

Financial Statements for the Third Quarter Ended 31 March 2005

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

Unaudited Third Quarter Results

	Group		Increase/ (Decrease) %
	01/01/2005 to 31/03/2005 \$	01/01/2004 to 31/03/2004 \$	
Revenue	1,253,505	1,173,439	7
Other operating income	128,254	39,596	224
	<u>1,381,759</u>	<u>1,213,035</u>	14
Personnel expenses	(581,449)	(702,811)	(17)
Depreciation expenses	(48,334)	(35,623)	36
Other operating expenses	(729,201)	(854,968)	(15)
	<u>(1,358,984)</u>	<u>(1,593,402)</u>	(15)
Profit/(Loss) before income tax	22,775	(380,367)	n.m.
Income tax	-	-	-
Profit/(Loss) after income tax	<u>22,775</u>	<u>(380,367)</u>	n.m.
Minority interests	16,596	3,837	333
Net profit/(loss) attributable to shareholders	<u>39,371</u>	<u>(376,530)</u>	n.m.

Unaudited Results for the 9 Months Ended 31 March 2005

	Group		Increase/ (Decrease) %
	01/07/2004 to 31/03/2005 \$	01/07/2003 to 31/03/2004 \$	
Revenue	4,270,550	3,651,199	17
Other operating income	289,976	686,501	(58)
	<u>4,560,526</u>	<u>4,337,700</u>	5
Personnel expenses	(2,095,050)	(1,814,918)	15
Depreciation expenses	(125,279)	(138,847)	(10)
Other operating expenses	(2,716,467)	(2,471,982)	10
	<u>(4,936,796)</u>	<u>(4,425,747)</u>	12
Loss from operations	(376,270)	(88,047)	327
Finance costs	-	(7,547)	n.m.
Loss before income tax	<u>(376,270)</u>	<u>(95,594)</u>	294
Income tax	-	(20,000)	n.m.
Loss after income tax	<u>(376,270)</u>	<u>(115,594)</u>	226
Minority interests	13,063	14,918	(12)
Net loss attributable to shareholders	<u>(363,207)</u>	<u>(100,676)</u>	261

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	
	31/03/2005	30/06/2004	31/03/2005	30/06/2004
	\$	\$	\$	\$
Non-current assets				
Fixed assets	470,443	192,410	11,800	28,132
Subsidiaries	-	-	451,641	8,771
Associate	-	-	-	-
	<u>470,443</u>	<u>192,410</u>	<u>463,441</u>	<u>36,903</u>
Current assets				
Trade and other receivables	1,732,192	2,259,417	57,913	167,348
Due from subsidiary companies	-	-	2,435,227	4,411,603
Due from related companies	1,900,757	-	1,869,058	-
Fixed deposits	27,880	1,124,470	5,035	965,328
Cash and bank balances	2,230,577	3,653,442	1,232,409	233,788
	<u>5,891,406</u>	<u>7,037,329</u>	<u>5,599,642</u>	<u>5,778,067</u>
Less:				
Current liabilities				
Trade and other payables	2,612,463	3,199,611	147,235	490,911
Due to subsidiary companies	-	-	2,083,002	1,383,959
Due to related companies	10,486	-	10,486	-
Current income tax payable	162,695	162,756	155,232	155,232
	<u>2,785,644</u>	<u>3,362,367</u>	<u>2,395,955</u>	<u>2,030,102</u>
Net current assets	3,105,762	3,674,962	3,203,687	3,747,965
Net assets	<u>3,576,205</u>	<u>3,867,372</u>	<u>3,667,128</u>	<u>3,784,868</u>
Capital and reserves				
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	53,919	14,573	-	-
Accumulated (losses)/profits	(260,608)	102,599	(83,072)	34,668
	<u>3,543,511</u>	<u>3,867,372</u>	<u>3,667,128</u>	<u>3,784,868</u>
Minority interests	32,694	-	-	-
Shareholders' equity	<u>3,576,205</u>	<u>3,867,372</u>	<u>3,667,128</u>	<u>3,784,868</u>

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

Amount repayable in one year or less, or on demand

As at 31/03/2005		As at 30/6/2004	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 31/03/2005		As at 30/6/2004	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Details of any collateral

Not applicable.

