

**ICAPITAL.BIZ BERHAD (674900-X)**  
**CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 31 MAY 2017**

	<i>Non-distributable</i>	<i>Distributable</i>		
	Share Capital RM'000	Fair Value Reserve RM'000	Retained Profit RM'000	Total Equity RM'000
At 01.06.2016	140,000	50,035	234,161	424,196
Total comprehensive income for the period	-	37,478	1,611	39,089
At 31.05.2017	<b>140,000</b>	<b>87,513</b>	<b>235,772</b>	<b>463,285</b>
At 01.06.2015	140,000	52,816	212,801	405,617
Total comprehensive (expense)/income for the period	-	(2,781)	21,360	18,579
At 31.05.2016	<b>140,000</b>	<b>50,035</b>	<b>234,161</b>	<b>424,196</b>

(The Condensed Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 May 2017)

**ICAPITAL.BIZ BERHAD (674900-X)**  
**CONDENSED STATEMENT OF CASH FLOW**  
**FOR THE PERIOD ENDED 31 MAY 2017**

	<b>12 MONTHS ENDED 31/05/2017 RM'000</b>	<b>12 MONTHS ENDED 31/05/2016 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	3,104	23,718
Adjustments for:-		
Impairment loss on a quoted investment	1,821	12,506
Net loss/(gain) on disposal of quoted investment	65	(30,858)
<b>Operating profit before working capital changes</b>	<b>4,990</b>	<b>5,366</b>
Decrease in other receivables, deposit and prepayments	167	1,446
Decrease/(increase) in other payables and accruals	(6,263)	5,468
Proceeds from disposal of quoted investments	1,744	41,468
Purchase of quoted investments	(17,736)	(6,322)
<b>CASH (FOR)/FROM OPERATIONS</b>	<b>(17,098)</b>	<b>47,426</b>
Taxes paid	(2,431)	(1,897)
<b>NET CASH (FOR)/FROM OPERATING ACTIVITIES</b>	<b>(19,529)</b>	<b>45,529</b>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(19,529)	45,529
CASH AND CASH EQUIVALENTS AS AT 1 JUNE	303,481	257,952
<b>CASH AND CASH EQUIVALENTS AS AT 31 MAY</b>	<b>283,952</b>	<b>303,481</b>
<b>CASH AND CASH EQUIVALENTS COMPRISE:-</b>		
Bank balance	1,183	722
Short term deposits with licensed financial institutions	282,769	302,759
	<b>283,952</b>	<b>303,481</b>

**ICAPITAL.BIZ BERHAD (674900-X)**  
**FINANCIAL REPORT FOR THE PERIOD ENDED 31 MAY 2017**  
**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 107: Disclosure Initiative

Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

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 2: Classification and measurement of share - based payment transactions

1 January 2018

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.

**ICAPITAL.BIZ BERHAD (674900-X)**  
**FINANCIAL REPORT FOR THE PERIOD ENDED 31 MAY 2017**  
**NOTES TO THE INTERIM FINANCIAL REPORT**

**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 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 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.

**ICAPITAL.BIZ BERHAD (674900-X)**  
**FINANCIAL REPORT FOR THE PERIOD ENDED 31 MAY 2017**  
**NOTES TO THE INTERIM FINANCIAL 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.

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 31/05/2017		Cumulative Quarter Ended 31/05/2017	
	RM'000	RM'000	RM'000	RM'000
Fund management fees - CDAM	<u>830</u>	<u>792</u>	<u>3,264</u>	<u>3,075</u>
Investment advisory fees - CDSB	<u>830</u>	<u>792</u>	<u>3,264</u>	<u>3,075</u>

**PART B - AS REQUIRED BY THE LISTING REQUIREMENTS**

**B1 Review of performance**

For the year ended 31 May 2017, the Company recorded a profit before tax of RM3.10 million, compared with profit before tax of RM23.72 million in the corresponding period of last year.

