

**ICAPITAL.BIZ BERHAD (674900-X)**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 AUGUST 2016**

	<b>UNAUDITED AS AT 31/08/2016 RM'000</b>	<b>AUDITED AS AT 31/05/2016 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investments (Note 1)	133,005	126,022
<b>Current assets</b>		
Other receivables, deposit and prepayments	3,059	2,042
Short term deposits	224,393	302,759
Bank balance	75,102	722
	<u>302,554</u>	<u>305,523</u>
<b>TOTAL ASSETS</b>	<u>435,559</u>	<u>431,545</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	140,000	140,000
Fair value adjustment reserve	58,827	50,035
Unappropriated profit	235,790	234,161
<b>Total equity attributable to holders of the Company</b>	<u>434,617</u>	<u>424,196</u>
<b>Current liabilities</b>		
Other payables and accruals	498	6,713
Provision for taxation	444	636
<b>TOTAL LIABILITIES</b>	<u>942</u>	<u>7,349</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>435,559</u>	<u>431,545</u>
Net assets per share (RM) (Note 2)	3.10	3.03
Net assets value per share (RM) (Note 2)	3.10	3.03

**Notes:-**

- Investments shown here as at 31 August 2016 are taken at market value.
- The net assets per share/net assets value per share of the Company is calculated based on the net assets at the end of the reporting period of RM434,617,321.19 (2016 : RM424,196,497.41) divided by the number of shares in issue at the end of the reporting period of 140,000,000 (2016 : 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 2016)

**ICAPITAL.BIZ BERHAD (674900-X)**  
**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 31 AUGUST 2016**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/08/2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/08/2015 RM'000	CURRENT YEAR TO DATE 31/08/2016 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/08/2015 RM'000
Revenue (Note B1)	4,084	3,440	4,084	3,440
Operating expenses (Note B1)				
- impairment loss on a quoted investment	-	(10,460)	-	(10,460)
- professional fees and other operating expenses	(1,947)	(1,816)	(1,947)	(1,816)
	(1,947)	(12,276)	(1,947)	(12,276)
<b>Profit/ (Loss) from operations</b>	2,137	(8,836)	2,137	(8,836)
Finance cost	-	-	-	-
<b>Profit/ (Loss) before taxation</b>	2,137	(8,836)	2,137	(8,836)
Taxation (Note B5)	(508)	(443)	(508)	(443)
<b>Profit/ (Loss) after taxation</b>	1,629	(9,279)	1,629	(9,279)
<b>Other comprehensive income/(expense):</b>				
Net fair value changes in available-for-sale investments	8,792	(7,068)	8,792	(7,068)
<b>Total comprehensive income/(expense) for the period/year</b>	10,421	(16,347)	10,421	(16,347)
<b>Earnings per share (sen)</b>				
- Basic (Note B10)	1.16	(6.63)	1.16	(6.63)
- Diluted (Note B10)	N/A	N/A	N/A	N/A

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

**ICAPITAL.BIZ BERHAD (674900-X)**  
**CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 31 AUGUST 2016**

	Share Capital RM'000	Fair Value Adjustment Reserve RM'000	Unappropriated Profit RM'000	Total Equity RM'000
At 01.06.2016	140,000	50,035	234,161	424,196
Total comprehensive income for the year	-	8,792	1,629	10,421
At 31.08.2016	<b>140,000</b>	<b>58,827</b>	<b>235,790</b>	<b>434,617</b>
At 01.06.2015	140,000	52,816	212,801	405,617
Total comprehensive (expense) for the year	-	(7,068)	(9,279)	(16,347)
At 31.08.2015	<b>140,000</b>	<b>45,748</b>	<b>203,522</b>	<b>389,270</b>