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 Cash Flow Statement

	Group	
	01/01/2005 to 31/03/2005	01/01/2004 to 31/03/2004
	\$	\$
Cash flows from operating activities		
Profit/(loss) before income tax	22,775	(380,367)
Adjustments for:		
Depreciation expenses	48,334	35,623
Impairment loss in value on investment in associate	-	29,222
Interest income	(632)	(4,230)
Loss on disposal of fixed assets	9,109	-
Foreign currency translation adjustment	5,524	31,413
Operating profit/(loss) before working capital changes	<u>85,110</u>	<u>(288,339)</u>
Working capital changes:		
Trade and other receivables	(103,752)	172,023
Trade and other payables	(185,307)	(92,876)
Fixed deposits pledged	-	(1,000)
Cash used in operations	<u>(203,949)</u>	<u>(210,192)</u>
Income tax paid	-	(124,276)
Net cash used in operating activities	<u>(203,949)</u>	<u>(334,468)</u>
Cash flows from investing activities		
Interest income received	632	4,230
Purchase of fixed assets	(355,769)	(29,109)
Net cash from/(used in) investing activities	<u>(355,137)</u>	<u>(24,879)</u>
Cash flows from financing activities		
Advances from related companies	1,585,168	-
Capital contribution from a minority shareholder to a subsidiary	32,930	-
Decrease in amount due to a subsidiary's Director	(4,717)	(3,917)
Net cash from/(used in) financing activities	<u>1,613,381</u>	<u>(3,917)</u>
Net increase/(decrease) in cash and cash equivalents	1,054,295	(363,264)
Cash and cash equivalents at beginning of financial period	1,199,308	4,939,515
Exchange differences on cash and cash equivalents	4,854	(33,601)
Cash and cash equivalents at end of financial period	<u>2,258,457</u>	<u>4,542,650</u>

Cash and cash equivalents included in the Cash Flow Statement at the end of financial period comprise the following balances:

	31/03/2005	31/03/2004
	\$	\$
Fixed deposits	27,880	1,459,578
Cash and bank balances	2,230,577	3,084,072
	<u>2,258,457</u>	<u>4,543,650</u>
Less: Fixed deposits pledged	-	(1,000)
	<u>2,258,457</u>	<u>4,542,650</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 \$	Accumulated (losses)/profits \$	Total \$
Balance as at 01/01/2005	3,000,000	750,200	41,960	(299,979)	3,492,181
Net profit for the period	-	-	-	39,371	39,371
Currency translation differences	-	-	11,959	-	11,959
Balance as at 31/03/2005	<u>3,000,000</u>	<u>750,200</u>	<u>53,919</u>	<u>(260,608)</u>	<u>3,543,511</u>
Balance as at 01/01/2004	3,000,000	750,200	12,399	1,148,799	4,911,398
Net loss for the period	-	-	-	(376,530)	(376,530)
Currency translation differences	-	-	(3,258)	-	(3,258)
Balance as at 31/03/2004	<u>3,000,000</u>	<u>750,200</u>	<u>9,141</u>	<u>772,269</u>	<u>4,531,610</u>

COMPANY	Share capital \$	Share premium \$	Accumulated (losses)/profits \$	Total \$
Balance as at 01/01/2005	3,000,000	750,200	(47,013)	3,703,187
Net loss for the period	-	-	(36,059)	(36,059)
Balance as at 31/03/2005	<u>3,000,000</u>	<u>750,200</u>	<u>(83,072)</u>	<u>3,667,128</u>
Balance as at 01/01/2004	3,000,000	750,200	875,136	4,625,336
Net loss for the period	-	-	(171,203)	(171,203)
Balance as at 31/03/2004	<u>3,000,000</u>	<u>750,200</u>	<u>703,933</u>	<u>4,454,133</u>

- 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 financial period reported on. The Company has no outstanding convertibles in respect of its shares as at 31 March 2005 and 31 March 2004.