As shown in the following table, the decrease in the profit before tax for the year ended 31 May 2017 compared with 31 May 2016 was mainly due to the absence of gain on disposal of quoted investments.

	INDIVIDUAL QUARTER*		CUMULATIVE QUARTER**	
	CURRENT YEAR QUARTER 31/05/2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/05/2016 RM'000	CURRENT YEAR TODATE 31/05/2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/05/2016 RM'000
<b>Revenue Consist of:-</b>				
Interest income	2,525	2,568	7,941	8,778
Dividend income	1,040	863	5,564	4,399
Net gain/(loss) on disposal of quoted investments	-	143	(65)	30,858
	3,565	3,574	13,440	44,035
<b>Operating Expenses Consist of:-</b>				
Impairment loss on a quoted investment	-	(2,046)	(1,821)	(12,506)
Professional fees - Fund Management fee	(830)	(792)	(3,264)	(3,075)
Professional fees - Investment advisory fee	(830)	(792)	(3,264)	(3,075)
Other operating expenses	(367)	146	(1,987)	(1,661)
	(2,027)	(3,484)	(10,336)	(20,317)
<b>Profit before taxation</b>	<b>1,538</b>	<b>90</b>	<b>3,104</b>	<b>23,718</b>

\* 4rd Quarter

\*\* For the 12 months of the financial year

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 2017 was RM3.31, compared with NAV per share of RM3.03 as at 31 May 2016, an increase of 9.2%.

**ICAPITAL.BIZ BERHAD (674900-X)**  
**FINANCIAL REPORT FOR THE PERIOD ENDED 31 MAY 2017**  
**NOTES TO THE INTERIM FINANCIAL REPORT**

**B2 Comparison with immediate preceding quarter's results**

In the fourth quarter ended 31 May 2017, the Company recorded a profit before tax of RM1.54 million, compared with a profit before tax of RM0.44 million in the immediate preceding quarter. The lower profit before tax in the immediate preceding quarter was mainly due the impairment loss on a quoted 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**

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

Since my last commentary dated 10 April 2017, the US Federal Reserve has raised its federal funds target rate twice: once in March 2017 and another in June 2017. With another rate hike expected in the coming months and the Federal Reserve's plan to unwind its US\$4.5 trillion balance sheet, this is confirming what I wrote in the said commentary - *"With the US economic recovery remaining intact, one can expect the normalisation of her monetary policy to proceed at a pace faster than in 2015 and 2016."* Again, we hope that investors are prepared for this in a calm manner.

At the same time, in a reflection of the uncertain global economic conditions created by the US-led 2008 global financial crisis, the Bank of Italy recently advertised for 30 junior positions with an annual salary of €28,000 and it received 85,000 applications – nearly 3,000 candidates for each post. With Italy's youth unemployment close to 40% and the overall level at 11.3%, steady jobs are in huge demand. The trouble in Italy is that, once an employee is hired, it is hard for a company to get rid of them no matter how incompetent they might be. How Italy and other European nations got into such a devastating mess deserves deep research by the government and policymakers.

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 philosophy of Capital Dynamics. It is not allowed to sell short, invest in derivatives or undertake any borrowings.

Value investing is not about timing the stock market or the economy. It is about buying when the price of a stock is attractive compared with its intrinsic value. This quarter's commentary uses two examples to illustrate this long-term investment approach.

Say you are a 25-year-old Japanese in 1990, your parents died and bequeathed you a piece of property located in booming Tokyo. Property prices, particularly those located in Tokyo, were surging in the Eighties. From 1984 to 1989, average residential property prices in Japan jumped 150%. The land underneath Tokyo's Imperial Palace was famously said to be worth as much as the entire state of California. With many convinced in the Eighties that Japan was destined to overtake the US as the world's most powerful economy, many young Japanese were naturally worried over their ability to purchase their own homes. So, as you feel sorrow, you quietly thanked your parents for the precious real estate gift.