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

**ICAPITAL.BIZ BERHAD (674900-X)**  
**CONDENSED STATEMENT OF CASH FLOW**  
**FOR THE PERIOD ENDED 31 AUGUST 2016**

	<b>3 MONTHS ENDED 31/08/2016 RM'000</b>	<b>3 MONTHS ENDED 31/08/2015 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation	2,137	(8,836)
Adjustments for:-		
Impairment loss on a quoted investment	-	10,460
Net loss on disposal of quoted investment	65	-
<b>Operating profit before working capital changes</b>	<u>2,202</u>	<u>1,624</u>
(Increase)/Decrease in other receivables, deposit and prepayments	(1,017)	1,714
(Decrease)/Increase in other payables and accruals	(6,215)	79
Proceeds from disposal of quoted investments	1,744	-
<b>CASH (USED IN) GENERATED FROM OPERATIONS</b>	<u>(3,286)</u>	<u>3,417</u>
Taxes paid	(700)	(470)
<b>NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES</b>	<u>(3,986)</u>	<u>2,947</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(3,986)	2,947
<b>CASH AND CASH EQUIVALENTS AS AT 1 JUNE</b>	303,481	257,952
<b>CASH AND CASH EQUIVALENTS AS AT 31 AUG</b>	<u>299,495</u>	<u>260,899</u>
<b>CASH AND CASH EQUIVALENTS COMPRISE:-</b>		
Bank balance	75,102	780
Short term deposits with licensed financial institutions	224,393	260,119
	<u>299,495</u>	<u>260,899</u>

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

**ICAPITAL.BIZ BERHAD (674900-X)**  
**FINANCIAL REPORT FOR THE PERIOD ENDED 31 AUGUST 2016**  
**NOTES TO THE INTERIM FINANCIAL REPORT**

**PART A - EXPLANATORY NOTES**

**A1 Basis of preparation**

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad. The interim financial statements also comply with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

The interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 May 2016. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the year ended 31 May 2016.

**A2 Changes in accounting policies**

During the current financial year, the Company has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

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

MFRS 14 Regulatory Deferral Accounts

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

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

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

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

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

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

Annual Improvements to MFRSs 2012 – 2014 Cycle

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Company's financial statements.

The Company has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

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

**Effective Date**

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

1 January 2018

MFRS 15 Revenue from Contracts with Customers

1 January 2018

MFRS 16 Leases

1 January 2019

Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Deferred until further notice

Amendments to MFRS 15: Effective Date of MFRS 15

1 January 2018

Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'

1 January 2018

Amendments to MFRS 107: Disclosure Initiative

1 January 2017

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

1 January 2017

Amendments to MFRS 2 : Classification and measurement of share - based payment transactions

1 January 2018

**ICAPITAL.BIZ BERHAD (674900-X)**  
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The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Company upon their initial application.

**A3 Auditors' opinion on preceding annual financial statements**

The Company's Financial Statements for the financial year ended 31 May 2016 were not qualified by the auditors.

**A4 Seasonality or cyclicity of operations**

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

**A5 Individually significant items**

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

**A6 Changes in estimates**

There were no significant changes in estimates that have a material effect on the current financial year to-date.

**A7 Issuances, cancellations, repurchases, resale and repayments of debt and equity securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter under review.

**A8 Dividend paid**

There was no dividend paid during the current financial year-to-date.

**A9 Segmental reporting**

No segmental information is presented as the Company is a closed-end fund and operates primarily in Malaysia.

The Company's investments are managed as a portfolio of equity investments. The fund manager of the Company is responsible for allocating resources for investment in accordance with the overall investment strategies as set out in the prospectus. The fund manager assesses the performance of the investments portfolio and provides updates to the Board of Directors on the financial performance of the Company's investments.

**A10 Valuations of property, plant and equipment**

No valuation was carried out as the Company does not have any property, plant and equipment.

**A11 Subsequent event**

There were no material events subsequent to the end of the interim period reported that have not been reflected in the financial statements for the said period.

**A12 Changes in the composition of the Company**

There were no changes in the composition of the Company during the current financial year-to-date.

**A13 Contingent liabilities or contingent assets**

There were no contingent liabilities or contingent assets pending as at the date of this report.

**ICAPITAL.BIZ BERHAD (674900-X)**  
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**A14 Significant related party transactions**

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

In accordance with the requirements in the MMLR, which took effect on 27 January 2015, the provision of investment advisory services by Capital Dynamics Sdn Bhd ("CDSB") to the Fund is regarded as a RPT. CDSB is regarded as a related party because it is a person connected with Capital Dynamics Global Private Limited who is a major shareholder of CDAM.

