8I

EMPOWERING GROWTH

ANNUAL REPORT FY2016

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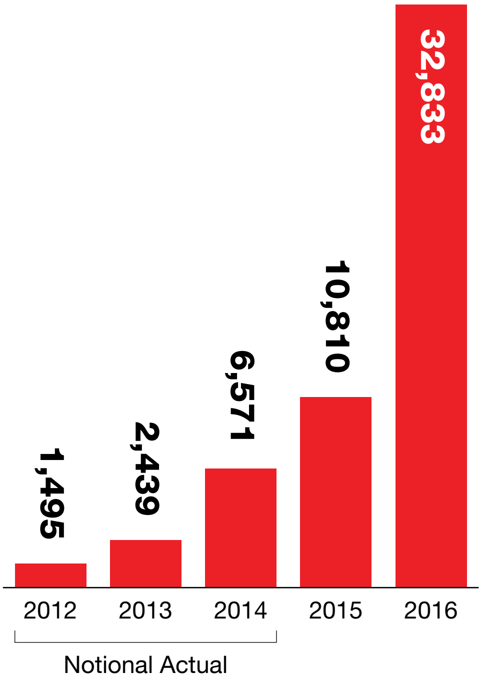
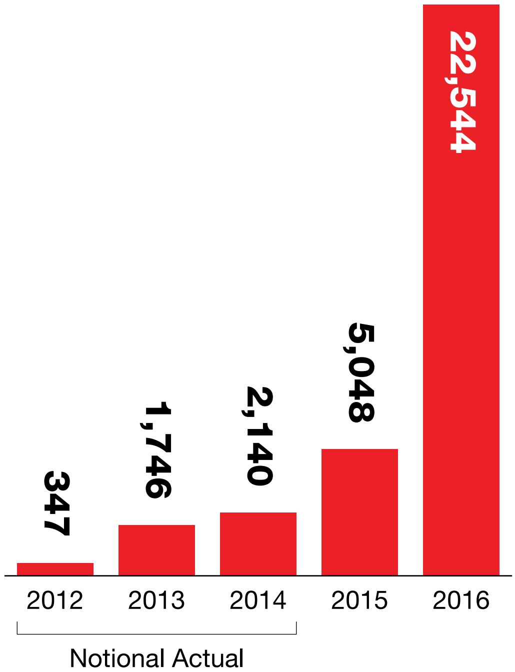
8I HOLDINGS LIMITED

ANNUAL REPORT FY2016

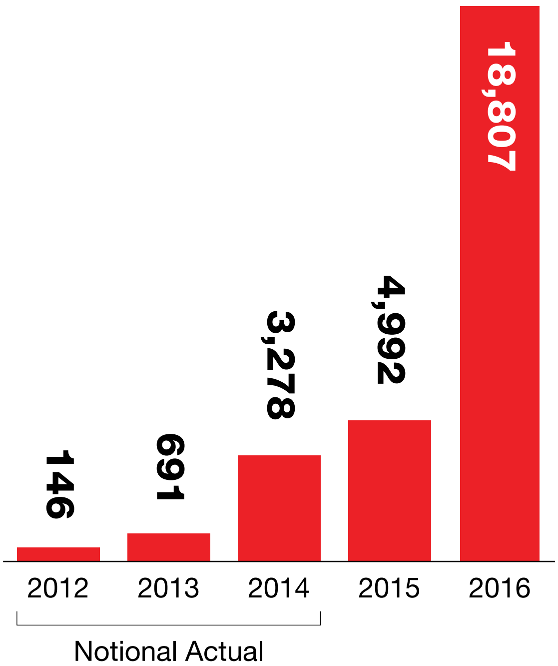
CONTENT



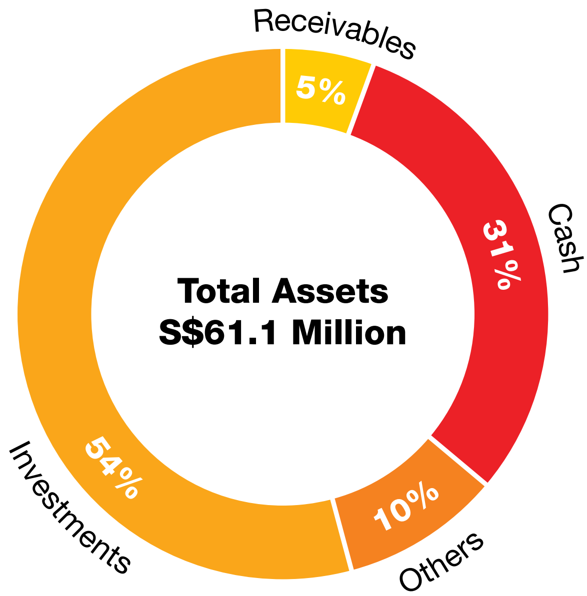
Revenue & Other Income
(S$'000)



Total Comprehensive Income
(S$'000)



Net Profit for the Period
(S$'000)



CORE VALUES

We Uphold the Trust of our Stakeholders

Through our beliefs, behaviour and actions in the long term, which enables us to grow as an organisation with our Stakeholders.

We Take Care of One Another

So that there will be no man or woman left behind.

We Enjoy What We Do

With the beliefs and passion of serving humanity, in order to produce sustainable growth and long term results.

We Do What We Think and Say

As individuals and as a team to uphold the integrity and congruency of the organisation.

We Correct without Invalidation of Self & Others

In order to take ownership and progress beyond the learning experiences, towards greater heights and achieving Personal Mastery.

We are Value-Conscious, For the Price Paid

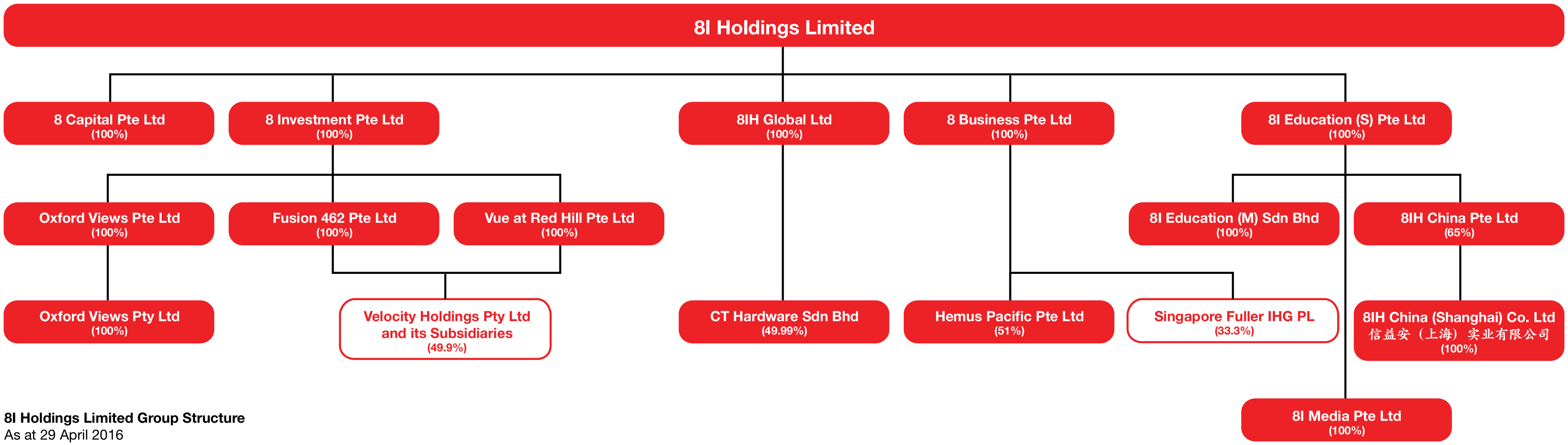
As individuals and an organisation to utilise all resources wisely.

MISSION STATEMENT

Empowering Growth

"The 8I Group is founded upon and stands by its mission to provide the right resources to inspire and empower the growth of 100 million lives through Education, Investment and Business."

CORPORATE STRUCTURE



8I Holdings Limited Group Structure
As at 29 April 2016

CORPORATE HIGHLIGHTS

1st April 2015 - 31st March 2016

2016

Completion of first MIP Chinese in Shanghai, China Opening Ceremony of 8IH China (Shanghai) Co. Ltd [信益安（上海）实业有限公司]	20th Mar 2016
8 Education Pte Ltd and 8 Education Sdn Bhd renamed 8I Education (S) Pte Ltd and 8I Education (M) Sdn Bhd respectively	Feb 2016
Completion of Value Investing Summit 2016	24th Jan 2016
Proposed Spin-Out and Listing of Education and Property Assets	21st Jan 2016
Completion of 8IH China (Shanghai) Co. Ltd [信益安（上海）实业有限公司]	18th Jan 2016

2015

1st Dec 2015	General Meeting & Investor Day 2015
5th Nov 2015	Completion of MIP Chinese in Kuala Lumpur, Malaysia
21st Sep 2015	Formation of Private Equity Division
18th Sep 2015	8 Education wins ShareInvestor Awards 2015 for Most Preferred Financial Educator
1st Sep 2015	Appointment of Chief Investment Officer
24th Aug 2015	Announcement of Joint Venture for China Expansion
3rd Aug 2015	Completion of Sale of Interest in CPA Academy
7th Jul 2015	Annual General Meeting 2015
7th Jul 2015	Acquisition of 8 Education Sdn Bhd
2nd Jul 2015	Completion of Acquisition of Velocity Group
6th Apr 2015	Appointment of Chief Financial Officer
2nd Apr 2015	Acquisition of Velocity Holdings Pty Ltd

CHAIRMAN'S MESSAGE

Dear Valuable Partners,

I hope this letter finds you well. This is one of my easiest letters to write and you will soon find out why. Although short, the discussion on our process and results will be long.

Over the last 12 financial months, I have reflected upon our success and learning experiences. But first, allow me to start with an apology.

I am sorry that I pushed your management and the core team members hard, but it was done with compassion. Interestingly, our CIO called this a positive trait: Obsession Quotient. I am obsessed with understanding how far human potential can go. Hence, I ask nothing short of 100% in effort, commitment, and energy from everyone in your business.

My wife's doctor, Dr Ann Tan, has a quote in her office that sums up the statement above pretty nicely, "If there are three ends in a candle, I will burn all three at once."

Life is too short to play it small.

And our three core business units – Education, Investment, and Private Equity – with an integrated ecosystem as a unique business model, are firing at a rapid rate, illuminating the way forward and generating positive synergetic results: 1+1+1 > 33.

I hope that by burning these three ends together, we have lit up and inspired more lives, hence giving more hope to this increasingly chaotic world. My two beautiful daughters need it. And so do all our future generations.

And what is the result of constantly asking more from our people as an individual, team, unit and, ultimately, as a company in this ecosystem?

Our revenue and other income stands at S$32.8 million, a 203% increase compared to FY2015. Our total comprehensive income stands at S$22.5 million, a 347% increase compared to FY2015. Our net asset value stands at S$53.7 million, a 47% increase compared to FY2015. Our unearned revenue stands at S$4.0 million, a 110% increase compared to FY2015.

At the point of writing (25 May 2016), your company's market capitalisation is in excess of A$314 million. It reached a peak of A$496 million in January 2016 before retreating back to the current level. Our profit for FY2016 is S$18.8 million. It is therefore my pleasure to declare a final cash dividend of 0.5 cents per share to all our valuable partners, subject to shareholder approval. This excludes the 0.5 cents per share of interim dividend that we declared and gave out last November. The total dividend per share paid out is hence 1.0 cents per share for the financial year, subject to your approval during the AGM.

Personally, I find it amusing to note Mr Market's reaction to 8IH shares based on general sentiments, emotions, economic news, and even price predicting stock charts in comparison to our solid business fundamental growth. I urge those who are keen to become a partner in this business to read all our annual reports, announcements, financials, use our services, and understand our business model and ecosystem first to get a more complete picture, instead of relying on the opinions of others and/or just using quantitative analysis.

A key question remains, "Can we continue to grow at this rate?" Warren Buffett made a comment during the 2016 Berkshire Hathaway Annual General Meeting: "Size is the enemy of performance". It gets harder to sustain a certain growth rate when the business, fund, or capital size gets bigger.

My answer to the key question is, "I do not know."

But what I do know is that:

a. Your company size is still small in terms of revenue, profit, and net asset value and we have bigger markets to grow in, and hence new opportunities to explore;

b. We will continue to fine-tune the business model and strengthen the ecosystem so that your business' growth gets easier when it grows bigger. Those who want to read in greater detail about your company's business model should refer to the Chairman's Letter in the 2015 Annual Report in which I gave a more detailed description of it;

c. I will continue to be obsessed on how far our team members (currently we have 48 full-time employees across 3 offices) can grow to serve and bring more value to you as a partner.

Secondly, starting from this financial year's annual report, all individual division key managers will pen their own letter to you as a partner which is rare for most listed companies. This is why I mentioned this would be the easiest letter that I will have to write.

There are three key intentions:

a. Strong sense of business ownership mindset alignment because all key managers are responsible for their own results with full transparency.

b. Allow you to understand your company's business model and ecosystem in greater detail. Do note that you should not invest in any businesses that you do not understand.

c. So that you can throw eggs at me and also the key managers if we perform badly. But remember to pat our backs if we perform well, too! Most importantly, this is to demonstrate that your company is run by capable managers with good values and high energy that can grow their respective business units independently while working together as a cohesive group.

One thing to note when you are reading their letters: some are inclined to write longer, while others prefer a short and concise style. "The Truth is in My Results". Thus, judge them objectively based on sustainable results.

Our culture is special and remains the indestructible, intangible competitive advantage that others find extremely hard to replicate.

What is the 8IH culture then?

It is Intrapreneurship, where everyone exhibits entrepreneurial spirit in his or her domain. Our key operations are decentralised but aligned; our team members are given autonomy to act in the best interests of the company because many of them are shareholders of the firm, too. I will be very proud of the day when our team members become one of the largest substantial shareholders in this firm. In addition, all new team members joining 8IH on the first day will be given an employee handbook where it states a core question whenever they are to make any decision: "Are we empowering growth?" This instils a mindset that we are constantly growing, evolving, and hitting new breakthroughs – day after day, month after month, year after year.

8IH is a platform for personal mastery, a place where aligned individuals are here to evolve to be better human beings by serving others from their heart. In a nutshell, 8IH has the start-up entrepreneurial spirit of being lean and hungry for growth with the tight, family-loving atmosphere found in Asian SMEs while instilling corporate governance practices of MNCs.

Hermann Simon, author of "Hidden Champions of the 21st Century" puts it aptly:

"The real differences between good and bad companies are not found in machinery, installations, processes or the organization, but in the corporate culture. Reinhold Würth once expressed this as follows: More can be achieved with a highly motivated team working on old machinery in a shack than with an unmotivated group with the latest machinery and premises". Peter Drucker accurately described the challenge to management, "It's about putting people in a position to perform as a group by giving them goals and values, as well as continual learning and development opportunities".

Thus, 8IH is built upon the fundamental understanding and belief that the company will outlive the founders based on meritocracy. Hence, our team and families exist for the business rather than the business existing for our families. Therefore, you, as a valuable partner can seek comfort in knowing that only the most able capital stewards and operating managers can steer and operate this ship for many years ahead with integrity, capability, and high energy.

I am blessed that I love what I am doing together with a group of awesome individuals that I respect and admire so much. I actually tap dance to the office every morning after my daily exercise. Thank you for letting my team and I serve you.

Thirdly, I would like to state clearly your company's criteria in acquiring private operating businesses while Clive will explain the process in greater detail. Koon Boon will share an in-depth segment on the public listed space, as well as our portfolio's approach and methodology. I am excited.

Our selection criteria for private businesses are as follows:

1. The business owner must not just be looking for a sell-out. We are a growth capital that wants to empower private businesses to scale with our ecosystem. Hence, the intention must be for long-term sustainable growth.

2. The business must come with core leadership and management because we do not provide it.

3. The business must demonstrate Indestructible Intangible Know-How (according to our CIO

Kee Koon Boon) or IIKH in short, with innovative thought leadership in solving an imminent problem or increase pleasure for humanity.

4. There must be great client experience and feedback using the products or services. This requires a constant focus on aligning our thoughts and operating processes with our clients' requirements, experiences, and feedback.

5. Revenue is Vanity, Profit is Sanity, Free Cash Flow is King. We prefer the last two but we like all three.

6. Businesses with a minimum of one million dollars of post-tax earnings (or show signs of growing towards it); operating cash flow higher than earnings, preferably with little or no debt; a valuation of less than $10 million. We have not reached Berkshire Hathaway's size yet, hence we can shoot goats or buffalos before going for the elephants or whales.

If you know of businesses that are hungry to grow with our capital and ecosystem, drop us an email at pe@8iholdings.com with a one-page description of the business and audited accounts. In fact, it would be good for any interested potential investee to go through our latest Capital Precession Program. Contact admin@8investment.com for more information.

Finally, I would like to take this opportunity to express my most sincere appreciation to Mr Zane Lewis who has recently retired from the Board but remains a Corporate Advisor. Zane is an amazing individual who worked tirelessly for the last two years supporting the board in guiding the rapid growth of the Group. On behalf of the Board, we welcome Mr Charles Mac, our new Independent Director on joining us in this fulfilling journey of creating and delivering massive, sustainable value to humanity. We are blessed to serve and to receive.

Ken Chee

Ken Chee Kuan Tat
Executive Chairman

FINANCIAL AND OPERATIONS REVIEW

Overview

Our total revenue and other income from 1 April 2015 to 31 March 2016 is in excess of S$32.83 million and our profit for the year is in excess of S$18.80 million. This represents an increase of 203.7% in total revenue and other income and 276.7% in profit, compared to our group numbers (total revenue and other income was S$10.81 million and profit was S$4.99 million) from 17 May 2014 to 31 March 2015. Total comprehensive income attributable to owners of the company for 2016 is in excess of S$22.31 million (FY2015: S$4.84 million)

This substantial jump in revenue and profits is attributable to an overall credible performance from all business segments and the result of many hours of thoughtful and consistent efforts from our team members. Do treat them nicely when you meet them because they are the source of our results!

Over the years since inception, we have combined our education segment and our investment segment to good effect and will continue to do so as we expand and seek to improve our offerings to impact more people around various cities in Asia. In this Financial Year, we are pleased to inform that our education business has now expanded to three cities: Singapore, Kuala Lumpur (Malaysia) and Shanghai (China). To facilitate this expansion, we will need to grow our human capital rapidly and professionally. Also, the combination of education and investing in both public and private companies will create a positive self-reinforcing cycle.

We have also reached a new milestone as 8IH was added into the S&P All Ordinaries Index on 18 March 2016. While this is a tiny step towards our future growth, it does mean that we have grown bigger since our listing and may be getting a little more attention from investors. This is a natural progression as our company grows bigger and better fundamentally, in the areas of Education and Investing (both in Public and Private companies).

More importantly, we are building the company on the foundation of a solid balance sheet. As of 31 March 2016, our Group's total assets stands in excess of S$61.12 million (FY2015: S$40.28 million). Our Net Assets has increased from S$36.51 million (FY2015) to S$53.66 million (FY2016). Most of our assets are in cash and cash equivalents (FY2016: S$18.73 million) and investment securities (FY2016: S$33.25 million in total for both current and non-current assets).

With a solid foundation and fast growth trajectory, 8IH is poised to grow well in the future. We want to build 8IH into a company that you will be proud to be a shareholder of.

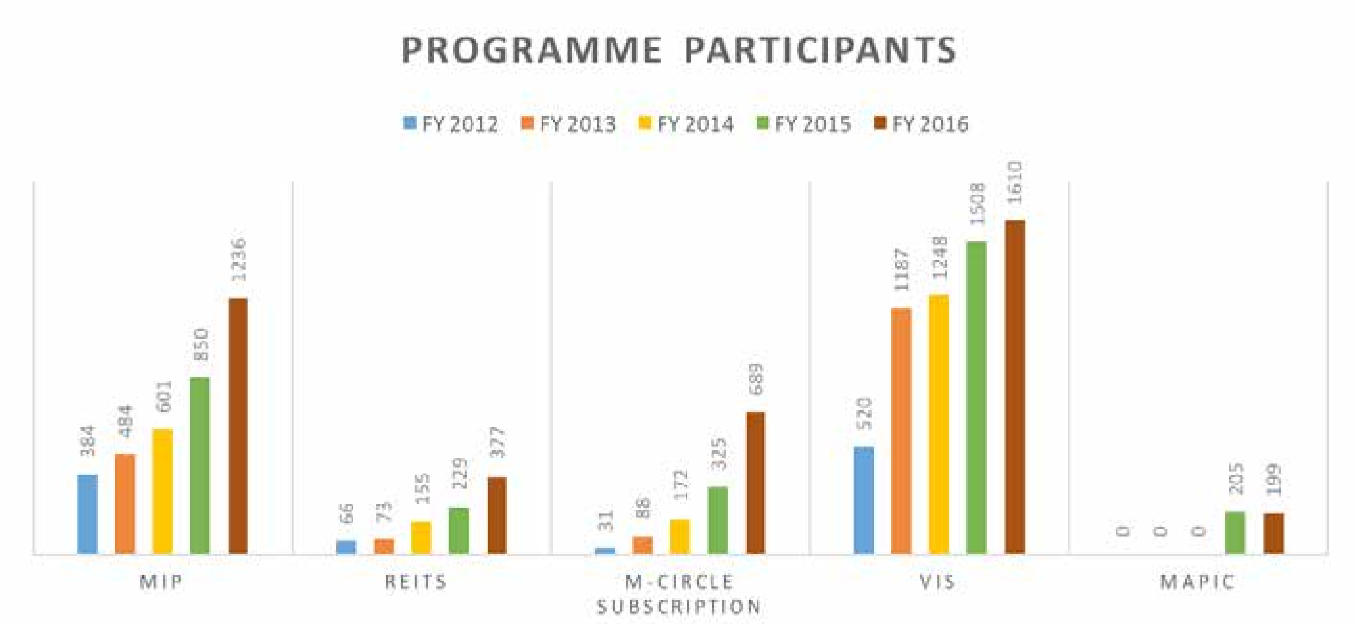
Business Segment Report

Education & Events

Our Education and Events segment has increased its revenue by 109% to S$11.04 million (FY2015: S$5.28 million) in the financial year reported, with segmental profits of S$3.22 million (FY2015: S$0.92 million), up 250%. This increase is due to strong organic growth from our Education business and the acquisition and consolidation of Hemus Pacific Pte Ltd.

Hemus Pacific Pte Ltd has organised multiple roadshows and consumer events supporting various landlords and shopping malls to achieve optimum occupancy for their properties and for retailers to reach out to a wider audience.

For 8I Education, this is our best year since inception and we continue to be amazed at the amount of passion and energy coming from our 8I Education team members in the marketing, selling and execution of many events, seminars and programmes that we run.



All figures are inclusive of Singapore, Malaysia and China participants.

For 8I Education, our programme sales breakdown (programme participants) is shown above. The strong growth is due very much to the support shown by our programme participants in referring more participants. Also, our sales & marketing team did an awesome job selling and marketing the programmes, both directly and also in collaboration with our associates. Fundamentally, our programmes must truly add value to the participants as they had an awesome experience. As always, since you are our shareholder, please introduce more of your relatives, friends and associates to our programme offerings.

Our General Manager, Pauline, will do a detailed overview of our Education segment in the Annual Report.

Business Segment Report

Investment: Listed Securities

Our listed securities segment registered segmental losses in excess of S$1.33 million, amidst a very tough year in the equity markets. We had a major portfolio restructuring in September 2015 when our current Chief Investment Officer (CIO), Mr Kee Koon Boon, was appointed and we proceeded to expand our research scope and refine our investment process. For the second-half of our fiscal year since September 2015, our listed securities segment has combined gains in excess of S$1.12 million, against a declining overall market index. We did well on a relative basis and I am convinced that we are laying the foundation for great performance in this segment going forward.

Looking ahead, you should expect that the contribution from the Investment segment to be lumpy. This is very much due to the nature of the capital markets. There will be some years when we will do very well and some years less so. You should be aware that this segment will fluctuate in terms of performance. But it is exactly during the worst of times that the best opportunities will present themselves.

Our CIO will do a detailed overview of Public Investment segment in the Annual Report.

Investment: Private Companies

We will continue to look for various companies and businesses that we deem to have a solid track record, with management in place that we can acquire for a reasonable or even undervalued price. Most importantly, the businesses that we acquire must have the potential for tremendous growth, even with the potential of a future listing for them or at least to be a tremendous operating business for the group.

As of 31 March 2016, we own a 51% stake in Hemus Pacific Pte Ltd (refer to Education & Events segment) and 49.9% in Velocity Group. We are also in the process of starting and working through our intent to list Velocity Group in the upcoming Financial Year.

Our property segment contributed S$1.27 million in profits, largely due to interest income from our financing of Velocity's projects. By nature, property development projects are capital intensive. We expect that when Velocity has the financial backing, it will be able to take on more projects and in turn generate more profits and returns to the Group and to you as our shareholders.

Our executive director, Mr Clive Tan, will do a detailed overview of our private equity and operating businesses segment in the Annual Report.

VELOCITY
PROPERTY GROUP

Exclusive Living
Prime Ocean Views
Nathan St, Burleigh Heads, QLD Australia

Financial Position

Our financial position remains and continues to grow stronger. Right from the inception of our company, we decided that it should be run in such a manner that its financial position is accorded a higher priority than our founders' remuneration and benefits. Both Ken and Clive recognise that for the company to be sustainable in the long term, this is a necessary and important building block.

By our intention and design, 8IH will tend to have substantial amount of assets in cash or cash equivalents. We do not want to be at the mercy of financial institutions and external circumstances. Although we recognise that this will present a drag on certain management metrics (such as Return on Equity), we seek to emulate Berkshire Hathaway in terms of its financial strength in all circumstances. At this stage of our growth, we are also looking at many more companies and we may require a strong cash position to take up those suitable opportunities when they arise.

Subsequent Events After Financial Year

The Group carried out two acquisitions subsequent to the financial year.

CT Hardware Sdn Bhd (Malaysia) "CTH"

8IH Global Ltd (8IHG) has entered into a Subscription and Shareholders Agreement with CTH on 6 May 2016, where 8IHG will invest RM$3,800,000 into CTH for a 49.99% stake in the enlarged share capital. Subsequent to the capital injection, the Net Tangible Asset of CTH will increase to RM6,900,000.

With the capital injection, CTH will work on setting up an integrated Enterprise Resource Planning (ERP) system integrated with its e-commerce platform to transform the business from offline to online and setting up of a distribution centre for smoother and more efficient stock distribution.

