

ICAPITAL.BIZ BERHAD

[Registration No. 200401036389 (674900-X)]

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23 December 2020

BY E-MAIL / HAND

MINORITY SHAREHOLDERS WATCH GROUP

11th Floor, KWSP Building,
No. 3, Changkat Raja Chulan,
Off Jalan Raja Chulan,
50200 Kuala Lumpur.

Attention: Mr. Devanesan Evanson, Chief Executive Officer

Dear Sirs,

RE: RESPONSE TO QUESTIONS FROM MINORITY SHAREHOLDERS WATCH GROUP ("MSWG")

We refer to your letter dated 17 November 2020.

Please find our response to your questions (underlined) below which was presented to the share owners at the 16th Annual General Meeting of the Company, held virtually on 28 November 2020 :-

1. Does the dual-listing expenses charged to the Statement of Profit and Loss for FYE 2020 relate to the dual-listing proposal that was approved by the Securities Commission on 11 July 2012? If yes, what was the reason for this charge to be recognised only in FYE 2020 – after 8 years?

Issue 1: Were the dual-listing expenses charged to the Statement of Profit and Loss for FYE 2020 related to the dual-listing proposal approved by the Securities Commission?

The dual-listing project expenses were incurred from 2010 to 2016, including 2012.

The dual-listing project has a long history. It is necessary to explain the entire context and history in order to provide an accurate and complete answer as tabulated below.

| Date / Year | Chronology of Events |
|-------------|---|
| 2009 | The dual-listing project originated from the 2009 EGM of the icapital.biz Berhad ("Fund"). In 2009, the shareowners of the Fund wanted it to invest outside of Malaysia. An EGM was held in 2009 for this purpose. Shareowners authorised the Board to explore alternatives that will benefit the said share owners ("2009 EGM Project"). |

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| Date / Year | Chronology of Events |
|-------------|--|
| 2010 - 2012 | The Fund Manager engaged with the Securities Commission of Malaysia ("the SC") on the dual-listed fund project. Due to the uniqueness of the dual listed global fund, a soft submission for the IPO of the proposed dual-listed global fund was suggested by the SC. The said soft submission was prepared and made by the appointed Malaysian investment bank and law firm to the SC and was subsequently approved by the SC on 20 July 2012. |
| 2013 | Meanwhile, the Fund Manager also engaged with Bank Negara Malaysia ("BNM") on the dual-listed global fund project and obtained approval from BNM in June 2013 to raise the initial public offering (IPO) proceeds in USD and invest 100% of its IPO proceeds overseas. |
| 2010-2015 | Concurrently, the Fund Manager was engaging with the Securities and Futures Commission (SFC) and the Hong Kong Stock Exchange through the appointed Hong Kong law firms and investment banks. However, in July 2015, the SFC decided not to approve the dual listed fund proposal. Thereafter, the Fund Manager went on to engage with the Monetary Authority of Singapore and the Singapore Stock Exchange for the same 2009 EGM Project. |

To recapitulate, the 2009 EGM Project was initiated and approved by the shareowners of the Fund at the 2009 EGM and the Fund Manager was mandated to explore the alternatives for the benefit of the share owners of the Fund. It was not the unilateral initiative by the Fund Manager.

Issue 2: Why recognised only in FYE 2020 – after 8 years?

As the wishes of the 2009 EGM have not been fulfilled, the Fund Manager continued to work on the mandate. Knowing the importance of this project to the shareowners, the Fund Manager's priority was to ensure that the said project is successfully completed.

The 2009 EGM Project expenses (including the dual-listing project expenses) were recorded in the Fund Manager's books. At all material times, the Fund Manager was in consultation with its auditor and former tax agent on the preparation of its Financial Statements.

However in 2019, the Inland Revenue Board ("IRB") disagreed with the expenses being absorbed by the Fund Manager as these expenses were not the expenses of the Fund Manager but that of the Fund.

