



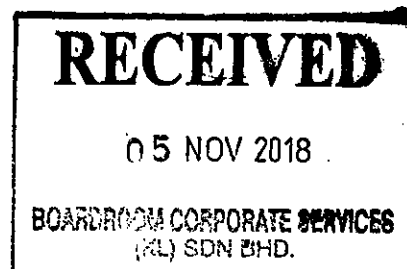
MINORITY SHAREHOLDER WATCHDOG GROUP
Shareholder Activism and Protection of Minority Interest

5 November 2018

BY FAX/HAND

(Fax No.: 603-7720 1111)

The Chairman and
Board of Directors
Icapital.biz Berhad
Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan



Attention: Ms. Tai Yit Chan/Ms. Tan Ai Ning
Company Secretaries

Dear Sirs,

Re: 14th Annual General Meeting (AGM) of Icapital.biz Berhad ("ICAP" or "the Company" or "the Group") to be held on 10th November 2018 (Saturday)

In the interest of minority shareholders and all other stakeholders of the Group, we would like to raise the following matters at the 14th Annual General Meeting of Icapital.biz Berhad:-

Strategic and Financial Matters

1. As noted on Page 3 of the Annual Report, the Fund has been trading at a discount to its NAV since 2008. On Page 1 (Letter to Share Owners), it is stated that the Board and the Fund Manager will continue to evaluate suitable discount control measures.
 - (a) Please explain the likely reasons for this discount and its continued existence.
 - (b) What are the likely suitable discount control measures and how effective are they?
2. It is stated under the letter to Share Owners on Page 1 of Annual Report that the Fund's Net Asset Value (NAV) has significantly increased to RM498.695 million from RM463.285 million in the preceding financial year.

What are the major factors/investments that contributed to the significant increase?

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia • Company No: 524989-M)
Tingkat 11, Bangunan KWSR No: 3, Changkat Raja Chulan, Off Jalan Raja Chulan, 50200 KUALA LUMPUR.
Tel: (603) 2070 9090 Fax: (603) 2070 9107
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icapital.biz Berhad
 14th AGM, 10th November 2018
 Page 2 of 3

3. Since 2010, the Fund has been maintaining a very high cash level with a rising trend although there has been slight decreases over the last two years. On Page 3 (footnote), it is stated that "The allegation that your Fund is always holding a high level of cash tantamounts to fake news".

(a) Please explain why the allegation tantamounts to fake news.

(b) What are the plans for the high cash level?

4. On Page 9 of the Annual Report, it is stated that the high cash level in the financial year under review has protected the Fund's NAV.

Please explain how the high cash level has protected the Fund's NAV.

5. In view of the increasing significance of sustainability and responsible investments, to what extent has the Board taken into consideration these areas in driving its investment policy? Please elaborate.

6. We note under the Investment Portfolio on Page 53 of the Annual Report that the Fund has holdings of 2,853,000 shares in Selangor Properties Berhad (SPB) which has an unrealised loss of RM1,298,177 as at 31 May 2018.

The Board of SPB has recently announced that SPB has received a letter from its major shareholder requesting SPB to undertake a selective capital reduction and repayment exercise which would entail a payment of proposed cash amount of RM5.70 per ordinary share in SPB.

What is the Board's view on the proposed cash amount of RM5.70 per ordinary share?

Corporate Governance Matters

The Company did not publish the CG Report as required under Paragraph 1.1(b) of the Practice Note 9 of the Main Market Listing Requirements. Please take note that all listed companies are required to disclose the application of each Practice set out in the MCCG during the financial year to Bursa Malaysia in a prescribed format ("CG Report") and announce the same together with the announcement of the annual report.

Please explain.



icapital.biz Berhad
14th AGM, 10th November 2018
Page 3 of 3

Thank you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Devanesan Evanson', is written over a light blue horizontal line.

DEVANESAN EVANSON
Chief Executive Officer

(DE/LR/CCF/agm 2018)

ICAPITAL.BIZ BERHAD

(Company No. 674900-X)

Registered Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama,
47800 Petaling Jaya,

Selangor Darul Ehsan, Malaysia.

Tel: (603) 77201188 Fax: (603) 77201111

Date: 10 November 2018

Minority Shareholder Watchdog Group (MSWG)
Tingkat 11, Bangunan KWSP
No: 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur

Attn: Mr Devanesan Evanson – Chief Executive Officer

Dear Sir,

Re: 14th Annual General Meeting (“AGM”) of icapital.biz Berhad (“ICAP” or “the Company” or “the Fund”) to be held on 10th November 2018 (Saturday)

We refer to your letter dated 5 November 2018 and append herewith in Appendix A, our responses to your queries (Q1 to Q6) as highlighted in your letter.

