

Financial Statements for the First Quarter Ended 30 September 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 First Quarter Results

	Group		Increase/ (Decrease) %
	01/07/2005 to 9/30/2005 \$	01/07/2004 to 9/30/2004 \$	
Revenue	1,786,696	1,552,587	15
Other operating income	40,683	83,629	(51)
	<u>1,827,379</u>	<u>1,636,216</u>	12
Personnel expenses	(719,438)	(888,480)	(19)
Depreciation expenses	(57,192)	(38,235)	50
Other operating expenses	(838,677)	(1,041,974)	(20)
	<u>(1,615,307)</u>	<u>(1,968,689)</u>	(18)
Profit/(Loss) before income tax	212,072	(332,473)	n.m.
Income tax	(71,746)	-	n.m.
Profit/(Loss) after income tax	<u>140,326</u>	<u>(332,473)</u>	n.m.
Minority interests	7,256	(9,005)	n.m.
Net profit/(loss) attributable to shareholders	<u>147,582</u>	<u>(341,478)</u>	n.m.
n.m. - not meaningful			
Notes to Income Statement:			
Amortisation expenses	(5,811)	-	
Foreign exchange (loss)/gain - net	(42,059)	67,262	
Gain on disposal of fixed assets	15	-	
Interest income	17,409	3,244	
Underprovision of income tax in respect of FY2003	<u>(47,827)</u>	<u>-</u>	

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	
	30/09/2005	30/06/2005	30/09/2005	30/06/2005
	\$	\$	\$	\$
Non-current assets				
Fixed assets	461,671	509,315	7,276	9,351
Associate	-	-	-	-
Subsidiaries	-	-	675,803	675,803
Intangible asset - Course development costs	152,765	158,295	-	-
	614,436	667,610	683,079	685,154
Current assets				
Trade and other receivables	2,072,246	1,887,838	345,662	32,409
Due from related companies	132,235	106,831	1,469,995	1,442,410
Income tax recoverable	146,108	350,278	-	-
Cash and cash equivalents	4,959,814	4,841,532	3,070,421	3,299,380
	7,310,403	7,186,479	4,886,078	4,774,199
Less:				
Current liabilities				
Trade and other payables	3,435,883	3,355,442	173,467	139,061
Due to related companies	10,992	10,992	1,429,188	1,120,609
Current income tax payable	5,635	162,718	-	155,232
	3,452,510	3,529,152	1,602,655	1,414,902
Net current assets	3,857,893	3,657,327	3,283,423	3,359,297
Net assets	4,472,329	4,324,937	3,966,502	4,044,451
Equity				
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	53,260	46,347	-	-
Accumulated profits	577,610	430,028	216,302	294,251
Shareholders' equity	4,381,070	4,226,575	3,966,502	4,044,451
Minority interests	91,259	98,362	-	-
Total equity	4,472,329	4,324,937	3,966,502	4,044,451

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

Amount repayable in one year or less, or on demand

As at 30/09/2005		As at 30/06/2005	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 30/09/2005		As at 30/06/2005	
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	
	01/07/2005 to 9/30/2005	01/07/2004 to 9/30/2004
	\$	\$
Cash flows from operating activities		
Profit/(Loss) before income tax	212,072	(332,473)
Adjustments for:		
Amortisation expenses	5,811	-
Depreciation expenses	57,192	38,235
Interest income	(17,409)	(3,244)
Gain on disposal of fixed assets	(15)	-
Foreign currency translation adjustment	3,457	43,757
Operating profit/(loss) before working capital changes	<u>261,108</u>	<u>(253,725)</u>
Working capital changes:		
Trade and other receivables	(184,408)	497,855
Trade and other payables	78,916	(443,828)
Withdrawal of pledged fixed deposits	-	6,775
Cash generated from/(used in) operations	<u>155,616</u>	<u>(192,923)</u>
Income tax paid - net	<u>(24,659)</u>	<u>-</u>
Net cash from/(used in) operating activities	<u>130,957</u>	<u>(192,923)</u>
Cash flows from investing activities		
Interest income received	17,409	3,244
Purchase of fixed assets	(9,464)	(31,209)
Proceeds from disposal of fixed assets	65	-
Net cash from/(used in) investing activities	<u>8,010</u>	<u>(27,965)</u>
Cash flows from financing activities		
Amount due from related companies	(25,404)	(3,260,000)
Amount due to a subsidiary's Director	-	(21,268)
Amount due to a subsidiary's shareholder	-	7,410
Net cash used in financing activities	<u>(25,404)</u>	<u>(3,273,858)</u>
Net increase/(decrease) in cash and cash equivalents	113,563	(3,494,746)
Cash and cash equivalents at beginning of financial period	4,841,532	4,771,137
Exchange differences on cash and cash equivalents	4,719	(34,001)
Cash and cash equivalents at end of financial period	<u>4,959,814</u>	<u>1,242,390</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 profits/(losses) \$	Total \$
Balance as at 01/07/2005	3,000,000	750,200	46,347	430,028	4,226,575
Net profit for the period	-	-	-	147,582	147,582
Currency translation differences	-	-	6,913	-	6,913
Balance as at 30/09/2005	<u>3,000,000</u>	<u>750,200</u>	<u>53,260</u>	<u>577,610</u>	<u>4,381,070</u>
Balance as at 01/07/2004	3,000,000	750,200	14,573	102,599	3,867,372
Net loss for the period	-	-	-	(341,478)	(341,478)
Currency translation differences	-	-	9,667	-	9,667
Balance as at 30/09/2004	<u>3,000,000</u>	<u>750,200</u>	<u>24,240</u>	<u>(238,879)</u>	<u>3,535,561</u>

COMPANY	Share capital \$	Share premium \$	Accumulated profits/(losses) \$	Total \$
Balance as at 01/07/2005	3,000,000	750,200	294,251	4,044,451
Net loss for the period	-	-	(77,949)	(77,949)
Balance as at 30/09/2005	<u>3,000,000</u>	<u>750,200</u>	<u>216,302</u>	<u>3,966,502</u>
Balance as at 01/07/2004	3,000,000	750,200	34,668	3,784,868
Net loss for the period	-	-	(182,767)	(182,767)
Balance as at 30/09/2004	<u>3,000,000</u>	<u>750,200</u>	<u>(148,099)</u>	<u>3,602,101</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 30 September 2005 and 30 September 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 30 September 2005 as compared with the Group's audited financial statements for the year ended 30 June 2005.

