

**HARTFORD HOLDINGS LIMITED (Company registration no. 199902559D)****Half Year Financial Statement for the Period Ended 31 December 2004 (Unaudited)**

- 1(a) **An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**Unaudited Consolidated Profit and Loss Account**

<b>The Group</b>	<b>6 Months Ended 31/12/2004 S\$</b>	<b>6 Months Ended 31/12/2003 S\$</b>	<b>Increase/ (Decrease) %</b>
Revenue	3,017,045	2,477,760	22
Other operating income	161,722	646,905	(75)
	<u>3,178,767</u>	<u>3,124,665</u>	2
Personnel expenses	(1,513,601)	(1,112,107)	36
Depreciation expenses	(76,945)	(103,224)	(25)
Other operating expenses	(1,987,266)	(1,616,459)	23
	<u>(3,577,812)</u>	<u>(2,831,790)</u>	26
<b>(Loss)/Profit from operations</b>	<b>(399,045)</b>	<b>292,875</b>	<b>(236)</b>
Finance costs	-	(7,547)	n.m.
Share of results of associate	-	(555)	n.m.
<b>(Loss)/Profit before income tax</b>	<b>(399,045)</b>	<b>284,773</b>	<b>(240)</b>
Income tax	-	(20,000)	n.m.
<b>(Loss)/Profit after income tax</b>	<b>(399,045)</b>	<b>264,773</b>	<b>(251)</b>
Minority interests	(3,533)	11,081	(132)
<b>Net (Loss)/Profit attributable to shareholders</b>	<b>(402,578)</b>	<b>275,854</b>	<b>(246)</b>

n.m. - not meaningful

1(b)(i) **A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

**Unaudited Balance Sheets**

	Group		Company	
	31/12/2004	30/06/2004	31/12/2004	30/06/2004
	\$	\$	\$	\$
<b>Non-current assets</b>				
Fixed assets	170,470	192,410	15,181	28,132
Associate	-	-	-	-
Subsidiaries	-	-	352,851	8,771
	<u>170,470</u>	<u>192,410</u>	<u>368,032</u>	<u>36,903</u>
<b>Current assets</b>				
Trade and other receivables	1,628,440	2,259,417	64,556	167,348
Due from subsidiary companies	-	-	1,855,723	4,411,603
Due from related companies	3,481,497	-	3,481,497	-
Fixed deposit	50,074	1,124,470	5,035	965,328
Cash and bank balances	1,149,234	3,653,442	150,418	233,788
	<u>6,309,245</u>	<u>7,037,329</u>	<u>5,557,229</u>	<u>5,778,067</u>
Less:-				
<b>Current liabilities</b>				
Trade and other payables	2,802,233	3,199,611	133,497	490,911
Due to subsidiary companies	-	-	1,927,287	1,383,959
Due to related companies	6,058	-	6,058	-
Provision for taxation	159,350	162,756	155,232	155,232
	<u>2,967,641</u>	<u>3,362,367</u>	<u>2,222,074</u>	<u>2,030,102</u>
Net current assets	3,341,604	3,674,962	3,335,155	3,747,965
	<u>3,512,074</u>	<u>3,867,372</u>	<u>3,703,187</u>	<u>3,784,868</u>
<b>Capital and reserves</b>				
Share capital	3,000,000	3,000,000	3,000,000	3,000,000
Share premium	750,200	750,200	750,200	750,200
Foreign currency translation reserve	41,960	14,573	-	-
Accumulated losses/profits	(299,979)	102,599	(47,013)	34,668
	<u>3,492,181</u>	<u>3,867,372</u>	<u>3,703,187</u>	<u>3,784,868</u>
Minority interest	19,893	-	-	-
	<u>3,512,074</u>	<u>3,867,372</u>	<u>3,703,187</u>	<u>3,784,868</u>

1(b)(ii) **Aggregate amount of group's borrowing and debt securities**

**Amount repayable in one year or less or on demand**

As at 31/12/2004		As at 30/6/2004	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

**Amount repayable after one year**

As at 31/12/2004		As at 30/6/2004	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

- 1(c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**Unaudited Group Cash Flow Statement**

	<b>6 months ended 31/12/2004 S\$</b>	<b>6 months ended 31/12/2003 S\$</b>
<b>Cash flows from operating activities</b>		
Profit/(loss) before taxation	(399,045)	284,774
Adjustments for:		
Depreciation of fixed assets	76,945	103,224
Interest expense	-	7,546
Interest income	(5,405)	(10,967)
Loss/(Gain) on disposal of fixed assets	2,820	(18,459)
Share of results of associated company	-	555
Foreign currency translation adjustment	113,576	-
Operating profit/(loss) before working capital changes	<u>(211,109)</u>	<u>366,673</u>
Working capital changes:		
Trade and other receivables	630,977	359,988
Due from related companies	(3,475,439)	-
Trade and other payables	(397,379)	330,114
Cash generated from/(used in) operations	<u>(3,452,950)</u>	<u>1,056,775</u>
Interest paid	-	(7,546)
Income taxes paid	-	(98,725)
Net cash generated from/(used in) operating activities	<u>(3,452,950)</u>	<u>950,504</u>
<b>Cash flows from investing activities</b>		
Interest income received	5,405	10,967
Purchase of fixed assets	(73,003)	(32,881)
Proceeds from disposal of fixed assets	40	51,328
Net cash from/(used in) investing activities	<u>(67,558)</u>	<u>29,414</u>
<b>Cash flows from financing activities</b>		
Proceeds from minority interest	16,360	1,421
Repayments of finance lease obligations	-	(40,227)
Dividends paid	-	(234,000)
Decrease in amount due to a Director	-	(72,455)
Net cash from (used in) financing activities	<u>16,360</u>	<u>(345,261)</u>
Net increase/(decrease) in cash and cash equivalents	(3,504,148)	634,657
Cash and cash equivalents at beginning of financial year	4,777,912	4,287,382
Exchange differences on cash and cash equivalents	(74,456)	17,476
<b>Cash and cash equivalents at end of financial year</b>	<u><u>1,199,308</u></u>	<u><u>4,939,515</u></u>

- 1 (d)(i) A statement (for the issuer and group) showing either i ) all changes in equity or ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

**Unaudited Statements of Changes in Equity**

Group	Share Capital \$	Share Premium \$	Foreign currency translation reserve \$	Retained Profits/ (Accumuated losses) \$	Total \$
Balance as at 1.7.2003	3,000,000	750200	11,070	1,106,945	4,868,215
Net profit for the period	-	-	-	275,855	275,855
Dividend paid	-	-	-	(234,000)	(234,000)
Net exchange differences on translation of foreign subsidiary companies	-	-	1,328	-	1,328
Balance as at 31.12.2003	3,000,000	750,200	12,398	1,148,800	4,911,398
Net loss for the period				(1,046,201)	(1,046,201)
Net exchange differences on translation of foreign subsidiary companies			2,175		2,175
Balance as at 30.6.2004	3,000,000	750,200	14,573	102,599	3,867,372
Net loss for the period				(402,578)	(402,578)
Net exchange differences on translation of foreign subsidiary companies			27,387		27,387
Balance as at 31.12.2004	3,000,000	750,200	41,960	(299,979)	3,492,181

Company	Share Capital \$	Share Premium \$	Retained Profits/ (Accumuated losses) \$	Total \$
Balance as at 1.7.2003	3,000,000	750200	902,346	4,652,546
Net profit for the period	-	-	206,790	206,790
Dividend paid	-	-	(234,000)	(234,000)
Balance as at 31.12.2003	3,000,000	750,200	875,136	4,625,336
Net loss for the period	-	-	(840,468)	(840,468)
Balance as at 30.6.2004	3,000,000	750,200	34,668	3,784,868
Net loss for the period	-	-	(81,681)	(81,681)
Balance as at 31.12.2004	3,000,000	750,200	(47,013)	3,703,187

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for the acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There were no changes in the Company's share capital since the end of the previous period reported. The Company has no outstanding convertibles in respect of its shares as at 31 December 2004 and 31 December 2003.

- 2) **Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.**  
The figures have not been audited or reviewed.
- 3) **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**  
Not applicable
- 4) **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied .**  
The Group has consistently applied the same accounting policies and methods of computation for the current reporting period ended 31 December 2004 as compared with the Group's audited financials statements for the year ended 30 June 2004.
- 5) **Is there any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**  
Not applicable
- 6) **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Earnings per Share

Group	
1 July 2004 to 31 Dec 2004	1 July 2003 to 31 Dec 2003
Earnings per ordinary share of the Group for the financial period based on net (loss)/profit attributable to shareholders	
(i) Based on basic basis - Weighted average number of shares	-0.67 cents 60,000,000
(ii) Based on fully diluted basis - Weighted average number of shares	0.46 cents 60,000,000

- 7) **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**  
**(a) current financial period reported on; and**  
**(b) immediately preceding financial year.**

Net asset value

Group	
31-Dec-2004	30-Jun-2004
5.85 cents	6.45 cents

Company	
31-Dec-2004	30-Jun-2004
6.17 cents	6.31 cents

Net asset value per ordinary share based on issued share capital at the end of financial period

- 8) **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**  
**(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**  
**(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

#### Commentary on the consolidated Income Statement

For the 6 months ended 31 December 2004, the Group's turnover increased by 22% from \$2.5 million to \$3.0 million. The increase in turnover was attributed to an increase in student enrolments and also new courses offered to student.

Other operating income decreased by 75% from approximately \$647,000 for the period 6 months ended 31 December 2003 to approximately \$162,000 for 6 months ended 31 December 2004. This is due to cessation of franchise business in this financial year.

Personnel expenses increased by 36% and is due to the following:

- sales incentive payments increased by about \$140,000 as a result of a new incentive scheme.
- lecturers payroll increased by about \$181,000 as a result of more courses offered during the period.
- other payroll costs increased by about \$100,000 as a result of organizational restructuring.

Other operating expenses increased by about 23% due mainly to higher advertising and promotional expenses of about \$270,000 to improve student enrolment.

The period ended with a net loss attributable to shareholders of \$402,000 as compared to profit of \$276,000 in previous financial period ended 31 December 2003. The franchise fee receivable of about \$540,000 recorded in the financial period ended 31 December 2003 was provided for non recoverability in the subsequent period ending 30 June 2004. This, together with the realignment of treatment for advertising expenses, would have resulted in a loss of about \$365,000 for the six month period ended 31 December 2003. Refinements are made in the accounting treatment of income and expenses so as to realign and be consistent with those of the holding company, Raffles Education Corporation Ltd, which is more conservative.

#### Commentary on the consolidated Balance Sheet

Trade and other receivables decreased by about \$631,000 due to better collection during the period whilst the decrease in trade and other payable from \$3.2 million to \$2.8 million was due mainly to payments made of about \$200,000 in respect of professional fees. There is an increase of \$3.4 million owing from related companies as a result of centralised treasury management.

- 9) **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

- 10) **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Group continues to focus its resources and marketing efforts to attract more students both locally and overseas and leverage on Raffles Education Corporation regional marketing network. The completion of restructuring will result in significant cost savings from the next reporting period onwards. The commencement of operation in March 2005 of Hartford Institute Mongolia marks the significant shift away from pure agency business to proprietary college operations which will contribute to the Group's performance.

- 11) **Dividend**  
**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on ?  
No

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year ?  
No

**(c) Date Payable**

Nil

**(d) Books Closure date**

Nil

- 12) **If no dividend has been declared/recommended, a statement to that effect.**

No dividend has been declared for the current financial period reported on.

**Part II - Additional Information required for Full Year Announcement**  
**(This part is not applicable to Q1, Q2, Q3 or Half year results)**

- 13) **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**  
Not applicable

- 14) **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable

- 15) **A breakdown of sales.**

Not applicable

- 16) **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Not applicable

BY ORDER OF THE BOARD

Chew Hua Seng  
Executive Chairman  
4-Feb-2005