Financial Joy Institute Pte Ltd (Singapore) "FJI"

8I Holdings Ltd (8IH) has entered into a Share Swap Agreement on 11 May 2016 for the acquisition of 51% equity interest in FJI for a consideration of S$2.04 million payable in 8IH shares, subject to satisfactory due diligence.

The acquisition of FJI will provide the company with access and growth to regional markets and synergies in creating more events and programs.

PRIVATE EQUITY & OPERATING BUSINESS

Background

In setting up our Private Equity segment, we are mindful that while we can base our selection and assessment process on value investing, there are still certain distinctions in our experience and exposure to many private businesses. And as much as Ken and I have certain experiences in starting and running several businesses, we are aware that in most cases, if not all, the respective businesses that we acquired as part of our group are better run and operated by the respective owner-managers. We are entrepreneurs investing in other entrepreneurs.

As 8IH grows in magnitude, it may seem to you to be a varied group of unrelated businesses. While we prefer to operate in our "traditional" and familiar areas, such as Education & Investment, we recognise that there are several areas that are encompassing (such as Technology) in the business world that we cannot choose to ignore. If anything, we want to develop our expertise in technology as we grow because we believe technology often presents the greatest opportunities and also the greatest disruptive forces to our group's businesses and investments.

Objective

While it may seem that the businesses we acquired are meant for public listing, it is definitely not necessarily the case. It will be ideal if the owner-managers in charge have that desire and their businesses have sufficient capability, robustness, and scalability to accomplish that. But, more often than not, some of these businesses, even though they may be good businesses, will be part of the operating business segment of the 8I Group. If anything, my personal objective for any business acquired is that they should be able to, in the worst-case scenario, be part of 8I Group. In this manner, because these businesses are those that we desire to be part of the group and are run by people we like and respect, we will be more than happy even if the company is not going to list publicly, so long as they are fundamentally strong companies run by a capable management. To ensure that we align our long-term interests with all stakeholders, we work on the basis that all investees will be long-term holdings and operating businesses in our group.

In the Private Equity sector, many firms and funds rely on increasing leverage (debt financing) to reduce the amount of equity capital required to finance an investment, thus increasing the return realised by the PE fund. We focus instead on operational value creation as the key to sustainable value creation throughout our eco-system. Real operating capability provides a tangible means of generating value. Our philosophy is to run our investment together with our investees with an entrepreneurial and business owner mindset rather than a financial engineer or banker mindset.

The common thread in all our past, present, and future acquisitions is that the leadership and management must be in place. We will support the sourcing and looking out for talents to boost the management teams of the respective businesses, but we cannot supply the leadership and management required to run the business. That's why we are extremely unlikely to invest in a business where the owner or leadership wants to merely cash out and exit, unless we have our own management who are capable of taking over. Our principle in PE is to be a partner in the business, to support and grow businesses that add value to humanity.

Investment Process: 3R Process Breakdown for Private Equity

We assess our candidates on the 3R approach that we advocate: Right Business, Right Leadership & Management, and Right Financials & Valuation.

Right Business

How do we define the Right Business?

We further break it down to 4 different areas that we look into: Functionality, Adaptability, Sustainability, and Scalability (FASS for short).

Functionality

We define Functionality in a bigger sense of the word, not just relating to how the business serves its customers but also how this business functions in the context of society and the world it operates in. What the company does should go beyond just making money by providing a product or service. There should be a deeper purpose to it.

For example, 8I Education's purpose is not about providing financial education to the masses. It is about empowering growth in the masses so that they know how to invest for themselves. In a society, when people are able to take care of themselves, they then have the capacity to take care of others. 8 Capital's work is not just about picking the winning stocks; it is about unearthing the Hidden Champions that are toiling day in day out and championing a process that enables us to do it. The "Real World Iron Man" Elon Musk has talked about his obsession on wanting the human race to be a multi-planetary species; that's why he has such varied businesses from solar cells, to electric cars to rockets that can be re-used. There is a purpose going beyond just making money and focusing instead on adding value through meaningful goals for humanity.

Adaptability

A business also needs to be adaptable. In today's business world where both structural and cyclical changes are in abundance, there is a need to recognise these changes and their impact accurately and quickly so that we can adapt accordingly.

Take the case of Kodak. Kodak was very dominant in photographic film during much of the 20th century. Yet it had to file for bankruptcy in 2012 due to the mass usage of digital cameras and mobile devices that resulted in their thinning margins. The irony is that Kodak actually invented the digital camera in 1975 but it was apparently dropped for fear that it would threaten the film business.

Sustainability

Sustainability has become such a hot topic in recent years, with many entities focusing on the environmental issues arising from it. Generally speaking, sustainability is the endurance of systems and processes. In any business that we look at, this is important because without a sustainable business operation, the business will flounder given time. It gets harder, even impossible, as the business grows. Financial prudence and management is crucial for a business to sustain in the long term; more importantly, how the various parts in the business interact and operate will determine whether the finances of a business are sound.

That is why businesses with recurring incomes are typically more valuable. Selling a product or service that is needed or wanted consistently helps to sustain a business.

Scalability

While it is important for a business to focus on its efficiency and financial performances, one major factor in determining if a business is worth investing in is its ability to scale. While many businesses can survive and even prosper when relatively small, the way to great financial results is through scale. It is hard to justify investing in a business without some inkling of how to scale up, which brings about its own set of complexities.

Singapore, as a country, has done very well economically even though we are just a "Little Red Dot". In my opinion, we managed to do that by serving the region and the world by attracting and harnessing the power of the MNCs with their worldwide presence and markets. That phase, while important and crucial, also means that we became dependent on these MNCs' influence and power over the years. We must go beyond that as a nation and put our destiny in our own hands once again.

We are looking for small and medium "local" enterprises that can scale up to become regional and even global champions. If we are able to have our small and medium enterprises grow into that, our survival, both as a business and a nation, will be much more assured.

Right Leadership and Management

We can have the right business idea, systems, and processes in place but without the right leadership and management, the business is destined for failure.

The importance of leadership and management skill-sets cannot be over-emphasised. Even the best systems and processes, without the right leadership and management, will deteriorate and crumble over time and the business will fall apart. Many a time, wise leadership can often determine the difference between success and failure, even in similar tough circumstances. It is therefore crucial that in our selection of businesses, we must stay focused on picking the right leadership and management who will build the right culture in the company.

A successful tycoon once said, “Business would be easy if not for the people”. I concur and a crucial step in ensuring that we invest in a successful business is the quality of the leadership and management. We would have won half the battle with a great leadership and management team.

Right Financials/Valuation

In most cases, we would prefer that the business we invest in is growing and profitable as well as cash generating. We will evaluate each business on its own merits and its present performance and likely future prospects. After all, the financials of a business are analogous to the academic results of a student, and as much as results are not everything, it is definitely a crucial factor in our consideration.

So if a company is fundamentally sound and healthy, and likely to grow well in the future, a fair or even undervalued price has to be secured for it for the acquisition to make sense for the Group. Overpaying for an acquisition, while good for boasting rights (in terms of the absolute quantum involved) makes no sense to me at all.

Private Equity Team

To accomplish what we set out to do, a dedicated team of professionals is needed. 8IH is not just about Ken and Clive (the founders); the capability of 8IH will be nowhere as impressive if not for the dedication, efforts, and professionalism of the team. The team comprises PE managers, business analysts, and associates. They work together to screen, analyse, follow up, and close the deals with the respective businesses that we want to be part of the group.

Currently, we have PE managers working together with our analysts and associates. The PE managers come from different fields of expertise, ranging from audit, finance, and legal, so that we have the in-house capability to look at the companies from these different aspects right from the start. Moreover, when we are keen on the companies, a legal and financial due diligence process is carried out, sometimes by our in-house team, most times by external professionals. We are looking to build up the capability of the team going forward, as our PE Team thinks through and executes our strategy.

Collaboration with 8I Education

In collaboration with 8I Education, the PE Team is proud to present the Capital Precession Program, specially designed and catered for Small and Medium Enterprises who have the desire, intent, and capability to go for a public listing, whether now or in the near future. The first batch of graduates comprised 22 participants from 10 companies and we have received very positive feedback on the programme. This will serve not just to educate and empower, it will also support building up a pipeline of companies that we can look to invest in, if suitable.

Operating Business

Hemus Pacific Pte Ltd

Hemus Pacific (our venue sourcing and event management firm based in Singapore) organises multiple roadshows and consumer events annually to support various landlords and shopping malls to achieve optimum occupancy for their properties, and for retailers to reach out to a wider audience. As part of their value added services, Hemus has also organised and collaborated with a major shopping mall (HarbourFront) for their Christmas event and mall decoration.

As part of their business offering expansion, they organised two sports events (Looney Tunes Fun Run & DJ Run Festival in Singapore and Kuala Lumpur respectively). They also signed an MOU with Spartan Inc. USA to undertake and manage their marketing and sponsorship of the Spartan Race in Australia.

Hemus Pacific's revenue for FY2016 is S$4.0 million, with NPBT of S$0.4 million. Cash position has increased from S$0.2 million to S$1.4 million since being part of the group.

Operating Business

Velocity Property Group

Velocity Property Group, our Australian boutique property development firm based in Queensland, is currently working on the following development projects.

Development Progress

1. Vue at Red Hill
Construction of Vue at Red Hill continues and is expected to be completed by the third quarter of 2016

2. Fusion 462
Construction of Fusion 462 was completed in February 2016

3. Arbor on Oxford
Construction Arbor on Oxford was completed in February 2016

4. ONE Burleigh Headland
Development approval was received in January 2016 and site works commenced in May 2016

5. 372 The Esplanade, Palm Beach
We have lodged our development application with the Gold Coast City Council.

6. 48 Orchard Street, Hawthorne
Development approval has been received for a renovation to expand the existing residence and convert it into commercial offices.

7. 39 Ellerslie Crescent (including 21, 25 & 31 Oxford Terrace), Taringa
We have lodged our development application with the Brisbane City Council.

8. 46 Cadell Street, Auchenflower
We have lodged our development application with the Brisbane City Council.

9. 50 Jamieson Street, Bulimba
Construction of two luxury houses is underway and expected to be completed later this year.

We are also working on a proposed listing of Velocity Property on ASX to fund the expansion of its property development business, subject to shareholders' approval.

Operating Business

Office expansion: Singapore, Kuala Lumpur, Shanghai

Our expansion in terms of our business operations is reflected in our office space requirements. In Singapore, we expanded our office space in December 2015 and have already secured an additional office space for our business usage in July/August 2016. In Kuala Lumpur (Malaysia), we have moved our office one floor below from our previous office, and expanded it by another 162%. In Shanghai (China), we had our office opening in March 2016.

Human Capital Growth

More importantly, our talent team has increased tremendously. Being a listed company now, we find it easier to attract more talent who can add to both the breadth and depth of our human capital. With a strong cohesive team, we will be able to grow more strongly and sustainably. Besides the core management team, all our team members put their mind and soul into their work. When you see the results we have achieved, do remember that the most credit goes to the team members who put in their fullest effort and treat this business as their own. Do thank and applaud them whenever you see them!

I also want to convey my sincere appreciation and thanks to all our shareholders for your steadfast support. Our success is built on the foundation of your trust and faith in us.

Clive Tan
Executive Director

INVESTMENT DIVISION

Hidden Champions:
Our North Star Investment Strategy to Navigate Turbulent & Fragile Markets

"Governing with excellence (德) can be compared to being the North Star: The North Star dwells in its place, and the multitude of stars pay it tribute."

- Confucius, Analects 2:1

"You look at all the successful companies, what is the key? Their brainpower. The thinker, good management, good innovators... Successful CEOs are like gems you find on a beach. There are many pebbles, many beautifully colored ones, but they are all stones. Now and again, you will come across a real precious gem, a real emerald, pick it up, polish it. He must have a set of qualities that fits with the job, has energy, drive, ability to interact with people, ability to get people to work with him in a team."

- Lee Kuan Yew, founding Prime Minister of modern Singapore, in Hard Truths to Keep Singapore Going

Dear Shareholders,

Your funds in listed Asian equities have achieved a -4.7% 12-month rolling return (in SGD terms) against declines of 11.3% for the MSCI Asia Pacific Index, 11.7% for the Australia All Ord Index, 12% for the Nikkei 225 Index, and 17.6% for Singapore's FTSE STI Index over the same period.

This outperformance is buttressed by an 11.2% absolute positive return (in SGD terms) from our investment cost of the revamped portfolio in the second-half since September 2015 against market index decline, powered by a double-digit gain from our high-conviction top position, ASX-listed Sealink Travel Group, which comprised around one-third of our portfolio NAV. We are also a Top 15 Shareholder in this world-class wide-moat company with dominant market leadership as the largest provider of nation-wide tourism and transportation services generating record profitability with a visible long runway ahead to compound growth with resilience.

We aim to be a Top 20 Shareholder disclosed in the Annual Reports of the companies we invest in as a demonstration of our conviction and transparency in the investment process. As will be detailed in Table 2, we are a Top 20 Shareholder in 7 world-class wide-moat companies out of the 18 portfolio stocks (we added 4 stocks in April after the Financial Year ended which were up 10.8% as of 29 April). We are looking to accumulate more and becoming a substantial shareholder with a 5% stake as they continue to deliver in their business fundamentals.

This outperformance is possible because of our multi-manager team-based investment process implemented in September 2015, led by our analyst team comprising of Kelvin Seetoh, Jackson Yeow, Sim Zhipeng, and Joshua Zhang. This teamwork greatly strengthens our ability to invest with high conviction in wide-moat companies, making an architectural shift from time telling to clockwork with a build-to-last structure for our shareholders. As Jim Collins, author of the Built to Last and Good to Great, puts it aptly, "Imagine you met a remarkable person who could look at the sun or stars at any time and state the exact time and date. But wouldn't the person be even more amazing if, instead of telling the time, he or she built a clock that could tell the time forever?"

We would like to express our heartfelt thanks to our 8IH team as all of us put forth energy when and where it was needed and yet were careful stewards of organisational energy by painting a vision so beguiling and inclusive that it riveted the attention and harnessed the energy of everyone into something exponentially valuable. This teamwork culture resembles the Angklung, a traditional Indonesian musical instrument made from joint pieces of bamboo. The tubes are carefully whittled and cut by a master craftsperson to produce certain notes when the bamboo frame is shaken or tapped. Each tube of the Angklung produces a single note or chord, so several players must collaborate in order to play melodies. It symbolises how humans cannot stand solitary; one needs others in life. Angklung is Harmony in a Bamboo Orchestra.

Hidden Champions:
Our North Star Investment Strategy to Navigate Turbulent & Fragile Markets

"Explorers depend on the North Star when there are no other landmarks in sight. The same relationship exists between you and your right life, the ultimate realization of your potential for happiness. I believe that a knowledge of that perfect life sits inside you just as the North Star sits in its unfaltering spot… Your life follows your attention. Wherever you look, you end up going."

– Martha Beck, author of Finding Your Own North Star

The clock that we are building together as a team to tell the time forever is the Inner Compass and systematic investment process that leads us to our North Star to navigate increasingly turbulent and fragile markets to the Hidden Champions.

Our approach to value investing is to invest in the Hidden Champions, agile creatures darting between the legs of multinational monsters who are dominant global players in sophisticated, hard-to-imitate niche products and valuable critical niches that are largely invisible to the average consumer. The Hidden Champions create maximum benefits for a target customer group, solving their most burning problems better than any competitor. This innovation strategy requires a deep knowledge of customers' needs, which is gathered through direct customer contact. Successfully solving these problems would then create a "success spiral". A key source of their wide-moat is their sustained commitment and even obsession to customers' needs, which is only possible in our view when there is a purpose and values system guiding the firm.

The Hidden Champions have their roots in the esprit de corps of Germany's Mighty Mittelstand, the more than 3.5 million small-and-midsize family enterprises that form the backbone of Germany's resilient export-driven economy, employing more than 78% of workers and contributing more than half of the country's GDP. The Mittelstand traces its roots to the Middle Ages when the country that is now Germany was divided into hundreds of states. Competition between them created a number of industrial regions with their own educational institutions, banks, and political administrations. The Mittelstand had to export early on with a global-orientation to their business model, given that some German states were smaller than two football fields.

Mittelstand enterprises that became well-known giants include BMW, Audi, SAP AG, Adidas, Hugo Boss, Robert Bosch, Siemens, consumer giants Beiersdorf and Henkel, dialysis giant Fresenius, pharmaceuticals giant Bayer, chemicals giant BASF, industrial gas specialist Linde AG, truck and engine maker MAN SE, and so on. There are also lesser-known, quiet, resilient, successful compounders, including commercial kitchen equipment company Rational AG, eyewear specialist Fielmann, specialty chemicals specialists Brenntag and Lanxess, high-end cleaning equipment Kärcher, Würth group (the "Fastenal of Europe"), auto gasket maker Elringklinger, flavour and fragrance specialist Symrise, lab solution specialist Sartorius, medical vision technology specialist Carl Zeiss Meditec, packaging and bottling machine maker Krones, wound medical products Paul Hartmann, and so on.

From a value investing perspective, investing at an earlier stage in the long-term growth trajectory path of Hidden Champions in Asia will prove rewarding, as highlighted in an investment case insight into Rational AG, which we also shared in 8IH's inaugural value investing educational programme in Shanghai.

Investment Case Insight into an Archetypal Hidden Champion: Rational AG

Why are Hidden Champions "hidden"? If they are "hidden", will they become successful companies? Aren't the successful ones always prominently visible?

An oblique reply: Have you been to a restaurant kitchen? Did you notice what is the brand of the kitchen equipment the professional chefs are using? Would you think a company that makes the equipment produces a good investment?

Rational AG Stock Price Performance, 2000-2016

Often, eyes roll and heads shake until we share with them the inspiring story of Rational AG, which has compounded over 1,200% since 2000 to a market cap of US$5.9bn. Its reclusive billionaire founder, Siegfried Meister, became a trailblazer when he chose to go against the grain, battle conformity, and buck outdated traditions to launch its innovative product that enables most cooking processes to be performed using one device. For instance, the device recognises how big and how cold the chicken pieces are, and adjusts the cooking process accordingly. And all this on a very small floor area – a great step forward in using space economically.

More than 87% of Rational AG's sales are exports. You can find a Rational AG intelligent cooking system on a Norwegian submarine, a Saudi prince's yacht, as well as in hospitals and restaurants around the globe. This intelligent cooking equipment system commands a global 54% market leadership in the world's professional kitchens that include Buckingham Palace and the White House, and is behind the success of such famous culinary names like Gordon Ramsay.

Hidden Champions such as Rational AG aren't well-known to the public and their existence are often taken for granted, although their target customers (i.e. professional chefs) will swear to only use their innovative products or/and excellent services and nothing else. They are the brand behind the brands and they are essential to the well-being and success of our everyday life.

Everything about Rational AG is focused on the customer, the professional chef. Sales and marketing trainees spend three weeks working directly for customers in hospitals, hotels, and restaurant kitchens. Rational AG employs 300 chefs working in different processes who demonstrate the company's products and act as "lawyers for the customers", presenting the customer's point of view to everyone inside the company. True to the corporate goal of always offering maximum benefits to the customer, in 2004, Rational AG launched another spectacular innovation: the "Self-Cooking Centre". This new product is designed to reduce the chef's workload and is self-cleaning, providing him with more time for culinary creativity and his guests.

Siegfried Meister, a qualified electrical engineer who spent many years in the management divisions of several large and medium-sized companies, felt that the immense success of his product concept would have been unthinkable if they had not always paid a great deal of attention to the needs of the customer and the marketplace. Specialisation, yes, but not on a product, but a problem area – in other words, customer benefits. We are inspired by Rational AG's incredibly high work standards that hang on the factory walls in posters that read: Gut Genug? Der Kunde Entscheidet (Good Enough? The Customer Will Decide).

Rational AG not only created the market, but has always dominated it. Market saturation is relatively low despite the market dominance of Rational AG. The customer potential is estimated at more than 3 million commercial kitchens worldwide – from simple innkeepers and fast-food chains, to hotels, hospitals, and prisons, providing a visibly long runway to compound growth in difficult market conditions.

Adapting the Search for Hidden Champions in Asia

In the Asian capital jungles, outbreaks of accounting frauds, corporate governance lapses, and asset expropriation are erupting on a systematic basis at the firm level. These render elaborate quant screens and valuation metrics increasingly less relevant, and value investors need to go the extra mile beyond the accounting numbers and factors.

Good is not the absence of evil. Even if the investor somehow manages to eliminate the "evil" ones with potential misgovernance and accounting tunnelling fraud to limit the downside risks, we might still neglect and overlook the good resilient compounders. Each time there is a credit crisis punctuating the markets, there is an increasing premium on valuation for wide-moat business models in Asia as the Innovators stand apart from the Imitators and the swarming Incompetents.

Value investors in Asia need to take the leap to become more Munger-like in selecting companies with wide-moats that can generate compounding returns rather than dwell with a false sense of security in the realm of statistically cheap stocks that can turn out to be either fraudulent or value traps as time progresses. Value investors also cannot scale up their position size in these stocks with conviction, especially in the Asian capital jungles. The fund manager that takes on new money "diversifies" into more stocks in hundreds of small bets that melt down with a destructive destabilising price impact in systematic risk and market deleveraging situations. This results in the all-too-common phenomenon in which managing a bigger asset size perils performance to achieve superior long-run investment returns.

Thus, we have focused on a two-step process to identify wide-moat compounders in the Asian capital jungles:

Step 1:

Eliminating firms with potential accounting fraud and misgovernance risks, taking away the fear factor of investing in fraudulent stocks with deceptive visual signals that include low price-to-book, low PE ratios, high profit margins and ROE, decent accounts receivables and inventory turnover period, and high net cash or high net current asset value as percentage of market cap. Accounting information can be used to inform or to deceive. In other words, Step 1 eliminates Asian companies which escape the western-based financial tools by intricate "tunnelling" acts via unusual related-party transactions, money-go-round off balance sheet activities, consolidation craftiness fraud, and so on, leaving defiled returns for the minority shareholders;

Step 2:

Analysing and assessing the business model for its resiliency, innovations, and wide-moat characteristics to eliminate the risk of investing in value traps whereby companies appear cheap based on conventional valuation metrics such as Price-Earnings Ratio but their business models have hit a stall point in scaling up further, and cheap gets cheaper. To assess whether companies can overcome a crisis, we systematically evaluate the underlying source of the wide-moat: (1) the "indestructible intangible asset" that stems from having proprietary know-how in product, process, and first-hand knowledge of the ground situation of their focused targeted underserved customer group, and/or the trust and support from its community of suppliers and partners; (2) the "core-periphery network" which is about decentralisation and empowerment of the frontliners, scaling the business with technology as an enabler embedded into the business model design; and (3) the "open innovation model" in working with internal and external partners to co-develop new products.

We believe we are fairly adept in Step 1; we are honoured and grateful to have had the opportunity to share our thoughts and to have a sincere and productive conversation on 23 September 2015 with the top management team of the Monetary Authority of Singapore (MAS) – Mr Paul Yuen, Head of Market Conduct; Ms Gillian Tan, Head of Enforcement Division; Ms Lee King See, Director (Enforcement & Investigations); Mr Ang Eng Seng, Deputy Director; Mr Eric Chia, Deputy Director; and the team at the Secondary Markets & Enforcement Division – about implementing a world's first fact-based forward-looking fraud detection framework to bring about benefits for the capital markets in Singapore as well as the public and investment community.

When it comes to Step 2, it is easy to commit the mistake of fitting what we see and learn about the competitiveness of the firm into the "model" of wide-moat characteristics such as "high switching cost", "network effect", "low cost advantage", "efficient scale", or "intangible assets". This descriptive approach into fitting observations into the model is categorisation through analogy, and its #1 flaw is stocks are categorised into moats AFTER they become obvious.

We realise that for the wide-moat companies in which we have thought deeper about a **Step 3:**

The story and validated committed actions of how when they Love, Serve, and Care with a Purpose larger than themselves, they tend to outperform. In essence, the story of Lee Kuan Yew and the founding pioneers and entrepreneurs of Singapore Inc, visionaries, business model architects, and capital allocators-administrators par excellence bringing important experiences and making critical choices that leave a lasting organisational imprint. The "real precious gems" Lee Kuan Yew describes in the opening quote that clearly distinguish themselves from the "many beautifully colored" pebbles on the beach "but they are all stones".

Consider this: Would you use cheap wood for the back of a cabinet, since nobody is going to see it?

A great carpenter wouldn't. Steve Jobs and Warren Buffett wouldn't.

Steve Jobs shared the story of how he was inspired by his dad who taught the young Jobs that it was important to craft the back of cabinets and fences properly, even though they were hidden. "He loved doing things right. He even cared about the look of the parts you couldn't see," Jobs explained, a motto that guided him to build Apple with a craftsmanship drive and "process" to make "insanely great" creations that customers love to use and that will "put a dent in the universe".

In his inspiring book The Carpenter: A Story About the Greatest Success Strategies of All, Jon Gordon explained that while a carpenter builds things, a great carpenter creates a work of art like a craftsman. While most people approach their work with the mindset that they just want to get it done, craftsmen are more concerned with who they are becoming and what they are creating rather than how fast they will finish it. After all, it's no use finishing something if it's not a work of art. Craftsmen would pour their hearts and souls and love into everything they build, knowing that everything they create is a reflection of themselves. When they create art, they feel energised and they energise all those who experience their work. And with each creation, they become more of the person they were meant to be.

Warren Buffett's greatest investing strategy of all is having an eye for these "great carpenters". These great carpenters take the form of outstanding entrepreneurs who put their love into the work they do. Love isn't just a feeling. It is a commitment and ongoing action. Choosing to love meant you were choosing to make a commitment to love regardless of how you feel and you will put love into action regardless of your circumstances.

Like Nebraska Furniture Mart's Mrs B, whose work ethics were phenomenal: "I come home to eat and sleep, and that's about it. I can't wait until it gets daylight so I can get back to the business." She was on the floor until retiring at 103, and died the following year in 1998. She was committed to serving her customers with dedication. Because we Love, we Serve. And when we serve others, we fill up their cup and our own with love as well.

As Buffett explained, "One question I always ask myself in appraising a business is… [to identify the] business built upon delivering exceptional value to the customer that in turn translates into exceptional economies for its owners". Buffett elaborated further that everyone should study Mrs B: "They would learn the essence of business. They would learn that taking care of customers is what it is all about. Taking care of them… She did and working like crazy she was there day after day. She had a passion for it." Buffett summed up his value investing philosophy: "When we buy businesses, we are looking for people that will not lose an ounce of passion for the business even after their business is sold."