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 March 2005 as compared with the Group's audited financial 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

	Group	
	01/01/2005 to 31/03/2005	01/01/2004 to 31/03/2004
Earnings per ordinary share of the Group for the financial period based on net profit/(loss) attributable to shareholders	39,371	(376,530)
(i) Based on weighted average number of ordinary shares in issue	0.07 cents	(0.63) cents
- Weighted average number of shares	60,000,000	60,000,000
(ii) Based on fully diluted basis*		
- Weighted average number of shares	Not applicable	Not applicable

* There were no potential dilutive ordinary shares in existence during the financial periods ended 31 March 2005 and 31 March 2004.

**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**

	Group		Company	
	31/03/2005	30/06/2004	31/03/2005	30/06/2004
Net asset value per ordinary share*	5.91 cents	6.45 cents	6.11 cents	6.31 cents

* The net asset value per ordinary share of the Group and the Company as at 31 March 2005 and 30 June 2004 were calculated based on the issued share capital of the Company of 60,000,000 shares as at 31 March 2005 and 30 June 2004.

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

The Group's turnover increased by 17% from \$3.7 million for the 9 months ended 31 March 2004 to \$4.3 million for the 9 months ended 31 March 2005. The increase in turnover was attributed to overall increase in student enrolments and new courses offered to student. This was the positive result of the Group's continuous focus on its resources and marketing efforts, as well as leveraging on Raffles Education Corporation's regional marketing network, to attract students both locally and overseas.

Other operating income decreased by 58% from approximately \$687,000 for the 9 months ended 31 March 2004 to approximately \$290,000 for 9 months ended 31 March 2005. This was due to the cessation of franchise business in the current financial year as franchising was not consistent with the Group's long term business objective.

Personnel expenses for the 9 months ended 31 March 2005 rose by 15% compared to corresponding period in the prior financial year due mainly to the following:

- lecturers payroll increased by about \$221,000 resulting from more courses offered during the period.
- other payroll costs increased by about \$100,000 in connection with the organisational restructuring in first half of FY2005.

The cost saving benefits from the organisational restructuring was reaped in the current Q3 FY2005 as evidenced by the fall in personnel expenses by 17% as compared to that in Q3 FY2004.

For the 9 months ended 31 March 2005, other operating expenses increased by 10% compared to the same period in the prior financial year due mainly to higher advertising and promotional expenses by about \$184,000. This has shown positive results as student enrolment increased over prior financial year.

The Group showed a net loss attributable to shareholders of about \$363,000 for the 9 months ended 31 March 2005, which was arose during the first 6 months. The Q3 FY2005 results showed that the Group had stemmed its operating losses and generated a small profit for the current quarter.

Commentary on the Consolidated Balance Sheet

Fixed assets increased by about \$278,000 as compared to the prior financial year end, mainly due to the re-location of Hartford Institute Singapore from Centrepoint to Cosmic Insurance Building (opposite the new National Library Building along North Bridge Road) in February 2005. The new office offers bigger space to accommodate the institute's future expansion.

Trade and other receivables decreased by about \$527,000 due to better collection during the period. The decrease in trade and other payable from \$3.2 million to \$2.6 million was mainly the result of payment of about \$200,000 in professional fees and decrease in trade payable to university partners of approximately \$391,000 due to timing difference in payment.

There was also an increase of \$1.9 million in amount owing from related companies for the current period ended 31 March 2005 compared to 30 June 2004 as a result of centralised treasury management. This was the main reason for the decrease in cash and cash equivalents by \$2.5 million on current period end as compared to prior financial year end.

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 will continue to focus its resources on marketing efforts, as well as leverage on Raffles Education Corporation's regional marketing network, to attract more students both locally and overseas. The completion of the reorganisation in the first half FY2005 would continue to reap benefits to the Group in terms of cost savings. In addition, with the commencement of the operation of Hartford Institute Mongolia in March 2005, it marks the Group's significant shift from pure agency business to proprietary college operations.

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
9 May 2005**