

ICAPITAL.BIZ BERHAD (674900-X)
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 NOVEMBER 2018

	UNAUDITED AS AT 30-11-18 RM'000	AUDITED AS AT 31/05/2018 RM'000
ASSETS		
Non-current assets		
Investments (Note 1)	164,571	213,328
Current assets		
Other receivables, deposit and prepayments	2,565	2,638
Short term deposits	268,592	263,848
Bank balance	35,905	19,320
	<u>307,062</u>	<u>285,806</u>
TOTAL ASSETS	<u>471,633</u>	<u>499,134</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	140,000	140,000
Other reserves	47,361	114,021
Retained profits	283,854	244,674
Total equity attributable to owners of the Company	<u>471,215</u>	<u>498,695</u>
Current liabilities		
Other payables and accruals	259	418
Provision for taxation	159	21
TOTAL LIABILITIES	<u>418</u>	<u>439</u>
TOTAL EQUITY AND LIABILITIES	<u>471,633</u>	<u>499,134</u>
Net asset value per share (RM) (Note 2)	3.37	3.56

Notes:-

- Investments shown here as at 30 November 2018 are taken at market value.
- The net asset value per share of the Company is calculated based on the net assets at the end of the reporting period of RM471,214,576 (31.05.2018 : RM498,695,086) divided by the number of shares in issue at the end of the reporting period of 140,000,000 (31.05.2018 : 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 2018)

ICAPITAL.BIZ BERHAD (674900-X)
 CONDENSED STATEMENT OF PROFIT OR LOSS
 FOR THE QUARTER AND YEAR TO DATE ENDED 30 NOVEMBER 2018

	INDIVIDUAL QUARTER*		CUMULATIVE QUARTER**	
	CURRENT YEAR 30-11-18 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30-11-17 RM'000	CURRENT YEAR TO DATE 30-11-18 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30-11-17 RM'000
Revenue (Note B1)	3,534	3,314	8,020	8,062
Operating expenses (Note B1)				
- Professional fees and other operating expenses	(2,143)	(2,325)	(4,200)	(4,358)
- Impairment loss on quoted investments	-	(1,022)	-	(1,022)
	(2,143)	(3,347)	(4,200)	(5,380)
Profit / (loss) from operations	1,391	(33)	3,820	2,682
Finance cost	-	-	-	-
Profit / (loss) before taxation	1,391	(33)	3,820	2,682
Taxation (Note B5)	(496)	(454)	(1,013)	(936)
Profit / (loss) after taxation	895	(487)	2,807	1,746
Earnings per share (sen)				
- Basic (Note B10)	0.64	(0.35)	2.01	1.25
- Diluted (Note B10)	0.64	(0.35)	2.01	1.25

* 2nd Quarter

** For the 6 months of the financial year

(The Condensed Statement of Profit or Loss should be read in conjunction with the Annual Financial Report for the year ended 31 May 2018)

ICAPITAL.BIZ BERHAD (674900-X)
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 NOVEMBER 2018

	INDIVIDUAL QUARTER*		CUMULATIVE QUARTER**	
	CURRENT YEAR QUARTER 30-11-18 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30-11-17 RM'000	CURRENT YEAR TO DATE 30-11-18 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30-11-17 RM'000
Profit / (loss) for the period	895	(487)	2,807	1,746
Other comprehensive Income:				
Items that may be recycled to profit or loss:				
Net fair value changes in investments	(28,731)	20,325	(30,287)	28,582
Total comprehensive (loss) / income for the period	(27,836)	19,838	(27,480)	30,328

* 2nd Quarter

** For the 6 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 2018)

ICAPITAL.BIZ BERHAD (674900-X)
CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE CUMMULATIVE 6 MONTHS PERIOD AND YEAR TO DATE-ENDED 30 NOVEMBER 2018

	<i>Non-distributable</i> Share Capital RM'000	<i>FVOCI</i> Reserve RM'000	<i>Distributable</i> Retained Profit RM'000	Total Equity RM'000
At 01.06.2018	140,000	114,021	244,674	498,695
Impact of MFRS9 Financial Instruments	-	(22,030)	22,030	-
At 01.06.2018 as restated	140,000	91,991	266,704	498,695
Profit for the period	-	-	2,807	2,807
Other comprehensive income net of income tax	-	(30,287)	-	(30,287)
Recycle to retained earnings arising from disposal of investments	-	(14,343)	14,343	-
Total comprehensive income for the period	-	(44,630)	17,150	(27,480)
At 30.11.2018	140,000	47,361	283,854	471,215
At 01.06.2017	140,000	87,513	235,772	463,285
Total comprehensive income for the period	-	28,582	1,746	30,328
At 30.11.2017	140,000	116,095	237,518	493,613

(The Condensed Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 May 2018)

ICAPITAL.BIZ BERHAD (674900-X)
CONDENSED STATEMENT OF CASH FLOW
FOR THE CUMMULATIVE 6 MONTHS PERIOD AND YEAR TO DATE-ENDED 30 NOVEMBER 2018

	6 MONTHS ENDED 30-11-2018 RM'000	6 MONTHS ENDED 30-11-17 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,820	2,682
Adjustments for:-		
Net gain on disposal of quoted investment	-	(8)
Impairment loss on a quoted investment	-	1,022
Operating profit before working capital changes	<u>3,820</u>	<u>3,696</u>
Decrease/(increase) in other receivables, deposit and prepayments	73	(211)
Decrease in other payables and accruals	(159)	(171)
Proceeds from disposal of quoted investments	19,306	85
Purchase of quoted investments	(837)	(15,009)
CASH FOR OPERATIONS	<u>22,203</u>	<u>(11,610)</u>
Taxes paid	(875)	(1,049)
NET CASH FROM / (FOR) OPERATING ACTIVITIES	<u>21,328</u>	<u>(12,659)</u>
CASH FLOWS FOR INVESTING ACTIVITIES		
Placement of fixed deposit with tenure more than 3 months	(268,591)	(265,877)
NET CASH FOR INVESTING ACTIVITIES	<u>(268,591)</u>	<u>(265,877)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(247,263)	(278,536)
CASH AND CASH EQUIVALENTS AS AT 1 JUNE	283,168	283,952
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>35,905</u>	<u>5,416</u>

(The Condensed Statement of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 May 2018)

PART A - EXPLANATORY NOTES

A1 Basis of preparation

The condensed interim financial statements, other than for financial instruments have been prepared under the historical cost convention.

This Condensed Report has also been prepared in accordance with the requirements of MFRS 134 *Interim Financial Reporting*, International Accounting Standard (IAS) 34 *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

This Condensed Report should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 May 2018. 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 2018.

A2 Significant accounting policies

2.1 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 107: Disclosure Initiative
- Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to MFRS Standards 2014 – 2016 Cycles: Amendments to MFRS 12: Clarification of the Scope of the Standard
- MFRS 15 Revenue from Contracts with Customers
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Amendments to MFRS 2: Classification and Measurement of Share - based Payment Transactions
- Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Amendments to MFRS 15: Effective Date of MFRS 15
- Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'
- Amendments to MFRS 140 – Transfers of Investment Property
- Annual Improvements to MFRS Standards 2014 – 2016 Cycles:
 - Amendments to MFRS 1: Deletion of Short-term Exemptions for the First-time Adopters
 - Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value
- MFRS 9: Financial Instruments

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 except as follows:-

The amendments to MFRS 107 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Company has not applied in advance the following accounting standard(s) and/or interpretation(s) (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 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019

A2 Significant accounting policies (con't)

2.1 Changes in accounting policies (con't)

MFRSs and/or IC Interpretations (Including The Consequential Amendments) (con't)	Effective Date
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
The Company has not applied in advance the following accounting standard(s) and/or interpretation(s) (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:- (con't)	
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

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.

2.2 The nature and impact of MFRS 9 Financial Instruments

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the guidance in MFRS 139 on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

The initial application of MFRS 9 is not expected to have any material impact to the financial statements of the Company for the current financial year and prior periods as the Company will apply the standard retrospectively from 1 June 2018 with the practical expedients permitted under the standard, and that the comparatives (i.e. current period financial information) will not be restated.

Classification and Measurement

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the financial assets are managed and their cash flow characteristics. This new accounting standard contains 3 principal classification categories for financial assets:-

- Amortised cost ("AC")
- Fair value through profit or loss ("FVTPL")
- Fair value through other comprehensive income ("FVTOCI")

The standard eliminates the existing MFRS 139 categories of held to maturity ("HTM"), loans and receivables ("LAR") and available-for-sale ("AFS") financial assets.

The basis of classification on a financial asset depends on an entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in other comprehensive income (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent solely payments of principal and interest.

The impacts upon the Company's initial application are summarised below:-

- (i) Under MFRS 9, the Company has designated its entire investments in quoted securities (currently classified as available-for-sale financial assets) to be measured at FVTOCI as these investments are held for long-term strategic purposes.
- (ii) The remaining financial assets are debt instruments (currently classified as loans and receivables financial assets) that are held to collect contractual cash flows which meet the criteria to be measured at AC under MFRS 9.

Therefore, the Company does not expect the new standard to affect the measurement of its financial assets.

For financial liabilities, there will be no changes to the classification and measurement between MFRS 139 and MFRS 9 as these items will continue to be measured under AC.

ICAPITAL.BIZ BERHAD (674900-X)
FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2018
NOTES TO THE INTERIM FINANCIAL REPORT

A2 Significant accounting policies (con't)

2.2 The nature and impact of MFRS 9 Financial Instruments (con't)

Impairment of Financial Assets

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' ("ECL") model. The new impairment model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. It involves a 3-stage approach under which financial assets move through the stages as their credit quality changes.

The new impairment model applies to financial assets measured at AC, debt instruments measured at FVTOCI, contract assets, lease receivables, loan commitments and certain financial guarantee contracts.

The Company has determined that, based on its assessment on the market information currently available and the reputation and past credit history of the counterparties with which the Company transacted with, the impacts of ECL on trade and other receivables (including related party balances) are insignificant upon the initial application of MFRS 9.

Impacts of the Adoption of MFRS 9

As allowed by the transitional provisions of MFRS 9, the Company will not restate comparative information of its financial instruments upon the adoption of MFRS 9 in which any transitional adjustment is to be recognised in retained profits (or other equivalent equity component) as at 1 June 2018 (i.e. date of initial application of MFRS 9).

Other than those disclosed above, the Company's retained profits as at 1 June 2018 has increased by approximately RM22 million due to reclassification of impairment under fair value reserve from the classification of financial assets from AFS to FVTOCI upon its initial application of MFRS 9.

The analysis above are based on the assessments undertaken to date and maybe subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future.

i. Classification and measurement of financial instruments

The following table summarises the reclassification and measurement of the Company's financial assets on 1 June 2018:

		Measurement category		Carrying amount as at 1 June 2018	
		Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139)	New (MFRS 9)
	Note			RM'000	RM'000
Financial assets:					
Investment securities					
-Quoted shares	(1)	AFS	FVOCI	213,328	213,328
Other receivables, and deposits which are financial assets	(2)	Loan and receivables	Amortised cost	2,638	2,638
Tax recoverable which is financial assets	(2)	Loan and receivables	Amortised cost	-	-
Cash and bank balances of the Company	(2)	Loan and receivables	Amortised cost	283,168	283,168

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FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2018
NOTES TO THE INTERIM FINANCIAL REPORT

A2 Significant accounting policies (con't)

2.2 The nature and impact of MFRS 9 Financial Instruments (con't)

i. Classification and measurement of financial instruments (con't)

- (1) The Company elected to present in other comprehensive income changes in the fair value of its quoted shares (within Malaysia) previously classified as AFS, as this investment is not held for trading.
- (2) Other receivables, deposits and tax recoverable which are financial assets, cash and bank balances of the Company that have previously been classified as loan and receivables are now classified as amortised cost. The Company intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Financial liabilities at amortised cost consist trade payables, participants' contributions to Clearing Funds and other payables which are financial liabilities. There is no impact on the classification and measurement of the Company's financial liabilities.

The following table is a reconciliation of the carrying amount of the Company's statement of financial position from MFRS 139 *Financial Instruments* to MFRS 9 *Financial Instruments* as at 1 June 2018:

	Original (MFRS 139) Carrying amount as at 1 June 2018	Reclassification	Remeasurement	New (MFRS 9) Carrying amount as at 1 June 2018
	RM'000	RM'000	RM'000	RM'000
<i>Investment securities – AFS</i>	213,328	(213,328)	-	-
<i>Investment securities – FVOCI</i>	-	164,571	-	164,571
Retained earnings:				
Opening balance	244,674	22,030	-	266,704
AFS reserve	-	-	-	-
FVOCI reserve:				
Opening balance	114,021	(22,030)	-	91,991
Fair value changes arising from the increase in loss allowance	-	-	-	-
Total FVOCI reserve	114,021	(22,030)	-	91,991

A3 Auditors' opinion on preceding annual financial statements

The Company's Financial Statements for the financial year ended 31 May 2018 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.

ICAPITAL.BIZ BERHAD (674900-X)
FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2018
NOTES TO THE INTERIM FINANCIAL REPORT

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 materials 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.

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	
	30/11/2018	30/11/2017	30/11/2018	30/11/2017
	RM'000	RM'000	RM'000	RM'000
Fund management fees - CDAM	940	893	1,845	1,756
Investment advisory fees - CDSB	940	893	1,845	1,756

A15 Financial Instruments

Fair Value

Financial instruments that are carries at fair value

Financial assets are FVOCI are measured at fair value at different measurement hierarchies (i.e. Level 1, 2 and 3). The hierarchies reflect the level of objectiveness of inputs used when measuring the fair value.

(i) Level 1: Quoted prices (unadjusted) of identical assets in active markets

Quoted shares are measured at Level 1. The fair value of quoted shares is determined directly by reference to their published market bid prices as at 30 November 2018.

ICAPITAL.BIZ BERHAD (674900-X)
FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2018
NOTES TO THE INTERIM FINANCIAL REPORT

A15 Financial Instruments (con't)

Fair Value (con't)

Financial instruments that are carries at fair value (con't)

- (i) **Level 2: Inputs other than at quoted prices included within Level 1 that are observable for assets, either directly (prices) or indirectly (derived from prices)**

The Company does not have any financial instruments measured at Level 2 as at 30 November 2018.

- (ii) **Level 3: Inputs for the assets that are not based on observable market data (unobservable inputs)**

The Company does not have any financial instruments measured at Level 3 as at 30 November 2018.

	Level 1 (RM'000)	Level 2 (RM'000)	Level 3 (RM'000)	Total (RM'000)
Financial Assets at FVOCI	164,571	-	-	164,571

PART B - AS REQUIRED BY THE LISTING REQUIREMENTS

B1 Review of performance (Para 9.40)

For the six months ended 30 November 2018, the Company recorded a profit before tax of RM3.82 million, compared with profit before tax of RM2.68 million in the corresponding quarter ended 30 November 2017.

As shown in the following table, the increase in profit before tax for the six months ended 30 November 2018 compared with 30 November 2017 was mainly due to reclassification of impairment loss on quoted investments to other comprehensive income on application of MFRS 9 financial statements.

	INDIVIDUAL QUARTER*		CUMULATIVE QUARTER**	
	CURRENT YEAR QUARTER 30/11/2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/11/2017 RM'000	CURRENT YEAR TODATE 30/11/2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/11/2017 RM'000
Revenue Consist of:-				
Interest income	2,389	2,310	4,797	4,735
Dividend income	1,145	996	3,223	3,319
Net gain on disposal of quoted investments	-	8	-	8
	3,534	3,314	8,020	8,062
Operating Expenses Consist of:-				
Professional fees and other operating expenses	(2,143)	(2,325)	(4,200)	(4,358)
Impairment loss on quoted investments	-	(1,022)	-	(1,022)
	(2,143)	(3,347)	(4,200)	(5,380)
Profit / (loss) from operations	1,391	(33)	3,820	2,682
Finance cost	-	-	-	-
Taxation	(496)	(454)	(1,013)	(936)
Profit / (loss) after taxation	895	(487)	2,807	1,746
Other comprehensive (expense) / income:				
Net fair value changes in investments	(28,731)	20,325	(30,287)	28,582
Total comprehensive (expense) / income for the period	(27,836)	19,838	(27,480)	30,328

ICAPITAL.BIZ BERHAD (674900-X)
FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2018
NOTES TO THE INTERIM FINANCIAL REPORT

B1 Review of performance (Para 9.40) (con't)

As the Company is a closed-ended fund, a better indication of its performance would be the movement of its Net Assets Value ("NAV"). The Company's NAV decreased to RM471.21 million as at 30 November 2018 from RM493.61 million as at 30 November 2017. This resulted in a reduction of NAV per share as at 30 November 2018 to RM3.37, compared with NAV per share of RM3.53 as at 30 November 2017, a decrease of 4.53%. The decrease was mainly due to a reduction in fair value of investments offset by gain of RM14.34 million from disposal of shares.

	30/11/2018	30/11/2017
	RM	RM
Total Net Asset Value	471,214,576	493,613,518
Net Asset Value per share	3.37	3.53
Share Price	2.62	2.79

B2 Comparison with immediate preceding quarter's results

In the second quarter ended 30 November 2018, the Company recorded a profit before tax of RM1.39 million, compared to RM2.43 million of profit before tax in the immediate preceding quarter. The higher profit in the last quarter was mainly due to higher dividend income received.

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 Para (9.40)

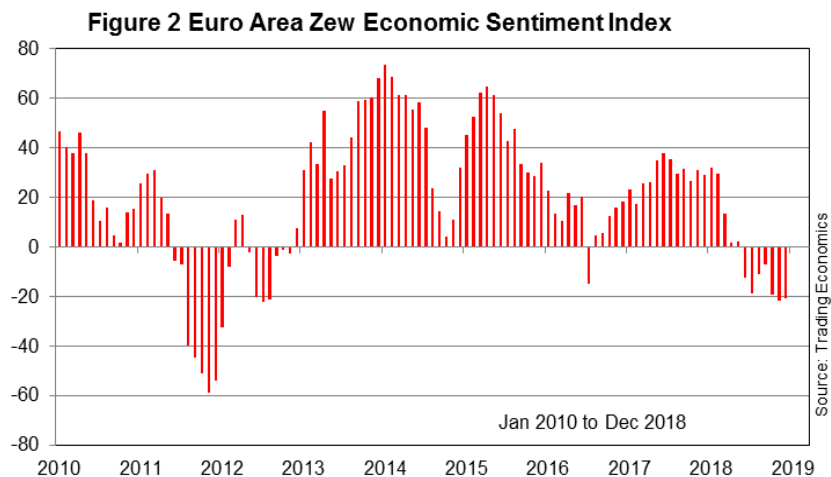
For top-down/market-timing investors – please read this section.

Since our last quarterly commentary, the local and global environment has deteriorated further. While the unnecessary America-engineered trade dispute with China has been "progressing" through twist and turns, US interest rates have been rising at the same time, even as the reduction in the Federal Reserve's balance sheet has kept pace. On 3rd October 2018, Fed chairman Jerome Powell unleashed a powerful bear when he said US interest rates "may go past neutral, but we're a long way from neutral at this point, probably." From a high of 2,939 on 3rd October 2018, the S&P 500 plunged 20% to record the worst ever Christmas Eve and closed at a low of 2,351 on 24th December 2018.

Global economic growth has also slowed down. While investors would immediately look at China, this is the wrong focus as it is economic conditions in the Eurozone, the largest economic block in the world, that have actually deteriorated fast. After its growth rate has been falling sharply throughout 2018, industrial production in the Euro area finally plunged 3.3%, year-on-year, in November 2018. This is the biggest fall since November 2012 (**figure 1**). Declines were seen across the board and the continent. The major economies of Portugal, Spain, Italy, France and Germany all suffered contractions.

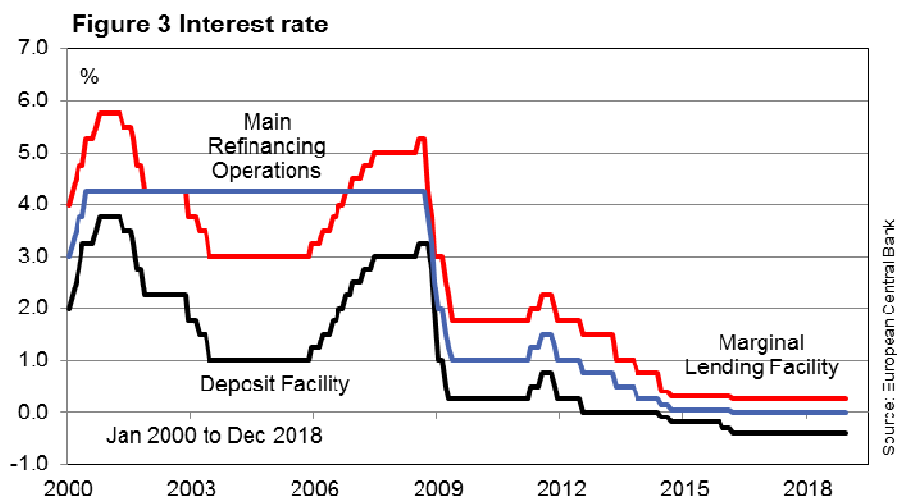
B3 Commentary by Fund Manager – Prospects Para (9.40) (con’t)

The ZEW Economic Sentiment Index measures the level of optimism/pessimism that analysts have about economic developments in the Eurozone in the next 6 months. The index is constructed as the difference between the percentage share of analysts who are optimistic and the percentage share of analysts who are pessimistic over the economy. The ZEW indicator measures economic sentiment on a scale of -100 (all analysts expect the economy to deteriorate) up to 100 (all analysts expect it to improve). The index fell off a cliff in the second quarter of 2018 and from mid-2018 onwards, it has gone negative (**figure 2**). The last time the sentiment index behaved in this negative manner was during the 2012/2013 double-dip recession.

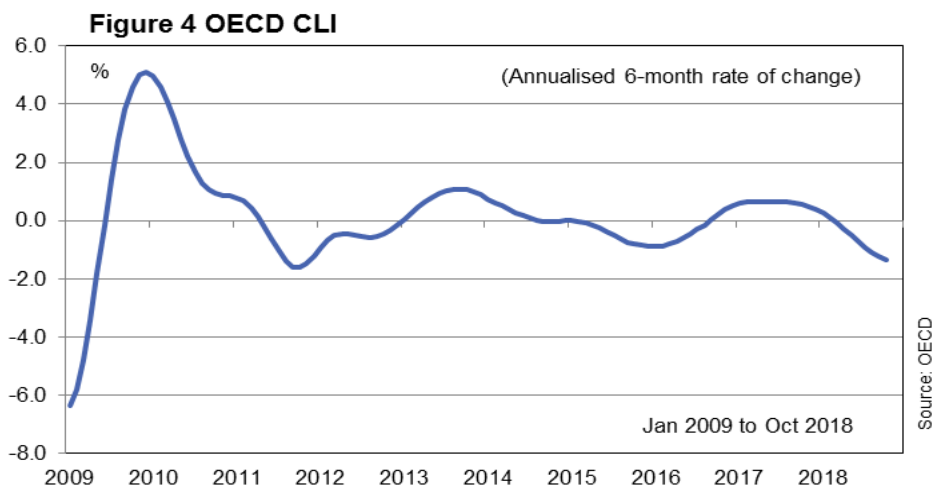


The sharp slowdown across the Eurozone's economy in 2018 marks the end of a synchronised global recovery that started in end 2016. The Eurozone slump is extremely worrying as it comes despite the fact that the ECB has not even started monetary tightening. The ECB's decision to retire its 2.6 trillion Euro asset-purchase programme was only made in December 2018, which effectively ended its asset purchases after nearly four years of buying bonds across the region. 10 years after the American-made global financial crisis struck a hefty blow to the Eurozone, the ECB's policy rate remains in negative territory – see **figure 3**.

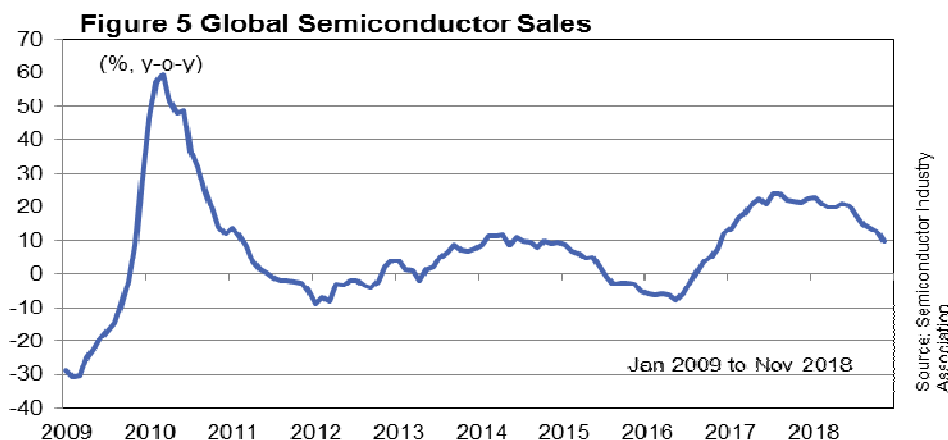
B3 Commentary by Fund Manager – Prospects Para (9.40) (con't)



Since our last commentary, the OECD Composite Leading Indicator (CLI) which peaked in 2017 (**figure 4**) and has been declining since then, has fallen further and shows no sign of reversing anytime soon.



The same can be said for global semiconductor sales as the updated figure (**figure 5**) shows that the fall in sales growth has accelerated since our last commentary.



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B3 Commentary by Fund Manager – Prospects Para (9.40) (con't)

What is new since we wrote the last commentary is crude oil price. Investors did not realise that when the S&P 500 peaked on 3rd October 2018, crude oil price also made its cyclical peak – a worrying coincidence. And just like the S&P500, it hits its lowest on Christmas Eve after plunging more than 40% in less than 3 months. Another potentially disruptive development for the global economy and markets is the renewed chaos that the United Kingdom is facing over her Brexit. Over at the United States, the longest US government shutdown got a temporary respite when Trump saw the worrying mess his shutdown was creating at many American airports. However, time is running out for both prime minister May and president Trump.

Given all these adverse developments and trends and negative outlook, one would have thought that the KLSE would have been seriously affected. At the time of writing this commentary, the trailing PE ratio of the KLCI is about 22.5 times. A year ago, when the KLCI was trading near 1,845 or 9% higher than now, its PE ratio was around 16.6 times. Even though Malaysian corporate earnings have plunged 32% over the last 12 months and US interest rate has gone up substantially, the KLCI is actually trading at a much higher PE valuation in January 2019. Should the KLCI trade at the January 2018 PE ratio, the KLCI now would be 26% lower, at 1,249. Something is not right with the KLCI equation. Deteriorating fundamentals and poor outlook but trading at a much higher valuation.

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

Jack Bogle, founder of index fund giant Vanguard Group, died recently. Is this a warning sign for 2019 ? Bogle and Vanguard created the world's first index mutual fund and they have been pushing for the low-fee, passive type of investing for the last 4 to 5 decades. In his last major media interview, Bogle warned investors about the US bull market. In a Barron's interview published in December 2018, Bogle said investors should prepare for 2019 by decreasing exposure to stocks and increasing investment in defensive strategies, such as cash and fixed income securities like bonds. *"Trees don't grow to the sky, and I see clouds on the horizon. I don't know if and when they'll arrive. A little extra caution should be the watchword,"* Bogle said. He is not a market timer and neither is he a value investor. This is what makes his warning about the US market even more important. He is simply saying that the downside is far greater than the upside. Vanguard has more than US\$5 trillion under management.

As at 31st December 2018, icapital.biz Berhad has around RM306.39 million cash or around RM 2.19 per share.

Finally, we thank the many share owners who attended the annual general meeting held on Saturday, 10th November 2018.

B4 Financial forecast / profit guarantee

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

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B5 Taxation

	Current Quarter Ended		Cumulative Quarter Ended	
	30/11/2018 RM'000	30/11/2017 RM'000	30/11/2018 RM'000	30/11/2017 RM'000
Tax expense	496	454	1,013	936

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	
	30/11/2018 RM'000	30/11/2017 RM'000	30/11/2018 RM'000	30/11/2017 RM'000
Profit / (loss) before taxation	1,391	(33)	3,820	2,682
Tax at the statutory rate of 24%	334	(8)	917	644
Tax effects of:-				
Tax-exempt dividends	(275)	(239)	(774)	(797)
Non-deductible expenses	437	701	870	1,089
Tax expense	496	454	1,013	936

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 30 November 2018.

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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:-

	Current Quarter Ended 30/11/2018 RM'000	Cumulative Quarter Ended 30/11/2017 RM'000
Profit/(loss) after taxation	895	(487)
No. ordinary share capital in issue at RM1.00 each	140,000	140,000
Basic earnings per share (sen)	0.64	(0.35)

b) Diluted earnings per share

The diluted earnings per ordinary share is equal to the basic earnings per ordinary share as there were no potential dilutive ordinary shares outstanding at the end of the reporting period.

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 2018, 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 Soft Commission

The manager or their delegates have not received any soft commission during the period under review from its brokers/dealers by virtue of transaction conducted for the close-end fund.

BY ORDER OF THE BOARD

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

SECRETARIES