Kindly note that our responses for Q1 to Q6 have been delegated to Mr Tan Teng Boo, the Designated Person responsible for the investments of ICAP, as he has done so during the Q & A session at the 14th AGM.

For your last query on corporate governance matters, kindly refer to our following response :-

Corporate Governance Matters

- 1) The Company did not public the CG Report as required under Paragraph 1.1(b) of the Practice Note 9 of the Main Market Listing Requirements. Please take note that all listed companies are required to disclose the application of each Practice set out in the MCCG during the financial year to Bursa Malaysia in a prescribed format (“CG Report”) and announce the same together with the announcement of the annual report.

Please explain.

Pursuant to Paragraph 15.25(3) of the Main Market Listing Requirements (“LR”) , the Company which is a closed-end fund is only required to comply with subparagraph (1) i.e. must ensure that its board of directors provides an overview of the application of the Principles set out in the MCCG, in its annual report.

Under Practice Note 9 of the LR, an overview of the application of the Principles set out in the MCCG refers to CG Overview Statement.

Accordingly, a CG Report is not applicable for closed-end fund.

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

Yours faithfully,

On behalf of the Board of icapital.biz Berhad

A handwritten signature in black ink, appearing to read 'Ng Peng Hong', written in a cursive style.

Datuk Ng Peng Hong @ Ng Peng Hay
Chairman

APPENDIX A

REPLY BY THE DESIGNATED PERSON TO MSWG'S LIST OF QUESTIONS FOR 14TH AGM OF ICAPITAL.BIZ BERHAD

On behalf of the Board, the Fund Manager would like to make an appeal to MSWG. MSWG has sent quite a number of questions and we had only received them a few days before the AGM. In promoting good corporate governance among all stakeholders, MSWG should take the lead to send your questions 3 to 4 weeks before the AGM so that the answers can be prepared properly and not in a rush.

QUESTION 1

Strategic and Financial Matters

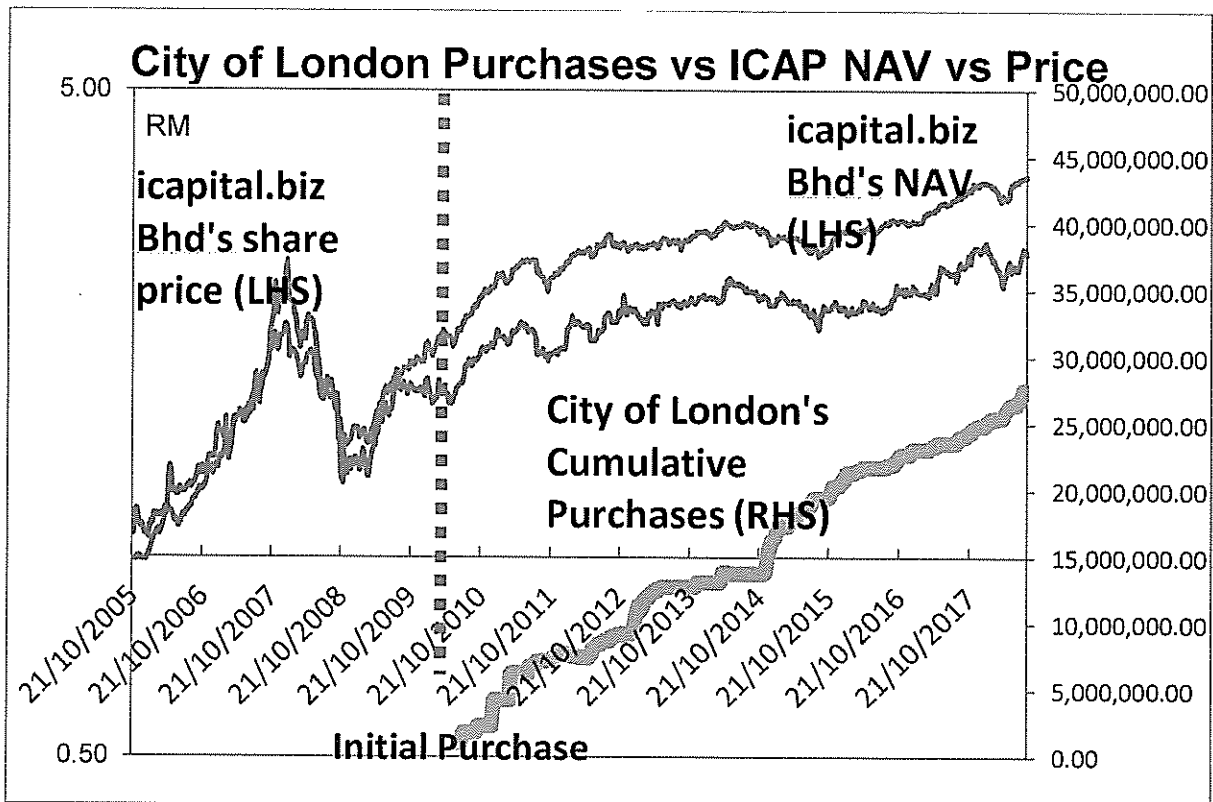
1. As noted on Page 3 of the Annual Report, the Fund has been trading at a discount to its NAV since 2008. On Page 1 (Letter to Share Owners), it is stated that the Board and the Fund Manager will continue to evaluate suitable discount control measures.
 - (a) Please explain the likely reasons for this discount and its continued existence.
 - (b) What are the likely suitable discount control measures and how effective are they?

ANSWER

- (a) We would like to suggest this answer to MSWG by clearly stating the facts.
- (b) icapital.biz Berhad (ICAP) started trading on 19 October 2005. On the first day of trading, the fund traded at 1% premium, an unusual record for the only listed closed-end fund (CEF) in Malaysia, the IPO was oversubscribed, the amount raised was RM140 mln and the proceeds we received were RM250 mln. The premium persisted for around 3 years. It went into a discount in September/October 2008 during the Lehman Brothers crisis, after which the discount narrowed substantially. In October 2008, the discount was around 20% - 25%. A year or 2 later, it narrowed to about 3.5%.

From about 2010 onwards, the discount became wider and persistent. Why did it happen? In 2010, 2 institutional shareholders from London started buying. From about Jun 2010 to now which is more than 8 years, the average weekly discount is about 21% despite the fact that one of them has bought almost 20% of ICAP shares. Why is there a discount? We will let the facts decide for themselves. See chart below.

The average weekly discount from June 2010 to present is 21.04%.



- (b) The suitable and effective discount control measures would be the defamation suit, investor relations and investor education programmes.

We have announced in last year's AGM, the defamation suit against a senior editor of the Edge, a Malaysian publication. Why is a defamation suit a discount control measure? We need to look at the context. The Sydney Stock Exchange (ASX) has about 100 LICs which are similar to CEFs. In the Toronto Stock Exchange, there are about 160/170 CEFs. In New York and London, out of total companies listed, 13% - 14% are listed CEFs. In Malaysia, there is only one. It doesn't take much to deduce that most of the investors in Malaysia have not heard of a CEF. They do not know how to use a CEF to build their portfolio unlike situation in Australia, Canada, UK and US where CEFs has been an established part of the investing community for a long time. So, if we look at it in this manner, one of the most effective ways to narrow the perplexing discount is investor relations and investor education.

Through the efforts of Capital Dynamics, we started to organise the Investor Day in 2010 to promote the idea of value investing, to teach and educate Malaysian investors about what a CEF is, and in particular what ICAP is all about. The defamation suit is linked to that because that Article which was written 6 days before the 2015 AGM (Article) was a very one-sided article. A substantial part of the Article was based on the contents of a letter from City of London in August 2015. In paragraph 33 of the Article, the author Cindy Yeap wrote "When contacted, City of London's spokesman said the company did not have anything to add to what it had already said." City of London is

situated around 12,000 km away and we are situated only a few km away from Cindy Yeap. The Article is clearly biased, one-sided as the journalist chose to contact City of London, the contents of which are substantially from a letter from them but Cindy Yeap did not choose to contact either Capital Dynamics (the Fund Manager and Investment Adviser) or the Designated Person with regards to the Article.

So when there is this type of negative, unfair, untrue and misleading reporting and there is only one CEF in Malaysia, it is common sense that we need to take very active investor relations, and investor education programmes. On my part, I as the Designated Person, will take the first lead to make sure that such falsity, falsehood be prevented immediately.

QUESTION 2

2. It is stated under the letter to Share Owners on Page 1 of Annual Report that the Fund's Net Asset Value (NAV) has significantly increased to RM498.695 million from RM463.285 million in the preceding financial year.

What are the major factors/investments that contributed to the significant increase?

ANSWER

The major reason is the increase in share price of its underlying portfolio.

QUESTION 3

3. Since 2010, the Fund has been maintaining a very high cash level with a rising trend although there has been slight decreases over the last two years. On Page 3 (footnote), it is stated that "The allegation that your Fund is always holding a high level of cash tantamounts to fake news".

- (a) Please explain why the allegation tantamounts to fake news.
(b) What are the plans for the high cash level?

ANSWER

- (a) Referring to page 3 of the 2018 Annual Report of ICAP, the paragraph that MSWG referred to is not a footnote. The footnote is on the left hand side. The paragraph that MSWG quoted is the whole paragraph but has left out the first sentence in that

opening paragraph. The entire paragraph reads “As the above tables clearly show, the cash level of your Fund has ranged from a low of 10.51% to a high of 68.59%. The allegation that your Fund is always holding a high level of cash tantamount to fake news.” So, when your Fund’s cash holding ranges from as low as around 10% to as high as 68% – 69%, surely you cannot say that the fund is always holding a high cash level because it fluctuates substantially.

- (b) With regards to what are the plans for the high cash level, we may want to remind MSWG that as a fund that observes very high corporate governance standards, we cannot engage in insider trading. Because if the Fund Manager is to share its plans on utilising its cash level, essentially we are telling you what stocks we are buying.

QUESTION 4

4. On Page 9 of the Annual Report, it is stated that the high cash level in the financial year under review has protected the Fund’s NAV.

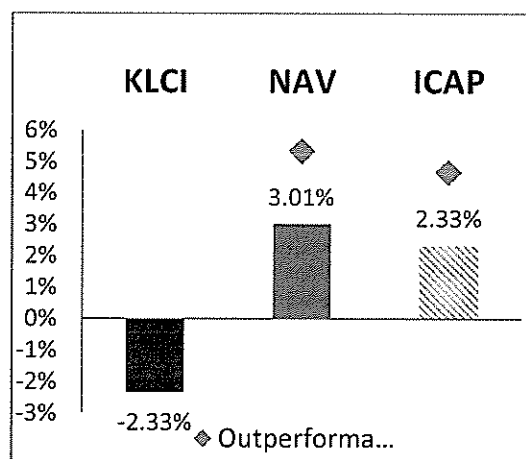
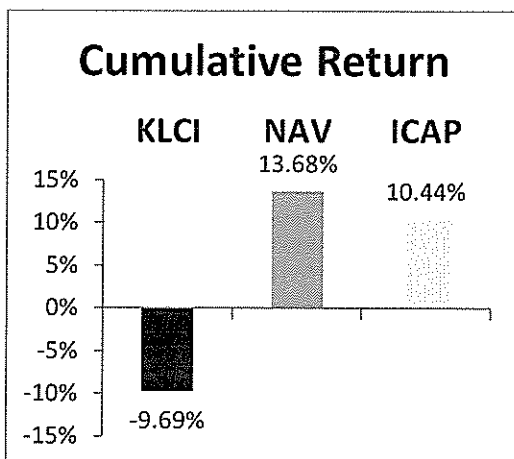
Please explain how the high cash level has protected the Fund’s NAV.

ANSWER

When the KLCI peak on 8 July 2014 to Oct 2018, in that slightly over 4 years, the KLCI has dropped 9.69%. Whereas the NAV of ICAP has increased by 13.68% during the same period and the share price has increased by 10.44%. If not for the fact that our cash level is high, we may have suffered the same effect as the KLCI. See the charts below.

Cumulative return as at 31 Oct 2018 from KLCI peak at 8 Jul 2014

Annual return as at 31 Oct 2018 from KLCI peak at 8 Jul 2014



QUESTION 5

5. In view of the increasing significance of sustainability and responsible investments, to what extent has the Board taken into consideration these areas in driving its Investment policy? Please elaborate.

ANSWER

Although ICAP is a listed company, it is at the same time, a collective investment scheme.

One cannot just view it as a conventional listed company. We have to bear in mind that there are a lot of regulations regulating collective investment schemes, ie., either unit trust funds or CEFs. With that reminder, we have to bear in mind that the investment policy of ICAP cannot deviate from what has been agreed and approved by the SC, which is, we have to follow our value investing philosophy with long term capital appreciation objective.

QUESTION 6

6. We note under the Investment Portfolio on Page 53 of the Annual Report that the Fund has holdings of 2,853,000 shares in Selangor Properties Berhad (SPB) which has an unrealised loss of RM1,298,177 as at 31 May 2018.

The Board of SPB has recently announced that SPB has received a letter from its major shareholder requesting SPB to undertake a selective capital reduction and repayment exercise which would entail a payment of proposed cash amount of RM5.70 per ordinary share in SPB.

What is the Board's view on the proposed cash amount of RM5.70 per ordinary share?

ANSWER

We would like to reiterate to MSWG that ICAP is not your conventional listed company. It is a hybrid, ie., it is also an investment portfolio. With that, it is not proper to answer questions on specific stocks. This privatisation by SPB's major shareholder confirms our value investing philosophy.