The IRB was of the view that the Fund was the promoter of the dual-listing fund project. In addition, the expenses incurred are not related to the Fund Manager's principal activity of managing funds but related to incorporation of a new closed-end fund initiated by the share owners.

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The tax agent and auditor of the Fund and the Fund Manager are the same. However, the Fund Manager was never advised to do otherwise.

Due to the abovementioned decision by IRB in 2019, the Fund Manager submitted a claim for the reimbursement of the expenses incurred and these dual listing expenses were recognised in the Fund's Statement of Profit and Loss for FYE2020.

The Fund Manager has advised that the expenses recognized in the FYE 2020 were not the full expenses of the dual listing project and the RM6.68 million reimbursements paid to the Fund Manager is only for the period 1 Jan 2010 to 31 Dec 2016. However, the Fund Manager has further advised that the additional expenses incurred for the period 1 Jan 2010 to 31 Dec 2016 will be borne by the Fund Manager.

For completeness, the Fund Manager has also advised that they have not earned a single sen of revenue from the said reimbursement.

The Board engaged an independent external auditor to undertake a special audit on the reimbursement of the expenses. The independent external auditor had completed the verification of the expenses and had confirmed that these expenses were incurred by the Fund Manager in relation to the dual listing project. Following the verification, the Board had requested the Fund Manager to consider a meaningful reduction to the total expenses incurred which amounted to RM11.54 million and it was agreed that a sum of RM6.68 million would represent a fair reimbursement by the Fund.

2. Is the Fund Manager still pursuing the dual-listing project for Icapital closed end fund? If yes, please update the status including the expected deadline for the dual listing.

Since the 2009 EGM, shareowners have, without fail, in AGMs, been asking on the progress of the 2009 EGM Project.

Even after Mr. Tan Teng Boo had informed shareowners of the decision by the Securities and Futures Commission of Hong Kong, shareowners continued to pursue the matter. Since July 2015, the Fund Manager has continued the project based on listing in the Australian Stock Exchange and Singapore Stock Exchange, both of which were not successful either. The project then proceeded on just single listing on Bursa Malaysia. To date, we have not received any decision from the Securities Commission, either yes or no.

For the record, the Fund Manager had also approached the ASX for a single listing and was rejected.

3. icapital has related party relationships with Capital Dynamics Assets Management Sdn Bhd ("CDAM") (Page 47 of the Annual Report 2020). Why was the dual-listing project expenses reimbursed to CDAM not classified as related party transaction in Note 17 to the financial statements?

It is pertinent to highlight the distinction between what constitutes as "related party" and "related party transaction". CDAM is considered as a related party as it is the fund manager for the Fund.

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However, in the context of related party transactions, under the Bursa Malaysia's Main Market Listing Requirements Chapter 10.08(11)(k), there are transactions that do not amount to related party transactions. One of which includes "a transaction between a listed issuer or any of its subsidiaries and another person which involves the sharing of services or facilities provided by one or more of such parties or other similar arrangements whereby the **consideration merely involves reimbursement or sharing of costs in proportion to the utilization of the services or facilities.**"

In light of the above, the dual listing project expenses were merely reimbursement to the Fund Manager for expenses paid to external parties and incurred by the Fund Manager in carrying out the dual listing project. The Fund Manager had reiterated that it did not earn any professional or management fees or any form of revenue from the dual listing project.

For the above reason, the reimbursement is not categorized as a "related party transaction" in the Annual Report 2020 and therefore, the requirement for disclosure to Bursa and shareholders' approval does not arise. The Board has sought, obtained legal advice in this regard and acted as advised.

4. It was reported, (Focus Malaysia on 12-18 April, 2014), that the designated person for the Fund claimed that the dual listing will be for a completely new global fund. As such, should not the related expenses be charged to the new fund, instead of icapital closed-end fund?

The dual listing project was initiated, promoted by and belong to the Fund. Matters relating to the dual listing project were decided by the Board of the Fund. If the new fund is successfully launched, the Board of the Fund can decide whether to recover these expenses from the new fund.

5. It is stated that the dual-listing expenses represent the expenses reimbursed to the Fund Manager during the financial year (Note 12 to the Financial Statement). Please provide the breakdown of the expenses.

| Expenses claimed by Capital Dynamics Asset Management Sdn Bhd (CDAM) in respect of Proposed Dual Listing Project | | | | | | | | |
|--|------------|------------|--------------|------------|------------|------------|------------|----------------------------|
| Year: 2010 - 2016 | | | | | | | | |
| Description | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Total Amount Charged in RM |
| Professional fees* | 228,532.81 | 267,510.11 | 1,335,391.04 | 628,557.81 | 653,934.99 | 76,939.25 | 159,807.08 | 3,350,673.09 |
| Travelling and accommodation | 43,779.31 | 36,590.14 | 158,133.23 | 78,482.69 | 37,179.47 | 92,368.81 | - | 446,533.65 |
| HK investment research | - | - | 43,426.15 | 311,751.11 | 246,395.40 | 595,838.41 | 626,413.74 | 1,823,824.81 |
| HK office rental | - | - | 32,893.86 | 234,714.79 | 206,637.92 | 214,760.60 | 268,578.51 | 957,585.68 |
| HK telco and utilities | - | - | - | 12,063.46 | 8,375.25 | 11,647.47 | 10,693.46 | 42,779.64 |

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| | | | | | | | | |
|-----------------|------------|------------|--------------|--------------|--------------|------------|--------------|--------------|
| HK Office Setup | - | - | - | 57,700.14 | - | - | - | 57,700.14 |
| TOTAL | 272,312.12 | 304,100.25 | 1,569,844.28 | 1,323,270.00 | 1,152,523.03 | 991,554.54 | 1,065,492.79 | 6,679,097.01 |

*: Professional fees comprised of legal and consultancy fees incurred for engaging Investment Bankers and lawyers across the various jurisdictions from Malaysia to Singapore, Hong Kong and Australia, as well as Bermuda where the dual listed fund was incorporated.

For the SFC to consider the dual-listed fund, Capital Dynamics had to set up a company in Hong Kong and get it properly licenced by the SFC. In August 2012, Capital Dynamics Hong Kong submitted an application for the relevant Type 9 (Asset Management) licence. The sole purpose of which was to set up a licensed entity in Hong Kong which will manage the proposed dual listed fund (See attached page 1 extract of Capital Dynamics Hong Kong's application to the SFC). This explains why there are various expenses in the above table related to Hong Kong.

The Fund Manager had highlighted that as stated earlier, the RM6.68 million reimbursed to the Fund Manager was not the full expenses incurred in carrying out the dual listing project. Many other expenses were not included. The total expenses amounted to about RM11.5 million. In other words, the Fund Manager is sharing about 50% of the dual listing project cost. In addition, the Fund Manager had advised that it had incurred an additional tax liabilities and tax penalty as the IRB decided that these expenses do not belong to CDAM.

6. Are there any additional dual-listing related cost expected to be incurred, moving forward?

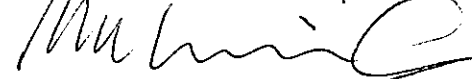
Not at this point. Whether there will be future expenses relating to the dual-listing project will depend on whether there is fresh mandate from the shareowners on the 2009 EGM Project. The Board has deliberated on the matter and will be making a recommendation at an appropriate time.

We value your comments and trust that the above has clarified the issues raised. Please do not hesitate to contact us further, should you have any further clarifications.

Thank you.

Yours faithfully,

On behalf of the Board of icapital.biz Berhad



Dato' Seri Md Ajib Bin Anuar
Chairman

Encls.

cc. Company Secretaries; and
Fund Manager