The amounts transacted with CDAM and CDSB during the current quarter and cumulative year to-date are as follows:-

	Current Quarter Ended		Cumulative Quarter Ended	
	31/08/2016	31/08/2015	31/08/2016	31/08/2015
	RM'000	RM'000	RM'000	RM'000
Fund management fees - CDAM	<u>803</u>	<u>766</u>	<u>803</u>	<u>766</u>
Investment advisory fees - CDSB	<u>803</u>	<u>766</u>	<u>803</u>	<u>766</u>

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

**B1 Review of performance**

For the three months ended 31 August 2016, the Company recorded a profit before tax of RM2.1 million, compared with loss before tax of RM8.8 million in the corresponding period of last year.

As shown in the following table, the increase in the profit before tax for the three months ended 31 August 2016 compared with 31 August 2015 was mainly due to provision for impairment loss on investment in the preceding year's corresponding quarter.

INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
31.08.2016	31.08.2015	31.08.2016	31.08.2015
RM'000	RM'000	RM'000	RM'000

**Revenue Consist of:-**

Interest income	2,361	2,040	2,361	2,040
Dividend income	1,788	1,400	1,788	1,400
Net loss on disposal of quoted investments	(65)	-	(65)	-
	<u>4,084</u>	<u>3,440</u>	<u>4,084</u>	<u>3,440</u>

**Operating Expenses Consist of:-**

Impairment loss on a quoted investment	-	(10,460)	-	(10,460)
Professional fees - Fund Management fee	(803)	(766)	(803)	(766)
Professional fees - Investment Advisory fee	(803)	(766)	(803)	(766)
Other operating expenses	(341)	(284)	(341)	(284)
	<u>(1,947)</u>	<u>(12,276)</u>	<u>(1,947)</u>	<u>(12,276)</u>
<b>Profit/ (Loss) before taxation</b>	<u>2,137</u>	<u>(8,836)</u>	<u>2,137</u>	<u>(8,836)</u>

As the Company is a closed-end fund, a better indication of its performance would be the movement of its Net Assets Value ("NAV"). The NAV per share as at 31 August 2016 was RM3.10, compared with NAV per share of RM3.03 as at 31 May 2016, an increase of 2.3%.

**ICAPITAL.BIZ BERHAD (674900-X)**  
**FINANCIAL REPORT FOR THE PERIOD ENDED 31 AUGUST 2016**  
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**B2 Comparison with immediate preceding quarter's results**

In the first quarter ended 31 August 2016, the Company recorded a profit after tax of RM1.63 million, compared with a loss after tax of RM0.49 million in the preceding quarter.

The NAV per share increased by 2.3% from RM3.10 in the preceding quarter to RM3.03 in the current quarter due to the increase in the share price of the Company's investments.

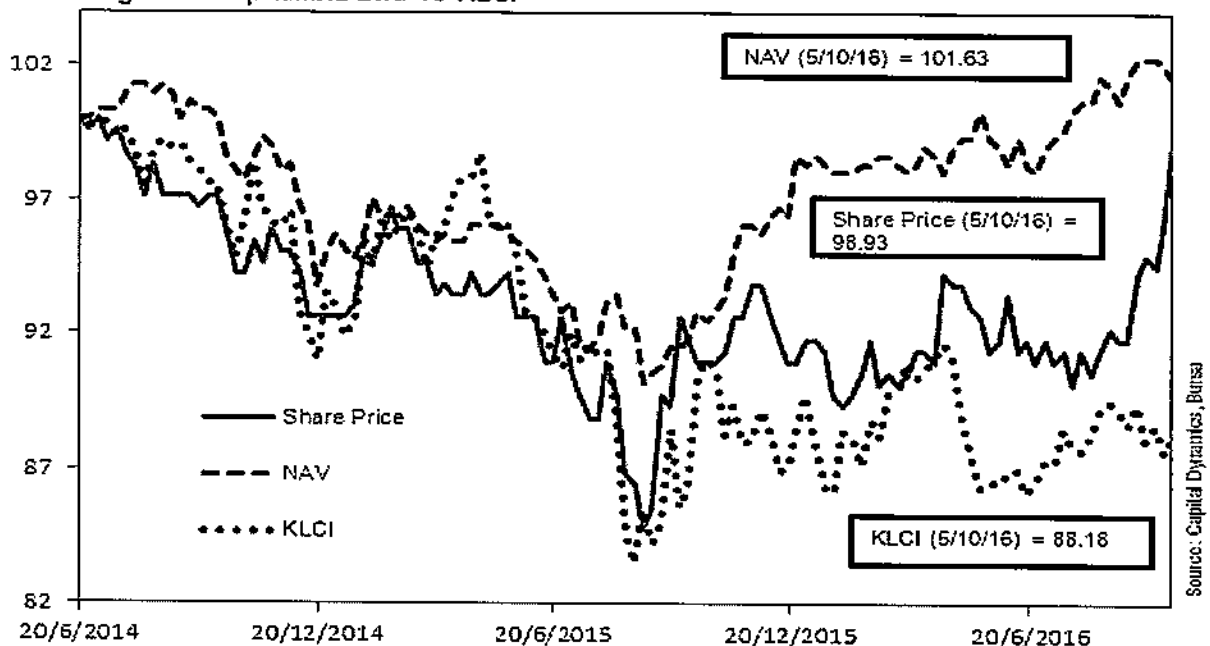
The following items are not applicable to the Company:-