In essence, Buffett goes beyond the numbers to identify wide-moat innovators by also sensing that an entrepreneur takes care of his or her customers in a deep way and keeps delivering exceptional value to them. Even if it means pain and sacrifice. Even if it takes a long time, working day-in-day-out. Even if they grow rich. All possible only because they are committed to an idea larger than themselves to serve others.

When you love and serve, you care about the work you do and show people you care about them; you stand out in a world where most don't care. The world will flock to people who care and buy products that were made with care, and support businesses that care. We can tell whether the person making the products or services cared enough to make it great. When we care, we build things that others care about. When we care, we are craftsmen and craftswomen who are always looking to get better, work harder, and care more.

Until we go the distance and extra mile in Step 3 – the story and validated committed actions of how they Love, Serve, and Care with a Purpose Larger than Themselves – we could fall into the dangerous trap of overpaying for the moat even if the valuation metrics appear cheaper with seemingly lower downside risks. We dig deep into the underlying source of the wide-moat before we commit your funds.

Consider SET-listed Major Cineplex, which delivered a 77.4% return in local currency from our investment cost for our portfolio. Major is Thailand's dominant cinema chain operator with an 80% domestic market share, a "spider-web" lifestyle entertainment business model attracting 25-30 million Thai consumers to its "destination to be".

Major's CEO Vicha Poolvaraluck shared how he cares deeply about the consumer experience, using creativity to fight foreign competition that dominated the local cinema industry. Vicha elaborated that he made "all theatres different, more colorful and invested in interior decoration. Thais are people who are eager to see and experience something new and exciting all the time. In the West, many theatres may use the same style of carpet for three or more years without any renovation. But I cannot do that with my cinema here. If people get bored with the atmosphere of the place, they can instead stay at home and watch a DVD. We have to always make everything fresh [design and concept of the cinema] to draw them to go out of home." Vicha demonstrated his love and care to serve his customers in the committed action of taking photos of nice places during his travels and sending them to his marketing and engineering team to see the possibility of adapting the décor, carpet, toilet, unique objects, welcome drinks, and services to the cinema.

Consider another portfolio stock that we had accumulated around 3.5% of our NAV in the second-half of the financial year: a unique “Retail Wonderland in Home Improvement” which dominates the customer wallet share and mind share in its region. The entrepreneurial management demonstrated care in serving and also delighting their consumers with details that include composing their own catchy and heartwarming songs that are played in the stores – songs that we play in our office! – as they stroll through a carefully curated collection of over 200,000 assortments displayed meticulously in their aesthetically pleasing store (photo above) to constantly deliver new discoveries for its customers and an easy and enjoyable retail experience supported by helpful and cheerful customer service consultants. No wonder the loyal lifelong fans dubbed the company as a “Retail Wonderland” as they hummed in enchantment to one of the songs played in the store: “Let’s go to Wonderland... Let’s go to Wonderland…” This portfolio stock has delivered over 30% in absolute returns from our initial investigative investment stake; we average up to scale our bet size as the company continues to deliver in its business fundamentals with upward revision in profit forecast due to higher same-store sales growth and higher average customer visits which they tracked, and we are up around 10% in its local currency from our cost.

Scuttlebutt of Our Investment Ideas

Scuttlebutt research is a classic trademark of Warren Buffett’s mentor Philip Fisher’s value investing style. Fisher’s commitment to fundamental research, as detailed in his classic book, Common Stocks and Uncommon Profits published in 1958, was focused on accumulating data covering a broad and diverse range of areas including customers, suppliers, and competitors. Fisher’s approach included identifying a company’s four most relevant competitors and then asking managers at each company to evaluate the strengths and weaknesses of the other four. When done carefully, this approach is likely to produce a useful picture of all five companies. This approach benefits from a more objective cross-section of insights, compared to directly probing a company’s employee about its own operations. Fisher would study a company’s intangibles that don’t show up on financial statements – things like management integrity, openness to change, supplier relations, and customer awareness. We appreciate the information and perspective you can get by talking to people and we think one of the most important parts of scuttlebutt is talking to the customer. To understand and assess durability, we need to understand customer behaviour. For instance, one of our favourite scuttlebutt questions is: “Does the management have a determination to continue to develop products or processes that will still further increase total sales potentials when the growth potentials of currently attractive product lines have largely been exploited?”

Our team had the opportunity to get up close and personal with not one or two, but a whole lot of these global Hidden Champions beyond Rational AG at the Food & Hotel Asia 2016 on 12 – 15 April at the Singapore Expo. Of course, our investment team was also focused on visiting the exhibitor booth of an Asian Hidden Champion who is one of our portfolio stocks and speaking to the GM of its overseas business office (photo below), as well as the customers visiting their booth.

This Asian Hidden Champion in our portfolio has 70% domestic market leadership and a dominant 90% overseas market share in automatic machines for a particular food segment. The founder is a thought leader and pioneer who invented the world’s first food robot in 1981 because he wanted to bring this particular food – once considered a luxury – to the masses. The perseverance of the founder is inspiring; he took five years to invent and launch the machine. Till today, this low-profile Hidden Champion is 54.5% majority-owned by the founding family.

Our investment team with the GM of the overseas business unit of one of our portfolio stocks at the Food & Hotel Asia 2016 at the Singapore Expo.

This overlooked Hidden Champion generates a ROE of 14.6% and trades at a compelling valuation of EV/Sales 0.41x, EV/EBIT 2.71x and EV/EBITDA 2.33x and has a healthy balance sheet with 54% cash (zero debt) as percentage of market cap. More importantly, we believe it is on the tipping point in its business model with 20% of its overall sales coming from overseas with the growing global popularity of the food. Its aftersales consumables and parts business has achieved breakeven in FY13 and is now stable as a profit contributor.

Upon further interaction, we found out that its robotic machines are at least 30-50% more expensive than its local and overseas rivals, yet customers who were hunting for price bargains in its competitors' machines have switched back to this Hidden Champion. The reason? Due to the food-science nature of this food segment, there is a certain know-how required to produce them in large quantities quickly and on a consistently reliable basis, something that their rivals cannot achieve. Almost 90% of the machine parts are designed in-house and their customers are able to perform maintenance themselves through phone call support or a store visit by the company's technical personnel.

This still leaves the killer question: "Why can't Chinese or Indian machine makers buy their robots, tear everything apart, and reverse engineer a cheaper version?" The GM shared that it is quite impossible as their machines contain several moving parts that are difficult to source for and a software and controller designed in-house to make it work. Copycats can imitate a machine that looks alike in the outer hardware casing but it cannot be consistently reliable and fast in producing quality tasty food. We saw how and understand why one of their repeat customers, CP-All which operates the 7-Eleven convenience retail store franchise in Thailand, ordered more of their industrial food robot machines.

Like their customers, we were amazed that the food produced by the robotic machines taste just as good, if not better, than the handmade food by a professional chef. They were softer in texture and bite, and had a human temperature, unlike the hard version we thought might come from a robot. We discovered the secret lies in how the robot is able to inject tiny air pockets at the right time to enhance the quality and taste of the food.

Through this Hidden Champion, we learned that it's not simply about automation; it's the pursuit of quality exceeding that of handmade food. Most of the initial machines' ideas originated from the founder himself. Increasingly, the machine's features are being initiated and suggested by the customers themselves. Every month, in their HQ, the sales team would meet the Research & Development team to discuss and consider implementation of features in the automated food equipment.

Investment Insights from the Lanchester "3X" Strategy

"Is there a "natural limit" or "stall point" in the size of the business by industry and country as the entrepreneur attempts to scale up before he or she faces the challenge of their corporate lives to overcome the start of a secular reversal in fortune?"

Many SME business owners whom we have interacted closely with over the years are blighted by a hidden fear and doubt which they loathe to share with others, even family members. Despite attaining a certain level of success and personal wealth, their hearts are ever more unsettled as time passes because they have hit a stall point in their core business model and are unable to unlock the valuation potential of their business. There is no terminal value in the business as time becomes an enemy of the business. Without terminal value, the discounted cashflow valuation analysis would point towards a well-deserved low PE multiple in the valuation of the business. In other words, they failed the acid test that value investors should employ to gain conviction in sizing up the investment bet, a seemingly simple but profound question: "Does the business get easier as it gets bigger?"

Through our research and interaction with some of our Hidden Champions, we understand how they overcame the stall point in their business model. Their long-term business model and management strategy is guided by the Lanchester Strategy, named after the British aeronautical engineer F.W. Lanchester (1868 – 1946) who had made important contributions to automotive engineering, aerodynamics, and co-invented the topic of operations research. He was also a pioneer British motor car builder, a hobby which resulted in his developing a successful car company, and is considered one of the "big three" English car engineers – the others being Harry Ricardo and Henry Royce. Lanchester researched attrition in land, sea, and air combat, focusing in particular on aircraft in warfare and quantifying the ratio of aircraft to casualties. Based on these studies, he developed the Lanchester Laws and the importance of the scale of the fighting force in warfare.

One of the investment insights is that a company that commands a market leadership position that is over three times relative to its next rival will enjoy a profitability level that is proportionately far greater and with long-lasting durability. We dubbed this the "Lanchester 3X Leadership". In other words, the business gets easier as it gets bigger. Below are some extracts from Shinichi Yano's insightful book Lanchester Strategy (Volume 1) that talks about how tyre maker Bridgestone leads with sales that are 2.4 times those of its number two local rival Yokohama Rubber, with Bridgestone's profits not merely 2.4 times greater but over 10 times more.

Source: Lanchester Strategy (Volume 1) by Shinichi Yano

	Sales (¥ Billion)		EBIT Growth FY87 - 15
	FY1978	FY2015	
Bridgestone	820 (2.7x Bigger)	3,790 (6.1x Bigger)	543%
Yokohama	298	625	208%

We traced the data using S&P Capital IQ and found that Bridgestone is a long-term compounder that gets stronger as it grows bigger over time because of the "Lanchester 3X Leadership". Its sales in 1987 were 2.7 times larger than Yokohama, a lead that was extended to 6.1 times, while its operating profit compounded substantially faster to grow 543%, resulting in profits being 8.8 times those of Yokohama. Today, Bridgestone's market value is US$30.9 billion, over 10 times larger than Yokohama's US$2.9 billion, a powerful multiplier effect in translating the "Lanchester 3X Leadership" to sustain shareholder value creation when they pass the acid test with a resounding "Yes" to the question: "Does the business get easier as it gets bigger?"

	Segment Sales (US & Europe) (US$ million)		EBIT Growth FY11-15
	FY2011	FY2015	
Portfolio co	277 (3.2x bigger)	429 (3.4x bigger)	294%
Local rival	87	127	85%

As an illustration of how we apply the "Lanchester 3X Leadership" in investments, one of our portfolio companies which is a global leader focused in writing instruments and other stationery products had a 3x market share lead over its next largest local rival in the key US and Europe markets. Over the FY2011-15 period, its operating profit growth was indeed more robust at 294% compared to 85% for its local rival. This world-class innovator generated a 29.5% ROE, defined as EBIT over Shareholders' Equity and trades at EV/EBIT 9.6x and EV/EBITDA 8.5x.

We are confident of the long-term prospects of this Hidden Champion which is renowned for quality, performance, cutting-edge technology, and consumer satisfaction. The roots of its success can be traced back to the founder who started as a humble engineer on merchant ships involved in international trade. His constant interaction with imports being transported on these ships inspired him to create something from his home country that the world would be proud to use. When he moved on to become a professor in a school, he noted how the students struggled just to pen things down. This began his journey to create a writing instrument that feels incredibly smooth, has uninterrupted ink flow, and a dense ink colour.

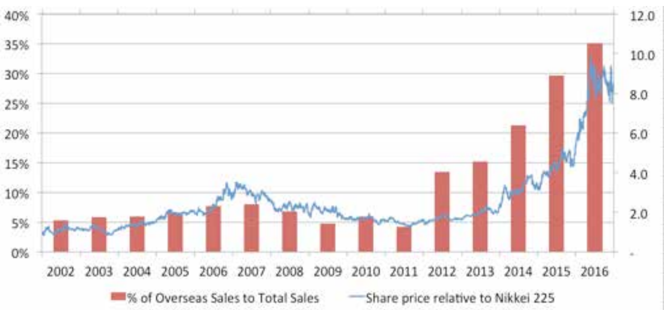
Even after a few generations of leaders, the spirit and vision of the founder still resides in the company. For the past century, the company maintained the same level of sincerity and commitment and made continuous improvements and innovations. They have since accumulated the know-how in precision equipment that includes precision lathes, the equipment used to manufacture luxury watches, with some requiring even a higher precision than watch-making. This resulted in an extensive array of products of extremely high quality, varying thickness, and colours of every shade of the rainbow. Backed by a decade of creativity, innovation, and design, the business has positioned itself as the world leader in writing instrument technology and we are quietly confident that this Hidden Champion will continue to grow and be the best in the industry.

Global Orientation to Scale Business Valuation

Hidden Champions are the vanguard of globalisation. They are focused, specialised, and narrow in the substance of their business and expertise yet wide in the regional or global dimension. A global scope can make niche markets large enough to allow for economies of scale, experience curve effects, and sustained innovation based on gathering, analysing, and using customer intelligence worldwide. Globalisation makes it necessary to go beyond pure export and to invest in development, organisational-human capital innovation, and resource capacities abroad. Ultimately and in the long-term, this is the only way to adapt products and services to customer needs in the respective countries. A global orientation also enables the Hidden Champion with domestic market leadership to avoid insular thinking and build their competitive finesse in delivering their offerings and solutions to a broader customer base while staying open-minded to learn from customer insights which serve as a positive feedback loop to improve and widen its economic moat.

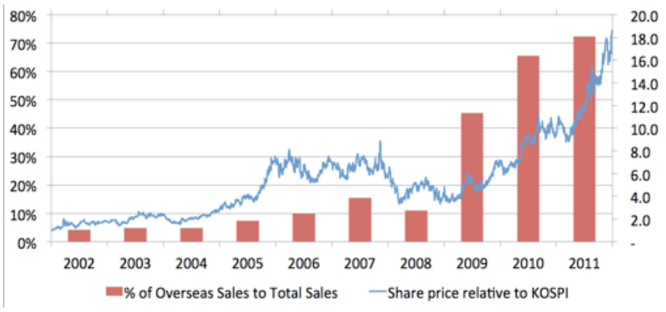
Value investors analyse the interaction of business model dynamics with “tipping point” events to increase the success rate of investing in an undervalued wide-moat business whose potential in generating quality earnings persistence is overlooked or neglected. A key investment insight is that a tipping point in market valuations is reached when the overseas sales contribution is around 15-20% of total sales. It appears that these Hidden Champions have mastered the learning curve in replicating their business model successfully overseas, lowering the execution risk in capex investments, receiving more brand visibility and global customer recognition, and generating higher profitability per dollar of investments they make.

Japan’s Ryohin Keikaku (Muji)



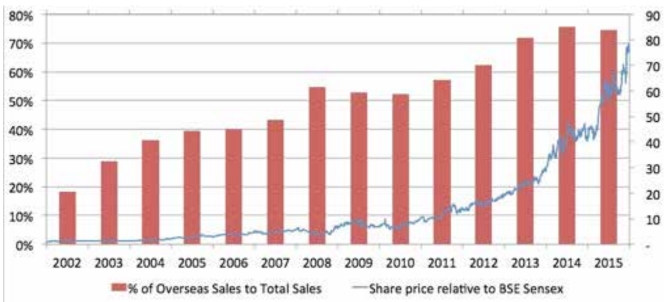
Japan’s Fast Retailing (Uniqlo)

Korea’s Orion Corp



Philippines’ Universal Robina Corp (URC)

India’s Sun Pharmaceutical



Some of these examples include Fast Retailing (Uniqlo) and Ryohin Keikaku (Muji), whose market cap compounded in excess of the index by over 240% and 279% respectively after hitting the 15-20% tipping point. In the case of F&B and confectionary companies, Korea’s Orion Corp is up in excess of the index by 135% in 2 years while both Philippines Universal Robina Corp and India’s Sun Pharmaceuticals are up in excess of the index by over 59x over a span of 13 years since hitting the tipping point.

Table 1: Our Portfolio Stocks: % Overseas Sales Contribution

Percentage Change from FY2012 to 31 March 2016	LTM			
Company	ROE	EV/EBIT	EV/EBITDA	Overseas FY2015
Sealink Travel Group - Connecting Australia's Icons to the World	16.9%	23.12	18.72	0.0%
Capilano Honey - The Liquid Gold of Australia	37.1%	13.36	12.10	19.0%
Global Consumer Healthcare Innovator	14.2%	10.07	7.80	19.0%
The Bloomberg of Weather	26.7%	10.75	8.96	22.4%
Premium Product Perfectionist	31.2%	6.36	5.45	74.8%
Global Leader in Writing Instruments	29.5%	9.63	8.52	65.7%
The Disney-Pixar of Asia	15.8%	6.96	6.10	22.5%
The Wonderland of Home Improvement Retail	15.6%	19.72	14.57	0.0%
Early Stage Muji on the Path to Globalisation	25.2%	19.03	12.31	8.8%
Confectionery Connoisseur	11.6%	7.01	3.75	100.0%
Automatic Delicacy Machine	14.6%	2.11	1.82	23.0%
The Uniqlo for Blue Collar Workers	18.2%	11.98	10.86	0.0%
No. 1 Ecommerce Logistics Data Analytics	19.3%	22.12	14.96	0.0%
Packing That Changed the World	31.7%	10.51	7.38	52.8%

From the table above, a number of our portfolio stocks have reached the 15-20% overseas sales contribution mark and are also at the tipping point. We think they are poised to break out exponentially in valuation as they continue to outperform in their business fundamentals.

Avoiding our Dark Wood of Errors: Risk of Accounting Irregularities & Tunnelling Fraud

Once you have found your North Star, keeping it in view is a fine way to stay on course, as long as the sky remains clear. But what about the cloudy nights and the dark wood of errors? In situations when you feel utterly befogged by the risk of accounting irregularities, we need some help figuring out where our North Star lies. It is helpful to have inner compasses wired into our brain and body to guide us in the search for our true path.

As shared earlier, we are honoured and grateful to have had the opportunity to share our thoughts with the top management team of the Monetary Authority of Singapore (MAS) on 23 September 2015 about implementing a world's first fact-based forward-looking fraud detection framework to benefit the capital markets in Singapore and the public and investment community. We strongly believe this potential fintech platform that combines accounting data, especially footnotes, with a wide array of contextual information including unusual related-party transactions, money-go-round off balance-sheet activities, governance, group structure and ownership analysis, textual and linguistic analysis, analysis of event-based "catalysts" (information-based manipulation), and sensitive market announcements (action-based manipulation in prices and volume) will provide fresh insights and actionable, dynamic, inter-connected analytical information, as opposed to merely descriptive static data or a loose bag of disparate red flags, on Singapore and Asian companies, for the regulator and the public.

We were quite close to investing an initial investigative stake in a listed software application company claiming to have global market leadership when our accounting fraud detection system alerted us to uncover from the footnotes that the listed entity provided a loan guarantee for C$10 million to an undisclosed entity that is an off-balance sheet contingent liability, an item that we believe should be recognised as a liability that would reduce its equity. Guarantees of A$0.686m were also given to banks and customers in relation to contract warranty and performance as an off-balance-sheet item and to "provide financial support to subsidiaries that are in a net liability position", an amount which we think should be included as a liability (provision for warranty) in the balance sheet.

28. CONTINGENCIES

As at 30 June 2015, the parent entity, , will continue to provide financial support to subsidiaries that are in a net liability position.

Guarantees of $686,874 (2014 : $1,336,540) have been given to banks and customers in relation to contract warranty and performance.

From time to time, employees and consultants may make claims against the Company with respect to remuneration or labour matters. The Company vigorously defends these types of claims. At balance date, in accordance with legal advice received, there are no such claims which are expected to result in payment.

(b) Guarantees entered into by the parent entity

The parent entity has provided a guarantee (in conjunction with , , and) for an Overdraft and Guarantee facility for up to $10.0 million Canadian Dollars. This facility is operated by and is secured by a fixed and floating charge over the assets and undertakings of .

No liability was recognised by the parent entity in relation to this guarantee.

We also avoided a listed pharmaceutical company with business prospects that looked promising on the capex ramp-up. However, our accounting fraud detection system alerted us to the inconsistency in a larger divergence between Gross PPE (Plant, Property, and Equipment) addition reported in the balance sheet and the capex figure reported in the cashflow statement. During FY13-15, the Indian pharma firm added US$41m in gross PPE but reported US$89.6m in cash outflow from capex addition. Between FY12-15, new additional sales created were US$78.7m, which eerily matches the following cash outflow: total cash outflow in capex; related party loans (US$15m); other payables (US$4.4m); intangibles (US$17.8m).

Based on tunnelling analysis, the cash outflows from related-party loans or related-party investments/capex are re-routed back to the listed company to artificially inflate sales. This corresponding match of increase in sales and cash outflow in unusual items should not happen since revenue is recorded when there is a sale of products, not when money is lent to one another or when a new plant or production line is set up.

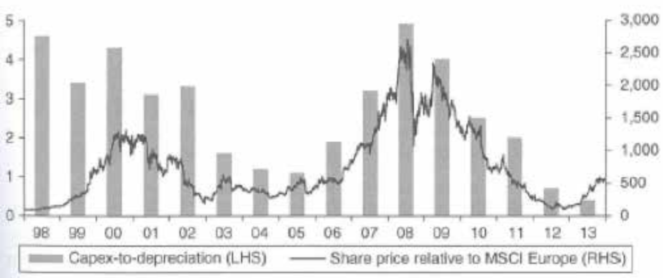
Furthermore, it made a corporate guarantee to related parties that was perhaps improperly reported as an off-balance contingent liability under Indian GAAP instead of reporting it as financial liabilities under FRS 39. As a result, this entity's net worth would have to be reduced downwards from Lakhs 3,610 (S$7.3m) by Lakhs 12,096 (S$24.5m) to become negative. We all know the risk implications when loan guarantees turn sour, with the prominent case of banks seeking out repayment of loans taken out by colourful Kingfisher beer tycoon Vijay Mallya, chairman of United Breweries. Mallya allegedly personally guaranteed US$900m in loans to Kingfisher Airlines, which stopped operating in 2012.

The Capital Cycle and Sale of Investments

In the book Capital Returns: Investing Through the Capital Cycle edited by Edward Chancellor, the capital cycle analysis can be adapted to make informed decisions on the sale of stock before problems surface. In the intriguing case of Vestas Wind Systems, its capex-to-depreciation had risen from just 1 time in 2005 to nearly 5 times in 2008, contributing to excess capacity in the wind turbine sector. Overinvestment is not a solitary activity; it comes about because several players in an industry increase capacity at the same time. When market participants respond to perceived increases in demand by increasing capacity in an industry, they fail to consider the impact of increasing supply on returns. Subsequently, the share price of Vestas crashed over 90% from its peak.

Following the appointment of a new Swedish chairman in early 2013, significant restructuring was implemented at a time when investor fears about weak industry demand had proved too pessimistic and capex was slashed to 0.4 times depreciation in 2013. This boosted cashflow and helped repair the weak balance sheet, sending the share price to rise 360%. The case of Vestas illuminated the investment insight that excess returns can be captured by exploiting the managerial decisions in capital allocation in capex: a low (high) capex-to-depreciation is a buy (sell) signal.

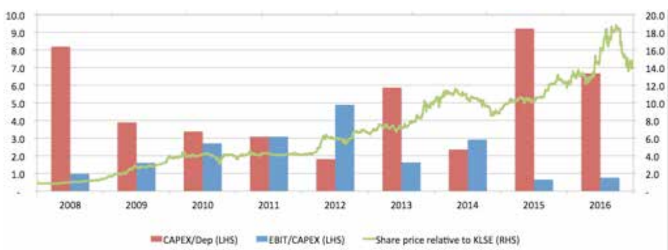
Vestas Wind Systems: Capex-to-Depreciation and Relative Share Price Performance



Source: Capital Returns: Investing Through the Capital Cycle by Edward Chancellor (2016)

During the second half of the Financial Year, our notable divestments were Hartalega Holdings Berhad and Major Cineplex Group at an average price of RM 5.86 and THB 32.11 respectively, recording a 96% and 77.4% gain on both companies respectively. We were uncomfortable with the expensive valuations accorded to their growth expansion plans which faced increasing headwinds in lower ASP in nitrile gloves due to intense competition from new entrants and balance sheet constraints in taking on more debt to finance capex to increase the number of screens in sub-urban and rural regions and in regional countries, including their highly-geared shopping mall operators-business partners, some of whom had announced plans to slow down building more malls.

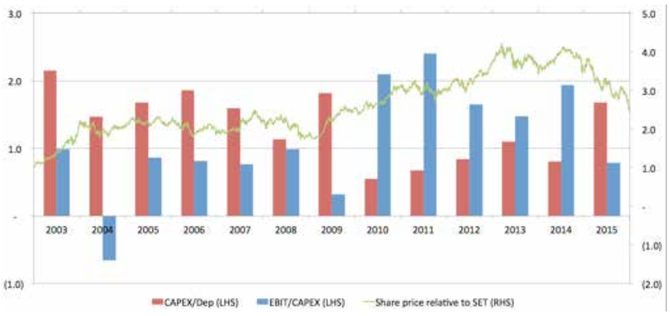
Hartalega: Capex-to-Depreciation, EBIT-to-Capex and Relative Share Price Performance



From the capital cycle chart on Hartalega, we can observe that capex-to-depreciation had shot up aggressively in FY2015 and for TTM2016, contributed to the industry oversupply situation while the capex-efficiency (as measured by the EBIT profitability generated per dollar of capex spend) had plunged due to lower ASP and higher operating costs.

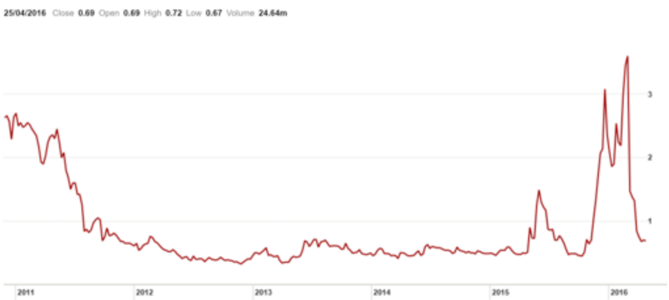
The same can be observed in Major Cineplex in which the capex-to-depreciation had spiked in FY2015 while capex-efficiency had declined precipitously after five golden years of capex-efficiency during FY2010-2014. Subsequently, after we sold Major Cineplex, it reported a Bt139m net profit for 4Q15, down 33% YoY and 60% QoQ. Stripping out extra items – a net-of-tax gain from selling shares held in India's PVR Cinema and trading in Thailand's SF shares in 4Q14 and 3Q15 – core profits dived 26% YoY and 41% QoQ. We also agree with former successful studio Grammy Tai Hub (GTH) chief, Visute Poolvoralaks, who commented that there is a growing risk that Thai audiences have lost faith in Thai movies simply because film production standards vary so much. Thais pay the same ticket price for every movie, so when a few are not good or worth the money, they lose confidence in Thai films in general and opt instead for Hollywood offerings – and Major is increasingly expanding into Thai movie production. Having said that, we find that the wide-moat of Major remains intact and will revisit the stock at appropriate valuations.

