



EVI Education Asia Limited

EVI 教育亞洲有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8090)

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 announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purposes only

FIRST QUARTERLY RESULT 2004-2005

FOR THREE MONTHS ENDED 31ST DECEMBER, 2004

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), I am pleased to present the unaudited consolidated results of EVI Education Asia Limited (the "Company") and its subsidiaries (together, the "Group") for three months ended 31st December, 2004 (the "Period") together with the comparative figures for the corresponding period in 2003 in bracket.

Financial Performance

Hong Kong is one of the cities with lowest birth rate in recent years. This phenomenon has placed marketing constraints towards the growth and expansion of Group's services within the Education sector. Despite of such challenges, EVI has achieved continuous improvement on its overall financial position because of incremental project revenue and effective cost control on operations. In essence, during the low economic period, the Group would continue to apply all necessary cost saving policies in order to retain its financial resources and to maximise its staying power for shareholders' benefits.

The Group's unaudited consolidated turnover for the Period slightly decreased to approximately HK\$4,705,000 over the corresponding Period last year (2003: HK\$5,122,000). Net loss attributable to shareholders for the Period was approximately HK\$446,000 (2003: HK\$860,000), representing a decrease by about 48%.

Comparing segment financial performance to last Period, Group revenue from the internet media for the Period remain stable at approximately HK\$2,270,000, representing 48% of total turnover. The recurrent subscription fees from the EVI On-line System from Hong Kong kindergartens remain the core revenue whilst other online revenue also reflected satisfactory growth in particular the Group's portal, I-Cube, into the Primary school market. Off-line revenue was stable and amounted to approximately HK\$2,435,000, among which approximately 30% of the total turnover was attributable to the sales and installation of computer hardware and software and 13% of the total turnover was attributable to the provision of computer training courses and 9% of the total turnover was attributable to website development and other commercial projects.

The Group maintained its healthy financial position with approximately HK\$18.7 million cash on hand with no outstanding debt as at 31st December, 2004. The Directors remained their positive perception towards the Group's future financial position due to stable recurring subscription income together with more diversified services and the new People's Republic of China (the "PRC") business opportunities.

BUSINESS OVERVIEW AND MAJOR ACHIEVEMENTS

Customer base and Revenue

Being a prominent internet education provider in Hong Kong, the Group offers various On-line, off-line services, programs and products to kindergartens, primary schools and different individual user groups. From time to time, the EVI portals gain favorable response from its users. The EVI On-line System now comprises of the Kindergartens Zone (www.evigroup.com), Parents, Kids and Members Zones (www.evi.com.hk), the I-Cube (www.icubeworld.com) and the Silicon (www.drpcfamilly.com). Despite

the low tide of the education market; the Group was still capable to solicit new business for its On-line System and continue to receiving subscription fees from the EVI On-line System. EVI now has built a user base of over 50,000 users comprising of students, parents and teachers from over 200 kindergartens and 500 primary schools respectively.

Parallel with the provision of core on-line education services, the Group also capitalized on its school network and utilizing its web site development know-how with different commercial partners and the Education and Manpower Bureau (“EMB”) in order to bring in additional revenue. The Group organised the function “Frisocare Multi-intelligent Fun Fun Day” at Tseung Kwan O East Point City on 12th December, 2004, which was well received by our parent members and also displayed how EVI could build up the “added value” for our commercial clients.

Regarding the business development for the PRC market, both the Chinese Foreign Co-operative Joint Venture Company (“JV”) and the Group’s wholly foreign owned enterprise in Guangzhou have made remarkable progress on marketing and production works (www.evimdv.com). The EVI simplified Chinese version (www.haoertong.com) has obtained official endorsement from the “Central Electronic Education Bureau (“CEEB”) under the Ministry of Education of the PRC” at Beijing on 28th July, 2004. It was the first pre-school electronic platform being recognized for its advance design on “Home & Kindergarten” linkage with numerous resources available to different user groups. A new study on “Home & Kindergarten learning network platform – its application and research” was then proposed and being approved by CEEB under its 15th Topic Educational Technical Research program. The Group is now refining its promotion strategy from both the application and research prospective with the Guangdong Province as its centre for business development. The Group is now powering the JV with critical e-educational training and supporting techniques and believed such development will soon transform into revenue contribution by building up renowned model kindergartens and then replicated into other regions through JV partner’s massive connection and expert knowledge of the PRC market. Nevertheless both the Group and JV will continue to seek other forms of cooperation with various PRC educational related organizations and associations in different regions.

