

Free Bird Institute Limited

Fiji Islands

25 May 2019

MARKET ANNOUNCEMENT

- Chairman's Address at the 2019 AGM

Bula vinaka fellow shareholders and welcome to our 9th Annual General Meeting! It is an honour yet again to be standing here before you as your Chairman of our Company.

Our 2018 financial year was yet another challenging year as a result of the continuous growth in the Japanese economy. As you all know, over 90% of our student market is from Japan and the steady growth in the Japanese economy in 2018 has resulted in a huge labour shortage in Japan to the extent that even those without any skills (*including English language skills*) are able to easily find jobs. This has impacted our business and its performance in the financial year as we saw a continuous decline in the students from this market.

In the early days of our business, I recall learning so many lessons from the economic recession that we faced between 2007 and 2009. Our business was just at its early stage during this time and we only provided English language programmes to adults. I knew that in order for the business to be sustainable, we had to explore other options; this was where the idea of also providing secondary students an opportunity to study here in Fiji at the local high schools was born as these students would study in Fiji for over a year, which was much longer than adult students studying at our Language school.

Hence, over the years we extended the provision of English language services to secondary students where our parent Company, South Pacific Free Bird Co Ltd (SPFB), partners with local secondary schools in Fiji and brings in Japanese secondary school students to study and complete their secondary school education at these local schools. This partnership started in 2009 which saw 6 students being enrolled into the Ba Provincial Free Bird Institute in Lautoka and has since over the years grown.

As a result of this growth, the capacity at Ba Provincial Free Bird Institute was not enough to cater for the demand from the Japanese market which saw SPFB extending its partnerships to two other local schools, Jasper Williams High School in 2017 and Ratu Navula College in 2018. The total number of Japanese secondary school students now stands at 154 at the beginning of Term 2 this year spread amongst the three local high schools. This is a positive effect from the growing Japanese economy as well as a testament to the continued interest by Japanese parents to have their children educated overseas and we are grateful that SPFB is able to capitalise on this market for Fiji.

We continue to also see the effects that other global economies have on our business and particularly the trade wars between the US and the EU and the current one with China. This has resulted in the strengthening of the Japanese Yen which was capitalised by our in-house foreign exchange in the last financial year. This trend continues into 2019 and the recent trade wars between the US and China has seen the Japanese Yen strengthen even more in the last couple of weeks.



As an initiative of the Board and Managements to reduce the over-reliance on the Japanese market, we were part of a Study abroad convention held in Moscow Russia last year hoping to revive and grow our Russian market. From this, we noted that whilst Fiji could offer as an ideal study abroad destination, the weakening of the Russian ruble places Fiji at a disadvantage, however, we are adamant in providing a competitive pricing to the Russian market and we are working with former students in Russia to promote FBL and Fiji there.

We also invested in a Chinese marketing personnel last year to assist FBL in tapping into the Chinese market and we have seen the growth in students over the last couple of months. We anticipate that these numbers will continue to grow in this financial year as we have also partnered up with a Chinese TV company who have just completed filming in Fiji last week for a documentary that is earmarked to be released in China over the next couple of months.

Our in-house insurance and in-house foreign exchange business units performed exceptionally well in our last financial year and as you will note, our profit for 2018 was comprised largely from our in-house insurance business. However, the income derived from these two business units solely rely on the student numbers from Japan.

Business is like a chair, we need 3 legs to be stable! Our first leg is the English language school, second leg is the secondary school, however our in-house insurance and in-house exchange should be seen as perhaps a backrest or armrest, which is why we have continued to explore and develop more business opportunities that could form FBL's third leg.

Today, I am pleased to announce that we have discovered our third leg and this is the establishment of a Japanese language department and the strengthening of our Human Resource recruitment. These two combined would offer support as FBL's third leg. We have already started the process and dialogue with the Fiji Higher Education Commission (FHEC) to offer Diploma in Japanese Language to the Fijian public which would be attained after two years of studies at FBL. This would work hand-in-glove with our recruitment service partnerships with major Japanese stakeholders who continue to seek out English speaking people to work for their businesses in Japan.