Major Cineplex: Capex-to-Depreciation, EBIT-to-Capex and Relative Share Price Performance



We are also uncomfortable with the growing investor fever for movie & entertainment-related companies. Some of them are exploiting investors' attention to hype up their prospects with box-office ticketing fraud.

Shifang Holdings (1831 HK): Roller-Coaster Share Price



Take the case of HK-listed Shifang Holdings, which owns the rights to the earnings of the blockbuster Ip Man movies. "Ip Man 3" saw ticket sales of 400 million yuan in its first three days of release. Shortly after that big start, however, local news reports raised allegations of box-office ticketing fraud. It turns out Shifang snapped up tickets worth 56 million yuan, guaranteeing a hot opening week. Chinese authorities have opened a probe into the case. The fraud dealt a severe blow to the share price of Shifang. Shares in Shifang surged to HK$3.75 on 26 February, the highest level since it listed in 2010. Then came the box-office scandal. It took only four trading days for the stock to plunge 80% to HK$0.76 on 10 March.

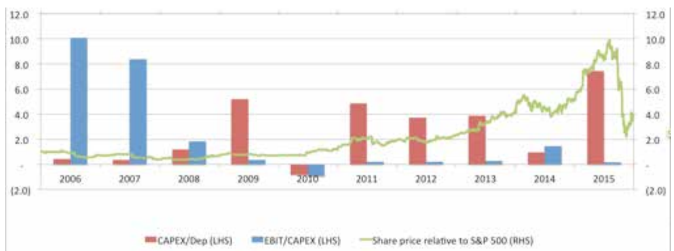
We do not engage in market-timing by darting in and out of the markets on a short-term trading basis. After our restructuring, our portfolio turnover ratio is low at 3.1%. The portfolio turnover came from our sale of 6 stocks (3 in India, 2 in Thailand, 1 in Japan) due to some slight concerns about their business model sustainability, of which 4 are at a small profit and 2 with losses, at an overall 0.75% loss from our cost as a percentage of our NAV.

The daily liquidity of our portfolio stocks, if we were to account for one-third of the daily volume traded based on the past 30-day average price, is 25.7% of our portfolio NAV i.e. we can liquidate one-quarter of our portfolio NAV in one day if need be without destabilising the stock prices.

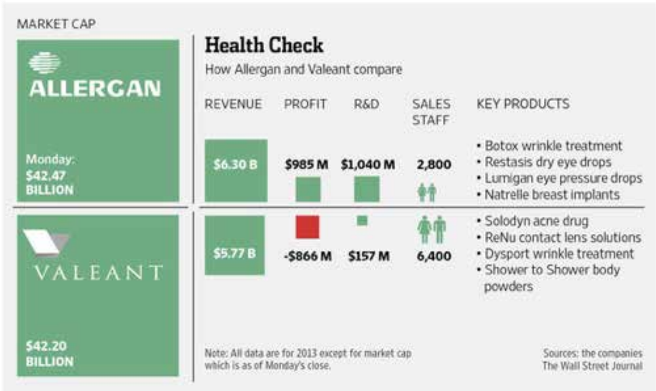
Avoiding a "Valeant Situation" In Overconcentration of a Deteriorating Moat

Analysing the capital cycle has also proven useful in evaluating and avoiding the risk of investing in Valeant Pharmaceuticals, dubbed the "Enron of Pharma". Hedge fund manager Bill Ackman compared "platform stock" Valeant to early-stage Berkshire Hathaway in early 2015; William Thorndike, author of The Outsiders, compared Valeant's CEO Michael Person to Liberty's cable billionaire John Malone. Valeant's share price collapsed in October 2015, hurting many sophisticated institutional investors with concentrated portfolio bets on the drug firm. Charlie Munger back in March 2015 had criticised Valeant: "Companies like ITT Corp., made money back in the 1960s in an 'evil way' by buying businesses with low-quality earnings then playing accounting games to push valuations higher. Valeant, the pharmaceutical company, is ITT come back to life. It wasn't moral the first time. And the second time, it's not better. And people are enthusiastic about it. I'm holding my nose." Valeant relied on "gamesmanship" to run up its value and create a "phony growth record." Buffett, at the Berkshire Hathaway AGM 2016, said Valeant's troubles illustrate a principle passed on to him by a friend: "If you're looking for a manager, find someone who is intelligent, energetic and has integrity. If he doesn't have the last, make sure he lacks the first two."

Valeant: Capex-to-Depreciation, EBIT-to-Capex and Relative Share Price Performance



We noted various articles back in 2014 that shed insights about the corporate culture and accounting of Valeant, and one of them was featured on 22 April 2014 in the Wall Street Journal titled "Allergan Pursuer Valeant: A Drug Maker with Little Patience for Science". Valeant CEO, Michael Pearson, is known as an aggressive cost cutter. Valeant's corporate culture is that it does not want to spend money on science and sees no wrong in substantially jacking up prices of drugs after acquiring them. From the above chart on Valeant, we can see that since Michael Pearson took over as CEO in 2008, capex-to-depreciation had soared due to frenzied pursuit of M&A deeds while R&D efforts declined - a warning sign to avoid the stock.



Why do investors and corporate managers pay so little attention to the inverse relationship between capital spending and future investment returns? The short answer is that they appear to be infatuated with asset growth. An empirical study by finance researchers Sheridan Titman, John Wei, and Xie Feixue published in the Journal of Financial and Quantitative Analysis found that the average firm destroys value when they invest substantially and a long-short strategy that goes LONG low-capex firms and SHORT high-capex firms earns an annual compounded 16.9% returns. Why? There is execution risk and investors consistently fail to appreciate managerial motivations to put the best possible spin on their new "growth opportunities" when raising capital to fund their "expenditures". The aim of the capital cycle analysis is to spot these developments in advance of the market. Thus, the capital cycle analysis in capex-to-depreciation and EBIT-to-capex is an informative signal about future firm value creation and destruction.

Combining Capital Cycle with Marketing & Long-Range Information in the Value Creation Process

Long-term investing works because there is less competition for really valuable bits of information. The real advantage comes from asking more valuable questions. The short-term investor hopes to glean clues to near-term outcomes by asking questions typically relating to operating margins, earnings per share, and revenue trends over the next quarter. In order to build a viable, economically important track record, the short-term investor may need to perform this trick many thousands of times in a career or/and employ large amounts of financial leverage to exploit marginal opportunities.

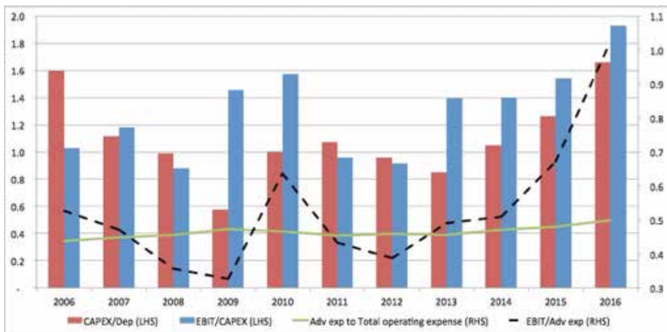
The longer one owns the shares, however, the more important the firm's underlying economics will be to performance results. Long-term investors therefore seek answers with shelf life. What is relevant today may be relevant in ten years' time if the investor continues owning the shares. Information with a long shelf life is far more valuable than advance knowledge of next quarter's earnings. We seek insights consistent with our holding period.

Take marketing which can be vital to long-term value creation yet is often ignored. An understanding of the economics of line extensions and an advertising strategy has proved useful to investors in consumer products companies. Colgate Palmolive introduced its first line extension – a blue minty gel – in the early 1980s, and supported this product with a hefty advertising spend. This was Colgate's first new toothpaste in a generation and line extensions, which had been used successfully in other household goods, were novel to the toothpaste market. By advertising heavily, the firm hoped to change the buying habits of a generation of shoppers who would subconsciously think of Colgate as they approached the toothpaste section of a supermarket, and when they got there, would find a product which was new, superior and, because of advertising spending, trusted.

This is an almost worthless piece of information for short-term investors as they will be thinking along the lines of "What does the rise in advertising spend in the new line extension product mean for profit margins next quarter?" Few investors would have understood, and even fewer would have cared, about the transformation that was taking place. In the two decades since its first line extension, Colgate's share price has risen 25-fold, handsomely beating the market. This shows how important it is for long-term investors to understand a firm's marketing strategy. Yet, given the annual 100% turnover in Colgate shares, very few of the firm's shareholders have benefitted fully from its success.

Why did so few Colgate investors stay the course? There is strong social and client pressure to boost near-term performance. Even if one has developed the analytical skills to spot the winner, the psychological disposition necessary to own shares for prolonged periods is not easily come by.

Portfolio Stock (Global #3 Consumer Healthcare Device Brand): Ad Expense as % OPEX and EBIT as % Ad Expense



We have combined the capital cycle analysis with long-range information such as marketing expenditure to provide a more informative signal. As an illustration, we observed for one of our portfolio stocks that is in the consumer healthcare & household lifestyle business, that despite a rise in its advertising spending (as a percentage of total operating expense), EBIT per dollar of advertising has been rising, particularly since FY2014. Furthermore, despite a rising trend of capex investments to expand in response to growing demand for its innovative high-quality products since FY2013, EBIT-to-capex has exceeded capex-to-depreciation for this world-class Hidden Champion. It now commands a dominant 50-60% domestic market share leadership in its consumer healthcare device and is also the global #3 player and #2 in China (22% market share) where its first China plant in over 80 years became operational in March 2016 after building up strong demand from successful sales in leading online marketplaces JDmall and Alibaba's Tmall.

ROE of this world-class Hidden Champion is 14.2% and it trades at EV/EBIT 10.1x, EV/EBITDA 7.8x, EV/Sales 1x, a steep discount from its local consumer goods peers who trade at an average of EV/Sales 2.1x, EV/EBIT 20.2x, EV/EBITDA 14.5x. We think this steep valuation discount is unjustified given the technical excellence and innovative profile of the company and it deserves to trade at a higher premium once there is greater investor awareness when they continue to deliver quality earnings growth with higher ROE, which has soared from 6.7% in FY13 (YE March) to 14.2% in the latest TTM Dec 2015, and is expected to climb higher from its underappreciated price premiumisation strategy.

This portfolio company, a family business established in 1934 and led by the second-generation business leader, embodies the best of patient sacrifice and stable capital for longer-term profound investments in business and people, with relentless and eternal pursuit of excellence in perfecting its offering, institutionalising its craftsmanship and codifying the knowledge to pass from one generation to another. We believe it has hit a tipping point in its business model transformation into a complete integrated global producer of innovative long lifecycle rubber and plastic products with engines in both household & lifestyle division and industrial division (automotive interior) revving up to compound growth with a visible long runway.

Overcoming the Asset Size Barrier to Return and Scaling Our Portfolio

"If a red ant were 8 inches high, the geometrically proportional weight of its body would crush its external skeletal structure. And if an Indian elephant were 15% larger, its body weight would require such bone and muscle strength in its legs that its weight would make it simply too heavy for the muscles to lift and the beast, unable to move, would starve."

- Charles D. Ellis, leading American investment consultant and founder of Greenwich Associates

"Size is the enemy of performance."

- Warren Buffett at Berkshire Hathaway AGM 2016

"Charlie and I operated mostly with 5 positions. If I were running 50, 100, 200 million, I would have 80% in 5 positions, with 25% for the largest. In 1964 I found a position I was willing to go heavier into, up to 40%. I told investors they could pull their money out. None did. The position was American Express after the Salad Oil Scandal. In 1951 I put the bulk of my net worth into GEICO. There were various times I would have gone up to 75%, even in the past few years. If it's your game and you really know your business, you can load up."

- Warren Buffett, 25 February 2008

Fortune selling. Selling what sells, not what will work best for investors over the long term. Investors are often seduced to part with their hard-earned money during "hot" times when they are pitched with supposedly strong streaks of historical returns or/and popular and "noisy" themes. Just as opportunistic "entrepreneurs" spend resources to build casinos to take advantage of gamblers, arbitrageurs create investment products to predict and feed noise traders demand. These can be Chinese reverse mergers, penny oil & resource stocks, thematic stocks (e.g. Iskandar property, Myanmar plays, Korean film production, social commerce platform), junk bonds – anything that is popular and often overpriced at the moment.

After bringing in new money, these opportunistic "entrepreneurs" proceed to hire more analysts to cover more stocks and fund managers to trade and "diversify" into an ever-increasing number of companies without enough understanding of their business economics and quality of management. Performance results then falter from this "desk-count" investing approach as asset managers start chasing lower quality companies just to put money to work when compared to prior years in which early investors made the "easy money" from a smaller fund size. Thus, often, the fund may do well in 2, 3 or 5 years, and then returns start to falter. New money may go into the fund just when returns are beginning to deteriorate. A fund should have a system in place such that a new client coming in at any time is not put at a disadvantage.

Fund size overloads the organisational capacity to produce superior returns i.e. it gets tougher – and riskier – as the business gets bigger, akin to an individual star fund manager Sisyphus pushing up a boulder that grows bigger the higher and faster he or she pushes it up the increasingly steeper slope, only to watch it roll back.

Market volatility and chaos, mania and panic – they would be our friends if clients really understood and appreciated our investment process to invest in high-conviction stocks since the underlying business fundamentals of the companies stay intact but stock prices, in the short term, have diverged from the intrinsic values, presenting great mispricing opportunities for long-term investors.

In fact, we find our Hidden Champions are resilient and grow stronger with each punctuated crisis as their unique, scalable business model, product innovations, and service excellence enable them to win over customers and gain market share over their unfocused, distracted or/and contented rivals who tend to "stray" as they find it easier to seek "growth" by engaging in private business interests outside of the listed vehicles, particularly in property development.

Investing in the Hidden Champions is "all-season", which allows us to protect, preserve, and guard the assets of our clients in good and bad times, for a Hidden Champion is born every day, even under the most austere of conditions and environment. A healthy seed can withstand adverse conditions for extended periods of time, waiting for the right combination of conditions to grow.

As emphasised, we aim to be a Top 20 Shareholder disclosed in the Annual Reports of the companies we invest in as a demonstration of our conviction and transparency in the investment process. We are a Top 20 Shareholder in 7 world-class wide-moat companies, out of the 18 portfolio stocks (we added 4 stocks in April after the Financial Year Ended) and we are looking to accumulate more, up to becoming a substantial shareholder with a 5% stake as they continue to deliver in their business fundamentals. At a 5% position in our portfolio stocks, our portfolio's capacity build-up that is immediately executable is over S$551 million.

Table 2: Portfolio Capacity Build-up

Portfolio	Top 20?	Additional Amount to Hit 5% Substantial Ownership (S$)
Sealink Travel Group - Connecting Australia's Icons to the World	Yes	$10.9m
Capilano Honey - The Liquid Gold of Australia	Yes	$3.6m
Global Consumer Healthcare Innovator	Yes	$42.8m
The Bloomberg of Weather	No	$21.6m
Premium Product Perfectionist	No	$13.1m
Global Leader in Writing Instruments	No	$122.6m
The Disney-Pixar of Asia	Yes	$37.8m
The Wonderland of Home Improvement Retail	Yes	$17.4m
Early Stage Muji on the Path to Globalisation	No	$4.7m
Confectionery Connoisseur	Yes	$22.6m
Automatic Delicacy Machine	Yes	$3.7m
The Uniqlo for Blue Collar Workers	No	$83.4m
No. 1 Ecommerce Logistics Data Analytics	No	$140m
Packaging That Changed the World	No	$27.4m
Fund Capacity Build-up		**$551.6m**

We have been closely following a number of entrepreneurs building their enterprises in Asia over the years, observing up close their struggles and their breakthroughs and continue to float around these stock ideas and obsessively gather relevant information about the business before we sting like a bee for stock inclusion.

We are intensively researching and monitoring 40 potential actionable stock ideas. From this list in the table on the right, we have taken a small initial investigative stake in 4 of them after 31 March 2016 and they are up around 10.8% (in SGD terms) from our cost at the time of writing (as at 29 April 2016).

Table 3: Potential Actionable Stock Ideas

Percentage Change from FY2012 to 31 March 2016	LTM		
Company	ROE	EV/ EBIT	EV/ EBITDA
No.1 Nutritious & Healthy Beverage	29.1%	24.23	18.29
Robocop Cisco of Japan	13.5%	19.23	13.34
Security Technology of Tomorrow	11.3%	30.90	27.33
HungryGoWhere Equivalent	33.8%	17.98	12.74
Luxury Seat	16.8%	2.85	2.24
Ensuring Your Painless & Successful Surgery	26.6%	15.49	14.37
Solutions Provider to the #1 Needs of Humanity	22.2%	14.15	13.84
Natural Condiment	13.7%	24.41	18.27
Unique Seasoning	13.4%	23.05	16.63
Asia ITunes in Mobile Music & Content	23.9%	8.45	6.05
Secom of The Internet	28.8%	10.70	9.19
No.1 Carpark Operator, The World's Only Profitable Car-Sharing Business	31.7%	24.82	12.05
The Molecular Scientist of Eggs	10.4%	15.56	9.01
The Iscar of Asia-Pacific	20.7%	9.55	6.99
Domestic Logistics/ Supply Chain Management Champion	17.1%	14.16	11.11
Global No.1 Gears Manufacturer Enabling a Green Earth	21.4%	17.12	14.47
Pen Drive: Innovation for Economic Empowerment	21.0%	8.76	8.49
Amazon + Ebay + Rakuten	18.4%	26.95	24.25
No.1 Commercial Kitchen Equipment	18.0%	16.84	13.05
Tesla Electric Vehicle Enabler	17.9%	18.90	15.48
No.1 Nutritional Health Food	24.3%	18.37	16.56
Unique Integrated Entertainment Provider	13.8%	13.30	10.85
Global Lifestyle Retailer with Focus on Simplicity and Quality at Reasonable Prices	24.1%	19.29	15.38
The People's Personal Pharmacy	16.9%	13.03	10.70
Public Relations Disruptor	25.5%	28.97	26.49
Everyday Siri Artificial Intelligence in Language Translation	16.6%	69.51	65.36
The Next Yakult	43.0%	13.87	12.81
Building the Coding Blocks of Advanced Technological Software	15.1%	11.79	11.94
The SAP for Intelligent Business Decisions	35.4%	7.86	7.63
Empowering Cardiologist	20.0%	13.41	9.97
Providing Comprehensive Services to Global Citizens	31.9%	19.70	17.71
Every Eye Surgeon's Best Friend	10.6%	19.38	14.44
The Leader of Light	12.6%	18.74	13.08
World's No.1 Cash Handling Machine Company	10.8%	11.25	6.53
World's No.1 Industrial Nail Gun Manufacturer	19.6%	25.58	22.49
Functional Textile Powering Lululemon, Under Armour, Nike & Adidas	41.1%	23.26	20.12
World's No.1 Fastener Company	20.4%	16.00	12.57
Leading Cable-Connector Solutions Provider	18.9%	11.97	10.25
Connecting the Nervous System of Smart Cars	24.9%	14.52	12.46
Rational AG	44.9%	31.91	30.25

Both the former head of Singapore's civil service, Sim Kee Boon, and Dr Goh Keng Swee, widely acknowledged as Singapore's economic architect and who served as Defence Minister, Finance Minister, and Deputy Prime Minister, once said that joining the administrative service is like entering a royal priesthood. It takes a certain temperament and mindset to be a civil servant. This analogy of a priesthood also suggests vows of confidentiality. We treat the initiation of a stock into our portfolio as analogous to entering priesthood. We prefer to stay low profile in revealing the names of the stocks that we are trying to build up for our investment position size.

Importantly, the rigorous process of a stock entering into our portfolio is akin to entering priesthood and we act according to Warren Buffett's wise advice on using a simple rule to maximise his investment results: the 20 Punch Lifetime Decision Card:

"I always tell the students in business school they'd be better off when they got out of business school to have a punch card with 20 punches on it. And every time they made an investment decision they used up one of those punches, because they aren't going to get 20 great ideas in their lifetime. They're going to get five, or three, or seven and you can get rich off five, or three, or seven. But what you can't get rich doing is trying to get one every day."

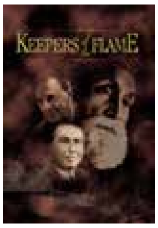
- Warren Buffett, 1991

As Charlie Munger, the influential billionaire partner to Buffett's success puts it aptly, "Under those rules, you'd really think carefully about what you did and you'd be forced to load up on what you'd really thought about. So you'd do so much better."

Buffett, early in his investing career, invested over half of the partnership's assets in a single stock, GEICO, when he thought there was compelling value. It also contributed to his early partnership's ~50% returns. Later on in his career, Buffett invested 42% of Berkshire Hathaway's funds in American Express in 1974, whose share price has since compounded over 30x.

What we never do is to overpay for growth. What we never do is to listen to the blandishments of the seed catalogues salesmen and to overlook the potential old oak for the newly-planted and exotic samplings stippling the field below, whose expected gain in height will only be the result of extensive irrigation, the liberal application of fertiliser, and a constant dousing in pesticides. This crop – often grown precisely because it is new, or because it is the subject of some dietary fad, but which is inherently sick and prey to the vicissitudes of the season – may seem to grow faster initially, but it is one whose harvest of fruit is far too uncertain in both quantity and value (as fickle tastes inevitably change) to be the focus of a wise programme of investment.

Growth is something to be welcomed, but it should be the growth of a sturdy oak, deeply rooted in a fertile and well-watered hillside; a tree, whose rings might thicken more in good years than in poor, but will continue to spread a little wider and to climb a little higher throughout all the long ages, impervious to the most savage of tempest. And the profits of Hidden Champions are neither suspiciously smooth, nor falsifiably geometric in their progression. Life does not come in those neat 10% per year growth patterns and we are suspicious when we see them. Our Hidden Champions will make steady resilient progress throughout the seasons in difficult market conditions and exponential progress during a few, scattered periods of favourable winds and tides.



Personally, I will never forget how during one of our business trips to India, a senior Tata executive handed me Keepers of the Flame: A Century of Trust, a limited-copy DVD film on the life and times of the three great Tata stalwarts – Jamsetji, JRD, and Naval – and shared with me over lunch this belief:

"A person or an organization may be down temporarily due to circumstances beyond himself or herself. But he or she may rise up from the values they held fast as keepers of the flame".

Tata Group, with a total revenue of over $100 billion, is special among all MNCs in the world. Its mission is more than just economic. What makes Tata different is that its societal purpose powered its economic progress. The inspiring story of S Ramadorai who transformed Tata Consultancy Services (TCS) from a US$155 million operation when he inherited the company as CEO in 1996 into a wide-moat compounder with sales of US$16 billion and a market value of US$75 billion employing over a quarter million people in 42 countries has also touched our hearts deeply. The Godrej Group is also part of this core group of Hidden Champions which has the "highest order of competitive advantage" that is beyond fitting them into the usual Porter-style matrix of "low-cost" or "differentiation" strategy, as shared with me by Mr G Sunderraman, the Head of Innovation and EVP at Godrej & Boyce, the holding company of the reputable Godrej family at their corporate headquarters at Vikhroli in north-east Mumbai. This "highest order" of competitive edge is having the trust and support of its community of customers, suppliers, and employees and the learning ability to sense and respond with agility to the emerging and evolving needs of the customers.

The OQ ("Obsession Quotient") of Hidden Champions

True value investors do not blindly look for the attributes (such as "rising tide", "cheap" P/E ratios or attractive yield spreads relative to historic "cycles") without the guidance of the quality of the management running the enterprises. Otherwise, it would be akin to fabricating feathered wings and flapping hard; successful flight would not be possible.

In interacting with Asian entrepreneurs over the past decade, we observed two groups of entrepreneurs differentiated by their motivations and inner compass: one group has the belief "Cash is King", defining success only in relation to financial goals, where the business more often than not exists to serve the founders and their families. The other group has the belief "Make Me Whole", defining success in relation to their commitment to an Idea and Purpose larger than themselves to care for and serve others with love. "Make Me Whole" entrepreneurs are extremely passionate about their work even if it entails sacrifice and hardship, believing that work impacts, inspires, and changes the lives of those they work with, especially employees. The founders, their families, and team exist to serve the business and their consumers, thus allowing the business to outlive the founders themselves. An entrepreneur's value systems and beliefs can have a strong influence on his/her business decisions, culture, mission, and other important outcomes for his/her organisation. We observed in entrepreneurs that having the right Inner Compass of core values is necessary and critical to creating sustainable value.

For Buffett-Munger, the idea larger than themselves was manifested in the creation of a focused vehicle, Berkshire Hathaway, which compounds not only wealth for shareholders but, more importantly, compounds values and virtues as an exemplary role model in the way business is conducted and how they live their life in a simple and frugal way. The Berkshire Hathaway Bus carries more passengers and supporters who get positively energised towards the right direction in the journey of Life in an increasingly harsh and pretentious world.

A true goal needs to become an obsession.

Think of Steve Jobs famous obsession with the perfect screws on the inside of the original Mac.

Think of the early Bill Gates who would "be in the middle of a line of code when he'd gradually tilt forward until his nose touched the keyboard. After dozing an hour or two, he'd open his eyes, squint at the screen, blink twice, and resume precisely where he'd left off – a prodigious feat of concentration."

Think of Ray Kroc's obsession with quality and cleanliness with his oft-quoted motto: "If you have time to lean, you have time to clean", leading to the automation of as many operations as possible and the institution of rigid training programmes at "Hamburger University" for McDonald's franchise owners, whom he required to manage their own stores.

Think of the late Mr Sim Kee Boon, one of Singapore's pioneer top civil servants, best known for overseeing the construction of Changi Airport and turning around the fortunes of Keppel Corporation after succeeding the servant-leader Mr Chua Chor Teck, who was said to check toilets at Changi Airport at night.

We are also inspired by M.S. Oberoi, founder of the Oberoi Group, a chain of luxury hotels in India, who obsessed about every frontline detail in his hotels that might affect the customer experience and would scrawl responses on customer comment cards even at the age of 94 when he could barely see and had to hold the cards an inch away from his eyes. The elderly Oberoi would visit his hotels to make sure employees were getting everything right and, in doing so, established a culture by which all employees shared in his obsession.