- (a) Interest expense;
- (b) Depreciation and amortization;
- (c) Provision for and write off of receivables;
- (d) Provision for and write off of inventories;
- (e) Gain or loss on disposal of unquoted investments or properties;
- (f) Foreign exchange gain or loss;
- (g) Gain or loss on derivatives; and
- (h) Exceptional items (with details).

**B3 Commentary by Fund Manager – Prospects**

The cash holdings of icapital.biz Berhad have been rising as it has been taking profit on stocks that it no longer deemed attractively valued; simultaneously, it has not found attractive stocks to invest for the long-term. Nevertheless, despite the drag from its cash holdings, icapital.biz Berhad's performance has still handsomely beaten the KLCI. In fact, its high cash level, which currently represents around 69% of its NAV or RM2.16 per share, has protected share owners from a slump in the KLCI, as figure 1 shows.

**Figure 1 icapital.biz Bhd vs KLCI**



The KLCI peaked on 8 July 2014. By 5 October 2016, the KLCI has tumbled 12.14%. At the same time, the NAV of icapital.biz Berhad has gained 2% to RM3.12, just shy of its record high of RM3.13 and the share price has fallen a measly -0.40%.

icapital.biz Berhad is a Malaysia-focused fund, with an objective of long-term capital appreciation based on the eclectic value investing of Capital Dynamics. It is not allowed to sell short, invest in derivatives or undertake any borrowings. This conservative business model of icapital.biz Berhad tells us that the percentage of its assets allocated between cash and equities would be a critical factor in its long-term NAV performance.



**ICAPITAL.BIZ BERHAD (674900-X)  
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 NOTES TO THE INTERIM FINANCIAL REPORT**

All the great value investors like Philip Fisher, Charlie Munger and Warren Buffett emphasise investing in a business that is simple to understand. An important point to note is that icapital.biz Berhad has a business that is simple to understand.

As I have explained to share owners in the 12th Annual General Meeting held on Saturday, 24th September 2016, to understand icapital.biz Berhad better and see if it is suitable for your investment needs, think of two types of properties: Property A as an empty land and Property B as a shop house.

Question one: which type of property is suitable for your investment needs ?

If you are looking at an investment that can provide you with regular income, buying a shop house with rental income would be the more suitable. If you are looking for an investment that offers potentially high long-term capital appreciation, buying a piece of empty land would be more suitable. Investing in icapital.biz Berhad is similar to buying such a piece of land.

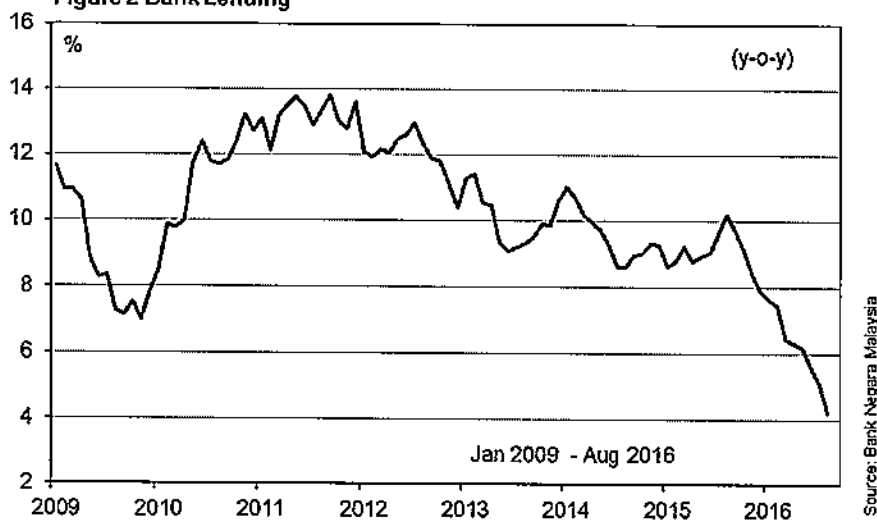
Before its cash level rose to around 70%, the NAV of icapital.biz Berhad was compounding at around 20% per annum. With its current cash war chest, and the fund manager's ongoing resistance to external pressures to deviate from his proven Bamboo value investment philosophy and turn his back on thousands of share owners, it is logical to expect the future NAV of icapital.biz Berhad to enjoy the potential of compound returns.

Question two: Can one compare the returns or performance of Property A and Property B ?

Certainly not, especially in the interim stages when the full potential of the empty land (or the future NAV of icapital.biz Bhd) has not yet been fully realised. It will be like comparing growing a papaya tree with a teak tree.

In the meantime, for those who are concerned with Malaysia's economic outlook, bank lending has slowed further. By August, bank lending growth has slowed to only 4.2% (see figure 2), the slowest in many years. This persistent slowdown is an ominous sign for economic growth in 2017.

**Figure 2 Bank Lending**



**B4 Financial forecast / profit guarantee**

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

**ICAPITAL.BIZ BERHAD (674900-X)**  
**FINANCIAL REPORT FOR THE PERIOD ENDED 31 AUGUST 2016**  
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**B5 Taxation**

	Current Quarter Ended		Cumulative Quarter Ended	
	31/08/2016	31/08/2015	31/08/2016	31/08/2015
	RM'000	RM'000	RM'000	RM'000
Tax expense	508	443	508	443

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:-

	Current Quarter Ended		Cumulative Quarter Ended	
	31/08/2016	31/08/2015	31/08/2016	31/08/2015
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before taxation	2,137	(8,836)	2,137	(8,836)
Tax at the statutory rate of 24%	513	(2,121)	513	(2,121)
Tax effects of :				
Tax-exempt dividends	(429)	(336)	(429)	(336)
Non-deductible expenses	424	2,900	424	2,900
Tax expense	508	443	508	443

**B6 Status of corporate proposals**

There was no corporate proposal announced during the current quarter or the current financial year-to-date.

**B7 Borrowings and debt securities**

There were no group borrowings and debt securities outstanding as at the end of the reporting period.

**B8 Changes in material litigation**

There was no material litigation pending as at the date of this report.

**B9 Dividend**

The Directors did not declare any dividend for the current quarter ended 31 Aug 2016.

**B10 Earnings per share**

**a) Basic earnings per share**

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

	Current Quarter Ended	Cumulative To-Date Ended
	31/08/2016	31/08/2016
	RM'000	RM'000
Profit / (Loss) after taxation	1,629	1,629
No. of ordinary share capital in issue during the current quarter/current year to-date of shares at RM1.00 each	140,000	140,000
Basic earnings per share (sen)	1.16	1.16

**ICAPITAL.BIZ BERHAD (674900-X)**  
**FINANCIAL REPORT FOR THE PERIOD ENDED 31 AUGUST 2016**  
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**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 August 2016, the Company did not have any investments in:-

- (1) securities listed on other stock exchanges;
- (2) other investment vehicles;
- (3) securities of unlisted companies; and
- (4) derivatives other than warrants, transferable subscriptions rights and convertible loan stocks.

**B13 Realised and unrealised profits**

The breakdown of the retained profits of the Company as at the end of the reporting period into realised and unrealised profits are presented in accordance with directive issued by Bursa Malaysia Securities Berhad dated 20 December 2010 and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Main Market Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:-

	<b>As at 31/08/2016 RM'000</b>	<b>As at 31/08/2015 RM'000</b>
Retained profits of the Company comprise of:-		
Realised Profits	235,790	203,522
Unrealised Profits	-	-
Total retained profits as per statement of financial position	<u>235,790</u>	<u>203,522</u>

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

**SECRETARIES**