Marketing

During the Period, series of brand building and marketing campaigns were launched in order to promote the Group’s image. Various activities namely “EVI Child Care Natural Tour” and “EVI Happy Halloween Casting Competition 2004” were held during the Period and attracted over 200 participants from different kindergartens. The Group considered all these would reinforce EVI’s brand of quality and help to strengthen parent members’ loyalties. As a good corporate citizen toward the community in large, the Group keep supporting social and charity events such as the “Medicins Sans Frontieres Orienteering Competition 2005” and “Po Leung Kuk Bowling Competition for Charity”.

For the primary sector, I-Cube has kept organizing its third “I-Cube Inter-school Intelligent Competition” preliminary contest and the final competition will be held in coming April 2005. I-Cube has also hosted the event “I-Cube Mock Exam sharing seminar” through its “I-Cube Multi-intelligent Mock Exam Questions Database” in December 2004. All these events witnessed the Group’s high service quality and standard towards the sector. I-Cube has successfully blended the fun element into learning process where more and more schools and parents recognizing it as one of the hottest sites among the primary students.

For the PRC market, the JV has organized grand opening of the “Home & Kindergarten learning network platform – its application and research” under CEEB’s 15th Topic Educational Technical Research program. The event was held at the Guangzhou Military Region Air Force Institutional Kindergarten with honorable government speakers from Beijing & provincial level CEEB. The research will last for two and half years and be leaded by Professor Gao Lan of the South China Normal University. There were over 200 kindergarten practitioners from nationwide attending the event and the JV will ride on such success in order to start its mass marketing efforts.

Development and Launch of new products, contents and features

The Group considers the most effective way to generate additional revenue or to increase loyalty; adhesiveness from its existing customers is to provide more value-added services through the EVI On-line System.

System infrastructure and technology deployment

As for the technology development, the Group keeps on researching and providing more user-friendly features for the EVI On-line System in order to enhance its value. The Group has renewed its sole-distributor agreement with iKonnet on “HiShare”, “HiClass” and introducing the new “HiShow” software to the local market. The Group believed these products together with the MMLC and Light Emitting Diode (LED) display will continue to bring in steady revenue and contributions.

Outlook

Despite the negative implication of low birth rate, the Group believes parents nowadays are more willing to invest in children education, products and services. More parental focus and resources are directed towards multiple skills and intelligence development beyond the regular class activities. It is expected that school transparency or effective communication would be one of the key factors for parental consideration. Hence, the Group believed that its portals or programs are effective and ideal channels to deliver such services and to reinforce linkage, relationship between schools, families and students in their learning cycles. With the rapidness of home or broadband internet installation, the directors remained their positive perception towards the e-educational service industry.

The Group constantly reviews and improves its products and services in order to sustain growth and remain competitive on the market. Besides the portal, I-Cube has established “I-Cube Kid’s Digital Learning Playground” at Causeway Bay in order to provide comfort facilities for members’ gathering or leisure activities.

Geographically, the Group recognizes the PRC market as its source of future growth and return. The fast economic growth and “one-child” policy certainly foster huge business potential for quality child products, education and related services. The Directors believe that the deployment of information technology as a new medium of delivering educational and learning contents within PRC presents tremendous commercial opportunities.

In the light of steady recovery on Hong Kong’s overall economic condition and the Group’s long term planning and growth, the Group and Midland Realty (Holdings) Limited have entered into a conditional subscription agreement on 25th January, 2005 and Midland agreed to subscribe for 4,300,000,000 new EVI Shares at the subscription price of HK\$0.025 per EVI Shares. Detail information has been separately disclosed in the announcement dated 26th January, 2005.

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
Pong Wai San, Wilson
Chairman

Hong Kong, 1st February, 2005

UNAUDITED CONSOLIDATED PROFIT AND LOSS RESULTS

For three months ended 31st December, 2004

		(Unaudited)	
		For the Three Months	
		Ended 31st December	
		2004	2003
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	(2)	4,705	5,122
Cost of merchandise		(1,009)	(956)
Cost of internet connectivity fee		(40)	(97)
Staff costs		(2,520)	(2,394)
Depreciation		(162)	(442)
Amortisation of intangible assets		(400)	(731)
General and administrative expenses		(1,258)	(1,303)
Operating loss		(684)	(801)
Interest income		61	34
Loss before taxation		(623)	(767)
Taxation	(3)	(17)	(46)
Loss after taxation		(640)	(813)
Minority interests		194	(47)
Loss attributable to shareholders		(446)	(860)
Loss per share – Basic	(4)	HK(0.01) cent	HK(0.02) cent

NOTES

(1) Basis of preparation

The accounts have been prepared in accordance with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange (“the GEM Listing Rules”). They have been prepared under the historical cost convention.

