



EVI Education Asia Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8090

First Quarterly Report 2006



For the three months ended 31st March 2006

Characteristics of The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (The "Stock Exchange")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This report, for which the directors of EVI Education Asia Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to EVI Education Asia Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Corporate Information

Board of Directors

Executive Directors

Mr. CHU Tak Long (*Managing Director*)
Mr. PONG Wai San, Wilson (*Chief Executive Officer*)
Mr. LAU Wai Shu

Non-executive Director

Mr. TSANG Link Carl, Brian

Independent non-executive Directors

Mr. KOO Fook Sun, Louis
Mr. SHA Pau, Eric
Mr. YING Wing Cheung

Audit Committee

Mr. KOO Fook Sun, Louis (*committee chairman*)
Mr. SHA Pau, Eric
Mr. YING Wing Cheung

Remuneration Committee

Mr. CHU Tak Long (*committee chairman*)
Mr. LAU Wai Shu
Mr. KOO Fook Sun, Louis
Mr. SHA Pau, Eric
Mr. YING Wing Cheung

Nomination Committee

Mr. CHU Tak Long (*committee chairman*)
Mr. LAU Wai Shu
Mr. KOO Fook Sun, Louis
Mr. SHA Pau, Eric
Mr. YING Wing Cheung

Company Secretary

Mr. LO Tsz Yung

Compliance Officer

Mr. LAU Wai Shu

Authorised Representatives

Mr. LAU Wai Shu
Mr. LO Tsz Yung

Qualified Accountant

Mr. CHAN Kei, Jeffrey

Auditors

Grant Thornton
13th Floor, Gloucester Tower
The Landmark, 11 Pedder Street
Central, Hong Kong

Principal Share Registrar and Transfer Office

Bank of Bermuda (Cayman) Limited
P.O. Box 513 GT
Strathvale House
North Church Street
George Town, Grand Cayman
Cayman Islands, British West Indies

Hong Kong Branch Share Registrar and Transfer Office

Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Registered Office

Century Yard, Cricket Square
Hutchins Drive, P.O. Box 2681 G.T.
George Town, Grand Cayman
Cayman Islands, British West Indies

Head Office and Principal Place of Business

9th Floor, Tai Sang Commercial Building
24-34 Hennessy Road
Hong Kong

Website Address

www.evi.com.hk

Stock code

8090

Cayman Islands Legal Advisers

Conyers Dill & Pearman, Cayman
Suite 2901, One Exchange Square
8 Connaught Place
Central
Hong Kong

First Quarterly Results for the Three Months Ended 31st March 2006

The board of directors (the "Directors" or the "Board") of EVI Education Asia Limited (the "Company") presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 31st March 2006 (the "Period") together with comparative figures for the corresponding period ended 31st March 2005 as follows:

Consolidated Income Statement

For the three months ended 31st March 2006

		(Unaudited) For the three months ended 31st March	
	Note	2006 HK\$'000	2005 HK\$'000
Revenue	(2)	5,742	4,854
Other income	(3)	1,074	148
Costs of merchandise		(1,829)	(1,182)
Costs of internet connectivity fee		(20)	(33)
Staff costs		(4,792)	(2,567)
Depreciation		(239)	(219)
Amortisation of intangible assets		(6)	(396)
General and administrative expenses		(1,897)	(865)
		<u>(1,967)</u>	<u>(260)</u>
Loss before taxation		(1,967)	(260)
Taxation	(4)	-	(10)
		<u>(1,967)</u>	<u>(270)</u>
Loss for the period		<u>(1,967)</u>	<u>(270)</u>
Attributable to:			
Equity holders of the Company		(1,839)	(82)
Minority interest		(128)	(188)
		<u>(1,967)</u>	<u>(270)</u>
Loss per share for loss attributable to the equity holders of the Company during the period			
- Basic	(5)	<u>HK(0.022) cent</u>	<u>HK(0.002) cent</u>
- Diluted		<u>N/A</u>	<u>N/A</u>

Notes to Condensed Consolidated Financial Statements

(1) Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements for the Period have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Listing Rules").

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, except for financial assets held for trading that have been measured at fair value. The principal accounting policies and methods of computations used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group's final financial statements for the fifteen-month period ended 31st December 2005.

The Group has adopted the following standards that have been issued and effective for periods beginning on or after 1st January 2006. The adoption of such standards did not have material effect on these financial statements.

HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 (Amendment)	The Fair Value Option

The Group has not early adopted the following standards that have been issued but are not yet effective. The adoption of such standards will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments – Disclosures

Notes to Condensed Consolidated Financial Statements

(2) Revenue

The Group is principally engaged in (i) provision of internet education services, (ii) sales and installation of computer hardware and software, (iii) website development and commercial projects, (iv) provision of computer training services and (v) sales of health and personal care products. Revenue recognised during the Period is as follows:

	(Unaudited)	
	For the three months ended	
	31st March	
	2006	2005
	HK\$'000	HK\$'000
Revenue		
Internet education services fee	2,245	2,192
Sales and installation of computer hardware and software	1,951	1,605
Website development and commercial projects	408	438
Computer training services fee	741	582
Sales of health and personal care products	356	–
Others	41	37
	<u>5,742</u>	<u>4,854</u>
Turnover	<u>5,742</u>	<u>4,854</u>

(3) Other income

Other income represents interest income generated from bank deposits.

Notes to Condensed Consolidated Financial Statements

(4) Taxation

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the Period. Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit arising in or derived from Hong Kong for the three months ended 31st March 2005.

The Company was incorporated in the Cayman Islands and is exempted from the taxation in the Cayman Islands until 2021. Those subsidiaries of the Company incorporated in the British Virgin Islands under the International Business Companies Acts of the British Virgin Islands are exempt from payment of the British Virgin Islands income taxes. No provision for The People's Republic of China ("PRC") tax has been made as there was no assessable profit for those subsidiaries of the Company which were incorporated in PRC for the Period.

During the Period, the tax effect of temporary differences for deferred tax assets was not recognised in the financial statements due to the uncertainty of future profit streams against which the assets can be utilized. The tax loss of the Group is subject to the agreement of the Hong Kong Inland Revenue Department and can be carried forward indefinitely.

(5) Loss per Share

The calculation of basic loss per share for the Period was based on the unaudited consolidated loss attributable to equity holders of the Company of HK\$1,839,000 (2005: HK\$82,000) and on the 8,300,000,000 ordinary shares (2005: weighted average number of 4,764,444,444 ordinary shares) in issue throughout the Period.

No diluted loss per share was presented for the Period as the conversion of the share option is anti-dilutive.

Notes to Condensed Consolidated Financial Statements

(6) Movement of reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Exchange translation reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January 2005	22,372	14,918	61	-	(58,947)	(21,596)
Issue of new shares	64,500	-	-	-	-	64,500
Share issue expenses	(1,056)	-	-	-	-	(1,056)
Loss for the period	-	-	-	-	(82)	(82)
Exchange translation difference	-	-	(5)	-	-	(5)
	<u>85,816</u>	<u>14,918</u>	<u>56</u>	<u>-</u>	<u>(59,029)</u>	<u>41,761</u>
At 1st January 2006	85,816	14,918	135	-	(59,508)	41,361
Loss for the period	-	-	-	-	(1,839)	(1,839)
Exchange translation difference	-	-	11	-	-	11
Share option expenses	-	-	-	1,277	-	1,277
	<u>85,816</u>	<u>14,918</u>	<u>146</u>	<u>1,277</u>	<u>(61,347)</u>	<u>40,810</u>

Dividend

The Board does not recommend the payment of any dividend for the Period (2005: Nil).

Financial Performance

During the Period, the Group recorded an increase of approximately 18% in the revenue to HK\$5,742,000 compared with the corresponding period of previous year. The increase was mainly derived from the improvement in internet education services fee, sales and installation of computer hardware and software and computer training services fee, as well as the launch of a new business of retail of health and personal care products. The loss attributable to equity holders of the Company for the Period amounted to about HK\$1,839,000, which was resulted from recognition of the share option expenses and the set up of health and personal care products retail business.

In terms of segmental performance, the Group's revenue from the internet education services for the Period slightly increased by 2% to approximately HK\$2,245,000, representing about 39% of total revenue. Revenue from sales and installation of computer hardware and software increased by 22% to HK\$1,951,000, representing 34% of total revenue. Revenue from computer training services increased by 27% to HK\$741,000, representing 13% of total revenue. Website development and other commercial projects yielded approximately 7% of total revenue while sales of health and personal care products yielded approximately 6%. Interest income increased significantly to HK\$1,074,000 stemming from the increase in the capital fund resulting from the acquisition by Midland Holdings Limited.

As at 31st March 2006, the Group maintained a sound financial position with cash on hand of approximately HK\$115 million and financial asset at fair value through profit or loss of approximately HK\$5 million and no outstanding bank loan. The Directors remain positive towards the Group's future financial position in view of the stable recurring income from the existing core education business together with the expansion potential of the newly set up business.

