

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

	UNAUDITED AS AT 31/08/2017 RM'000	AUDITED AS AT 31/05/2017 RM'000
ASSETS		
Non-current assets		
Investments (Note 1)	200,433	177,605
Current assets		
Other receivables, deposit and prepayments	1,670	1,875
Tax Recoverable	345	302
Short term deposits	263,789	282,769
Bank balance	8,038	1,183
	<u>273,842</u>	<u>286,129</u>
TOTAL ASSETS	<u>474,275</u>	<u>463,734</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	140,000	140,000
Fair value adjustment reserve	95,770	87,513
Retained profits	238,005	235,772
Total equity attributable to holders of the Company	<u>473,775</u>	<u>463,285</u>
Current liabilities		
Other payables and accruals	500	449
TOTAL LIABILITIES	<u>500</u>	<u>449</u>
TOTAL EQUITY AND LIABILITIES	<u>474,275</u>	<u>463,734</u>
Net asset value per share (RM) (Note 2)	3.38	3.31

Notes:-

- Investments shown here as at 31 August 2017 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 RM473,775,634 (31.05.2017 : RM463,285,018) divided by the number of shares in issue at the end of the reporting period of 140,000,000 (31.05.2017 : 140,000,000).

ICAPITAL.BIZ BERHAD (674900-X)
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 AUGUST 2017

	INDIVIDUAL QUARTER*		CUMULATIVE QUARTER**	
	CURRENT YEAR QUARTER 31/08/2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/08/2016 RM'000	CURRENT YEAR TO DATE 31/08/2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/08/2016 RM'000
Revenue (Note B1)	4,748	4,084	4,748	4,084
Operating expenses (Note B1)				
- professional fees and other operating expenses	(2,033)	(1,947)	(2,033)	(1,947)
Profit from operations	2,715	2,137	2,715	2,137
Finance cost	-	-	-	-
Profit before taxation	2,715	2,137	2,715	2,137
Taxation (Note B5)	(482)	(508)	(482)	(508)
Profit after taxation	2,233	1,629	2,233	1,629
Other comprehensive income:				
Net fair value changes in available-for-sale investments	8,257	8,792	8,257	8,792
Total comprehensive income for the period	10,490	10,421	10,490	10,421
Earnings per share (sen)				
- Basic (Note B10)	1.60	1.16	1.60	1.16
- Diluted (Note B10)	N/A	N/A	N/A	N/A

* 1st Quarter

** For the 3 months of the financial year

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

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

	<i>Non-distributable</i>	<i>Distributable</i>		
	Share Capital RM'000	Fair Value Reserve RM'000	Retained Profit RM'000	Total Equity RM'000
At 01.06.2017	140,000	87,513	235,772	463,285
Total comprehensive income for the period	-	8,257	2,233	10,490
At 31.08.2017	140,000	95,770	238,005	473,775
At 01.06.2016	140,000	50,035	234,161	424,196
Total comprehensive income for the period	-	8,792	1,629	10,421
At 31.08.2016	140,000	58,827	235,790	434,617

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

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

	3 MONTHS ENDED 31/08/2017 RM'000	3 MONTHS ENDED 31/08/2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,715	2,137
Adjustments for:-		
Net loss on disposal of quoted investment	-	65
Operating profit before working capital changes	<u>2,715</u>	<u>2,202</u>
Decrease/(increase) in other receivables, deposit and prepayments	205	(1,017)
Increase/(decrease) in other payables and accruals	51	(6,215)
Proceeds from disposal of quoted investments	-	1,744
Purchase of quoted investments	(14,571)	-
CASH FOR OPERATIONS	<u>(11,600)</u>	<u>(3,286)</u>
Taxes paid	(525)	(700)
NET CASH FOR OPERATING ACTIVITIES	<u>(12,125)</u>	<u>(3,986)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,125)	(3,986)
CASH AND CASH EQUIVALENTS AS AT 1 JUNE	283,952	303,481
CASH AND CASH EQUIVALENTS AS AT 31 AUG	<u><u>271,827</u></u>	<u><u>299,495</u></u>
CASH AND CASH EQUIVALENTS COMPRISE:-		
Bank balance	8,038	75,102
Short term deposits with licensed financial institutions	263,789	224,393
	<u><u>271,827</u></u>	<u><u>299,495</u></u>
	-	-

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

PART A - EXPLANATORY NOTES

A1 Basis of preparation

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

The interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 May 2017. 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 2017.