27 long years later, as you look forward to a comfortable retirement, you discovered that the price of your Tokyo property has been falling non-stop. In greater Tokyo, apartment prices peaked in 1990 at 61,230,000 Yen. At the turn of the 21st century, you would have found that your property had lost 60% of its 1990 value (Figure 1) and had not budged since then.





Investing in property was supposed to be a simple profitable buy-and-hold decision. Figure 1 shows a Japanese who bought a residential property in 1984 would have hardly seen any capital appreciation 33 years later. For most people, the single most important asset to own in one’s lifetime is property. To have one’s most important asset depreciate for 27 years, especially when one is retiring, the financial and psychological impact is devastating.

What happens to Japanese properties also happens to equities. Take a look at Figure 2. An investor buying this stock in 1999 would have to suffer for 16 long years before the share price manages to recover to its 1999 level. It is a highly profitable, cash rich, well-managed company (one could almost say a company with near monopolistic powers), Guess what stock this is?

**Figure 2**



Figure 2 displays the share price of Microsoft Corporation, adjusted for stock splits.

For a value investor, the key thing is not to overpay for a stock in terms of its intrinsic value. The above examples illustrate the severe consequences of this well.

For the quarter ended 31<sup>st</sup> May 2017, the cash holdings of icapital.biz Berhad have fallen by around RM20 million as we have bought some shares for icapital.biz Berhad. Finding attractive stocks to invest with sufficient margin of safety remains our focus.

**B4 Financial forecast / profit guarantee**

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

**ICAPITAL.BIZ BERHAD (674900-X)**  
**FINANCIAL REPORT FOR THE PERIOD ENDED 31 MAY 2017**  
**NOTES TO THE INTERIM FINANCIAL REPORT**

**B5 Taxation**

	<b>Current Quarter Ended</b>	<b>31/05/2016</b>	<b>Cumulative Quarter Ended</b>	<b>31/05/2016</b>
	<b>31/05/2017</b>	<b>RM'000</b>	<b>31/05/2017</b>	<b>RM'000</b>
Tax expense	491	579	1,493	2,358

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:-

	<b>Current Quarter Ended</b>	<b>31/05/2016</b>	<b>Cumulative Quarter Ended</b>	<b>31/05/2016</b>
	<b>31/05/2017</b>	<b>RM'000</b>	<b>31/05/2017</b>	<b>RM'000</b>
Profit before taxation	1,538	90	3,104	23,718
Tax at the statutory rate of 24%	369	22	745	5,692
Tax effects of:-				
Non-taxable income	(104)	(35)	(1,180)	(8,301)
Tax-exempt dividends	-	(207)	(155)	(161)
Non-deductible expenses	226	799	2,090	4,729
(Over)/under provision in previous years	-	-	(7)	399
Tax expense	491	579	1,493	2,358

**B6 Status of corporate proposals**

There was no corporate proposal announced during the current quarter or the current financial quarter-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 31 May 2017.

**ICAPITAL.BIZ BERHAD (674900-X)**  
**FINANCIAL REPORT FOR THE PERIOD ENDED 31 MAY 2017**  
**NOTES TO THE INTERIM FINANCIAL REPORT**

**B10 Earnings per share**

**a) Basic earnings per share**

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

	<b>Current Quarter Ended 31/05/2017 RM'000</b>	<b>Cumulative Quarter Ended 31/05/2017 RM'000</b>
Profit after taxation	1,047	1,611
No. ordinary share capital in issue at RM1.00 each	140,000	140,000
Basic earnings per share (sen)	0.75	1.15

**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 31 May 2017, 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:-

	<b>As at 31/05/2017 RM'000</b>	<b>As at 31/05/2016 RM'000</b>
Retained profits of the Company comprise of:-		
Realised Profits	235,772	234,161
Unrealised Profits	-	-
Total retained profits as per statement of financial position	<u>235,772</u>	<u>234,161</u>

**BY ORDER OF THE BOARD**

**Tai Yit Chan (MAICSA No.7009143)**  
**Tan Ai Ning (MAICSA No.7015852)**

**SECRETARIES**