The late Carl Elsener III (1922-2013), the entrepreneur perhaps most responsible for the unprecedented success of the Victorinox Group behind the world's most recognisable Swiss Army knife, had lived close to the factory and, until the age of 86, rode his bicycle to the office every day, and was obsessed with preparing the 4th generation to be competent managers of this worldwide successful, traditional Swiss enterprise.

We observed the following about "OQ", or "Obsession Quotient", over our years of interacting with entrepreneurs, innovators, and Hidden Champions.

1. They view themselves as business insurgents, fighting on behalf of an underserved customer, a persistent idea, mission, duty, calling, and vocation that preoccupy/absorb/dominate their every thought and desires every second of every day and make them approach each moment, decision, action, and day with this level of fixation. They are completely captivated by an obsession that they simply cannot imagine conducting their life without. They always find their work more fulfilling than those who find themselves in a profession because it was expected of them. For those who are obsessed by this pursuit, there is no separation between life and work. It is much easier to endure all the setbacks, reversals, and frustrations of management when you deeply enjoy your work.

   All of the High OQ entrepreneurs, innovators, and Hidden Champions whom we observed have witnessed first-hand the problems that beset the masses and wanted to build a business to provide useful products and services. And they are not contented to stop at $10m, $100m, or even $1 billion, unlike most businesspeople who rush to buy fancy property and cars for themselves. They want to build and scale their businesses so that they can give more. Only when we have the desire to give can we want to persevere in building something meaningful. This urge to build in order to give is the magnetic north to scale a business and they work obsessively to realise this vision.

   Imbued with a perception that everything from telephony to music distribution to consumers' relationships with technology is being disrupted, Steve Jobs felt there was simply no time to lose. This understanding has fuelled the rapid-fire pace of his actions and his obsession with "what's next?" in products (although he would never rush to market a product he thought imperfect). It may have also fed his often harsh, dictatorial, and somehow still-inspiring management style.

2. They have an obsession with the economics of customer loyalty and have this deep curiosity for what is going on at the front line, where the business meets the customer. They have an obsession with cultivating a culture of decentralisation, trust, and cooperation to foster innovative experimentations, including investing in a system to cascade decision rights throughout the organisation.

3. They foster an owner's mindset, which keeps them fast, bold, and infused with a deep sense of responsibility for long-term results. They do things with a long-term approach because they strongly believe that is the only way to build a truly durable and excellent business.

4. They are obsessed with staying grounded to their values. Carl Elsener Jr., the fourth-generation business leader and CEO of Victorinox commented of the values upheld by his beloved father Carl Elsener III: "Despite his success, my father has stayed grounded. The most important values in his life have always been mutual respect and trust, courage, gratitude and humility. I have also learned from my father

that the company who wants to stay successful in the long-term basically needs to concentrate on three things: the people, the customers and the products. He embraced that concept very nicely."

In essence, they are the single-minded monomaniacs with a mission to accomplish. They are ruled by spirited behaviour, by the vigorous pursuit of a worthwhile competitive idea. Peter Drucker highlighted also the importance of being single-minded in the passionate pursuit of one's quest in life:

"The single-minded ones, the monomaniacs, are the only true achievers. The rest, the ones like me, may have more fun, but they fritter themselves away. They carry out a 'mission'; the rest of us have interests. Whenever anything is being accomplished, it is being done by a monomaniac with a mission."

The interaction with their clear goal and single-mindedness is an essential factor for their stamina and perseverance. Success and the achievement of goals inject new energy into these leaders. Nothing energises an individual or a company more than clear goals and a grand purpose.

They do not cling on to the idea that work should be fun, exciting, entertaining, and invigorating every day. Operating a business is a serious, rugged, flaw-ridden, demanding task. The inevitable fluctuations and vicissitudes of an industry's affairs, as well as in the general level of economic activity, often seem to compel painful decisions and trade-offs to meet the exigencies of the day. But operating a business is also thrilling, challenging, and rewarding. Work is like life: sometimes fun, sometimes moving, sometimes frustrating, and defined by meaningful events. Those who found their place don't talk about how exciting or how stimulating their work is. Their language invokes a different troika: meaningful, significant, fulfilling.

They pursue virtues rather than seek instant gratifications, not because such pursuits are pleasurable, but because they are meaningful. They have something significant yet to be achieved in their lives. Without virtue, leadership is nothing. They epitomised what Benjamin Franklin echoed: "Industry and Frugality":

"An enterprising man not in haste to get rich, willing to run some risks, yet not willing to risk in hazardous enterprises the property of others entrusted in his keeping, careful to indulge in no extravagance, and to live within his means. Simple in his manner and unostentatious in the habits of life, not merely a merchant but a man, with a character to form, a mind to improve, and a heart to cultivate."

Work is the ultimate seduction in life, Picasso illuminated. Indeed, the High OQ entrepreneurs and Hidden Champions put their work, their will, and their world in the services of others. They are lit by passion, make that extra effort, and demonstrate that extra commitment. They want to engage in something grand and beautiful and noble (in their own interpretation), well worth the toil and anxiety.

Welcome to the exclusive Club of the Hidden Champions

Caring is an exacting, serious, and demanding business, especially when it comes to investing in another person's financial assets, which are a tangible product of his or her life's work, a repository of aspirations for the future.

We cannot guarantee success in investment outperformance over the short-term, but we can certainly guarantee one thing: You will be proud to be able to participate positively in the resilient growth of these wide-moat Hidden Champions which are solving real-world problems today and will help to create what the world will look like tomorrow. You will also be a proud and happy parent for your children when they work at these Hidden Champions. As George Washington put it aptly, "We cannot guarantee success, but we can at least deserve it".

Consider some of our portfolio stocks:

Bring your family and loved ones from mainland Australia to Kangaroo Island on a river cruise that takes you up close to the wildlife and scenery, all while knowing that you are supporting your holding in Sealink Travel, the quasi-monopoly ferry company and tour operator which has plied the crossing from mainland South Australia to Kangaroo Island since 1989. If your in-laws are visiting, suggest they taste the natural Capilano Manuka Honey to enjoy both its delicious taste and health benefits, then thank them for buying from one of your businesses.

For a retail experience that's perhaps even better than IKEA's, we would highly recommend you to explore the "Retail Wonderland" home improvement centre as described in the above section and be awestruck by the enchanting assortment of items and the superlative customer service.

When was the last time you expressed your appreciation to the people who love you, the people who care for you, or the people who have helped you? In today's fast-paced society, it is easy to neglect the people surrounding you. Instead of texting, harness the power of the pen and experience the positive difference a handwritten note makes. The beauty of a handwritten note or letter not only allows you to have a deep connection with the recipient, but it can also be retained and cherished, giving precious memories that can be re-visited any time. So grab a high-quality and inexpensive pen manufactured by one of the Hidden Champions in our portfolio stocks and pen your gratitude to acknowledge those who have made a difference in your life today.

Our opening quote by Confucius illuminated the wisdom that "governing with excellence can be compared to being the North Star". Analects of Confucius has been one of the most widely read and studied books in China for the past 2,000 years and continues to have a substantial influence on Chinese and East Asian thoughts and values today. I remain very touched till this day whenever I recall my loving parents bringing me to the Thian Hock Keng temple where there is a little corner with the Confucius statue when I was a young boy to pray for my studies. The Thian Hock Keng temple is the oldest and most important temple in Singapore and was gazetted as a national monument on 6 July 1973. The Analects highlighted that it is essential to have the right attitude and approach to your life and work. Think of the craftsman beginning each and every new project. The craftsman is only thinking about building his work with love. Because he loves his work so much and creates with love, fear loses its power over the craftsman. And this allows him to do his best work and create with all the love in the universe. The love of what you are building has to be greater than the challenges you face. When you know your why, you will know the how, and you'll find a way. In Chinese culture, a great lesson of love, patience, persistence and hard work can be learned from planting the bamboo. When bamboo is planted, watered, and nurtured for the whole growing season, there are no visible outward signs of activity or growth in the initial years; nothing happens in the second year; by the third and fourth year, still nothing. Self-doubt creeps in and our patience is tested and we begin to wonder what is going on and whether our efforts will reap returns. And then in the fifth year, the bamboo tree shoots up to more than 80 feet, all in less than six weeks, demonstrating the astonishing power of nature. Had the bamboo not develop the resilient underground root structure, it could not have handled the exponential growth to scale up in a sustainable way. The same principle is true for our Hidden Champions and our investment team.

This is the essence of our investment philosophy - entrepreneurs investing in entrepreneurs. We are of the conviction that the future is created one wide-moat innovator and Hidden Champion at a time and each will flourish from their own wisdom. If you also share in our values and investment process, and support our conscious efforts to promote entrepreneurialism in Asia, we invite you to join us in this uplifting journey to participate in the compounding returns in overlooked and underappreciated wide-moat innovators and to make a positive difference to society. You may download the Investment Team's write-up and ancillary information from http://8ly.cc/2016investmentupdate/

Welcome to the exclusive Club of the Hidden Champions.

Kee Koon Boon
Chief Investment Officer
Investment Division

EDUCATION DIVISION

Dear Shareholders,

The past year has been a fruitful and eventful one for the Education arm. 8 Education Pte Ltd and 8 Education Sdn Bhd were renamed in February 2016 to better align the brand image of the Education arm with the holdings group. Today, 8 Education Pte Ltd is known as 8I Education (S) Pte Ltd and 8 Education Sdn Bhd is known as 8I Education (M) Sdn Bhd.

In August 2015, 8I Education was very honoured to have been selected and voted by visitors of Invest Fair 2015 Singapore as the "Most Preferred Financial Educator". This award was a great encouragement to the team and we will continue our mission to empower growth and add more value in the area of financial education.

The Education arm also achieved an exceptional growth in our Revenue, Net Profit and Cash Flow from Operations. 8I Education achieved a record revenue of S$7.0 million (75% increase from previous FY) with a net profit of S$2.8 million (357% increase from previous FY). Cash Flow from Operations (CFO) hit a record high of $3.3 million, a 369% increase from the previous FY.

The increase in revenue and profit was achieved due to the following factors:

1. Sound Business Model

2. Continuous Growth of Programme Participants

3. Expansion to Overseas Markets

4. High Subscription and Renewal Rates from M-Circle

5. Launch of New Programmes

6. Committed Team Members

Sound Business Model

The mission of 8I Education is to empower growth in individuals in the area of Wealth Creation, Wealth Preservation, and Wealth Succession. There is a systematic Wealth Management Learning Roadmap upon which we are building our network of High Net Worth Investors.

The public would go through a 1-day Value Growth Workshop (VGW) to gain an understanding of the importance of investing and an introduction to what value investing is about. Thereafter, those who are committed to their learning journey of building their wealth would attend the 3-day Millionaire Investor Program (MIP) where they would be taught the critical success factors to being a successful investor, and the nuts and bolts of value investing.

The next stage of involvement for MIP graduates would be the 2-year M-Circle subscription that would give them access to insightful sharing sessions and speed up their wealth creation journey to becoming millionaires. To date, 8I Education has created 20 millionaires and our aim is to create 100 millionaires by 2020!

As we count more and more High Net Worth Individuals in this network, more programmes and services will be developed in the near future for Wealth Preservation and Wealth Succession purposes to add more value to our existing network. With the strong relationship and network built over the past 8 years, many of our MIP graduates have not only become our loyal customers, friends, and shareholders, but also our advocates who promote 8I Education programmes to their friends, relatives, and loved ones. Recently, we have also seen a trend of the next generation coming to attend our MIP and other programmes.

One other noteworthy point of 8I Education's business model is our Quality of Earnings. Quality of Earnings measures the extent of deviation of a company's operating cash flow (cash measure of earnings) from its reported earnings (accrual measure of earnings) arising from the choices of accounting methods, conservative or liberal, underlying accrual-based accounting which call for management estimates and hence, judgment and discretion. Investors seek high earnings quality over time as a reliable indication of greater predictability of future recurring earnings from current reported earnings. As a general rule, an earnings quality ratio that is increasingly falling further below 1.00 could indicate possible problems such as fictitious receivables or unrecorded payables. Based on the FY2016 financial figures, 8I Education's Quality of Earnings is above this level, at 1.18. This means that for every $1 of earnings, $1.18 is being generated as operating cash flow.

Building a database/network of High Net Worth (HNW) Investors

Creating a HNW Ecosystem

Partnership
(Stage 2 & 3)

Wealth Preservation & Succession

M-Circle Investor Pool
(Stage 1)

Back End Offering
- Building Quality High Net Worth Investor Pool
- Strong Recurring Income

8I EDUCATION

8I Education Programs
(Stage 1)

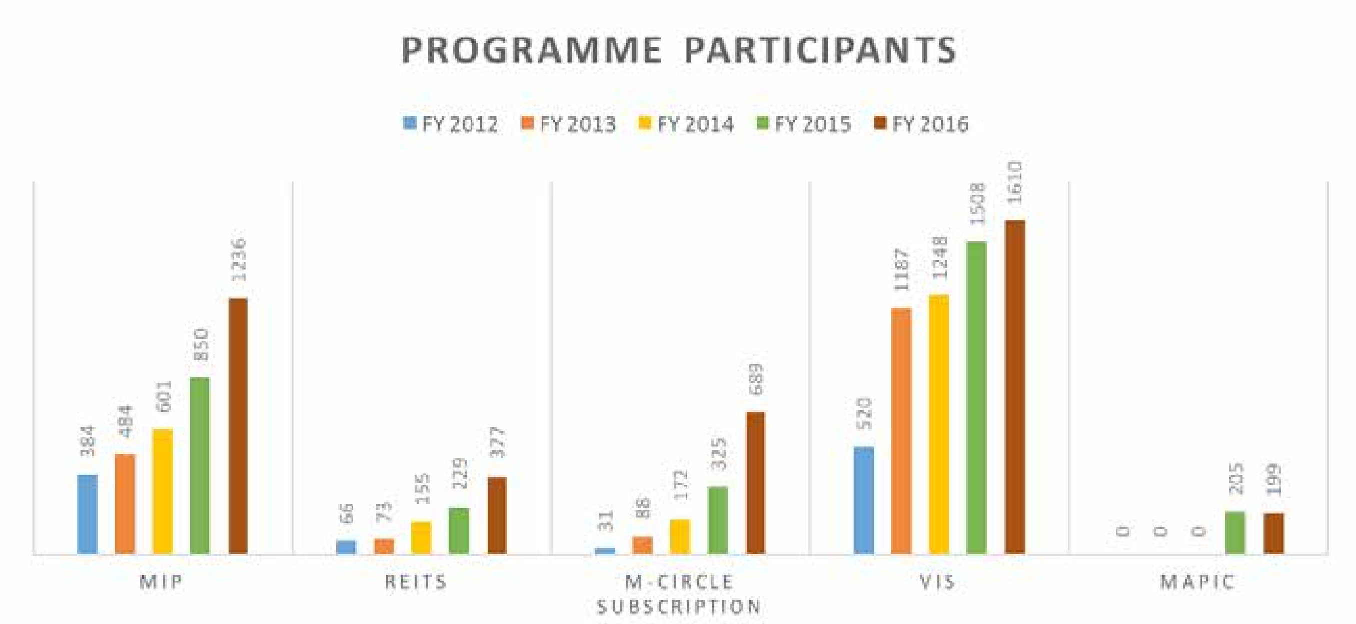
Front End Offering - Wealth Creation
- Quality Leads and Database Acquisition
- Strong Operation Cash Flow

Continuous Growth of Programme Participants

The number of participants in our education programmes has seen a steady growth this past year with a record-breaking 1,236 participants attending the MIP across Singapore, Kuala Lumpur and Shanghai in FY2016. This is a 45.4% increase from the previous Financial Year. As of 31 March 2016, 8I Education has conducted 70 batches of MIP with 4,363 participants since its inception in August 2008.

REITs programme saw a total of 377 participants, a 64.6% increase from the previous Financial Year. M-Circle subscriptions rose from 325 in FY2015 to 689 in FY2016, an increase of 112%. Although the Value Investing Summit (VIS) and Mencius Advanced Property Investment Course (MAPIC) have not seen a significant increase over the past year, the team will continue to find ways to improve their marketing efforts for VIS and MAPIC.

MIP 70 - 25 to 27 Mar 2016



Expansion to Overseas Markets

FY2016 was a year of expansion for 8I Education. In July 2015, 8I Education acquired a 100% stake in 8 Education Sdn Bhd (now known as 8I Education (M) Sdn Bhd) and set up its Wholly Foreign-Owned Enterprise, 8IH China (Shanghai) Co. Ltd [信益安（上海）实业有限公司] in the People's Republic of China in December 2015. 8I Education (M) Sdn Bhd is led by Mr Gary Yeow and 8IH China (Shanghai) Co. Ltd is led by Mr Tian Dehua, who also owns a 30% stake in 8IH China Pte Ltd.

8I Education (M) Sdn Bhd official opening ceremony in January 2016

8I Education (M) Sdn Bhd official opening ceremony in January 2016

8IH (Shanghai) Co. Ltd official opening ceremony in March 2016

8IH China (Shanghai) Co. Ltd Office

With the acquisition of 8I Education (M) Sdn Bhd and the setting-up of 8IH China and 8IH China (Shanghai) Co. Ltd, 8I Education's new structure will be as such:

- 8I Education (S) Pte Ltd
  - 8I Education (M) Sdn Bhd
  - 8IH China Pte Ltd
    - 8IH China (Shanghai) Co. Ltd 信益安（上海）实业有限公司

High Subscription and Renewal Rates from M-Circle

The M-Circle subscription has seen its highest growth in FY2016. Graduates of the MIP are invited to sign up for M-Circle where they are entitled to certain privileges including:

1. VIP privileges at events organised by 8I Education. For example, at the annual Value Investing Summit (VIS), M-Circle subscribers had front row seats, priority admission, and networking access to the speakers who are also top value investing practitioners.

2. Subscription service to access case study analysis by our in-house Chief Investment Officer and analyst team.

3. Quarterly networking and sharing sessions.

4. On-site visits to listed companies and sharing sessions with their executives.

Out of 4363 MIP graduates, 1305 of them subscribed to the M-Circle services, putting the conversion rate at 30%. Renewal rate for the subscription is around 90%. As long as we focus on adding value to our M-Circle network, the M-Circle subscriptions will provide a **STRONG RECURRING REVENUE MODEL** for 8I Education.

Launch of New Programmes

8I Education launched a series of new programmes in FY2016 that are synergistic with our businesses:

MIP Chinese (MIPC) – 价值投资智慧

The MIP Chinese was successfully piloted in Kuala Lumpur on 3 – 5 November 2015 with 52 participants; the official launch of MIP Chinese in Shanghai on 18 – 20 March 2016 saw 94 participants. This is a new milestone for 8I Education and an important foothold for us in the Chinese market.

MIPC Batch 64 in Kuala Lumpur

MIPC Batch 69 in Shanghai

Train-the-Trainer Programme

With the aggressive expansion of MIP in Singapore, Malaysia, and China, there is a need to expand our pool of trainers. On 12 – 13 March 2016, 8I Education launched a new Train-the-Trainer (TTT) programme that selects suitable trainers from graduates.

TTT Batch 1 – March 2016

Capital Precession Program (New Programme for FY2017)

8I Education successfully launched the 1st Capital Precession Program (CPP) on 23 – 24 April 2016. CPP is an intensive course that gives business owners an in-depth look at what it takes to successfully take their business public. Regardless which stage their businesses are in, they will understand why having access to the capital market could expand their businesses exponentially. After the 2-day programme, CPP participants are required to conduct a roadshow on their businesses to potential investors. The CPP is a programme conducted with the Private Equity (PE) team with the aim of funnelling potential and growing businesses for a pipeline of private equities.

CPP Batch 1 – April 2016

Committed Team Members

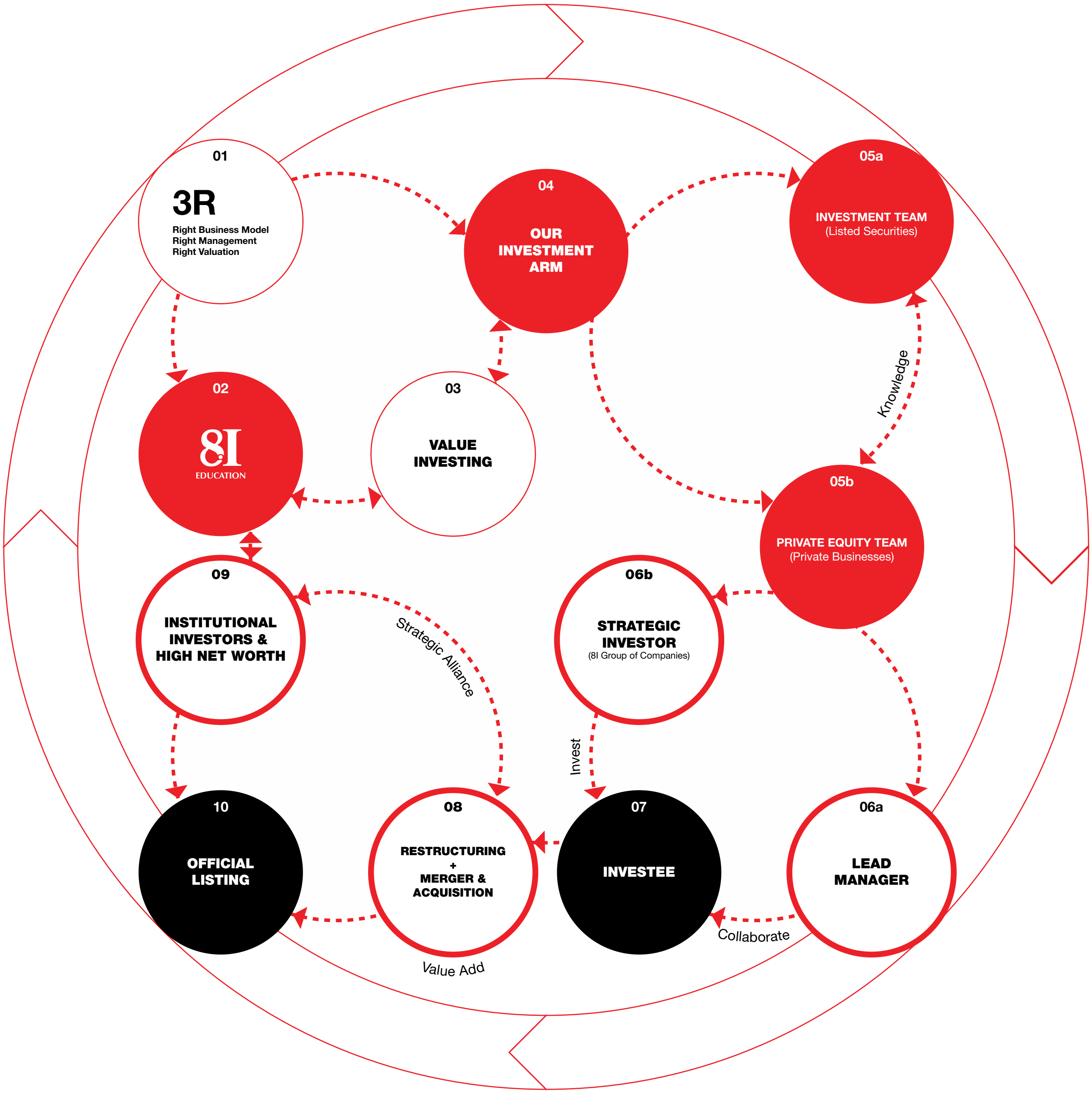
The record high revenue and profit would not have been possible without a committed team. 8I Education is blessed with a team of highly committed team members who generally 'burn' at least 40 out of 52 weekends in a year to add value to the participants and graduates of the programme. The 8I Education team expanded quickly in FY2016 to support the growth and expansion plans of the company.

I would like to take this opportunity to acknowledge the 8I Education team for their hard work during the past year and give SPECIAL THANKS to the Investment Team (Koon Boon, Zhipeng, Jackson, Kelvin, and Joshua) for their support in research materials. 8I Education team is made up of ordinary people WHO DELIVER EXTRAORDINARY RESULTS!

We look forward to another fruitful and excellent year ahead.

Pauline Teo
General Manager
Education Division

BUSINESS ECOSYSTEM



BOARD OF DIRECTORS

Mr Ken Chee Kuan Tat
Executive Chairman

Mr Ken Chee was appointed Executive Chairman in May 2014. He is a co-founder of the 8I Group and is based in Singapore.

Mr Chee graduated from the Singapore Polytechnic with a Diploma in Banking and Financial Services, and the University of Queensland with a Bachelor's Degree in Business Administration. He also attended Columbia Business School in New York and graduated from its Executive Program in Value Investing.

As an experienced marketing executive and entrepreneur, Mr Chee's professional experiences include roles as a marketing specialist at Quicken (Singapore) and Regional Business Development Manager at Telekurs Financial. Within the 8I Group, Mr Chee is one of the key executives involved in the strategic development and partnerships for the Group.

Mr Chee was awarded the Spirit of Enterprise, Honoree Award in 2005 by the President of Singapore for outstanding business results. He is also a Young Presidents' Organisation member within the Singapore Chapter.

Mr Clive Tan Che Koon
Executive Director

Mr Clive Tan was appointed Executive Director in May 2014. He is a co-founder of the 8I Group and is based in Singapore.

Mr Tan graduated with an Honours Degree from the Nanyang Technological University in Mechanical and Production Engineering and attended University of Technology, Sydney on an academic exchange program. He also holds a Post-Graduate Diploma in Education from the National Institute of Education.

Mr Tan started his professional career as a secondary school educator in Singapore. While teaching, the concept of value investing caught his attention and triggered his interest in investment. His entrepreneurial journey started when he and his wife acquired a childcare centre.

Since inception of the 8I Group in 2008, Mr Tan is responsible for the strategic planning, development and risk management of its businesses including education and investments in listed securities and private equity. He is also deeply involved in the development of corporate policies and management of the group's Human Capital. Mr Tan also chairs the board of Australian listed Digimatic Group Limited.

Mr Chay Yiowmin
Non-Executive Director

Mr Chay Yiowmin was appointed a Non-Executive Director in September 2014.

Mr Chay has more than 18 years of public accounting experience in Singapore and the United Kingdom, He is currently an advisory partner of BDO LLP, heading the Corporate Finance Practice. Prior to joining BDO LLP, Mr Chay gained his professional experience with a number of large multinational accounting and audit firms, including PricewaterhouseCoopers LLP, Deloitte LLP and Moore Stephens LLP, the latter of which Mr Chay was admitted as a partner in January 2010.

Mr Chay has also accumulated considerable experience auditing large multinational corporations and financial institutions, as well as providing business advisory services in the areas of corporate restructuring, mergers and acquisitions, financial due diligence, and corporate valuations. Mr Chay is also considered a specialist in the field of Treasury and Financial Risk Management.

Besides a Master of Business Administration from the University of Birmingham, Mr Chay also holds an Honours Degree in Accountancy and a Master of Business from the Nanyang Technological University. He is a practising member of the Institute of Singapore Chartered Accountants (ISCA), an Associate Chartered Accountant (ACA) of the Institute of Chartered Accountants in England and Wales (ICAEW), a Certified Finance and Treasury Professional of the Finance and Treasury Association and an Honorary Professor and Fellow Member of the American Academy of Financial Management (AAFM).

Mr Chay currently sits on the Corporate Finance Committee of ISCA. He is also the Independent Director and Chairman of the Audit Committee UMS Holdings Limited, an SGX listed company.

Mr Charles Mac
Non-Executive Director

Mr Charles Mac was appointed a Non-Executive Director in April 2016.

Mr Mac has more than 18 years of experience in the SAP IT industry, dealing with multinational companies in the Asia Pacific Region. He has held various leadership roles for large, global multinational companies with extensive experience across Asia Pacific in Team Management, Quality Management, Audits, Business Development and Contract Deliveries. He is an Australian citizen and holds a Bachelor of Computing (Information System) from Monash University.

Mr Mac currently serves on the Board of an Australian-listed company, Ennox Group Limited as a Non-Executive Director.

KEY MANAGEMENT

Mr Louis Chua Chun Woei
Chief Financial Officer & Company Secretary (Australia)

Mr Louis Chua joined 8I Holdings in April 2015 as the Company's Chief Financial Officer.

Mr Chua graduated from University of Queensland with a Bachelor of Commerce (Finance). He is a Member of the Institute of Singapore Chartered Accountants, The Association of Chartered Certified Accountants, and Certified Practising Accountant (CPA) Australia.

Mr Chua is based in Singapore and has more than 15 years of financial and commercial experience including infrastructure development, treasury and controllership operations, group restructuring and consolidation, tax planning and mergers and acquisitions. Before he joined 8I Holdings, he had 9 years of experience within the offshore marine industry in Farstad Shipping, with its holding company listed in the Oslo Stock Exchange. He started his career in the Audit Division with Arthur Andersen (later Ernst & Young).

Within the 8I Group, Mr Chua is responsible for corporate secretarial, controllership and treasury duties for the company.

Mr Kee Koon Boon
Chief Investment Officer, Investment Division

Mr Kee joined the 8I Group in September 2015 and is based in Singapore.

He graduated from Singapore Management University with a double Bachelor Degree in Accounting and Business Management, as well as a Masters in Finance by research.

Mr Kee has over 13 years of experience in the Asian capital markets. His expertise includes investment research, fund and risk management as well as accounting fraud detection. He is also the Managing Editor of Moat Report Asia, a research service focused exclusively on highlighting undervalued wide-moat businesses in Asia.

Mr Kee was previously the Managing Director of Aegis Knowledge Pte Ltd, Fund manager with Aegis Portfolio Managers Pte Ltd as well as Portfolio Manager in Mirae Asset. He had also taught accounting courses at the Singapore Management University and launched the pioneering module of Accounting Fraud in Asia. In addition, he has also trained CEOs, entrepreneurs, CFOs, management executives in business strategy, value investing, macroeconomic and industry trends, and detecting accounting frauds in Singapore, Hong Kong and China.

Within the 8I Group, Mr Kee is responsible for managing the team of analysts, its investments in public listed companies, as well as advising the Company's management in its private equity investments according to its Value Investing methodology.

Ms Pauline Teo
General Manager of Education Division & Director of 8I Education (S) Pte Ltd

Ms Pauline Teo is the General Manager of the Education Division and has been with the 8I Group since July 2011.

Ms Teo graduated from the Nanyang Technological University with a Master of Arts (Instructional Design and Methodology) and a Bachelor in Business Studies. She is based in Singapore and has more than 10 years' experience working as a public servant, primarily in the field of learning and development.

During a period with the Singapore Ministry of Defence and in the Civil Service College of Singapore Ms Teo led a team of course developers and had experience doing the full spectrum of training and development, ranging from conducting learning-needs analysis to evaluation.

Ms Teo is responsible for the management, operations and development of the Education division of the Company. She is also one of the key speakers/ trainers for the various programs, seminars and coaching sessions that the Company undertakes.

Mr Gary Yeow
General Manager & Director of 8I Education (M) Sdn Bhd

Mr Gary Yeow is the General Manager & Director of 8I Education (M) Sdn Bhd and has been with 8I Group since May 2012.

Mr Yeow graduated from Anglo-Chinese Secondary School in Sitiawan, Malaysia and ventured into business a few years after graduation. Before joining the 8I Group, he was the Director of GYP Enterprise Sdn Bhd, a business engaged in the wholesale and manufacturing of building materials since 1995.

Mr Yeow oversees the management and operation activities of the 8I Group in Malaysia.

Mr Tian Dehua
General Manager & Director of 8IH China (Shanghai) Co. Ltd

Mr Tian Dehua is the Director and General Manager of the 8IH China Pte Ltd and 8IH China (Shanghai) Co. Ltd [信益安（上海）实业有限公司] respectively. He has been with the 8I Group since August 2015 and is based in the Shanghai, China.

Mr Tian graduated from Hubei University in 1997 with a Degree in Accounting, majoring in Economics. He also completed an Executive Program with China's Tsinghua University on Real Estate Management. Mr Tian was the Vice President of JHT Investment Holdings Limited, and Vice Chairman of Beijing JHT Investment Fund Management Co. Limited.

Mr Tian is responsible for the management, promotion and operations of the 8I Group in China.

REMUNERATION REPORT

This remuneration report set out information about the remuneration of 8I Holdings Limited's key management personnel for the financial year ended 31 Match 2016. The term 'key management personnel' refer to those persons having authority and responsibility for planning, directing, controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity.

Remuneration Policy

The remuneration policy of 8I Holdings Limited has been designed to align director and executive objectives with shareholder and business objectives. The board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company and Consolidated Group, as well as create goal congruence between directors, executives and shareholders.

All remuneration paid to directors and executives is valued at the cost to the Consolidated Group and expensed.

The names and positions of key management personnel of the Company and of the Consolidated Entity who have held office during the financial year are:

Chee Kuan Tat, Ken	Executive Chairman
Clive Tan Che Koon	Executive Director
Chay Yiowmin	Non-Executive Director
Zane Robert Lewis	Non-Executive Director and Company Secretary (Australia) (resigned on 26 April 2016)
Pauline Teo	General Manager and Director of 8I Education (S) Pte. Ltd.
Gary Yeow Hin Lai	General Manager and Director of 8I Education (M) Sdn Bhd
Tian Dehua	General Manager and Director of 8IH China Pte. Ltd. (Appointed on 1 November 2015)
Kee Koon Boon	Chief Investment Officer (Appointed on 1 September 2015)
Louis Chua Chun Woei	Chief Financial Officer (Appointed on 6 April 2015)

Service Agreements

Remuneration and other terms of employment for the Executive Directors and other Key Management Personnel are formalized in a service agreement. For Non-Executive Directors, these terms are set out in a Letter of Appointment. The major provisions of the agreements relating to Directors' remuneration are set out below.

Name	Base Salary[1]	Fees	Term of Agreement	Notice Period
Chee Kuan Tat, Ken	S$360,000 p.a.	S$nil	No Fixed Term	N/A
Clive Tan Che Koon	S$250,000 p.a.	S$nil	No Fixed Term	N/A
Chay Yiowmin	S$nil	S$36,000 p.a.[2]	No Fixed Term	N/A
Charles Mac	S$nil	S$36,000 p.a.[2]	No Fixed Term	N/A
Zane Robert Lewis (resigned on 26 April 2016)	S$nil	S$36,000 p.a.[2] A$60,000 p.a.[3]	No Fixed Term	N/A

[1] *Excluding employer's Central Provident Fund (CPF) contribution*
[2] *Non-executive director fee*
[3] *Company secretary fee*

Details of Remuneration

A breakdown showing the level and mix of each Director's and Key Management Personnel's remuneration for the financial year ended 31 March 2016 is set out below:

Name of Directors	Salary* %	Bonus/Profit-sharing %	Directors' Fee %	Total %
S$250,000 to below S$500,000				
Chee Kuan Tat, Ken	100	—	—	100
S$100,000 to below S$250,000				
Clive Tan Che Koon	100	—	—	100
Zane Robert Lewis (resigned on 26 April 2016)	—	—	100	100
Below S$100,000				
Chay Yiowmin	—	—	100	100
Charles Mac (appointed on 26 April 2016)	—	—	—	—

Name of Key Management Personnel	Designation	Salary* %	Bonus/Profit-sharing %	Total %
S$100,000 to below S$250,000				
Pauline Teo	General Manager and Director of 8I Education (S) Pte. Ltd.	100	—	100
Louis Chua Chun Woei (Appointed on 6 April 2015)	Chief Financial Officer	92	8	100
Below S$100,000				
Gary Yeow Hin Lai	General Manager and Director of 8I Education (M) Sdn Bhd	51	49	100
Tian Dehua (Appointed on 1 November 2015)	General Manager and Director of 8IH China Pte. Ltd.	100	—	100
Kee Koon Boon (Appointed on 1 September 2015)	Chief Investment Officer	92	8	100

** Salary is inclusive of fixed allowance and CPF contribution.*

The total remuneration of each Key Management Personnel has not been disclosed in dollar terms given the sensitivity of remuneration matters and to maintain the confidentiality of the remuneration packages of these Key Management Personnel.

The total remuneration of the top five key executives (who are not directors of the Company) is S$546,937 for the financial year ended 31 March 2016.

There were no terminations, retirement or post-employment benefits granted to Directors and Key Management Personnel other than the standard contractual notice period termination payment in lieu of service for the financial year ended 31 March 2016.

Details of Remuneration (continued)

No employee whose remuneration exceeded S$50,000 during the financial year is an immediate family member of any of the members of the Board. The Company did not provide any equity compensation to Directors or executives during the financial year ended 31 March 2016.

The Company also reimburses validly incurred business expenses of Directors and Key Management Personnel.

Other Information

There were no loans made to any Key Management Personnel during the financial year or outstanding at financial year ended.

Apart from disclosed elsewhere in this report, there were no transactions with Key Management Personnel during the financial year. During the financial year, the Remuneration Committee reviewed and approved the Company's remuneration policy.

Directors Meetings

Since the beginning of the financial year, 6 meetings of directors were held. Attendances by each director during the period were as follows:

Directors' Meeting		
Directors	Eligible to Attend	Attended
Chee Kuan Tat, Ken	6	6
Clive Tan Che Koon	6	6
Chay Yiowmin	6	6
Zane Robert Lewis (resigned on 26 April 2016)	5	5
Charles Mac (appointed on 26 April 2016)	1	1

Environmental Issues

The Company's operations comply with all relevant environmental laws and regulations, and have not been subject to any actions by environmental regulators.

AUDITED REPORT

General Information

As at 31 March 2016

Directors	Mr Chee Kuan Tat, Ken (Executive Chairman) Mr Clive Tan Che Koon (Executive Director) Mr Chay Yiowmin (Non-executive Director) Mr Charles Mac (Non-executive Director)(appointed on 26 April 2016)
Company secretary (Singapore)	Mr Ang Teck Huat
Company secretary (Australia)	Mr Louis Chua Chun Woei (appointed on 26 April 2016)
ARBN:	601 582 129
Registered office (Singapore)	Goldbell Towers, 47 Scotts Road, #03-03/04, Singapore 228233 Tel: +65 6225 8480 Fax: +65 6235 0332
Registered office (Australia)	C/- SmallCap Corporate Pty Ltd, Suite 6, 295 Rokeby Road, Subiaco WA, Australia, 6008 Tel: +61 (8) 6555 2950 Fax: +61 (8) 6166 0261
Principal place of business	Goldbell Towers, 47 Scotts Road, #03-03/04, Singapore 228233
Share registrar	Boardroom Pty Limited Level 7, 207 Kent Street, Sydney, NSW, Australia 2000 Tel: +61 (2) 9290 9600 Fax: +61 (2) 9279 0664
Auditors	Kong, Lim & Partners LLP Chartered Accountants 13A MacKenzie Road Singapore 228676 Partner in charge: Lim Yeong Seng (since 2015) Tel: +65 6227 4180 Fax: +65 6324 0213
Stock exchange listing	8I Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: 8IH)
Website	www.8iholdings.com

This report covers both 8I Holdings Limited as an individual entity and the consolidated entity comprising 8I Holdings Limited and its subsidiaries. The Group's functional currency and presentation currency is Singapore Dollars (S$). A description of the Group's operations and of its principal activities is included in the notes to the financial statements. The directors' report is not part of the financial report.

Directors' Statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of 8I Holdings Limited (the Company) and its subsidiaries (collectively, the Group) and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2016.

1. Opinion of the Directors

In the opinion of the board of directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The directors of the Company in office at the date of this statement are:

Mr Chee Kuan Tat, Ken
Mr Clive Tan Che Koon
Mr Chay Yiowmin
Mr Charles Mac (appointed on 26 April 2016)

3. Arrangements to enable Directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

4. Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of directors	At the beginning of financial year or date of appointment	At the end of financial year	At the beginning of financial year or date of appointment	At the end of financial year
Ordinary shares of the Company				
Mr Chee Kuan Tat, Ken	86,640,000	86,800,000	73,800,000*	20,755,741**
Mr Clive Tan Che Koon	65,360,000	65,500,000	73,800,000*	20,755,741**

Notes:
* *Held in the name of 8 Capital Equities Group Ltd*
** *Held in the name of Cheshire United Ltd*

4. Directors' interests in shares and debentures (continued)

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 16 May 2016.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the financial year.

5. Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

6. Audit committee

The audit committee (AC) carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors

- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors

- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor

- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators

- Reviewed the cost effectiveness and the independence and objectivity of the external auditor

- Reviewed the nature and extent of non-audit services provided by the external auditor

- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit

- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor.

7. Auditor

Kong, Lim & Partners LLP has expressed its willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Mr Chee Kuan Tat, Ken
Director

Mr Clive Tan Che Koon
Director

Singapore, 16 May 2016

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KONG, LIM & PARTNERS LLP
Chartered Accountants
of Singapore

Independent Auditor's Report

To the Members of 8I Holdings Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of 8I Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2016, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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KLP
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Chartered Accountants of Singapore

Independent Auditor's Report

To the Members of 8I Holdings Limited (continued)

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KONG, LIM & PARTNERS LLP
Public Accountants and
Chartered Accountants

Singapore, 16 May 2016

Consolidated Statement of Comprehensive Income

For the financial year ended 31 March 2016

	Note	Group 31.03.2016 S$	17.05.2014 (date of incorporation) to 31.03.2015 S$
Revenue	4	22,226,095	10,669,319
Other income	4	10,606,975	141,167
Expenses:			
Administrative expenses		(5,397,503)	(2,443,986)
Other operating expenses		(6,541,498)	(2,630,560)
Finance costs		(154,590)	(7,168)
Share of results of associate		(476,246)	-
Profit before tax	5	20,263,233	5,728,772
Income tax expense	6	(1,456,030)	(736,875)
Profit for the year		18,807,203	4,991,897
Other comprehensive income:			
Net fair value gain on available-for-sale financial assets		3,746,182	55,983
Foreign currency translation		(9,094)	-
Other comprehensive income for the year, net of tax		3,737,088	55,983
Total comprehensive income for the year		22,544,291	5,047,880
Profit attributable to:			
Owners of the Company		18,582,431	4,791,691
Non-controlling interest		224,772	200,206
		18,807,203	4,991,897
Total comprehensive attributable to:			
Owners of the Company		22,319,519	4,847,674
Non-controlling interest		224,772	200,206
		22,544,291	5,047,880
Earnings per share (cents per share)			
Basic	7	5.20	1.70
Diluted	7	5.20	1.70

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

As at 31 March 2016

	Note	Group 31.3.2016 S$	Group 31.3.2015 S$	Company 31.3.2016 S$	Company 31.3.2015 S$
Assets					
Current Assets					
Cash and cash equivalents	8	18,737,470	21,656,807	4,574,641	5,278,839
Trade and other receivables	9	3,134,231	2,030,660	23,553,051	24,632,403
Prepaid operating expenses		174,977	411,814	55,480	642
Investment securities	10	19,555,765	12,091,307	1,349,171	-
		41,602,443	36,190,588	29,532,343	29,911,884
Non-current Assets					
Plant and equipment	11	632,579	214,052	-	-
Investment properties	12	148,667	208,667	-	-
Intangible assets	13	3,138,751	1,901,072	-	-
Investment in subsidiaries	14	-	-	3,424,521	4,779,957
Investment in associates	15	1,885,151	959,696	-	-
Investment securities	10	13,713,260	814,201	-	-
		19,518,408	4,097,688	3,424,521	4,779,957
Total Assets		61,120,851	40,288,276	32,956,864	34,691,841
Liabilities					
Current Liabilities					
Trade and other payables	16	1,820,858	954,017	163,213	30,841
Hire purchase	16	59,840	22,477	-	-
Income tax payable		1,457,699	797,853	29,766	52,000
Unearned revenue	17	3,156,559	1,920,801	-	-
		6,494,956	3,695,148	192,979	82,841
Non-current Liabilities					
Hire purchase	16	73,248	41,688	-	-
Unearned revenue	17	880,791	-	-	-
Deferred tax liabilities	18	11,344	41,331	-	-
		965,383	83,019	-	-
Total Liabilities		7,460,339	3,778,167	192,979	82,841
Net Assets		53,660,512	36,510,109	32,763,885	34,609,000
Equity					
Equity attributable to owners of the Company					
Share capital	19	30,736,966	30,983,691	30,736,966	30,983,691
Retained earnings		18,016,959	4,791,691	2,026,919	3,625,309
Other reserves	20	3,793,071	55,983	-	-
		52,546,996	35,831,365	32,763,885	34,609,000
Non-controlling interests		1,113,516	678,744	-	-
Total Equity		53,660,512	36,510,109	32,763,885	34,609,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

As at 31 March 2016

			Attributable to owners of the Company			Other reserves		
2016 Group	Note	Equity total	Equity attributable to owners of the Company, total	Share capital	Retained earnings	Fair value reserve	Translation reserve	Non-controlling interests
		S$	S$	S$	S$	S$	S$	S$
Opening balance at 1.4.2015		36,510,109	35,831,365	30,983,691	4,791,691	55,983	-	678,744
Profit for the year		18,807,203	18,582,431	-	18,582,431	-	-	224,772
Other comprehensive income								
Net fair value gain on available-for-sale financial assets		3,746,182	3,746,182	-	-	3,746,182	-	-
Foreign currency translation		(9,094)	(9,094)	-	-	-	(9,094)	-
Other comprehensive income for the year, net of tax		3,737,088	3,737,088	-	-	3,746,182	(9,094)	-
Total comprehensive income for the year		22,544,291	22,319,519	-	18,582,431	3,746,182	(9,094)	224,772
Contributions by and distributions to owners								
Share buy-backs	19	(246,725)	(246,725)	(246,725)	-	-	-	-
Dividends on ordinary shares	28	(5,357,163)	(5,357,163)	-	(5,357,163)	-	-	-
Total contributions by and distributions to owners		(5,603,888)	(5,603,888)	(246,725)	(5,357,163)	-	-	-
Changes in ownership interests in subsidiaries								
Incorporation of a subsidiary		210,000	-	-	-	-	-	210,000
Total changes in ownership interests in subsidiaries		210,000	-	-	-	-	-	210,000
Total transactions with owners in their capacity as owners		(5,393,888)	(5,603,888)	(246,725)	(5,357,163)	-	-	210,000
Closing balance at 31.3.2016		53,660,512	52,546,996	30,736,966	18,016,959	3,802,165	(9,094)	1,113,516

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

As at 31 March 2016

2015 Group

	Note	Equity total	Equity attributable to owners of the Company, total	Share capital	Retained earnings	Fair value reserve	Translation reserve	Non-controlling interests
		Attributable to owners of the Company				Other reserves		
		S$	S$	S$	S$	S$	S$	S$
Opening balance at 17.5.2014 (date of incorporation)		116	116	116	-	-	-	-
Profit for the period		4,991,897	4,791,691	-	4,791,691	-	-	200,206
Other comprehensive income								
Net fair value loss on available-for-sale financial assets		55,983	55,983	-	-	55,983	-	-
Other comprehensive income for the period, net of tax		55,983	55,983	-	-	55,983	-	-
Total comprehensive income for the period		5,047,880	4,847,674	-	4,791,691	55,983	-	200,206
Contributions by and distributions to owners								
Issuance of shares	19	26,114,998	26,114,998	26,114,998	-	-	-	-
Conversion of related party loans to shares	19	670,440	670,440	670,440	-	-	-	-
Conversion of other loans to shares	19	5,216,977	5,216,977	5,216,977	-	-	-	-
Share issuance expense	19	(1,018,840)	(1,018,840)	(1,018,840)	-	-	-	-
Total contributions by and distributions to owners		30,983,575	30,983,575	30,983,575	-	-	-	-
Changes in ownership interests in subsidiaries								
Acquisition of subsidiaries		516,844	-	-	-	-	-	516,844
Disposal of subsidiaries		(38,306)	-	-	-	-	-	(38,306)
Total changes in ownership interests in subsidiaries		478,538	-	-	-	-	-	478,538
Total transactions with owners in their capacity as owners		31,462,113	30,983,575	30,983,575	-	-	-	478,538
Closing balance at 31.3.2015		36,510,109	35,831,365	30,983,691	4,791,691	55,983	-	678,744

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

As at 31 March 2016

2016
Company

	Note	Equity total S$	Share capital S$	Retained earnings S$
Opening balance at 1.4.2015		34,609,000	30,983,691	3,625,309
Profit for the year, representing total comprehensive income for the year		3,758,773	-	3,758,773
Contributions by and distributions to owners				
Share buy-backs	19	(246,725)	(246,725)	-
Dividends on ordinary shares	28	(5,357,163)	-	(5,357,163)
Total transactions with owners in their capacity as owners		(5,603,888)	(246,725)	(5,357,163)
Closing balance at 31.3.2016		32,763,885	30,736,966	2,026,919

2015
Company

	Note	Equity total S$	Share capital S$	Retained earnings S$
Opening balance at 17.5.2014 (date of incorporation)		116	116	-
Profit for the period, representing total comprehensive income for the period		3,625,309	-	3,625,309
Contributions by and distributions to owners				
Issuance of shares	19	26,114,998	26,114,99 8	-
Conversion of related party loans to shares	19	670,440	670,440	
Conversion of other loans to shares	19	5,216,977	5,216,977	-
Share issuance expense	19	(1,018,840)	(1,018,840)	-
Total transactions with owners in their capacity as owners		30,983,575	30,983,57 5	-
Closing balance at 31.3.2015		34,609,000	30,983,69 1	3,625,309

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 March 2016

	Note	Group 31.3.2016 S$	Group 17.5.2014 (date of incorporation) to 31.3.2015 S$
Operating activities			
Profit before income tax		20,263,233	5,728,772
Adjustments for:			
Gain from disposal of subsidiaries' shares	4	(1,674,213)	(3,880,841)
Gain from sale of an associate's shares	4	(9,442,476)	-
Fair value loss/(gain) on held-for-trading investment securities	4	543,512	(1,156,086)
Loss on sale of held-for-trading investment securities	4	604,723	34,089
Dividend income	4	(322,756)	(225,476)
Gain on re-measurement of investment retained in former associate to fair value after partial disposal	4	(9,156,519)	-
Interest income	4	(1,186,054)	(8,182)
Gain from bargain purchase	4	(48,503)	(17,769)
Depreciation of plant and equipment	5	219,748	102,315
Finance costs		154,590	7,168
Share of results of associates		476,246	-
Unrealised exchange gain		1,878	-
Total adjustments		(19,829,824)	(5,144,782)
Operating cash flows before changes in working capital		433,409	583,990
Changes in working capital:			
Prepaid operating expenses		245,270	(411,764)
Trade and other receivables		(334,875)	236,075
Unearned revenue		2,116,549	1,020,863
Trade and other payables		724,434	498,508
Total changes in working capital		2,751,378	1,343,682
Cash flows generated from operations		3,184,787	1,927,672
Interest received		1,186,054	8,182
Finance costs paid		(154,590)	(7,168)
Income taxes paid		(826,171)	(279,853)
Net cash flows generated from operating activities		3,390,080	1,648,833
Investing activities			
Acquisition of subsidiaries by cash, net of cash acquired		(1,970,416)	(3,796,465)
Acquisition of subsidiaries by shares swap, net of cash acquired		-	4,825,565
Incorporation of an associate		(18,000)	-
Proceeds from sale of shares in subsidiary, net of cash disposed		-	3,761,839
Proceeds from sale of shares in an associate		10,000,000	-
Dividend income		322,756	225,476
Purchase of plant and equipment		(510,430)	(82,678)
Net purchase of investment securities		(8,529,439)	(5,242,080)
Net cash flows used in investing activities		(705,529)	(308,343)

Consolidated Statement of Cash Flows

For the financial year ended 31 March 2016

	Note	Group 31.3.2016 S$	Group 17.5.2014 (date of incorporation) to 31.3.2015 S$
Financing activities			
Dividend paid	28	(5,357,163)	-
Share buy backs	19	(246,725)	-
Issuance of shares	19	-	21,335,041
Share issuance costs	19	-	(1,018,840)
Net cash flows (used in)/from financing activities		(5,603,888)	20,316,201
Net (decrease)/increase in cash and cash equivalents		(2,919,337)	21,656,691
Cash and cash equivalents at the beginning of the year/period		21,656,807	116
Cash and cash equivalents at the end of the year/period	8	18,737,470	21,656,807

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

8I Holdings Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Australian Securities Exchange (ASX).

The registered office and principal place of business of the Company is located at Goldbell Towers, 47 Scotts Road, #03-03/04, Singapore 228233.

The principal activities of the Company are management consulting and investment holding. The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollar (SGD or S$).

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 April 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual year beginning on or after
Amendments to FRS 27 Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 16 and FRS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 107 Financial Instruments: Disclosures	1 January 2016
(b) Amendments to FRS 19 Employee Benefits	1 January 2016
Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to FRS 1 Disclosure Initiative	1 January 2016

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

Description	Effective for annual year beginning on or after
Amendments to FRS 110, FRS 112 and FRS 28 Investment Entities: Applying the Consolidation Exception	1 January 2016
FRS 115 Revenue from Contracts with Customers	1 January 2017
FRS 109 Financial Instruments	1 January 2018

Except for FRS 115 and FRS 109, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115 and FRS 109 are described below.

<u>FRS 115 Revenue from Contracts with Customers</u>

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

<u>FRS 109 Financial Instruments</u>

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

The Group currently measures one of its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group apply FRS 109.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation and business combinations

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within subsidiaries are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative transaction differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation and business combinations (continued)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

2. Summary of significant accounting policies (continued)

2.6 Foreign currency (continued)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation

Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss

2.7 Plant and equipment

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Office Equipment	1 to 3
Furniture & Fittings	3
Motor Vehicle	5

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2. Summary of significant accounting policies (continued)

2.8 Investment properties

The investment properties are properties that are either owned by the Group in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.10 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect these returns through its power over the investee.

In the Company's separate financial statements, investment in subsidiaries are accounted for at cost less impairment losses. On disposal of investment in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investment are recognised in profit or loss.

2. Summary of significant accounting policies (continued)

2.11 Associate

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence or joint control over the associate, the Group measures the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

If the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

2. Summary of significant accounting policies (continued)

2.12 Financial Instruments

a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

i) Financial assets at fair value through profit or loss which are held for trading

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

2. Summary of significant accounting policies (continued)

2.12 Financial instruments (continued)

iii) Available-for-sale financial assets

Available-for-sale financial assets include equity securities. Equity investments classified available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available for sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2. Summary of significant accounting policies (continued)

2.13 Impairment of financial assets

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance amount. The amount of the loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency of significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent year, the amount of the impairment loss decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost had been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2. Summary of significant accounting policies (continued)

2.13 Impairment of financial assets (continued)

c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. Significant is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand which are subject to an insignificant risk of changes in value.

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.16 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to income, it shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

2. Summary of significant accounting policies (continued)

2.17 Employee benefits

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.18 Leases

As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.19. Contingent rents are recognised as revenue in the period in which they are earned.

2.19 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

- Revenue from rendering of services is recognised over the period the services are performed.
- Dividend income is recognised when the Group's right to receive payment is established.
- Interest income is recognised using the effective interest method.
- Revenue from sale of books is recognised as the books are sold.
- Revenue from sales of investment property is recognised upon the transfer of significant risk and rewards of ownership of the property to the buyer and the amount of revenue and cost incurred or to be incurred in respect of the transaction can be measured reliably.
- Rental income is accounted for on a straight line basis over the lease terms.

2. Summary of significant accounting policies (continued)

2.20 Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted at the end of the reporting period, in the country where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable in the years in which those temporary differences are expected to be recovered or settled based on tax rates.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised of except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. Summary of significant accounting policies (continued)

2.20 Taxes (continued)

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.21 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

3. Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices. Management has assessed that prices are mainly denominated and settled in the respective local currency of the entities of the Group. In addition, most of the entities' cost base is mainly denominated in their respective local currency. Therefore, management concluded that the functional currency of the entities of the Group is their respective local currency.

3. Significant accounting judgments and estimates (continued)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives of plant and equipment

The cost of plant and equipment is depreciated on a straight line basis over the plant and equipment's useful lives. Management estimates the useful lives of these plant and equipment to be within 1 to 5 years. These are common life expectancies applied in the similar industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at 31 March 2016 was S$632,579 (2015: S$214,052).

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is S$3,134,231 (2015: S$2,030,660).

Fair value of unquoted available-for-sale financial assets

The fair values of unquoted available-for-sale financial assets are determined using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The assumptions applied in determination of the valuation of these unquoted available-for-sale financial assets and a sensitivity analysis are described in more detail in Note 24.

The carrying amount of the Group's unquoted available-for-sale financial assets as at 31 March 2016 was S$13,879 (2015: S$43,879).

4. Revenue and other income

	Group	
	31.3.2016	17.5.2014 (date of incorporation) to 31.3.2015
	S$	S$
Revenue		
Program sales	7,033,556	4,007,575
Event site rental and event organisation income	4,014,724	1,278,456
Property development and rental income	886,605	154,974
Gain from disposal of subsidiaries' shares*	1,674,213	3,880,841
Gain from sale of an associate's shares	9,442,476	-
Fair value (loss)/gain on held-for-trading investment securities	(543,512)	1,156,086
Loss on sale of held-for trading investment securities	(604,723)	(34,089)
Dividend income	322,756	225,476
	22,226,095	10,669,319
Other income		
Gain on re-measurement of investment retained in former associate to fair value after partial disposal**	9,156,519	-
Interest income from loans	1,186,054	8,182
Gain from bargain purchase	48,503	17,769
Others	215,899	115,216
	10,606,975	141,167
Total revenue and other income	32,833,070	10,810,486

* During the financial year, the Group swapped all of its interest in its two subsidiaries, Vue at Red Hill Pty Ltd and Fusion 462 Pty Ltd, for shares in Velocity Holdings Pty Ltd resulting in a gain of S$1,674,213 from the share swap.

** The Group disposed part of its interest in an associate resulting in the loss of significant influence in the associate. Accordingly, the investment retained in the former associate is re-classified as available-for-sale investment securities and re-measured at fair value, as required by the Financial Reporting Standard, resulting in a fair value gain of S$9,156,519 (2015: Nil).

5. Profit before tax

The following items have been included in arriving at profit before tax:

	Group	
	31.3.2016	17.5.2014 (date of incorporation) to 31.3.2015
	S$	S$
Audit fees paid to:		
- Auditors of the Company	65,879	42,851
- Other auditors	30,277	-
Non-audit fees paid to:		
- Auditors of the Company	-	39,248
- Other auditors	-	44,084
Depreciation of plant and equipment	219,748	102,315
Employee benefits expense (Note 21)	3,603,480	1,649,333
Operating lease expense (Note 23)	2,505,439	899,923
Travelling expense	212,752	50,092
Professional fees	248,227	133,892
Property profit sharing to co-investors	897,681	-
Commission	286,659	166,545
Net foreign exchange loss	207,962	223,629

6. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 March 2016 and 2015 are:

	Group	
	31.3.2016	17.5.2014 (date of incorporation) to 31.3.2015
	S$	S$
Consolidated income statement:		
Current income tax		
- Current income taxation	1,434,048	736,875
- Under provision in respect of previous years	42,612	-
Deferred income tax		
- Origination and reversal of temporary difference	(20,630)	-
Income tax expense recognised in the income statement	1,456,030	736,875

6. Income tax expense (continued)

Relationship between tax expense and accounting profit

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 March 2016 and 2015 is as follows:

	Group	
	31.3.2016	17.5.2014 (date of incorporation) to 31.3.2015
	S$	S$
Profit before tax	20,263,233	5,728,772
Tax at the domestic rates applicable to profits in the countries where the Group operates	3,444,749	973,891
Adjustments:		
Non-deductible expenses	124,913	41,181
Income not subject to taxation	(2,051,099)	(60,316)
Effect of partial tax exemption and tax relief	(186,107)	(221,656)
Deferred tax assets not recognised	-	3,775
Under provision in respect of previous years	42,612	-
Share of results of associates	80,962	-
	1,456,030	736,875

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The nature of income that are not taxable for income tax purposes are as follows:

	Group	
	31.3.2016	17.5.2014 (date of incorporation) to 31.3.2015
	S$	S$
Gain from disposal of subsidiaries' shares	1,674,213	-
Gain on re-measurement of investment retained in former associate to fair value after partial disposal	9,156,519	-
Interest income from loans	1,186,054	-
Gain from bargain purchase	48,503	17,769
Dividend income	-	225,476
Others	-	111,555
	12,065,289	354,800

7. Earnings per share

The earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation.

The following table reflects the profit and share data used in the computation of basic earnings per share for the years ended 31 March:

	Group	
	31.3.2016	17.5.2014 (date of incorporation) to 31.3.2015
	S$	S$
Profit, net of tax, attributable to owners of the Company used in the computation of earnings per share	18,582,431	4,791,691
	No. of shares	No. of shares
Weighted average number of ordinary shares for earnings per share computation	357,113,926	281,226,184

8. Cash and cash equivalents

	Group		Company	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	S$	S$	S$	S$
Cash at banks and on hand	18,737,470	21,656,807	4,574,641	5,278,839

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Cash denominated in foreign currencies at 31 March are as the follows:

	Group		Company	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	S$	S$	S$	S$
Australian Dollar	1,046,089	646,649	960,888	546,387
Malaysia Ringgit	723,133	-	-	-
United States Dollar	532,990	-	-	-
Chinese Yuan	451,261	-	-	-

9. Trade and other receivables

	Group		Company	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	S$	S$	S$	S$
Trade receivables	840,076	683,585	-	-
Deposits	524,522	376,581	2,759	-
Banker's guarantee	190,000	190,000	-	-
Amounts due from subsidiaries	-	-	23,550,292	24,632,403
Amounts due from an associate	215,540	125,000	-	-
Amounts due from affiliated companies	-	502,478	-	-
Amounts due from third parties	819,600	-	-	-
Other receivables	544,493	153,016	-	-
Total trade and other receivables	3,134,231	2,030,660	23,553,051	24,632,403
Add: Cash and cash equivalents (Note 8)	18,737,470	21,656,807	4,574,641	5,278,839
Total loans and receivables	21,871,701	23,687,467	28,127,692	29,911,242

Trade receivables

The trade receivables are non-interest bearing and are generally on 30 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Banker's guarantee

Banker's guarantee represents guarantee as required by Global Payments in order to provide services in accordance to the merchants' agreement.

Related party balances

Amounts due from subsidiaries, and affiliated companies are non-trade related, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash. Amounts due from associate are non-trade related, unsecured, bear interest of 7% per annum, repayable upon demand and are to be settled in cash.

Third party balances

Amounts due from third parties are non-trade related, unsecured, bear interest of 5% per annum, settled by 31 March 2017 and are to be settled in cash.

Other receivables

Amounts due from other receivables are non-trade related, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

9. Trade and other receivables (continued)

Receivables that are denominated in foreign currencies

Receivables denominated in foreign currencies at 31 March are as follows:

	Group		Company	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	S$	S$	S$	S$
Malaysia Ringgit	513,990	359,737	309,606	359,737
Australian Dollar	215,540	-	-	-
Chinese Yuan	21,541	-	-	-

Receivables that are past due but not impaired

The Group has trade receivables amounting to S$469,353 (2015: S$366,421) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	31.3.2016	31.3.2015
	S$	S$
Trade receivables past due but not impaired:		
Lesser than 30 days	95,954	96,245
30 – 60 days	127,860	137,901
More than 60 days	245,539	132,275
	469,353	366,421

10. Investment securities

	Group		Company	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	S$	S$	S$	S$
Current:				
Held-for-trading financial assets				
Equity securities (quoted)	19,555,765	12,091,307	1,349,171	-
Non-current:				
Available-for-sale financial assets				
Equity securities (quoted)	13,699,381	770,322	-	-
Shares (unquoted), at cost	13,879	43,879	-	-
	13,713,260	814,201	-	-

Available-for-sale financial assets, shares (unquoted), comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

11. Plant and equipment

Group	Office Equipment S$	Furniture and Fittings S$	Motor Vehicle S$	Total S$
Cost				
At 17.5.2014 (date of incorporation)	-	-	-	-
Additions	10,929	61,077	95,800	167,806
Acquisition of subsidiaries	66,416	86,262	-	152,678
Disposal of a subsidiary	(768)	(4,327)	-	(5,095)
At 31.3.2015 and 1.4.2015	76,577	143,012	95,800	315,389
Additions	247,507	236,275	112,773	596,555
Acquisition of a subsidiary (Note 14)	12,983	30,615	-	43,598
Exchange differences	(894)	(1,459)	-	(2,353)
At 31.3.2016	336,173	408,443	208,573	953,189
Accumulated Depreciation				
At 17.5.2014 (date of incorporation)	-	-	-	-
Charge for the period	56,213	41,312	4,790	102,315
Disposal of a subsidiary	(543)	(435)	-	(978)
At 31.3.2015 and 1.4.2015	55,670	40,877	4,790	101,337
Charge of the year	152,236	32,764	34,748	219,748
Exchange differences	(236)	(239)	-	(475)
At 31.3.2016	207,670	73,402	39,538	320,610
Net Carrying Amount				
At 31.3.2015	20,907	102,135	91,010	214,052
At 31.3.2016	128,503	335,041	169,035	632,579

During the financial year, the Group acquired motor vehicle amounting to S$86,125 (2015: S$85,128) by means of hire purchase. The cash outflow on acquisition of plant and equipment amounted to S$510,430 (2015: S$82,678).

The carrying amount of motor vehicle under hire purchase at the end of the reporting period was S$169,035 (2015: S$91,010). Leased assets are pledged as security for the related hire purchase (Note 16).

12. Investment properties

	Group 31.3.2016 S$	Group 31.3.2015 S$
At 1 April	208,667	-
Addition from acquisition of a subsidiary	-	208,667
Disposal	(60,000)	-
At 31 March	148,667	208,667

There are no rental income nor direct operating expense arising from investment properties during the financial year. The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

12. Investment properties (continued)

Valuation of investment properties

The Group carries its investment property at fair value, with changes in fair value being recognised in profit or loss. There was no valuation during the financial year as the investment properties are still under development. The investment properties held by the Group as at 31 March 2016 are as follows:

Description and Location	Existing Use	Tenure	Unexpired lease term
One unit of a mixed-use office located at Dela Rosa Street in Manila, Philippines	Offices	Freehold	n/a

13. Intangible assets

	Group	
	31.3.2016	31.3.2015
	S$	S$
Goodwill on acquisition		
At 1 April	1,901,072	-
Addition from acquisition of subsidiaries	1,237,679	3,441,621
Disposal of a subsidiary	-	(1,540,549)
At 31 March	3,138,751	1,901,072

Impairment testing of goodwill

Goodwill acquired through business combinations have been allocated to two cash-generating units (CGU), which are also the reportable operating segments, for impairment testing as follows:

- Education and event segment
- Property segment

The carrying amounts of goodwill allocated to each CGU are as follows:

	Education and event segment		Property segment		Total	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	S$	S$	S$	S$	S$	S$
Goodwill	1,901,072	1,901,072	1,237,679	-	3,138,751	1,901,072

13. Intangible assets (continued)

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a three-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the three-year period are as follows:

	Education and event segment		Property segment	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
Growth rates	2%	2%	3%	-
Pre-tax discount rates	5%	5%	10%	-

Key assumptions used in the value in use calculation

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

Budgeted gross margins – Gross margins are based on average values achieved in the three years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements. An increase of 2% per annum has been applied.

Growth rates – The forecasted growth rates are based on management's estimate using rates from existing binding contracts, property development projects and property price index.

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flows estimates. The discount rate calculation is based on the specific circumstances of the Group and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service.

Market share assumptions – These assumptions are important because, as well as using management's estimate for growth rates (as noted above), management assesses how the CGUs' position, relative to its competitors, might change over the budget period. Management expects the Group's share of the event and property markets to be stable over the budget period.

Sensitivity to changes in assumptions

With regards to the assessment of value in use for the property segment, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the unit to materiality exceed its recoverable amount.

For the education and event segment, the estimated recoverable amount exceeds its carrying amount by approximately S$250,000 (2015: S$250,000) and, consequently, any adverse change in a key assumption would result in a further impairment loss. The implication of the key assumption for the recoverable amount is discussed below:

Growth rates – Management recognises that the possibility of new entrance can have a significant impact on growth rate assumptions. The effect of new entrance is not expected to have an adverse impact on the forecasts, but could yield a reasonably possible alternative to the estimated long-term growth rate of 2% (2015: 2%). A reduction of 0.5% (2015: 0.5%) in the long-term growth rate would result in a further impairment.

14. Investment in subsidiaries

	Company	
	31.3.2016	31.3.2015
	S$	S$
Shares, at cost	100	-
Issuance of shares for acquisition of subsidiaries	4,779,957	4,779,957
Impairment losses	(1,355,536)	-
	3,424,521	4,779,957

Composition of the Group

The Group has the following significant investments in subsidiaries.

Name of subsidiaries	Country of incorporation/ operation	Principal activities	Effective interest held	
			31.3.2016	31.3.2015
Held by the Company:				
8 Investment Pte. Ltd.[1]	Singapore	Investment dealings and management consultancy service	100%	100%
8 Capital Pte. Ltd.[1]	Singapore	Investment trading	100%	100%
8 Business Pte. Ltd.[1]	Singapore	Private equity investment	100%	100%
8I Education (S) Pte. Ltd.[2]	Singapore	Seminars and programs organiser	100%	100%
8I Media Pte. Ltd.[2]	Singapore	Seminars and programs organiser	100%	100%
8 Property Pte. Ltd.[1,7]	Singapore	Seminars and programs organiser	100%	100%
8 Property PLS Pte. Ltd.[1,7]	Singapore	Property and management consultancy service	100%	100%
8IH Global Limited3	Mauritius	Investment trading	100%	-
Held through 8 Investment Pte. Ltd.:				
Oxford Views Pte. Ltd.[1]	Singapore	Property and management consultancy services	100%	-
Fusion 462 Pte. Ltd.[1]	Singapore	Property and management consultancy services	100%	-
Vue at Red Hill Pte. Ltd.[1]	Singapore	Property and management consultancy services	100%	-
Held through Oxford Views Pte. Ltd.:				
Oxford Views Pty Ltd	Australia	Property investment	100%	-
Held through 8I Education (S) Pte. Ltd.:				
8IH China Pte. Ltd.[2,4]	Singapore	Business and management consultancy services	65%	-
8I Education (M) Sdn Bhd[5]	Malaysia	Seminars and programs organiser	100%	-

14. Investment in subsidiaries (continued)

Name of subsidiaries	Country of incorporation/ operation	Principal activities	Effective interest held 31.3.2016	31.3.2015
Held through 8IH China Pte. Ltd.:				
8I Education (Shanghai) 信益安（上海）实业有限公司[6]	People's Republic of China	Business and management consultancy services	65%	-
Held through 8 Business Pte. Ltd.:				
Hemus Pacific Private Limited[1]	Singapore	Event organiser	51%	51%

[1] *Audited by KONG, LIM & PARTNERS LLP, Singapore*
[2] *Audited by PRICEWATERHOUSECOOPERS LLP, Singapore*
[3] *Incorporated on 7 January 2016, unaudited*
[4] *Incorporated on 19 July 2015*
[5] *Audited by ALAN YOON ASSOCIATION, Malaysia*
[6] *Incorporated on 14 December 2015, unaudited*
[7] *Dormant*

Interest in subsidiaries with material non-controlling interest (NCI)

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit/(loss) allocated to NCI during the reporting period S$	Accumulated NCI at the end of reporting period S$	Dividends paid to NCI S$
31 March 2016:					
8IH China (Shanghai) Co. Ltd 信益安（上海）实业有限公司	People's Republic of China	35%	10,198	220,198	-
Hemus Pacific Private Limited	Singapore	49%	214,574	893,318	-
31 March 2015:					
Hemus Pacific Private Limited	Singapore	49%	153,266	678,744	-

Significant restrictions:

The nature and extent of significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests are:

Cash and cash equivalents of S$839,156 (2015: Nil) held in People's Republic of China are subject to local exchange control regulations. These regulations places restriction on the amount of currency being exported other than through dividends.

14. Investment in subsidiaries (continued)

Summarised financial information about subsidiaries with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised statements of financial position

	Hemus Pacific Private Limited		8IH China (Shanghai) Co. Ltd 信益安（上海）实业有限公司	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	S$	S$	S$	S$
Current				
Assets	2,304,172	2,063,694	835,872	-
Liabilities	(633,990)	(808,665)	(207,509)	-
Net current assets	1,670,182	1,255,029	628,363	-
Non-current				
Assets	154,261	131,510	773	-
Liabilities	(1,344)	(1,344)	-	-
Net non-current assets	152,917	130,166	773	-
Net assets	1,823,099	1,385,195	629,136	-

Summarised statement of comprehensive income

	Hemus Pacific Private Limited		8IH China (Shanghai) Co. Ltd 信益安（上海）实业有限公司	
	31.3.2016	17.5.2014 (date of incorporation) to 31.3.2015	31.3.2016	17.5.2014 (date of incorporation) to 31.3.2015
	S$	S$	S$	S$
Revenue	4,014,724	1,278,456	215,167	-
Profit before income tax	508,155	312,788	57,436	-
Income tax expense	(70,251)	-	(527)	-
Profit after tax representing total comprehensive income	437,904	312,788	56,909	-

14. Investment in subsidiaries (continued)

Other summarised information

	Hemus Pacific Private Limited		8IH China (Shanghai) Co. Ltd 信益安（上海）实业有限公司	
	31.3.2016	17.5.2014 (date of incorporation) to 31.3.2015	31.3.2016	17.5.2014 (date of incorporation) to 31.3.2015
	S$	S$	S$	S$
Net cash flows from operations	582,476	323,771	57,436	-
Acquisition of significant plant and equipment	95,476	-	773	-

Acquisition of Oxford Views Pte. Ltd., Fusion 462 Pte. Ltd. and Vue at Red Hill Pte. Ltd.

On 30 June 2015 (the acquisition date), the Company's subsidiary, 8 Investment Pte. Ltd., acquired 100% equity interest in Fusion 462 Pte. Ltd., Oxford Views Pte. Ltd. and Vue at Red Hill Pte. Ltd. (the "Velocity Group") for a consideration of A$2,329,207. The Velocity Group together owns 100% of Fusion 462 Pty Ltd, Oxford Views Pty Ltd and Vue at Red Hill Pty Ltd. Subsequent to the acquisition, the Group swapped all of its interest in Fusion 462 Pty Ltd and Vue at Red Hill Pty Ltd for 49.9% stake in Velocity Holdings Pty Ltd. Velocity Group is a vibrant, young boutique property developer that specialises in cosmopolitan developments throughout South-East Queensland, Australia.

The acquisition of the Velocity Group is in line with the Company's Value Investment strategy of investing in growth opportunities while allowing existing management to run the day to day operations. This acquisition will allow the Company to invest directly in property development in Australia and to acquire high quality real estate assets to hold and lease to generate rental revenue.

The fair value of the identifiable assets and liabilities of the Velocity Group as at the acquisition date were:

	Fair value recognised on acquisition
	S$
Investment in associates	807,652
Trade and other receivables	1,069,332
Loans to associates	4,795,398
Cash and cash equivalents	52,839
	6,725,221
Trade and other payables	(3,832,000)
Loan from ultimate holding company	(1,708,525)
	(5,540,525)
Total identifiable net assets at fair value	1,184,696
Goodwill arising from acquisition	1,237,679
	2,422,375

14. Investment in subsidiaries (continued)

	Fair value recognised on acquisition S$
Consideration transferred for the acquisition of the Velocity Group	
Cash paid, representing the total consideration transferred	2,422,375
Effect of the acquisition of Velocity Group on cash flows	
Total consideration for 100% equity interest acquired settled in cash	2,422,375
Less: Cash and cash equivalents of subsidiaries acquired	(52,839)
Net cash outflow on acquisition	2,369,536

Trade and other receivables acquired

Trade and other receivables acquired with fair value of S$1,069,332 is expected to be collected.

Loans to associates

Loans to associates of S$4,795,399 are secured by associates' assets, bear interest of 12.68% to 20.00% per annum, repayable upon demand and are to be settled in cash. These loans were fully repaid as at 31 March 2016.

Goodwill arising from acquisition

The goodwill of S$1,237,678 comprises the value of providing the Group with access to property development in Australia. None of the goodwill recognised is expected to be deductible for income tax purposes.

Impact of the acquisition on profit and loss

From the acquisition date, the Velocity Group has contributed S$2,457,320 of revenue and S$1,228,043 to the Group's profit after tax for the financial year. If the business combination had taken place on 1 April 2015, the Group's revenue would have been S$22,800,000 and the Group's profit, net of tax would have been S$19,400,000.

Acquisition of 8I Education (M) Sdn Bhd

On 3 July 2015 (the acquisition date), the Company's subsidiary, 8I Education (S) Pte. Ltd., acquired 100% equity interest in 8I Education (M) Sdn Bhd (the "8IE Malaysia") for a consideration of S$126,618, as part of the Company's regional expansion plans.

8IE Malaysia operates as an events management consultant and provides financial education and training seminars in major cities across Malaysia since 2011. The acquisition of 8IE Malaysia is in line with the Company's Value Investment strategy of investing in growth opportunities in the education market.

14. Investment in subsidiaries (continued)

The fair value of the identifiable assets and liabilities of 8IE Malaysia as at the acquisition date were:

	Fair value recognised on acquisition S$
Plant and equipment	43,598
Investment securities	53,385
Prepaid operating expenses	8,433
Trade and other receivables	98,278
Cash and cash equivalents	525,738
	729,432
Unearned revenue	(114,013)
Trade and other payables	(440,298)
	(554,311)
Total identifiable net assets at fair value	175,121
Gain from bargain purchase	(48,503)
	126,618
Consideration transferred for the acquisition of the 8IE Malaysia	
Cash paid, representing the total consideration transferred	126,618
Effect of the acquisition of Velocity Group on cash flows	
Total consideration for 100% equity interest acquired settled in cash	126,618
Less: Cash and cash equivalents of subsidiaries acquired	(525,738)
Net cash inflow on acquisition	(399,120)

Trade and other receivables acquired

Trade and other receivables acquired with fair value of S$98,278 is expected to be collected.

Unearned revenue

This represents revenue received from customers but not yet recognised to the profit or loss due to service not yet rendered as at reporting date.

Gain from bargain purchase

A gain from bargain purchase of S$48,503 has been recognised as other income in the current financial period. The gain recognised is not expected to be taxable for income tax purposes.

14. Investment in subsidiaries (continued)

Impact of the acquisition on profit and loss

From the acquisition date, 8IE Malaysia has contributed S$945,940 of revenue and S$160,337 to the Group's profit after tax for the financial year. If the business combination had taken place on 1 April 2015, the revenue from operations would have been S$22,400,000 and the Group's profit from operations, net of tax would have been S$18,800,000.

15. Investment in associates

The Group's investments in associates are summarized below:

	Group	
	31.3.2016	31.3.2015
	S$	S$
Velocity Holdings Pty Ltd	1,884,630	-
Singapore Fuller International Holding Group Pte. Ltd.	521	-
CPA Academy Pte. Ltd.	-	959,696
	1,885,151	959,696

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 31.3.2016	31.3.2015
Held through subsidiaries:				
Velocity Holdings Pty Ltd	Australia	Property developer	49.9%*	-
Singapore Fuller International Holding Group Pte. Ltd.[i]	Singapore	Business and management consultancy services	33.3%	-
CPA Academy Pte. Ltd.[i]	Singapore	IT business and seminars organiser	-**	31%

[i] *Audited by KONG, LIM & PARTNERS LLP, Singapore.*

* *The Group has significant influence on Velocity Holdings Pty Ltd but does not have control over the business of the associate.*

** *The Group swapped all of its interest in CPA Academy Pte. Ltd. for shares in Digimatic Group Limited and subsequently disposed part of its interest in Digimatic Group Ltd resulting in the loss of significant influence in the associate. Accordingly, the investment retained in the former associate is re-classified as available-for-sale financial assets.*

The activities of the associates are strategic to the Group activities.

15. Investment in associates (continued)

Aggregate information about the Group's investments in associates that are not individually material are as follows:

	Group	
	31.3.2016	31.3.2015
	S$	S$
Profit or loss after tax representing total comprehensive income	160,280	959,696

The summarised consolidated financial information in respect of Velocity Holdings Pty Ltd and its subsidiaries, based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised statement of financial position

	Velocity Holdings Pty Ltd and its subsidiaries	
	31.3.2016	31.3.2015
	S$	S$
Current assets	12,224,430	-
Non-current assets excluding goodwill	14,195,555	-
Goodwill	6,584,154	-
Total assets	33,004,139	-
Current liabilities	(3,253,915)	-
Non-current liabilities	(24,051,679)	-
Total liabilities	(27,305,594)	-
Net assets	5,698,545	-
Net assets excluding goodwill	(1,568,773)	
Proportion of the Group's ownership	49.9%	-
Group's share net assets	(782,818)	-
Goodwill on acquisition	1,884,630	-
Other adjustments	782,818	-
Carrying amount of the investment	1,884,630	-

Summarised statement of comprehensive income

	Velocity Holdings Pty Ltd and its subsidiaries	
	31.3.2016	31.3.2015
	S$	S$
Revenue	14,913,949	
Loss after tax representing total comprehensive income	(1,196,864)	-

16. Trade and other payables

	Group		Company	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	S$	S$	S$	S$
Trade payables	51,581	53,894	10,130	18,441
Accrued operating expenses	848,297	342,096	128,155	12,400
Deposits received	154,106	183,876	-	-
GST payable	203,518	149,393	-	-
Amounts due to related parties	-	181,342	-	-
Amounts due to third party	463,636	-	-	-
Other payables	99,720	43,416	24,928	-
Trade and other payable	1,820,858	954,017	163,213	30,841
Hire purchase	133,088	64,165	-	-
Total trade and other payables, representing financial liabilities carried at amortised cost	1,953,946	1,018,182	163,213	30,841

Trade and other payables

These amounts are non-interest bearing. Trade and other payables are normally settled on 30-day terms. Trade payables denominated in foreign currencies as at 31 March are as follows:

	Group		Company	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	S$	S$	S$	S$
Australian Dollar	4,600	-	-	-
Chinese Yuan	7,732	-	-	-
Malaysia Ringgit	94,529	-	-	-

Amounts due to related parties

These amounts are non-trade related, unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Amounts due to third party

These amounts are non-trade related, unsecured, bear interest of 5% per annum, repayable on 31 March 2017 and are to be settled in cash.

Hire purchase

This amount is secured by a charge over the leased assets (Note 11). The effective interest of the lease is between 2.28% to 2.83% per annum (2015: 2.28% per annum). This hire purchase is denominated in Singapore Dollars.

16. Trade and other payables (continued)

Minimum lease payments and present value of the minimum lease payments are as follows:

	Minimum lease payments		Present value of payments	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	S$	S$	S$	S$
Group				
Not later than one year	64,346	25,047	59,840	22,477
Later than one year but not later than five years	85,555	43,507	73,248	41,688
Total minimum lease payments	149,901	68,554	133,088	64,165
Less: Amounts representing finance charges	(16,813)	(4,389)	-	-
Present value of minimum lease payments	133,088	64,165	133,088	64,165

17. Unearned revenue

	Group	
	31.3.2016	31.3.2015
	S$	S$
Unearned revenue (current)	3,156,559	1,920,801
Unearned revenue (non-current)	880,791	-
	4,037,350	1,920,801

This represents revenue received from customers but not yet recognised to the profit or loss due to service not yet rendered as at reporting date.

18. Deferred tax liabilities

	Group	
	31.3.2016	31.3.2015
	S$	S$
Differences in depreciation for tax purposes	11,344	2,831
Difference in fair value reserve for available-for-sale securities for tax purposes	-	38,500
	11,344	41,331

19. Share capital

	Group and Company			
	31.3.2016		31.3.2015	
	No. of shares	S$	No. of shares	S$
Issued and fully paid ordinary shares				
At 1 April / date of incorporation	357,144,200	30,983,691	100,000,000	116
Share buy-backs	(250,000)	(246,725)	-	-
Issuance of shares		-	168,814,665	26,114,998
Conversion of related party loans to shares	-	-	58,329,535	670,440
Conversion of other loans to shares	-	-	30,000,000	5,216,977
Share issuance expense	-	-	-	(1,018,840)
At 31 March	356,894,200	30,736,966	357,144,200	30,983,691

The shareholders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

During the financial year, the Company made on-market share buy-backs of 250,000 ordinary shares (2015: Nil) for a total consideration of S$246,725 (2015: Nil).

20. Other reserves

Fair value reserve

Fair value reserve represents the cumulative unrealised fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

21. Employee benefits

	Group	
	31.3.2016 S$	17.5.2014 (date of incorporation) to 31.3.2015 S$
Employee benefits expense (including directors):		
Salaries, bonuses and fees	3,229,177	1,507,991
Central Provident Fund contributions and pensions	300,891	126,330
Other short-term benefits	73,412	15,012
	3,603,480	1,649,333

22. Related parties transactions

Related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel and their close family members.

a) Sale and purchase of goods and services

In additional to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial period:

	Group	
	31.3.2016	17.5.2014 (date of incorporation) to 31.3.2015
	S$	S$
Professional fees paid to an affiliated company	61,147	117,473
Consultation income from associates	201,691	-
Interest income from associates	1,139,651	-
Sale of course materials to an affiliated company	26,628	140,939

b) Compensation of key management personnel

	Group	
	31.3.2016	17.5.2014 (date of incorporation) to 31.3.2015
	S$	S$
Salaries, bonuses and fees	1,199,139	846,682
Central Provident Fund contributions	67,014	35,860
	1,266,153	882,542
Comprise amounts paid to:		
Directors of the Company	659,216	670,777
Other key management personnel	606,937	211,765
	1,266,153	882,542

23. Commitments and contingent liabilities

Operating lease commitments – as lessee

The Group has entered into commercial leases on event spaces and office premises. These leases have tenures of 6 months to 3 years with no renewal option or contingent rent provision included in the contracts. The Group is restricted from subleasing the office premises to third parties.

Minimum lease payments recognised as expense in the income statement for the financial period ended 31 March 2016 amounted to S$2,505,439 (2015: S$899,923).

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	31.3.2016	31.3.2015
	S$	S$
Not later than one year	1,015,000	1,368,000
Later than one year but not later than five years	1,355,000	247,000
	2,370,000	1,615,000

Contingent liabilities

Except as disclosed in the financial statements, the Group does not have any significant contingent liability at the end of the financial period.

24. Fair value of assets and liabilities

a) Fair value hierarchy

The Group categorised fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

24. Fair value of assets and liabilities (continued)

b) Financial instruments measured at fair value

The following table shows an analysis of each class of financial instruments measured at fair value at the end of the reporting period:

	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Group				
As at 31.3.2016	S$	S$	S$	S$
Assets measured at fair value				
Financial assets:				
Held-for-trading financial assets				
Quoted equity securities	19,555,765	-	-	19,555,765
Available-for-sale financial assets				
Quoted equity securities	13,699,381	-	13,879	13,713,260
	33,255,146	-	13,879	33,269,025
Non-financial assets:				
Investment properties				
Commercial	-	-	148,667	148,667
As at 31.3.2015				
Assets measured at fair value				
Financial assets:				
Held-for-trading financial assets				
Quoted equity securities	12,091,307	-	-	12,091,307
Available-for-sale financial assets				
Quoted equity securities	770,322	-	-	770,322
Unquoted equity securities	-	-	43,879	43,879
	12,861,629	-	43,879	12,905,508
Non-financial assets:				
Investment properties				
Commercial	-	-	148,667	148,667
Residential	-	-	60,000	60,000
	-	-	208,667	208,667

Included within Level 1 of the hierarchy are listed investments. The fair value of these financial assets has been based on the closing quoted bid prices at the end of the reporting period, excluding transaction cost.

24. Fair value of assets and liabilities (continued)

c) Level 3 fair value measurements

i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value as at 31.3.2016	Valuation techniques	Unobservable inputs	Range
Recurring fair value measurements				
Available-for-sale financial assets:				
Unquoted equity securities	13,879	Market comparable approach	Yield adjustments based on management's assumptions*	5%
Investment properties				
Commercial	148,667	Market comparable approach	Yield adjustments based on management's assumptions*	5%

*The yield adjustments are made for any difference in the nature, location or condition of the specific property.

Description	Fair value as at 31.3.2015	Valuation techniques	Unobservable inputs	Range
Recurring fair value measurements				
Available-for-sale financial assets:				
Unquoted equity securities	43,879	Market comparable approach	Yield adjustments based on management's assumptions*	5%
Investment properties				
Commercial	148,667	Market comparable approach	Yield adjustments based on management's assumptions*	5%
Residential	60,000	Market comparable approach	Yield adjustments based on management's assumptions*	5%

*The yield adjustments are made for any difference in the nature, location or condition of the specific property.

For unquoted equity securities and investment properties, a significant increase (decrease) in yield adjustments based on management's assumptions would result in a significantly lower (higher) fair value measurement.

ii) Movements in Level 3 assets measured at fair value

There are no movements in Level 3 assets measured at fair value during the reporting period.

iii) Valuation policies and procedures

The Group's Chief Financial Officer (CFO) oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

25. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, market price risk and liquidity risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer. The audit committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group minimised its credit risk through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the finance committee has otherwise assessed as being financially sound. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Credit risk related to balances with banks and other financial institutions is managed in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings:

	Group		Company	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	S$	S$	S$	S$
Cash at banks and on hand	18,737,470	21,656,807	4,574,641	5,278,839

The Group has no significant concentration of credit risk with any single counterparty or group counterparties. Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group.

25. Financial risk management objectives and policies (continued)

Market risk

i. Interest rate and foreign currency risk

The Group's exposure to interest rate and foreign currency risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates or foreign currency will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments. The financial instruments that expose the Group to interest rate and foreign currency risk are limited to listed shares, and cash and cash equivalents.

The Group has no significant exposure to interest rate risk and foreign currency risk, attributable to floating interest rate financial liabilities and small exposure in foreign currency financial instruments respectively.

ii. Other price risk

Other price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) of securities held.

Such risk is managed through diversification of investments across industries and geographic locations.

The Group's investments are held in the following sectors at the end of the reporting period:

	Group	
	31.3.2016	31.3.2015
	S$	S$
Available-for-sale financial assets – non-current		
IT software and services	13,699,381	-
Automotive	-	66,300
Conglomerate	-	82,620
Entertainment	-	130,781
Food and beverage	-	28,350
Food producer	-	81,500
Healthcare	-	41,748
Property	-	110,408
REIT	-	228,615
Real estate development	13,879	43,879
	13,713,260	814,201

25. Financial risk management objectives and policies (continued)

Market risk (continued)

ii. Other price risk (continued)

	Group	
	31.3.2016	31.3.2015
	S$	S$
Held-for-trading financial assets – current		
Travel, tourism and hospitality	6,797,143	-
Consumer discretionary	4,313,644	-
Technology	1,358,621	-
Industrials	5,885,162	-
Automotive	481,714	-
Media and communications	719,481	-
Conglomerate	-	2,384,645
Entertainment	-	1,363,225
Financial service	-	2,492,926
Food and beverage	-	497,475
Food producer	-	1,857,324
Healthcare	-	415,230
Property	-	1,506,924
REIT	-	1,573,558
	19,555,765	12,091,307

Sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates, foreign currency rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities also assume that the movement in a particular variable is independent of other variables.

	Profit		Equity	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	S$	S$	S$	S$
Period ended 31 March				
+/-5% in forex rates	+/-977,789	+/-286,506	+/-1,662,758	+/-296,691
+/-10% in listed investments	+/-1,955,577	+/-1,286,163	+/-3,325,515	+/-1,363,195

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk is minimum due to net current asset of S$35,107,487 as at 31 March 2016 (2015: S$32,497,631).

25. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	31.3.2016			31.3.2015		
	One year or less	One to five years	Total	One year or less	One to five years	Total
Group	S$	S$	S$	S$	S$	S$
Financial assets:						
Investment securities	19,555,765	13,713,260	33,269,025	12,091,307	814,201	12,905,508
Trade and other receivables	3,149,319	-	3,149,319	2,030,660	-	2,030,660
Cash and cash equivalents	18,737,470	-	18,737,470	21,656,807	-	21,656,807
Total undiscounted financial assets	41,442,554	13,713,260	55,155,814	35,778,774	814,201	36,592,975
Financial liabilities:						
Trade and other payables	1,820,858	-	1,820,858	954,017	-	954,017
Hire purchase	64,346	85,555	149,901	25,047	43,507	68,554
Total undiscounted financial liabilities	1,885,204	85,555	1,970,759	979,064	43,507	1,022,571
Total net undiscounted financial assets/ (liabilities)	39,557,350	13,627,705	53,185,055	34,799,710	770,694	35,570,404

	31.3.2016			31.3.2015		
	One year or less	One to five years	Total	One year or less	One to five years	Total
Company	S$	S$	S$	S$	S$	S$
Financial assets:						
Investment securities	1,349,171	-	1,349,171	-	-	-
Trade and other receivables	23,553,051	-	23,553,051	24,632,403	-	24,632,403
Cash and cash equivalents	4,574,641	-	4,574,641	5,278,839	-	5,278,839
Total undiscounted financial assets	29,476,863	-	29,476,863	29,911,242	-	29,911,242
Financial liabilities:						
Trade and other payables	163,213	-	163,213	30,841	-	30,841
Total undiscounted financial liabilities	163,213	-	163,213	30,841	-	30,841
Total net undiscounted financial assets/ (liabilities)	29,313,650	-	29,313,650	29,880,401	-	29,880,401

26. Capital management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and to ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

27. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has four reportable segments as follows:

I. The investment segment is involved in investments in listed securities.

II. The private equity segment (previously known as corporate segment) is involved in Group-level corporate services, treasury functions and private investment in companies with IPO potential.

III. The education and event segment is involved in financial education, training seminar and event organisation business.

IV. The property segment is in the business of constructing, developing and leasing out of residential and commercial properties. This reportable segment has been formed by aggregating the property construction/development operating segment and the investment properties operating segment, which are regarded by management to exhibit similar economic characteristics.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

27. Segment information (continued)

	Investment		Private equity		Education and event		Property		Adjustments and eliminations		Note	Per consolidate financial statements	
	31.3.2016 S$	17.5.2014 to 31.3.2015 S$	31.3.2016 S$	17.5.2014 to 31.3.2015 S$	31.3.2016 S$	17.5.2014 to 31.3.2015 S$	31.3.2016 S$	17.5.2014 to 31.3.2015 S$	31.3.2016 S$	17.5.2014 to 31.3.2015 S$		31.3.2016 S$	17.5.2014 to 31.3.2015 S$
Revenue													
External customers*	(825,479)	1,436,814	11,116,689	3,876,976	11,048,280	5,285,329	886,605	70,200	-	-		22,226,095	10,669,319
Inter-segment	1,000,000	920,687	1,150,000	3,780,000	-	-	358,419	298,682	(2,508,419)	(4,999,369)	A	-	-
Total revenue	174,521	2,357,501	12,266,689	7,656,976	11,048,280	5,285,329	1,245,024	368,882	(2,508,419)	(4,999,369)		22,226,095	10,669,319
Results:													
Gain on re-measurement of investment	-	-	9,156,519	-	-	-	-	-	-	-		9,156,519	-
Interest income	27,574	4,567	595,339	469,534	6,238	-	872,644	-	(315,741)	(465,919)		1,186,054	8,182
Depreciation	23,301	13,700	-	-	145,262	52,696	51,185	35,919	-	-		219,748	102,315
Share of results of associates	-	-	(17,479)	-	138,468	-	(597,235)	-	-	-		(476,246)	-
Segment profit/(loss)	(1,330,100)	1,218,660	17,250,319	3,586,331	3,220,521	921,605	1,277,103	9,344	(154,590)	(7,168)	B	20,263,253	5,728,772
	31.3.2016 S$	31.3.2015 S$	31.3.2016 S$	31.3.2015 S$	31.3.2016 S$	31.3.2015 S$	31.3.2016 S$	31.3.2015 S$	31.3.2016 S$	31.3.2015 S$		31.3.2016 S$	31.3.2015 S$
Assets:													
Investment in associates	-	-	521	959,696	-	-	1,884,630	-	-	-		1,885,151	959,696
Additions / (deduction) to non-current assets	(606,030)	895,707	13,416,599	1,824,573	537,221	148,297	2,072,930	269,415	-	-	C	15,420,720	3,137,992
Segment assets	22,542,605	22,075,127	22,978,425	10,755,751	9,925,511	5,997,938	3,789,159	499,764	1,885,151	959,696	D	61,120,851	40,288,276
Liabilities													
Segment liabilities	264,113	93,263	293,145	42,440	4,883,604	2,793,959	550,434	9,321	1,469,043	839,184	E	7,460,339	3,778,167

* *Revenue from investment segment mostly pertained to fair value gain/(loss) and dividend income from investment in equity security.*

27. Segment information (continued)

Notes Nature of adjustments are eliminations to arrive at amounts reported in the consolidated financial statements.

A Inter-segment revenues are eliminated on consolidation.

B The following item is deducted from segment profit to arrive at "profit before tax" presented in the consolidated income statement:

	31.3.2016 S$	31.3.2015 S$
Finance costs	(154,590)	(7,168)

C Additions to non-current assets consist of additions to plant and equipment, investment properties, intangible assets and investment securities.

D The following item is added segment assets to arrive at total assets reported in the consolidated statement of financial position:

	31.3.2016 S$	31.3.2015 S$
Investment in associate	1,885,151	959,696

E The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	31.3.2016 S$	31.3.2015 S$
Deferred tax liabilities	11,344	41,331
Income tax payable	1,457,699	797,853
	1,469,043	839,184

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	31.3.2016 S$	17.5.2014 (date of incorporation) to 31.3.2015 S$	31.3.2016 S$	31.3.2015 S$
Singapore	20,002,160	10,669,319	17,067,310	4,097,688
Australia	1,228,043	-	2,118,530	-
Malaysia	945,940	-	331,795	-
People's Republic of China and others	49,952	-	773	-
	22,226,095	10,669,319	19,518,408	4,097,688

27. Segment information (continued)

Non-current assets information presented above consist of plant and equipment, investment properties, intangible assets, investment in associates and investment securities as presented in the consolidated statement of financial position. The Group does not have any major customer as its revenue are derived from individual retail customers.

28. Dividends

	Group and Company	
	31.3.2016 S$	31.3.2015 S$
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend for 2016: 1.00 (SGD cents) (2015: Nil)	3,571,442	-
- Interim exempt (one-tier) dividend for 2016: 0.50 (SGD cents) (2015: Nil)	1,785,721	-
	5,357,163	-
Proposed but not recognised as a liability as at 31 March:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
- Final exempt (one-tier) dividend for 2016: 0.50 (SGD cents) (2015: 1.00 (SGD cent)) per share	1,784,471	3,571,442

29. Events occurring after the reporting period

On 6 May 2016, the Company's wholly owned subsidiary, 8IH Global Ltd ("8IHG"), entered into a subscription and shareholders' agreement with CT Hardware Sdn Bhd ("CTH") whereas 8IHG will subscribe 499,900 new ordinary shares of CTH, constituting 49.99% of the enlarged share capital, for Malaysian Ringgit ("RM") 3,800,000. CTH is a Malaysian based, bricks-and-mortar business engaged in the trading and retail sale of power tools, equipment and machinery since 1977, with a revenue in excess of RM17,500,000 and a profit before tax in excess of RM800,000 for financial year 2015. CTH is the official dealer for Bosch and carries international brands including Grundfus, Skil, Pferd, Toptul, Stanley, Tsurumi, Fasco, Stihl, Robin and Ingersoll-rand. The fresh capital will be used as working capital to set up distribution centre for an improved storage system to house an increased product range, as well as an Enterprise Resource Planning (ERP) system integrated with its e-commerce business to smoothen the flow of stock distribution. The completion of the transaction is subject to conditions precedent set out in the subscription and shareholders' agreement.

On 11 May 2016, the Company entered into a share swap agreement to acquire 51% equity interest in Financial Joy Institute Pte Ltd ("FJI") in consideration of issuance and allotment of ordinary shares in the Company amounted to weighted average market price of S$2,040,000 of the Company's securities trading on the Australian Securities Exchange market, calculated over the last 5 trading days prior to the completion of the share swap agreement ("Consideration Shares"). The Consideration Shares will be subject to voluntary escrow of 24 months. FJI provides financial and investment education through its main brand, Value Investing College, conducted in Singapore, Malaysia, Taiwan, Thailand, Myanmar, India and Vietnam, with expansion plans to South Africa, Australia, Philippines, Dubai, Japan and China. The completion of the transaction is subject to satisfactory due diligence by the Company.

30. Comparative figures

The audited comparative figures presented in the financial statements are not entirely comparable as they cover a period from 17 May 2014 (date of incorporation) to 31 March 2015.

31. Authorisation of financial statements for issue

The financial statements for the year ended 31 March 2016 were authorised for issue in accordance with a resolution of the board of directors on 16 May 2016.

ADDITIONAL INFORMATION

Shareholders Information as at 1 June 2016

8I Holdings Limited – ordinary shares

The Company has ordinary shares on issue. These are listed on the Australian Securities Exchange in the form of CDI's under ASX code: 8IH. Details of trading activity are published daily by electronic information vendors.

Analysis of Shareholders and CDI Holders*

Category (Size of Holding)	Number of Holders	Number of Shares	% of Issued Capital
1 – 1,000	11	7,055	0.00%
1,001 – 5,000	78	321,367	0.09%
5,001 – 10,000	61	587,209	0.17%
10,001 – 100,000	251	13,076,769	3.66%
100,001 – and over	269	342,901,800	96.08%
	670	356,894,200	100.00%

The number of investors holding less than a marketable parcel of 602 8IH shares (based on a share price of A$0.83) was three. They hold 125 8IH shares in total.

Twenty Largest Shareholders and CDI Holders*

Registered Holder	Number of Shares	% of issued capital
1. Chee Kuan Tat, Ken	86,800,000	24.32%
2. Clive Tan Che Koon	65,500,000	18.35%
3. HSBC Custody Nominees (Australia) Limited	24,416,852	6.84%
4. Chesire United Ltd	20,405,741	5.72%
5. Seah Sok Hong	17,649,153	4.95%
6. Clear A2Z Pte Ltd	11,000,000	3.08%
7. Citicorp Nominees Pty Limited	10,328,607	2.89%
8. Teo Puay Lin	7,900,000	2.21%
9. BNP Paribas Noms Pty Ltd	3,168,526	0.89%
10. Ivan Ong Shao Kuang	2,944,925	0.83%
11. Clarence Wee Kim Leng	2,063,400	0.58%
12. Lim Wei Lin	2,000,000	0.56%
13. J P Morgan Nominees Australia Limited	1,712,807	0.48%
14. Hor Chook Lam	1,510,000	0.42%
15. Tan Teck Yeong	1,450,000	0.41%
16. Ho Tuck Chee	1,353,000	0.38%
17. Koh Teng Kiat	1,285,728	0.36%
18. Lau Eng Seng	1,248,000	0.35%
19. Mook Chee Kuan	1,181,000	0.33%
20. Fance Chua Meon Keng	1,118,000	0.31%
All Other Shareholders	91,858,461	25.74%
Total	356,894,200	100.00%

Notes

* *CDI Holders are holder of CHESS Depository Interests issued by CHESS Depository Nominees Pty Limited, where each CDI represents a beneficial interest in one ordinary share.*

Shareholders Information as at 1 June 2016 (continued)

Substantial Shareholders and CDI Holders**

Date Announced	Name	Direct Interest Shares	% of voting power	Deemed Interest Shares	% of voting power
2/2/2016	Chee Kuan Tat, Ken	86,800,000	24.32%	107,555,741	30.12%
2/2/2016	Clive Tan Che Koon	65,500,000	18.35%	86,255,741	24.15%

Notes

*** This table is compiled on the basis that each holding of CDIs is a separate holding and accordingly, the holding of shares by CHESS Depository Nominees Pty Limited is ignored.*

Current on-market buy-back (ASX Listing Rule 4.10.18)

In accordance with the notice issued on 9 December 2015, the Company commenced an on-market buy-back during the current financial year. The Company has bought-back 250,000 shares as part of the on-market buy-back up to 31 March 2016.

Consistency with business objectives (ASX Listing Rule 4.10.19)

In accordance with ASX Listing Rule 4.10.19, the Group states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objective is primarily investment business focusing on investments in listed securities and real property development investments; and a financial education and training seminar business currently operating in Singapore. The Group believes it has used its cash in a consistent manner to which was disclosed under the Prospectus dated 30 October 2014.

Investment (ASX Listing Rule 4.10.20)

The Group had a total of 210 transactions in securities during the period and has paid or accrued brokerage totalling S$104,851. There were no management fees paid or accrued during the financial period ended 31 March 2016. As at 31 March 2016, the Group held investment in Askul Corp, Bourbon Corp, Capilano Honey Ltd, Digimatic Group Ltd, Eslite Spectrum Corp, Handsman Co Ltd, IIFL Opportunities Fund 2, Okamoto Industries Inc, Pilot Corporation, Sealink Travel Group Ltd, Shoei Co Ltd, Toei Animation Co Ltd, Weathernews Inc, Workman Co Ltd.

Corporate Governance Statement

The directors of 8i Holdings Limited support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the corporate governance statement and the appendix 4G released to ASX and posted on the Company website at www.8iholdings.com.

The directors are focused on fulfilling their responsibilities individually, and as a Board, for the benefit of all the Company's stakeholders. That involves recognition of, and a need to adopt, principles of good corporate governance. The Board supports the guidelines on the "Principles of Good Corporate Governance and Recommendations – 3rd Edition" established by the ASX Corporate Governance Council.

Given the size and structure of the Company, the nature of its business activities, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, it has adopted a range of modified systems, procedures and practices which enables it to meet the principles of good corporate governance.

The Company's practices are mainly consistent with those of guidelines and where do not correlate with the recommendations in the guidelines the Company considers that its adopted practices are appropriate to it.

8I Holdings Limited
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