However, a major requirement for obtaining work permits in Japan is having a Diploma from a recognised Institute. In addition to this, there is also a high expectation from Japanese employers that candidates also maintain a certain level of the Japanese language, therefore, our various discussions with Japanese employers has lead us to the idea of offering a recognised Diploma in Japanese language, therefore, killing two birds with one stone.

We are also working with these Japanese employers on the possibility of sponsoring local students' tuition during their Diploma program course in return for a guaranteed job placement at these Japanese companies at the completion of their programmes. We understand the difficulties that are associated with the ability to pay tuition for our people and this is why we are hoping to obtain the confirmation from these Companies to sponsor Fijians for such courses.

We believe that this addresses both issues faced by both economies, Japan where it's experiencing a shortage in labour supply and Fiji who has abundant of qualified and unemployed people, however, who lack knowledge of the Japanese language and way of life.

We look forward to an exciting 2019 and we thank you all respected shareholders, board members, management team and our employees for your continuous support!

Hiroshi Taniguchi
Chairman



Finance Manager's Address at the 2019 AGM

Bula vinaka and a very good afternoon to you shareholders!

It gives me great pleasure to represent Management and present to you the financial performance of your company for the year ended 2018. I am pleased to report another profitable year for the Company in the last financial year despite the challenging business environments.

As you know, our company profits are linked directly with our student numbers and 2018 was a very challenging year for the company. We struggled with maintaining our student numbers as it dropped by 20% compared to the previous financial year.

The drop in student numbers is attributed to a number of factors and as you may know, more than 94% of our students come from Japan. It therefore comes with no surprise that our student number would drop as a result of the continued growth in the Japanese economy.

The growth in the Japanese economy has an inverse effect on our student numbers from this market. This is because, as the Japanese economy grows, more job opportunities are available for the Japanese people, making studying abroad a less desirable option.

The Board and Management are tirelessly working together to increase our student numbers in this financial year. These include diversifying into the non-Japanese market particularly into China, Russia and other countries. For the first quarter of 2019, we have received a growing interest from the Chinese and Korean market which increased by 66% in comparison to the same period last year.

Furthermore management has introduced new programs such as one to one classes and IETLS preparatory classes. There is a growing demand from international students requesting for such classes at our Institute. Additionally, with Japan's reform of its University entrance examinations in 2020, the changes in English-language testing are at the heart of the reform recognizing 8 private English tests which includes IETLS. Management is also looking into a study-travel program to attract more students into the school. We anticipate the new programs introduced will yield a positive return for the company.

I am pleased to mention that despite the drop in our student numbers, it was another profitable year for the company. Our revenue increased by 1% totalling \$6,372,685 inclusive of the new integrated in-house foreign exchange that was introduced as part of services to the students in May along with the revenue derived from the recruitment related services provided to the Narita Airport Business Co Ltd during the year.

In addition to this, the internal restructure and integration of the high school department within the Company saw fees paid by international students attending local high schools directed to FBL to cater for the human resource capital employed in the high school department which is reflective in the increase in total emoluments in the year. This is also the reason for the increase in expenditure thus bringing our net profit after tax to \$803,674

The Management team continues to work commendably to identify risks and opportunities within the key business units and implement measures to streamline processes and capitalize on opportunities which will ensure the efficient and effective delivery of our service to our students.

The provision of English language tuition and related services continues to contribute the larger portion of our revenue. Included in the service fee segment is the revenue generated from in-house money exchange which was about \$30,000 whilst in-house insurance revenue contributed 15% of total revenue.



Analyzing our segment profits we note an interesting shift in the segment profits from 2017 to 2018. In 2017, our highest segment profit was from our service fee sitting at 84% and followed by the in-house insurance. In 2018, we segment profit of in-house insurance has increased greater than the service fee. This shift is attributed to the reduction in insurance claims for 2018 in comparison to 2017 where 2017 claims included the significantly large claim resulting from the unfortunate accident of two of our insured students.