Business Review

The EVI portals continued to receive favorable response from users. Along with core online education services, the Group applied its website development know-how to collaborative projects with various commercial partners and government departments, such as, the Education and Manpower Bureau, to generate additional revenue. The Group also reinforced its network business value by organizing different activities and promotional campaigns. During the Period, we held "Frisocare Multi-Intelligent Fun Fun Day" at Tuen Mun Central Plaza. Strong customer pool of the Group and high level of participation by our parent members reveal the rapport between the Group and our commercial clients. Looking forward the second half year, the Group will continue to strengthen its market position and strive to boost our relationship with our commercial partners by organizing campaign activities with different themes.

The Group considers the most effective way to generate additional revenue is to explore and introduce new products and services or develop in new areas. In the coming school academic year, we will issue a series of web-based teaching books namely "Dr PC Family" for primary schools. This series teaching books were written according to education highlights of the Education and Manpower Bureau. The Group believes these series books will be highly accepted by the market.

Outlook

In order to attain long-term business growth, the Group has begun to diversify related business. As its first step, the Group launched online professional training programs for practitioners in the real estate broking business in Hong Kong in the second half of 2005. In the Period, the training course continued to generate revenue. The Directors believe that, under the current competitive environment, there is a rising demand for continuing professional development for property agency practitioners, as such, it is optimistic that there is ample growing potential for the online professional training business.

In addition to the e-educational business as its core business, the Group started a new business of retailing health and personal care products in late 2005. The third shop was opened in Maritime Square during the Period. The Directors expect that this new business would help to broaden the Group's revenue stream.

Share Options

At the Company's extraordinary general meeting held on 6th June 2005, a new share option scheme (the "Share Option Scheme") of the Company was adopted and approved by its shareholders.

Pursuant to the Share Option Scheme, the Company may grant options to each eligible person as defined thereunder who, as determined by the Directors, has contributed or will contribute to the growth and development of the Group to subscribe for shares of the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company at the adoption date, excluding for this purpose shares issued on the exercise of options. As at 31st March 2006, share options for an aggregate of 83,000,000 shares under the Share Option Scheme remained outstanding.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31st March 2006, the interests and short positions of the Directors, chief executives or their associates in the shares and in respect of equity derivatives, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be recorded in the register to be kept under section 352 of the SFO, or to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by the Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Name of director	Personal interests	Family interests	Corporate interests	Equity derivative (Share Option)	Total	Percentage of shares
Mr. Pong Wai San, Wilson ("Mr. Pong") (Note 1)	153,610,000	-	2,182,300,000	-	2,335,910,000	28.14%
Mr. Tsang Link Carl, Brian ("Mr. Tsang") (Note 2)	-	-	-	83,000,000	83,000,000	1.00%

Notes:

- As at 31st March 2006, 2,182,300,000 shares were registered in the name of and beneficially owned by Summerview Enterprises Limited ("Summerview") and 153,610,000 shares were registered in the name of Mr. Pong. The entire issued share capital of Summerview was registered in the name of and beneficially owned by Mr. Pong.
- On 16th January 2006, share options were granted under the Share Option Scheme to Mr. Tsang for subscription of 83,000,000 shares of the Company at the exercise price of HK\$0.06 each.

All the interests disclosed above represent long position in the shares of the Company.

Substantial Shareholders

As at 31st March 2006, the interests or short positions of substantial shareholders and other persons of the Company in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO, were as follows:

Name of shareholder	Number of issued shares	Capacity in which shares are held	Percentage holding
Valuewit Assets Limited ("Valuewit")	4,300,000,000 (<i>Note 1</i>)	Corporation interest	51.81%
Midland Holdings Limited ("Midland")	4,300,000,000 (<i>Note 1</i>)	Interest in Controlled Company	51.81%
Summerview	2,182,300,000 (<i>Note 2</i>)	Corporation interest	26.29%

Notes:

1. These shares represent the same block of shares. Valuewit is a wholly-owned subsidiary of Midland.
2. The interest of Summerview in the Company duplicates those of Mr. Pong in the Company.

All the interests disclosed above represent long position in the shares of the Company.

Audit Committee

The Group's unaudited consolidated results for the Period have been reviewed by the Company's audit committee.

Purchase, Sale and Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

Appreciation

Finally, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers and partners for their continuous support, to the management and staff for their hard work, support and dedication throughout the Period.

By Order of the Board
EVI Education Asia Limited
Chu Tak Long
*Executive Director and
Managing Director*

Hong Kong, 4th May 2006