ICAPITAL.BIZ BERHAD (674900-X)
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2019

	UNAUDITED AS AT 31/05/2019 RM'000	AUDITED AS AT 31/05/2018 RM'000 (Restated)
ASSETS		
Non-current assets		
Investments (Note 1)	152,412	213,328
Current assets		
Other receivables, deposit and prepayments	2,024	2,638
Tax recoverable	97	-
Short term deposits	279,147	263,848
Bank balance	17,004	19,320
	298,272	285,806
TOTAL ASSETS	450,684	499,134
EQUITY AND LIABILITIES		
Equity		
Share capital	140,000	140,000
Reserves	18,982	91,991
Retained profits	291,226	266,704
Total equity attributable to owners of the Company	450,208	498,695
Current liabilities		
Other payables and accruals	476	418
Provision for taxation	-	21
TOTAL LIABILITIES	476	439
TOTAL EQUITY AND LIABILITIES	450,684	499,134
Net asset value per share (RM) (Note 2)	3.22	3.56

Notes:-

1. Investments shown here as at 31 May 2019 are taken at market value.

2. The net asset value per share of the Company is calculated based on the net assets at the end of the reporting period of RM450,208,147 (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 31 MAY 2019

	INDIVIDUAL QUARTER*		CUMULATIVE QUARTER**	
	CURRENT YEAR QUARTER 31/05/2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/05/2018 RM'000 (Restated)	CURRENT YEAR TO DATE 31/05/2019 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/05/2018 RM'000 (Restated)
Revenue (Note B1)	**3,317**	**3,931**	**14,726**	**15,855**
Operating expenses (Note B1)				
- Professional fees and other operating expenses	(2,201)	(2,220)	(8,656)	(8,942)
Profit before taxation	1,116	1,711	6,070	6,913
Taxation (Note B5)	(516)	(578)	(2,056)	(2,236)
Profit after taxation	**600**	**1,133**	**4,014**	**4,677**
Earnings per share (sen)				
- Basic (Note B10)	0.43	0.81	2.87	3.34
- Diluted (Note B10)	0.43	0.81	2.87	3.34

* 4th Quarter
** For the 12 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 YEAR ENDED 31 MAY 2019

	INDIVIDUAL QUARTER*		CUMULATIVE QUARTER**	
	CURRENT YEAR QUARTER 31/05/2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/05/2018 RM'000 (Restated)	CURRENT YEAR TO DATE 31/05/2019 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/05/2018 RM'000 (Restated)
Profit for the period/year	600	1,133	4,014	4,677
Other comprehensive Income:				
Items that may be recycled to Retained Profits:				
Net fair value changes in investments	(8,741)	10,026	(52,501)	30,733
Total comprehensive (loss) / income for the period/year	**(8,141)**	**11,159**	**(48,487)**	**35,410**

* 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 2018)

ICAPITAL.BIZ BERHAD (674900-X)
CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2019

	Non-distributable		*Distributable*	
	Share Capital RM'000	**FVOCI Reserve RM'000**	**Retained Profits RM'000**	**Total Equity RM'000**
At 01.06.2017	140,000	87,513	235,772	463,285
Changes in accounting policies	-	(17,234)	17,234	-
At 01.06.2017 as restated	140,000	70,279	253,006	463,285
Profit after taxation	-	-	4,677	4,677
Other comprehensive income:				
-Fair value changes of equity instruments	-	30,733	-	30,733
Total comprehensive income for the year	-	30,733	4,677	35,410
Gain arising from disposal of investments recycled to retained profits	-	(9,021)	9,021	-
Balance at 31.05.2018/ 01.06.2018(restated)	**140,000**	**91,991**	**266,704**	**498,695**
At 31.05.2018/01.06.2018	140,000	114,021	244,674	498,695
Changes in accounting policies	-	(22,030)	22,030	-
At 01.06.2018 as restated	140,000	91,991	266,704	498,695
Profit after taxation	-	-	4,014	4,014
Other comprehensive income:				
-Fair value changes of equity instruments	-	(52,501)	-	(52,501)
Total comprehensive (loss)/income for the year	-	(52,501)	4,014	(48,487)
Gain arising from disposal of investments recycled to retained profits	-	(20,508)	20,508	-
At 31.05.2019	**140,000**	**18,982**	**291,226**	**450,208**

(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 YEAR ENDED 31 MAY 2019

	12 MONTHS ENDED 31/05/2019 RM'000	12 MONTHS ENDED 31/05/2018 RM'000 (Restated)
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES		
Profit before taxation	6,070	6,913
Decrease/(increase) in other receivables, deposit and prepayments	614	(763)
Increase/(decrease) in other payables and accruals	58	(31)
Proceeds from disposal of quoted investments	40,140	14,402
Purchase of quoted investments	(31,726)	(19,392)
CASH FROM OPERATIONS	15,156	1,129
Taxes paid	(2,173)	(2,049)
Taxes refund	-	136
NET CASH FROM/(FOR) OPERATING ACTIVITES	12,983	(784)
NET CASH FROM/(FOR) INVESTING ACTIVITY		
Decrease/(increase) in short-term deposits with tenure more than 3 months	61,191	(228,203)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	74,174	(228,987)
CASH AND CASH EQUIVALENTS AS AT 1 JUNE	54,965	283,952
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	129,139	54,965

(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)

MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)
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

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:-

MFRS 9 introduces a new classification and measurement requirements for financial assets that reflects the business model in which the financial assets are managed and their cash flow characteristics. MFRS 9 contains 3 principal classification categories for financial assets i.e. measured at amortised cost, fair value through profit or loss, fair value through other comprehensive income and eliminates the previous categories of held of maturity, loans and receivables and available-for-sale financial assets. In addition, MFRS 9 replaces the ‘incurred loss’ model in MFRS 139 with the ‘expected credit loss’ model. This new impairment approach is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The changes in accounting policies as a consequence of the adoption of above accounting standards and interpretation (including the consequential amendments, if any) are presented in Note 19 to the financial statements.

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 3: Definition of a Business	1 January 2020

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 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
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
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 historical cost convention. consequential amendments, if any) is expected to have no material impact on the financial statements of the Company upon their initial application except as follows:-

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognize their leased assets and the related lease obligations in the statement of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Company is currently assessing the financial impact that may arise from the adoption of this standard.

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 Company will apply MFRS 9 using the full retrospectively approach, requiring the restatement of comparative periods presented in its 2019 financial statements. The initial application of the standard is not expected to have any material impact to the financial statements of the Company for the current financial year and prior periods other than the following:-

<u>Classification and Measurement</u>

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.

A2 Significant accounting policies (con't)

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

(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 upon the initial application of MFRS 9.

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

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 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 analysis 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	**New**	**Original**	**New**
	Note	**(MFRS 139)**	**(MFRS 9)**	**(MFRS 139)**	**(MFRS 9)**
				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

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 financial liabilities. There is no impact on the classification and measurement of the Company's financial liabilities.

The following table is reconciliations 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
Investment securities – AFS	213,328	(213,328)	-	-
Investment securities – FVOCI	-	213,328	-	213,328
Retained profits:				
Opening balance	244,674	22,030	-	266,704
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

ii. Condensed Statement of Profit or Loss and Other Comprehensive Income

The Company has adopted MFRS 9 and MFRS 15 during the financial year. The financial impacts upon the adoption of these accounting standards are summarised below:

	< ----------- Individual Quarter ----------- > Preceding year corresponding quarter 31/05/2018			< ----------- Cumulative Quarter ----------- > Preceding year corresponding period 31/05/2018		
	As Previously Reported RM'000	MFRS 9 Adjustments RM'000	As Restated RM'000	As Previously Reported RM'000	MFRS 9 Adjustments RM'000	As Restated RM'000
Revenue	12,594	(8,663)	3,931	24,876	(9,021)	15,855
Operating expenses	(3,407)	1,187	(2,200)	(13,738)	4,796	(8,942)
Other comprehensive income	2,550	7,476	10,026	26,508	4,225	30,733

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 cyclicality 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 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	
	31/05/2019 RM'000	**31/05/2018 RM'000 (Restated)**	**31/05/2019 RM'000**	**31/05/2018 RM'000 (Restated)**
Fund management fees - CDAM	856	914	3,596	3,593
Investment advisory fees - CDSB	856	914	3,596	3,593

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 31 May 2019.

(ii) 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 31 May 2019.

(iii) 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 31 May 2019.

	Level 1 (RM'000)	**Level 2 (RM'000)**	**Level 3 (RM'000)**	**Total (RM'000)**
Financial Assets at FVOCI	152,412	-	-	152,412

PART B - AS REQUIRED BY THE LISTING REQUIREMENTS

B1 Review of performance (Para 9.40)

For the year ended 31 May 2019, the Company recorded a profit before tax of RM6.07 million, compared with profit before tax of RM6.91 million in the preceding year ended 31 May 2018.

As shown in the following table, the decrease in profit before tax for the year ended 31 May 2019 compared with 31 May 2018 was mainly due to lower dividend income received.

	INDIVIDUAL QUARTER*		CUMULATIVE QUARTER**	
	CURRENT YEAR QUARTER 31/05/2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/05/2018 RM'000 (Restated)	CURRENT YEAR TO DATE 31/05/2019 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/05/2018 RM'000 (Restated)
Revenue Consist of:-				
Interest income	2,491	2,353	9,826	9,395
Dividend income	826	1,578	4,900	6,460
	3,317	3,931	14,726	15,855
Operating Expenses Consist of:-				
Professional fees and other operating expenses	(2,201)	(2,220)	(8,656)	(8,942)
Profit before taxation	1,116	1,711	6,070	6,913
Taxation	(516)	(578)	(2,056)	(2,236)
Profit after taxation	600	1,133	4,014	4,677
Other comprehensive (expense) / income:				
Net fair value changes in investments	(8,741)	10,026	(52,501)	30,733
Total comprehensive (expense) / income for the year	(8,141)	11,159	(48,487)	35,410

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 RM450.21 million as at 31 May 2019 from RM498.70 million as at 31 May 2018. This resulted in a reduction of NAV per share as at 31 May 2019 to RM3.22, compared with NAV per share of RM3.56 as at 31 May 2018, a decrease of 9.55%.

	31/05/2019 RM	31/05/2018 RM (Restated)
Total Net Asset Value	450,208,147	498,695,086
Net Asset Value per share	3.22	3.56
Share Price	2.42	2.59

B2 Comparison with immediate preceding quarter's results

In the fourth quarter ended 31 May 2019, the Company recorded a profit before tax of RM1.12 million, compared to RM1.13 million of profit before tax in the immediate preceding quarter.

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;

B2 Comparison with immediate preceding quarter's results (con't)

(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.

The 2019 G20 summit in Osaka came and went. Presidents Trump and Xi met on the sideline, which was actually the prime show, and the markets rallied when they confirmed what everyone had been expecting - that the US and China will continue talking even while most expected more difficult periods ahead. That no bad news came of the summit was good enough.

The talks between China and the US will certainly continue for a very long time. Had the problem just been America's trade deficit with China, it would have been quite easily solved. Why?

Even before all the threats flooded in from American politicians and advisers, China was already more than willing to go the extra miles to improve the trade situation between her and the US. The underlying logic is very simple. Asia's largest economy knows fully well that a large and persistent trade surplus with the US or any other economy is simply not a sustainable trend. I have already written many times before that China's leaders are fully aware that her economic growth and development cannot continue to rely on export growth. It is mathematically impossibility - China's exports are so large that, should they continue to grow at past rates, they will become bigger than the entire global economy.

China's leaders have been implementing many policies to wean her growth away from relying so much on exports and to move China's economy to a domestic consumption-driven one. In this respect, China has been succeeding and if the United States had just been a little more patient, China would soon become the world's largest consumer market and importer by a huge margin. Needless to say, US companies would have gained from this inevitable trend. The United States has so much to learn from economies like Japan and Germany, two nations that have succeeded in enjoying huge exports to China, evens those which are manufactured products. Germany's BMW, Mercedes Benz, Volkswagen and Audi dominate China's auto market as if they are monopolies and they have enjoyed excellent relations with China's government for decades.

Reducing America's trade deficit with China will not overcome America's overall trade deficit. As we can already see, some manufacturers are relocating from China to countries like Vietnam, Cambodia, Thailand, Malaysia, and many more. As they relocate their operations from China, they also relocate America's trade deficit to many other countries. America's trade deficit is like water. You block it one place, it naturally flows to another. Pretty soon, it will be countries like Vietnam, Cambodia, Malaysia, India, etc who will be having tariff wars with the United States. The US Commerce Department is imposing duties of more than 400% on steel imports from Vietnam.

Of course, the United States could easily get rid of her trade deficit curse if the Americans can learn how to be more responsible by saving more and consuming less. Everyone, including the Americans themselves, knows full well that they are simply consuming too much, causing not just a trade deficit but huge environmental problems for the whole world. It is not just about cutting down on their extravagant food consumption and reducing their obesity and health problems; it is about cutting down excessive consumption across all items. The United States, regardless of whichever administration is running the country, loves to lecture other countries about the need for reform. In that familiar vein of American hypocrisy, we have never heard from any American president about the need for the United States to undergo structural reform. The trade deficit of the US is a domestic structural problem. It is wholly created by the Americans themselves and the policies or the lack of appropriate policies from the US government.

With the summit over, with the market rising from the truce between the US and China, investors should look further ahead. The post-summit talks between the US and China will be protracted and turn nasty along the way. It will be like what my parents would describe it: 3-day wind, 2-day rain.

The United States, long before Trump became president, cannot and will not tolerate and accept the co-existence of another powerful country - this is a part of what is known as American Exceptionalism. America's foreign policy essentially consists of coercions, bombings, sanctions, regime changes, and tariffs. Peaceful co-existence does not exist in the limited vocabulary of the United States.

To the Americans, a mountain cannot have two tigers, no matter how big the mountain is. The Americans should heed the wise words of Mahatma Gandhi, who said: *"The world has enough for everyone's need, but not enough for everyone's greed*." The United States has a GDP per capita of US$54,542 in 2018. China has a GDP per capita

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

of only US$7,755 in 2018 with nearly 1.4 billion people, almost 4.3 times more than that of America. Why is the United States so greedy when there are more than 5 billion needy people in this world?

The reason why the post-summit talks between the United States and China will be protracted and will get nasty along the way is because the former will not stop bullying the latter and refusing to respect this re-emerging civilisation. They refuse to accept the simple truth that there are other effective ways of governing a country, that there are different but successful political economic systems. James Bradley in his "The China Mirage" reveals how the United States refuses to accept the real new China. While the Chinese Exclusion Act of 1882 barred Chinese immigration to the United States, the Christian missionaries from America and the China Lobby propagated the ideal of a New China, one that is Westernized, Christianized and Democratised. In the Fifties, China under the Communist Party was not acceptable even though the party had the unanimous support of the Chinese people. China's leaders like Mao Zedong and Zhou Enlai were insulted by the United States. Although the United States recognised China in 1978, the same disrespect is still as strong as ever.

Meanwhile, the OECD Composite Leading Indicator (CLI) which peaked in 2017 and has been declining since then, seemed to be bottoming out. The same can be said for global semiconductor sales. However, should Trump decides to unilaterally re-escalate the trade war with China, the declines would resume.

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.

When Charlie Munger came to Berkshire Hathaway in the late Sixties, Warren Buffett was still investing the way his mentor, Benjamin Graham, had taught him - to invest in cheap, cigar butt type of companies. When Munger arrived at Berkshire, he swayed Buffett away from Graham's philosophy towards investing in quality companies at reasonable prices. Buffett did this with great success.

Fifty years since then, amidst a new landscape featuring stubbornly low inflation, low interest rates and relentless disruptions of all kinds, there seems to be another paradigm shift in value investing, a new value investing. I talked about this on Saturday, 13th April 2019 in our 2018/2019 Global Investor Week.

"*It is remarkable how much long-term advantage people like us have gotten by trying to be consistently not stupid, instead of trying to be very intelligent,*" said Charlie Munger. By end May 2019, the cash holdings of icapital.biz Berhad remained unchanged at around RM296 million or RM2.114 cash per share.

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	
	31/05/2019 RM'000	31/05/2018 RM'000 (Restated)	31/05/2019 RM'000	31/05/2018 RM'000 (Restated)
Tax expense	516	578	2,056	2,236

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	
	31/05/2019 RM'000	31/05/2018 RM'000 (Restated)	31/05/2019 RM'000	31/05/2018 RM'000 (Restated)
Profit before taxation	1,116	1,711	6,070	6,913
Tax at the statutory rate of 24%	268	411	1,457	1,659
Tax effects of:-				
Non-taxable income	-	-	(211)	(88)
Tax-exempt single tier dividends	(198)	(378)	(965)	(1,462)
Non-deductible expenses	446	382	1,774	1,964
Under/(over) provision in previous years	-	163	1	163
Tax expense	516	578	2,056	2,236

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 year.

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 2019.

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 31/05/2019 RM'000	Cumulative Quarter Ended 31/05/2019 RM'000
Profit after taxation	600	4,014
Number ordinary share capital in issue at RM1.00 each	140,000	140,000
Basic earnings per share (sen)	0.43	2.87

B10 Earnings per share (con't)

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 31 May 2019, 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 year 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