For the profit earned in 2018, we have paid a total of \$210,000 in dividends which translates to 3.57% as your return on investment, which is competitive in the market. The return on investment has continuously increased from 2016 to-date.

It is with our continuous expansion and presence in the market that we have been able to stir up an appetite for existing and new investors on the Exchange over the last year. We are proud to be the only foreign listed Company and the first to represent the education sector on the Exchange. This I believe opens up an opportunity for investors to diversify their investment portfolio on the market. As such, you will note that the increase in demand for our shares has driven our share prices up and for that we thank you, the shareholders, for your continuous faith and support in your board and Management that has delivered to you these results.

I now take this time to open up the floor to the shareholders for any questions in relation to the audited financial statements. We also have the Senior Manager from KPMG, Ms Divya who will also be able to address any questions that you may have in relation to the audit.

Thank you and vinaka vakalevu!

Roqiqi Korodrau
Finance Manager

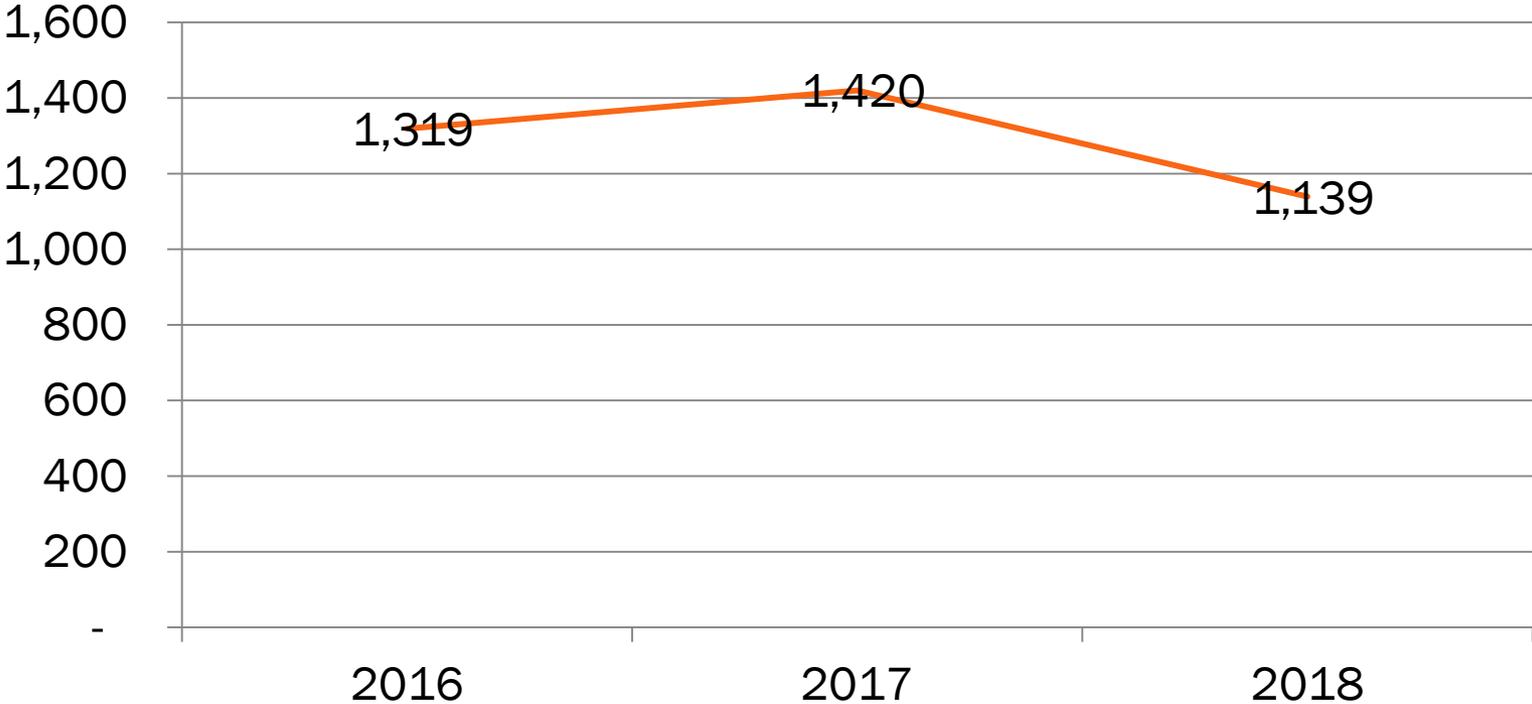


FREE BIRD INSTITUTE LIMITED

Financial Results Presentation
Mr Roqiqi Korodrau – Finance Manager

24 MAY 2019

STUDENT ARRIVALS FROM 2016 TO 2018



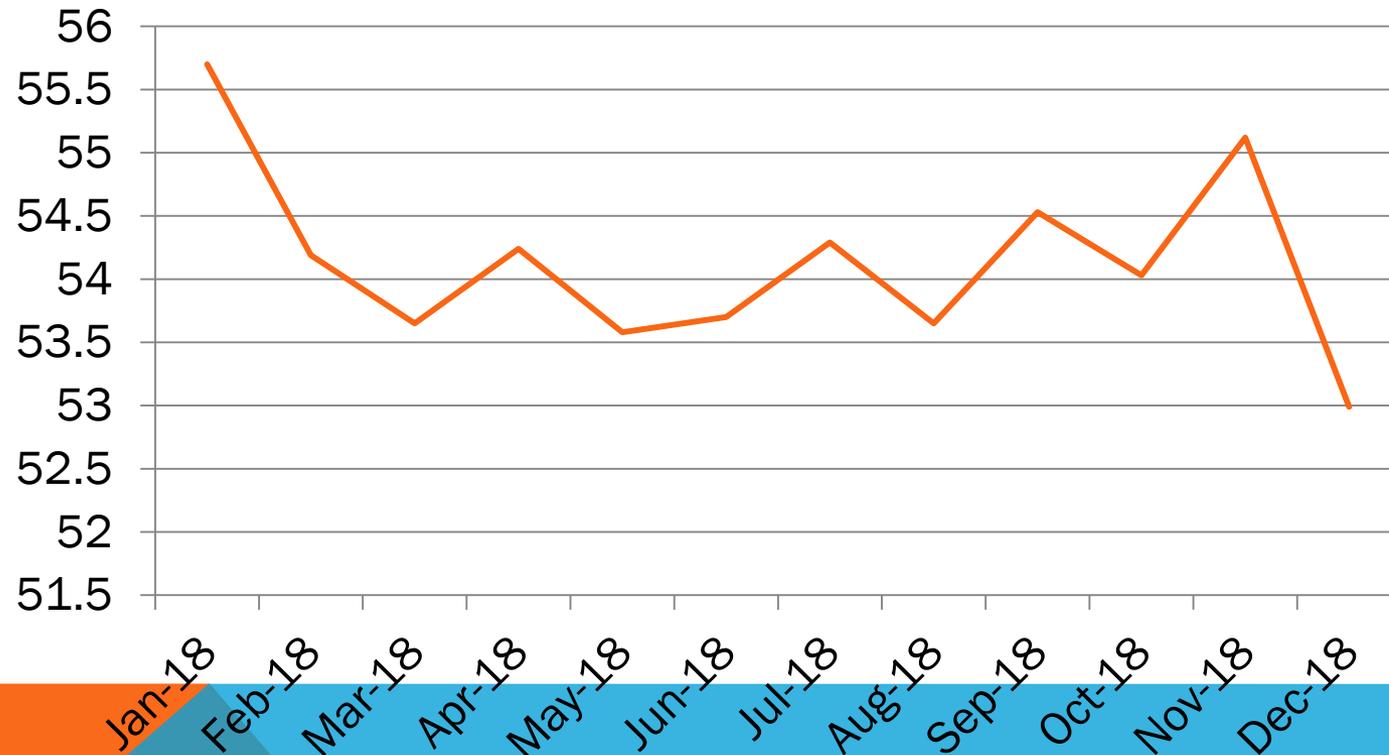


PROFIT & LOSS : 2016 - 2018

	2016	2017	2018	2018 vs 2017 %
Total Revenue	5,360,215	6,323,178	6,372,685	1%
Total Expenses	4,333,730	5,137,890	5,459,257	6%
NPBT	1,026,485	1,185,288	913,428	-23%
Income Tax	202,091	127,461	109,664	-14%
NPAT	824,394	1,057,827	803,764	-24%

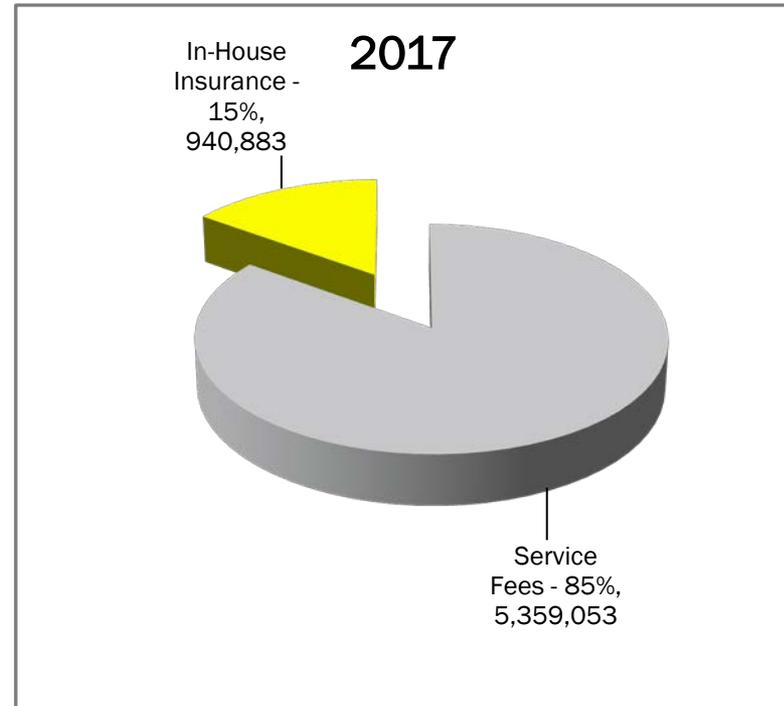
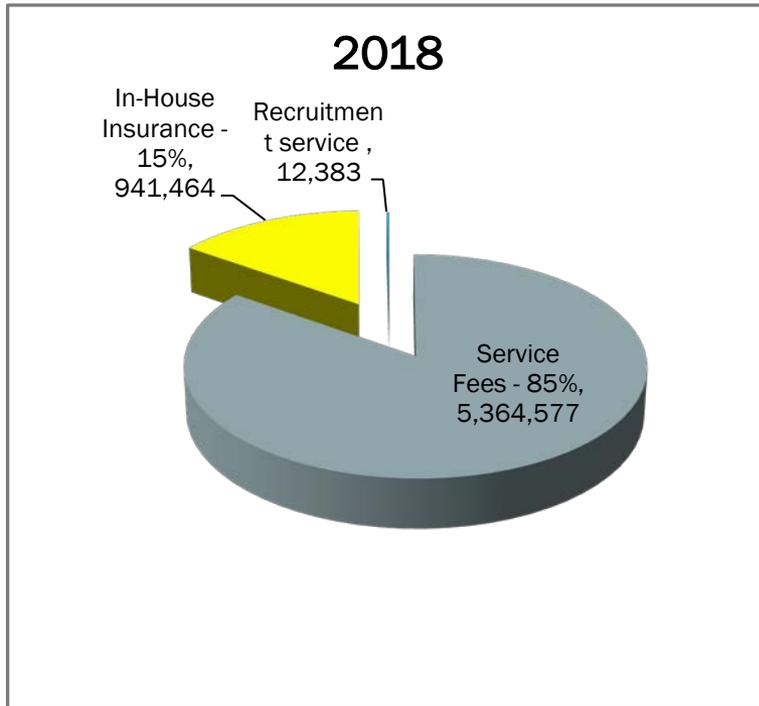


MOVEMENT IN EXCHANGE RATES – JPY TO FJD (TTB)



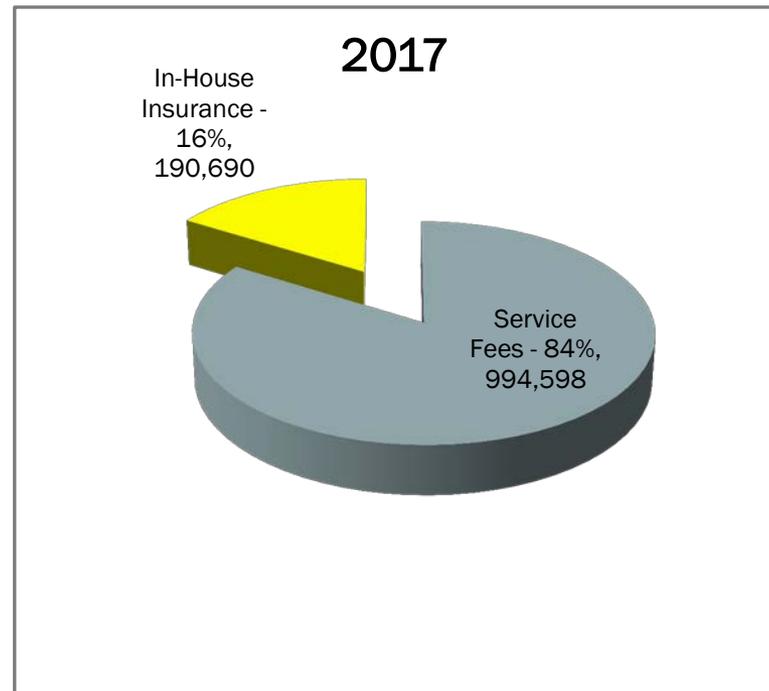
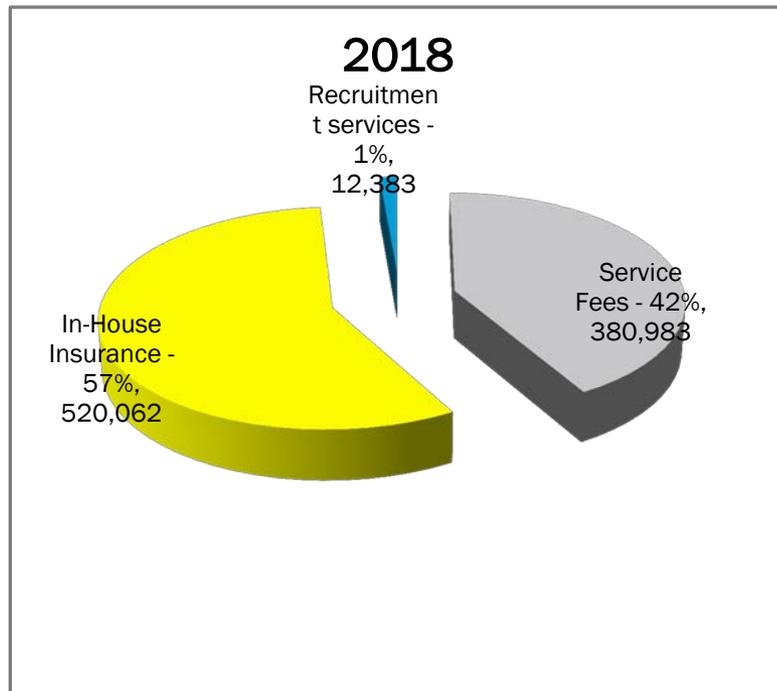


SEGMENT REVENUE: 2018 & 2017



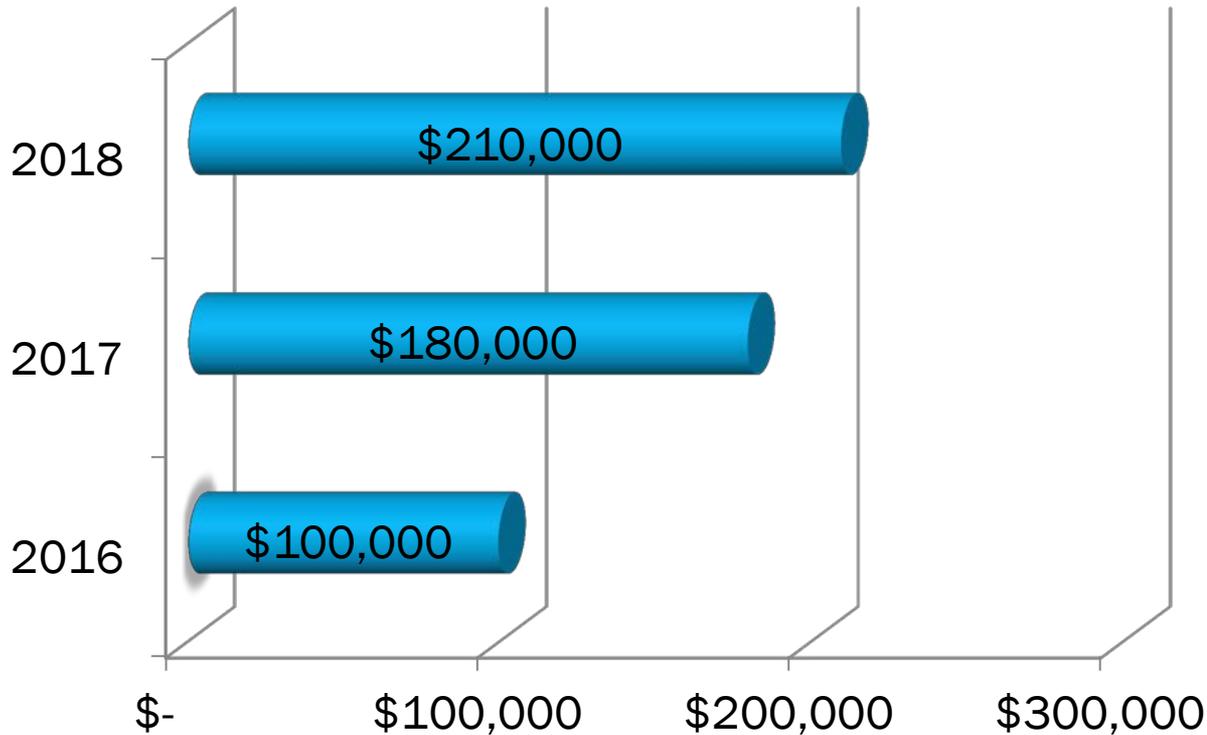


SEGMENT PROFIT BEFORE TAX: 2017 - 2018





DIVIDENDS PAID



2018:

- \$0.105/share
- ROI: 3.60%

2017:

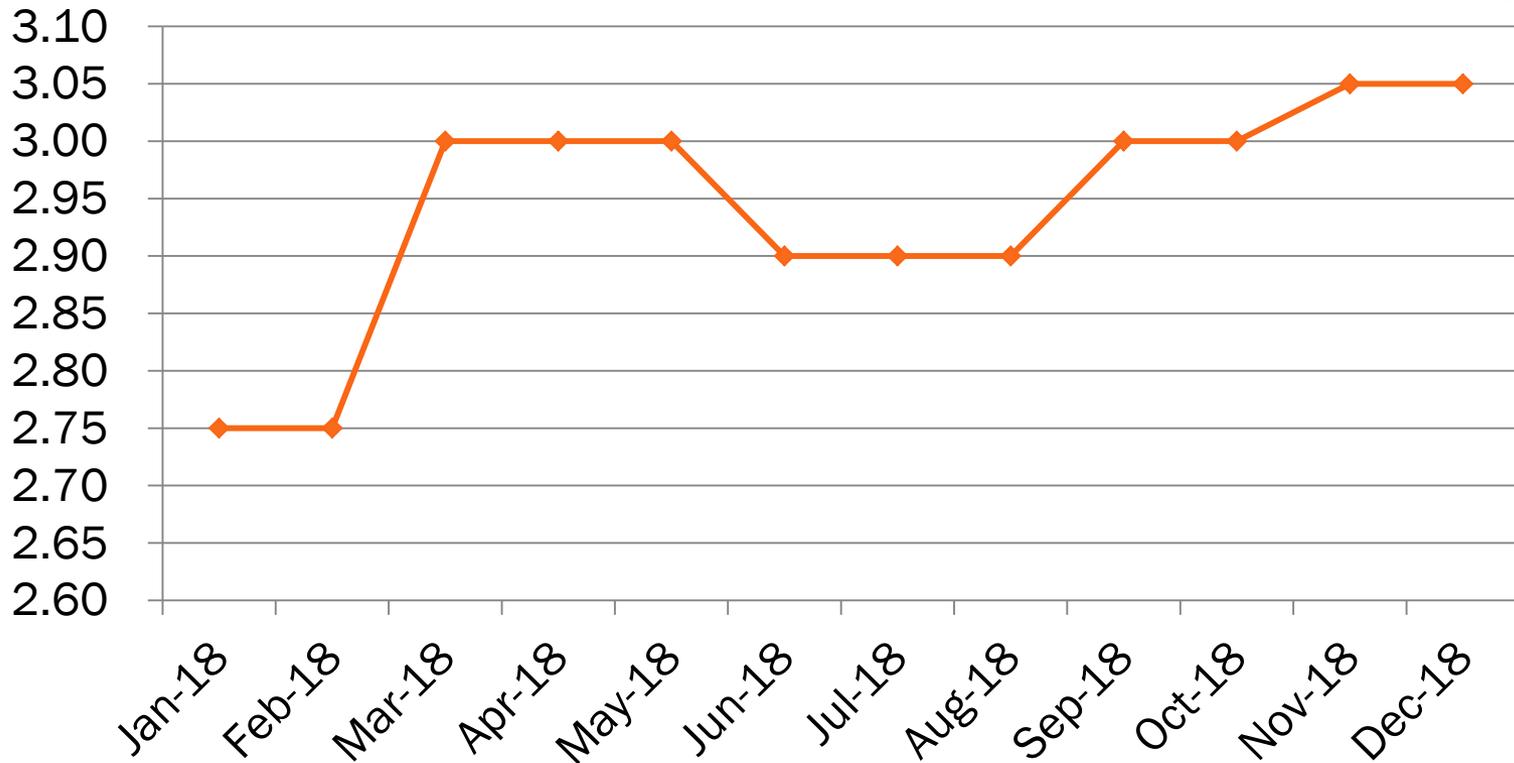
- \$0.09/share
- ROI: 3.57%

2016:

- \$0.05/share
- ROI: 2.40%



SHARE PRICE MOVEMENT



Highest market price per share: \$3.10

Lowest market price per share: \$2.55

Market price per share 31/12/18: \$3.05

The above prices are the closing market prices at the end of each month



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