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)

Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to MFRS Standards 2014 – 2016 Cycles: -Amendments to MFRS 12: Clarification of the Scope of Standard	1 January 2017

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
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share - based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
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 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 140 – Transfers of Investment Property	1 January 2018
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	1 January 2018

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

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A3 Auditors' opinion on preceding annual financial statements

The Company's Financial Statements for the financial year ended 31 May 2017 were not qualified by the auditors.

A4 Seasonality or cyclical nature of operations

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

A5 Individually significant items

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

A6 Changes in estimates

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

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

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

A8 Dividend paid

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

A9 Segmental reporting

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

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

A10 Valuations of property, plant and equipment

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

A11 Subsequent event

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

A12 Changes in the composition of the Company

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

A13 Contingent liabilities or contingent assets

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

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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	
	31/08/2017	31/08/2016	31/08/2017	31/08/2016
	RM'000	RM'000	RM'000	RM'000
Fund management fees - CDAM	<u>863</u>	<u>803</u>	<u>863</u>	<u>803</u>
Investment advisory fees - CDSB	<u>863</u>	<u>803</u>	<u>863</u>	<u>803</u>

PART B - AS REQUIRED BY THE LISTING REQUIREMENTS

B1 Review of performance

For the three months ended 31 August 2017, the Company recorded a profit before tax of RM2.72 million, compared with profit before tax of RM2.14 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 2017 compared with 31 August 2016 was mainly due to higher dividend income received.

	INDIVIDUAL QUARTER*		CUMULATIVE QUARTER**	
	CURRENT YEAR QUARTER 31/08/2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/08/2016 RM'000	CURRENT YEAR TODATE 31/08/2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/08/2016 RM'000
Revenue Consist of:-				
Interest income	2,425	2,361	2,425	2,361
Dividend income	2,323	1,788	2,323	1,788
Net loss on disposal of quoted investments	-	(65)	-	(65)
	<u>4,748</u>	<u>4,084</u>	<u>4,748</u>	<u>4,084</u>
Operating Expenses Consist of:-				
Professional fees - Fund Management fee	(863)	(803)	(863)	(803)
Professional fees - Investment advisory fee	(863)	(803)	(863)	(803)
Other operating expenses	(307)	(341)	(307)	(341)
	<u>(2,033)</u>	<u>(1,947)</u>	<u>(2,033)</u>	<u>(1,947)</u>
Profit before taxation	<u>2,715</u>	<u>2,137</u>	<u>2,715</u>	<u>2,137</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 2017 was RM3.38, compared with NAV per share of RM3.10 as at 31 August 2016, an increase of 9.03%.

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B2 Comparison with immediate preceding quarter's results

In the first quarter ended 31 August 2017, the Company recorded a profit before tax of RM2.72 million, compared with a profit before tax of RM1.54 million in the immediate preceding quarter. The increase in the profit before tax in the current quarter was mainly due to higher dividend income received.

The following items are not applicable to the Company:-

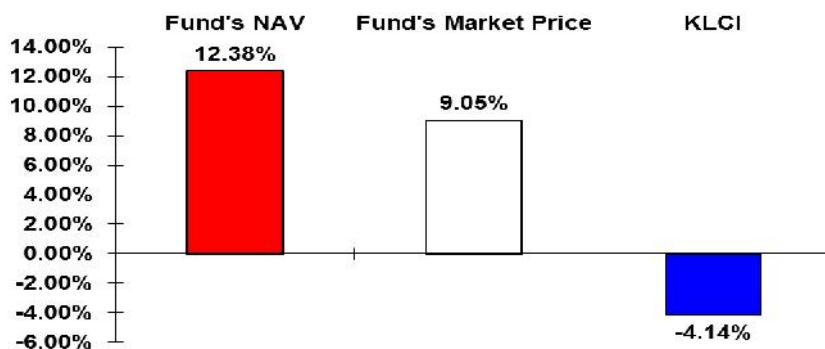
- (a) Interest expense;
- (b) Depreciation and amortization;
- (c) Provision for and write off of receivables;
- (d) Provision for and write off of inventories;
- (e) Gain or loss on disposal of unquoted investments or properties;
- (f) Foreign exchange gain or loss;
- (g) Gain or loss on derivatives;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

B3 Commentary by Fund Manager – Prospects

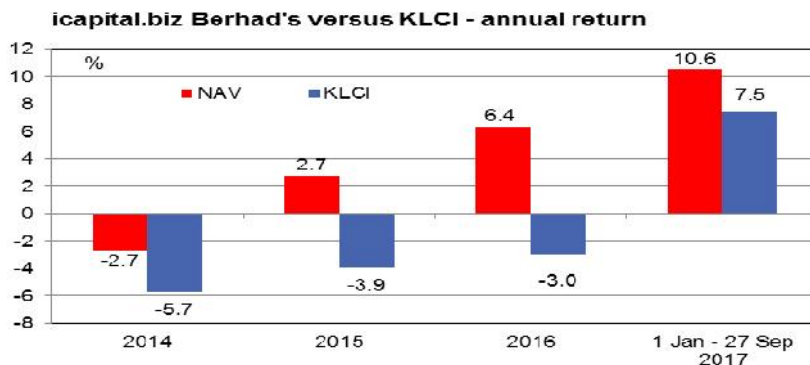
For top-down/market-timing investors – please read this section.

Since my last commentary dated 17 July 2017, the US Federal Reserve has tightened its monetary policy further and will begin its balance sheet reduction programme in October 2017. So far, the New York Stock Exchange has taken these tightening measures in its stride but the Malaysian stock market has been more subdued. The better than expected Malaysian economic performance in 2017 has not translated into a better performing KLCI.

From 31st May 2017 to 27th September 2017, the KLCI has hardly budged. In contrast, the NAV of icapital.biz Berhad gained 4.2% from RM3.31 to RM3.45 in the same period. Over the last 3 years ending 27th September 2017, icapital.biz Berhad has also performed better than the KLCI, both in terms of NAV and market price (figure 1).



In addition, icapital.biz Berhad has also performed better than the KLCI, both in terms of NAV and market price on a single year basis for 2014, 2015 and 2016 (figure 2). The performance up to 27th September 2017 is not annualised.



Source: CapitalDynamics

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What share owners may want to note is that the above superior performance over a multi-year period was achieved on an extremely low risk basis.

For top-down/market-timing investors, while Malaysia's economic growth prospects for the next 12-18 months look bright, there are potential headwinds in the form of an elevated inflation rate, an uncertain political landscape and further US monetary tightening.

For long term value investors – please read this section.

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

Value investing is not about timing the stock market or the economy. It is about buying when the price of a stock is attractive compared with its intrinsic value. Often, fund managers do not lack stock picking abilities, rather they are subject to frivolous factors that encourage them to over diversify to protect their jobs and assets under management. As the original promoter and fund manager of icapital.biz Berhad, share owners can be assured that I stick to doing what is the right for all share owners of icapital.biz Berhad, rather than what is right for selected parties. As I explained in the recently concluded 2017 AGM, value investing is something akin to finding a suitable life partner. Just because one is single and getting older does not mean that one should marry anyone. One has to find the right partner whose values one shares with. Similarly we hold cash and wait for the right opportunity to make investments based on our principles.

For the quarter ended 31st August 2017, the cash holdings of icapital.biz Berhad have fallen further as we have bought some shares for icapital.biz Berhad. Finding attractive stocks to invest with sufficient margin of safety remains our focus.

B4 Financial forecast / profit guarantee

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

B5 Taxation

	Current Quarter Ended		Cumulative Quarter Ended	
	31/08/2017	31/08/2016	31/08/2017	31/08/2016
	RM'000	RM'000	RM'000	RM'000
Tax expense	482	508	482	508

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	
	31/08/2017	31/08/2016	31/08/2017	31/08/2016
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	2,715	2,137	2,715	2,137
Tax at the statutory rate of 24%	652	513	652	513
Tax effects of:-				
Tax-exempt dividends	(558)	(429)	(558)	(429)
Non-deductible expenses	388	424	388	424
Tax expense	482	508	482	508

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FINANCIAL REPORT FOR THE PERIOD ENDED 31 AUGUST 2017
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B6 Status of corporate proposals

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

B7 Borrowings and debt securities

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

B8 Changes in material litigation

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

B9 Dividend

The Directors did not declare any dividend for the current quarter ended 31 August 2017

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 31/08/2017 RM'000	Cumulative Quarter Ended 31/08/2016 RM'000
Profit after taxation	2,233	1,629
No. ordinary share capital in issue at RM1.00 each	140,000	140,000
Basic earnings per share (sen)	1.60	1.16

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 2017, the Company did not have any investments in:-

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

B13 Realised and unrealised profits

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

ICAPITAL.BIZ BERHAD (674900-X)
FINANCIAL REPORT FOR THE PERIOD ENDED 31 AUGUST 2017
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	As at 31/08/2017 RM'000	As at 31/08/2016 RM'000
Retained profits of the Company comprise of:-		
Realised Profits	238,005	235,790
Unrealised Profits	-	-
	<hr/>	<hr/>
Total retained profits as per statement of financial position	<u>238,005</u>	<u>235,790</u>

BY ORDER OF THE BOARD

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

SECRETARIES