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**

The Group has adopted all new and revised Financial Reporting Standards (FRS) which were issued by the Council on Corporate Disclosure and Governance effective for financial period beginning 1 July 2005. The adoption of these new and revised FRS has no material impact to the Group results for this quarter.

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	
	01/07/2005 to 30/09/2005	01/07/2004 to 30/09/2004
Earnings per ordinary share of the Group for the financial period based on net profit/(loss) attributable to shareholders:		
(i) Based on number of ordinary shares in issue - Number of shares	0.25 cents 60,000,000	(0.57) cents 60,000,000
(ii) Based on fully diluted basis*	Not applicable	Not applicable

* There were no potential dilutive ordinary shares in existence during the financial periods ended 30 September 2005 and 30 September 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	
	30/09/2005	30/06/2005	30/09/2005	30/06/2005
Net asset value per ordinary share*	7.30 cents	7.04 cents	6.61 cents	6.74 cents

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

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 15% from \$1.6 million for the 3 months ended 30 September 2004 to \$1.8 million for the 3 months ended 30 September 2005. The increase in turnover was attributed to increase in student enrolment. This was a result of the Group's concerted marketing efforts and leveraging on the Raffles Education Corporation's regional marketing network to recruit students both locally and overseas.

Other operating income decreased 51% from approximately \$84,000 for the 3 months ended 30 September 2004 to approximately \$41,000 for the 3 months ended 30 September 2005. This was mainly due to absence of exchange gain in the current quarter compared to exchange gain of about \$67,000 in the corresponding period of last financial year.

Personnel expenses for the 3 months ended 30 September 2005 fell by \$169,000 or 19% compared to corresponding period due mainly to organisational restructuring cost of about \$150,000 incurred in the corresponding reporting period of last financial year.

Depreciation expenses for the 3 months ended 30 September 2005 increased by 50% compared to the corresponding period in the previous financial year due to higher fixed asset additions in the second half of FY2005. This was a result of the re-location of Hartford Institute in Singapore and the establishment of a new institute in Mongolia.

For the 3 months ended 30 September 2005, other operating expenses fell by \$203,000 or 20% compared to the same period in the last financial year due mainly to lower advertising and promotion expenditure by about \$270,000. However, the decrease was partly offset by higher rental expenses of \$32,000 due mainly to the set up of Mongolia institute in March 2005.

The income tax expense in the current quarter consist of tax of \$24,000 on the current quarter's profit as well as underprovision of income tax in respect of FY2003 of \$48,000.

As a result of the continued focus on marketing and the restructuring of its operations, the Group recorded a net profit attributable to shareholders of about \$148,000 compared to a net loss of \$341,000 in the same period last year.

Commentary on the Consolidated Balance Sheet

Fixed assets decreased by about \$48,000 as compared to prior financial year end due mainly to depreciation expenses charged of \$57,000 in the current quarter.

Trade and other receivables increased by about \$184,000 due mainly to the following:

- prepayment of \$73,000 for legal and professional fees in connection with the rights issue of the Company; and
- rental and other deposits increased by about \$75,000 due to relocation of Hartford Institute in Hong Kong to a more spacious premise to accommodate more students.

Income tax recoverable decreased by \$204,000 as the difference was refunded by the tax authority in the current quarter.

The increase in trade and other payable by \$80,000 was mainly due to:

- the increase of deferred income by \$442,000, which represented the unexpired portion of commission income and course fees received and receivable;
- but the increase was offset by the payment of outstanding balances of about \$360,000 to university partners as well as other creditors in the normal course of business.

Current income tax payable fell from \$163,000 to \$6,000 due to the payment of income tax to the authorities in respect of tax accrued for in previous financial years.

Commentary on the Group Cash Flow

Net cash generated from operations remained positive at \$156,000, which contributed to the increase in cash and cash equivalent of the Group from \$4.8 million as at 30 June 2005 to \$5.0 million as at 30 September 2005.

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

With the completion of the organisational restructuring in FY2005, the Group has successfully streamlined its operations and achieved better cost efficiencies. It has also improved its revenue sharing with its university partners. In addition, the Group has aligned its sales and marketing activities and intends to continually strengthen its existing sales infrastructure and leverage on Raffles Education Corporation's marketing network to recruit regionally.

With three new advanced diploma programmes in business rolled out in 2005, the Group is set to capture a wider base of students. The Group will continue to collaborate with renowned universities to offer other undergraduate and postgraduate courses that are well received in the market.

Going forward, the Group intends to expand its footprint in China, India and the Asia Pacific region, and will shift its business from pure agency to proprietary college operations. In August 2005, the Group signed a collaborative agreement with China Textile and Apparel Education Society to jointly establish training centres, offering Hartford programmes in the PRC. In October 2005, the Group announced the proposed acquisition, subject to completion of satisfactory due diligence and Board approval, of Thames Business School Limited in Auckland, New Zealand. This will offer Hartford students an additional choice of location for their education.

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 November 2005**