(2) Turnover and Revenue

The Group is principally engaged in provision of internet education services, sales and installation of computer hardware and software and provision of computer training services. Revenues recognised during the Period are as follows:

	(Unaudited) For the Three Months Ended 31st December	
	2004 HK\$'000	2003 HK\$'000
Turnover		
Internet education fee	2,270	2,556
Sales and installation of computer hardware and software	1,420	1,605
Computer training fee	610	615
Others	405	346
	<hr/>	<hr/>
	4,705	5,122
Interest income	61	34
	<hr/>	<hr/>
Total Revenue	<u>4,766</u>	<u>5,156</u>

(3) Taxation

The Company is incorporated in the Cayman Islands and is exempt from the taxation in the Cayman Islands until 2021. The Company’s subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempt from payment of British Virgin Islands income taxes.

Hong Kong profits tax has been provided at the rate of 17.5% (2003:17.5%) on the estimated assessable profit arising in or derived from Hong Kong.

(4) Loss per Share

The calculation of basic loss per share for the Period, is based on the unaudited consolidated loss attributable to shareholders of approximately HK\$446,000 (2003: HK\$860,000) and 4,000,000,000 shares (2003: 4,000,000,000 shares) in issue throughout the Period.

Diluted loss per share is not presented for the Period because the effect is anti-dilutive.

(5) **Movement of reserves**

	Share premium <i>HK\$000</i>	Capital reserve <i>HK\$000</i>	Exchange difference <i>HK\$000</i>	Accumulated losses <i>HK\$000</i>	Total <i>HK\$000</i>
At 1st October, 2003	22,372	14,918	0	(54,296)	(17,006)
Loss attributable to shareholders	<u>0</u>	<u>0</u>	<u>0</u>	<u>(860)</u>	<u>(860)</u>
At 31st December, 2003	<u>22,372</u>	<u>14,918</u>	<u>0</u>	<u>(55,156)</u>	<u>(17,866)</u>
At 1st October, 2004	22,372	14,918	72	(58,501)	(21,139)
Loss attributable to shareholders	0	0	0	(446)	(446)
Exchange difference	<u>0</u>	<u>0</u>	<u>(11)</u>	<u>0</u>	<u>(11)</u>
At 31st December, 2004	<u>22,372</u>	<u>14,918</u>	<u>61</u>	<u>(58,947)</u>	<u>(21,596)</u>

(6) **Interim Dividend**

The Board does not recommend the payment of interim dividend for the Period ended 31st December, 2004. The Group has not declared any dividends for the corresponding Period.

COMPETING INTERESTS

The Directors believe that none of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business, which cause or may cause significant competition with the business of the Group.

BOARD PRACTICES AND PROCEDURES

Throughout the Period, the Company was in compliance with the Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee and has formulated its written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The members of the Audit Committee up to the date comprised the three independent non-executive directors, Mr. Hung Tak Chow, Charles, Mr. Hung Fan Wai, Wilfred and Mr. Lai Hin Wing, Henry. The primary duties of the Audit Committee are to review the Company's annual report, half-yearly reports and quarterly report and to provide advice and comments thereon to the Board of Directors. Up to the date of this announcement, one audit committee meetings were held in this Period to discuss the operating results, statements of affairs and accounting policies with respect to the first quarterly of 2004-2005.

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.

As at the date of this announcement, Mr. Pong Wai San, Wilson, Mr. Cheung Shi Kwan, Wings, Madam Pong Lo Shuk Yin, Dorothy and Mr. Lau Wai Shu are the executive directors of the Company. Mr. Hung Tak Chow, Charles, Mr. Hung Fan Wai, Wilfred and Mr. Lai Hin Wing, Henry are the independent non-executive directors.

By Order of the Board
Pong Wai San, Wilson
Chairman

Hong Kong, 1st February, 2005

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting.