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*

FINAL RESULTS
FOR THE FIFTEEN MONTHS ENDED 31ST DECEMBER 2005

FINANCIAL HIGHLIGHTS

- Financial year end has been changed from 30th September to 31st December to be coterminous with that of the holding company.

- Total revenue for the fifteen-month period reached approximately HK$31,258,000, representing an increase of about 55% compared to the prior year twelve-month period ended 30th September 2004. On a 12-month pro rata comparison basis, revenue for the reported period increased by 24% to annualized HK$25,006,000 from HK$20,206,000 in 2004.

- Offline revenue for the fifteen-month period grew by 85% to approximately HK$21,094,000. On a 12-month pro rata comparison basis, offline revenue increased by 48% to annualized HK$16,875,000 from HK$11,386,000 in 2004.

- Loss attributable to equity holders of the Company for the fifteen-month period narrowed to approximately HK$1,007,000 from HK$4,205,000 in previous twelve-month period, representing a decrease of 76%. On a 12-month pro rata comparison basis, loss attributable to equity holders of the Company dropped 81% to annualized HK$806,000.

- As at 31st December 2005, the Group maintained its healthy financial position with cash and bank deposits of approximately HK$115.5 million and financial asset at fair value through profit or loss of approximately HK$5 million and no outstanding bank loan.

The board of directors (the "Directors" or the "Board") of EVI Education Asia Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the period from 1st October 2004 to 31st December 2005 (the "Fifteen-Month Period") together with comparative audited figures for the period from 1st October 2003 to 30th September 2004 (the "Prior Year Twelve-Month Period" or "2004") as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD FROM 1ST OCTOBER 2004 TO 31ST DECEMBER 2005

	Note	**1st October 2004 to 31st December 2005** *HK$'000*	**1st October 2003 to 30th September 2004** *HK$'000*
Revenue	*(3)*	31,258	20,206
Other income		3,062	235
Costs of merchandise		(12,902)	(5,450)
Costs of internet connectivity fee		(176)	(291)
Staff costs		(12,897)	(10,039)
Depreciation		(1,021)	(1,306)
Amortisation of intangible assets		(58)	(1,645)
Impairment loss of goodwill		(1,831)	–
General and administrative expenses		(7,326)	(6,215)
Loss before income tax	*(5)*	(1,891)	(4,505)
Income tax credit/(expense)	*(6)*	2	(16)
Loss for the period/year		(1,889)	(4,521)
Attributable to:			
Equity holders of the Company		(1,007)	(4,205)
Minority interest		(882)	(316)
Loss for the period/year		(1,889)	(4,521)
Loss per share for loss attributable to the equity holders of the Company during the period/year			
– Basic	*(8)*	HK (0.015) cent	HK (0.105) cent
– Diluted	*(8)*	N/A	N/A

CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 2005

	Note	As at 31st December 2005 HK$'000	As at 30th September 2004 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	(9)	2,005	741
Financial asset at fair value through profit or loss	(10)	5,040	–
Intangible assets	(11)	8	2,533
Total non-current assets		7,053	3,274
Current assets			
Inventories		204	–
Trade receivables	(12)	4,782	3,566
Due from customers on installation contracts		624	135
Prepayments, deposits and other current assets		1,988	863
Tax refundable		12	–
Cash and bank deposits		115,508	19,123
Total current assets		123,118	23,687
Total assets		130,171	26,961
EQUITY AND LIABILITIES			
Equity attributable to the Company's equity holders			
Share capital	(15)	83,000	40,000
Reserves	(16)	41,361	(21,139)
		124,361	18,861
Minority interest	(17)	709	2,225
Total Equity		125,070	21,086
Current liabilities			
Trade payables	(13)	964	969
Accruals and other payables		1,296	1,739
Deposits from customers		2,461	2,473
Due to minority shareholders of subsidiaries	(14)	380	660
Provision for tax		–	34
Total current liabilities		5,101	5,875
Total equity and liabilities		130,171	26,961
Net current assets		118,017	17,812
Total assets less current liabilities		125,070	21,086

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 1ST OCTOBER 2004 TO 31ST DECEMBER 2005

	1st October 2004 to 31st December 2005 *HK$'000*	1st October 2003 to 30th September 2004 *HK$'000*
Balance at beginning of the period/year, as previously reported as equity	18,861	22,994
At beginning of the period/year, as previously separately reported as minority interest	2,225	91
Balance at beginning of the period/year	21,086	23,085
Exchange translation difference (net income recognized directly in equity)	65	72
Loss for the period/year	(1,889)	(4,521)
Total recognised income and expenses for the period/year	(1,824)	(4,449)
Issue of new shares	107,500	–
Share issue expenses	(1,056)	–
Goodwill relating to establishment of a subsidiary attributable to minority interest	–	2,450
Adjustment to goodwill attributable to minority interest	(636)	–
Balance at the end of the period/year	125,070	21,086
Total recognised income and expenses for the period/year attributable to:		
Equity holders of the Company	(944)	(4,133)
Minority interest	(880)	(316)
Total recognised income and expenses for the period/year	(1,824)	(4,449)

NOTES TO FINANCIAL STATEMENTS:
FOR THE PERIOD FROM 1ST OCTOBER 2004 TO 31ST DECEMBER 2005

(1) General information

On 15th March 2005, Midland Holdings Limited ("Midland"), a company incorporated in Bermuda and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), became the ultimate holding company of the Company.

The Company announced on 19th May 2005 that its financial year end date would be changed from 30th September to 31st December each year so as to align itself with the financial year end of Midland. The financial statements for the current period cover the fifteen months ended 31st December 2005. The corresponding amounts shown for the income statement, statement of changes in equity and related notes cover the twelve-month period from 1st October 2003 to 30th September 2004 and therefore may not be comparable with amounts shown for the current period.

(2) Basis of preparation and principal accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as published by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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").

The financial statements have been prepared on the historical cost basis except for financial assets held for trading or are designated by the Group to be carried at fair value through profit or loss upon initial recognition. These financial assets have been measured at fair value.

Principal accounting policies

The HKICPA has issued a number of new/revised standards and interpretations of HKFRS which are effective for accounting periods beginning on or after 1st January 2005. The Company has decided to early adopt the new/revised standards and interpretations of HKFRS, which are relevant to its operations, with effect from 1st October 2004. These include the following new, revised and renamed standards :

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separated Financial Statements
HKAS 32	Financial Instruments : Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments : Recognition and Measurement
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment.

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect to presentation, recognition and measurement of accounts are described in the following notes:

2.1 Early adoption of HKAS 1

The application of HKAS 1 led to an update of the presentation of financial statements. Minority interest is now included as a separate line item within equity. Profit and loss attributable to minority interest and that attributable to owners of the parent company is now presented as an allocation of the net result of the period/year.

2.2 Early adoption of HKAS 36, HKAS 38 and HKFRS 3

These standards stipulate a prospective change to the accounting policies.

In accordance with the provision of HKFRS 3, the amortisation of goodwill has ceased and the accumulated amortisation at 30th September 2004 was eliminated against the original gross amount of goodwill. Goodwill is now subject only to annual testing for impairment as well as when there is indication of impairment. The Group has allocated the carrying amount of its goodwill to its cash generating units.

No adjustments to prior period financial statements were deemed to be necessary as a result of the reassessment of the useful lives of its intangible assets in accordance with the provision of HKAS 38.

2.3 Early adoption of HKFRS 2

Prior to the adoption of HKFRS 2 on 1st October 2004, equity-settled share-based payment transactions were treated as changes in the entity's equity only upon execution. HKFRS 2 requires all goods and services received in the course of share-based payment transactions to be measured at fair value and recognised in the financial statements with a corresponding credit to equity, unless the transaction is settled in cash. When applied to employee share-based compensation, this leads to the recognition of share options which have been granted and are expected to vest as an expense in profit or loss.

According to the transitional provisions of HKFRS 2, all equity-settled share-based payments granted after 7th November 2002 that had not vested at the first application of this standard are required to be recognised retrospectively in the Group's financial statements.

As the Group's share options were granted before 7th November 2002, in accordance with the transitional provisions, the Group is not required to apply the accounting provisions of HKFRS 2 retrospectively.

2.4 Other standards early adopted

The early adoption of HKAS 2, 7, 8, 10, 14, 16, 17, 21, 24, 27, 32, 33, 37 and 39 did not result in significant alternations to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The early adoption of these other standards did not result in any changes to the amounts or disclosures in these financial statements.

2.5 New standards or interpretations that have been issued but are not yet effective

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
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 7	Financial Instruments – Disclosures

(3) 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 and (iv) provision of computer training services. Revenue recognised during the Fifteen-Month Period is as follows:

	1st October 2004 to 31st December 2005 *HK$'000*	**1st October 2003 to 30th September 2004** *HK$'000*
Revenue		
Internet education fee	10,164	8,820
Sales and installation of computer hardware and software	13,954	7,102
Website development and commercial projects	3,556	1,609
Computer training fee	3,035	2,553
Others	549	122
Turnover	31,258	20,206

(4) Segment information

(a) Primary reporting format – business segments

The Group operates under four main business segments, namely internet education, sales and installation of computer hardware and software, website development and commercial projects and provision of computer training services.

	1st October 2004 to 31st December 2005					
	Internet education *HK$'000*	**Sales and installation of computer hardware and software** *HK$'000*	**Website development and commercial projects** *HK$'000*	**Computer training** *HK$'000*	**Others** *HK$'000*	**Group** *HK$'000*
Turnover						
– External sales	10,164	13,954	3,556	3,035	549	31,258
Segment results	(2,837)	(1,814)	(686)	1,450	(71)	(3,958)
Unallocated expenses						(910)
Operating loss						(4,868)
Interest income						2,977
Loss before income tax						(1,891)
Income tax credit						2
Loss for the period						(1,889)
Segment assets	2,427	4,679	269	624	1,307	9,306
Unallocated assets						120,865
Total assets						130,171
Segment liabilities	2,330	1,296	406	386	33	4,451
Unallocated liabilities						650
Total liabilities						5,101
Capital expenditure	1,326	64	–	538	381	2,309
Depreciation	846	62	97	16	–	1,021
Amortisation charge	58	–	–	–	–	58
Impairment loss on goodwill	1,542	144	–	145	–	1,831

	1st October 2003 to 30th September 2004					
	Internet education	**Sales and installation of computer hardware and software**	**Website development and commercial projects**	**Computer training**	**Others**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover						
– External sales	8,820	7,102	1,609	2,553	122	20,206
Segment results	(3,155)	(1,385)	(262)	632	(20)	(4,190)
Unallocated expenses						(550)
Operating loss						(4,740)
Interest income						235
Loss before income tax						(4,505)
Income tax expense						(16)
Loss for the year						(4,521)
Segment assets	3,735	2,972	174	649	13	7,543
Unallocated assets						19,418
Total assets						26,961
Segment liabilities	3,167	1,177	271	405	21	5,041
Unallocated liabilities						834
Total liabilities						5,875
Capital expenditure	2,835	–	–	–	–	2,835
Depreciation	1,306	–	–	–	–	1,306
Amortisation charge	907	369	–	369	–	1,645

(b) *Secondary reporting format - geographical segments*

The Group's operations are located in two main geographical areas.

A geographical analysis of the Group's revenue is not presented as the Group's revenue in geographical segments other than Hong Kong is less than 10% of the aggregate amount of all segments.

The following tables show the carrying amounts of segment assets and additions to property, plant, equipment and intangible assets by geographical areas in which the assets are located:

	Segment assets		**Capital expenditures**	
	As at 31st December 2005	**As at 30th September 2004**	**1st October 2004 to 31st December 2005**	**1st October 2003 to 30th September 2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	127,319	19,997	2,150	164
Mainland China	2,852	6,964	159	2,671
	130,171	26,961	2,309	2,835

(5) Loss before income tax

	1st October 2004 to 31st December 2005 *HK$'000*	1st October 2003 to 30th September 2004 *HK$'000*
Loss before income tax is arrived at after charging:		
Operating lease charges		
– premises	1,895	1,861
– computer servers	246	219
	2,141	2,080
Costs of merchandise	12,902	5,450
Costs of internet connectivity fee	176	291
Staff cost (including directors' emoluments)	12,897	10,039
Depreciation	1,021	1,306
Amortisation of:		
– Website development costs	58	636
– Goodwill	–	1,009
	58	1,645
Impairment loss on goodwill	1,831	–
Loss on disposal of property, plant and equipment	21	–
Provision for impairment on trade receivables	66	59
Auditors' remuneration	200	180
and crediting:		
Interest income	2,977	235
Gain on disposal of listed investments	85	–
	3,062	235

(6) Income tax credit/expense

Hong Kong profits tax has been provided at the rate of 17.5% (2004 : 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period/year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

	1st October 2004 to 31st December 2005 *HK$'000*	1st October 2003 to 30th September 2004 *HK$'000*
Current tax – Hong Kong profits tax		
Tax for the year	–	16
Over-provision in prior years	(2)	–
Income tax (credit)/expense	(2)	16

The tax effect of temporary differences for deferred tax assets not recognised in the financial statements is in respect of the following:

	Group	
	31st December 2005	**30th September 2004**
	HK$'000	*HK$'000*
Accelerated depreciation allowance	26	(85)
Tax loss *(Note)*	(9,524)	(9,362)
	(9,498)	(9,447)

Note: Tax loss of the Group is subject to the agreement of the Hong Kong Inland Revenue Department and can be carried forward indefinitely. No deferred tax asset has been recognised due to the uncertainty of future profit streams against which the asset can be utilised.

(7) Final dividend

The Board does not recommend the payment of a final dividend for the Fifteen-Month Period (2004: Nil).

(8) Loss Per share

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company for the Fifteen-Month Period of HK$1,007,000 (2004: HK$4,205,000) and on the weighted average of 6,747,483,589 (2004: 4,000,000,000) ordinary shares in issue during the Fifteen-Month Period.

No diluted loss per share was presented for the Fifteen-Month Period and Prior Year Twelve-Month Period because impact of the exercise of the share options was anti-dilutive.

(9) Property, plant and equipment

	Leasehold improvements	**Furniture and office equipment**	**Computer equipment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1st October 2003				
Cost	1,788	715	8,161	10,664
Accumulated depreciation	(1,758)	(639)	(6,605)	(9,002)
Net book amount	30	76	1,556	1,662
Net book amount at 1st October 2003	30	76	1,556	1,662
Additions	77	31	277	385
Depreciation	(29)	(64)	(1,213)	(1,306)
Net book amount at 30th September 2004	78	43	620	741

	Leasehold improvements *HK$'000*	Furniture and office equipment *HK$'000*	Computer equipment *HK$'000*	Total *HK$'000*
At 30th September 2004				
Cost	1,865	739	6,254	8,858
Accumulated depreciation	(1,787)	(696)	(5,634)	(8,117)
Net book amount	78	43	620	741
Net book amount at 1st October 2004	78	43	620	741
Additions	1,409	122	778	2,309
Disposals	–	(3)	(21)	(24)
Depreciation	(410)	(48)	(563)	(1,021)
Net book amount at 31st December 2005	1,077	114	814	2,005
At 31st December 2005				
Cost	1,486	474	5,841	7,801
Accumulated depreciation	(409)	(360)	(5,027)	(5,796)
Net book amount	1,077	114	814	2,005

(10) Financial asset at fair value through profit or loss

	As at 31st December 2005 *HK$'000*	As at 30th September 2004 *HK$'000*
5 years non-call 3 months US dollars Callable Range Accrual Note	5,040	–

The above financial asset is classified as financial asset at fair value through profit or loss on initial recognition.

(11) Intangible assets

	Goodwill *HK$'000*	Website development costs *HK$'000*	Licensing rights *HK$'000*	Total *HK$'000*
At 1st October 2003				
Gross carrying amount	2,511	6,534	6,318	15,363
Accumulated amortisation and impairment	(1,485)	(5,832)	(6,318)	(13,635)
Net carrying amount	1,026	702	–	1,728
Net carrying amount at 1st October 2003	1,026	702	–	1,728
Additions	2,450	–	–	2,450
Amortisation charge	(1,009)	(636)	–	(1,645)
Net carrying amount at 30th September 2004	2,467	66	–	2,533
At 30th September 2004				
Gross carrying amount	4,961	6,534	6,318	17,813
Accumulated amortisation and impairment	(2,494)	(6,468)	(6,318)	(15,280)
Net carrying amount	2,467	66	–	2,533
Net carrying amount at 1st October 2004	2,467	66	–	2,533
Amortisation charge	–	(58)	–	(58)
Adjustment of goodwill	(636)	–	–	(636)
Impairment loss	(1,831)	–	–	(1,831)
Net carrying amount at 31st December 2005	–	8	–	8
At 31st December 2005				
Gross carrying amount	1,831	6,534	6,318	14,683
Accumulated amortisation and impairment	(1,831)	(6,526)	(6,318)	(14,675)
Net carrying amount	–	8	–	8

Note:

In August 2005, a review on the first full-year performance of the Chinese-foreign joint venture (the "CJV") was performed and the results of the CJV were behind original expectation. The Group and its PRC partner reached an agreement to alter their mode of cooperation. According to the new arrangement, the PRC partner is no longer required to grant certain software usage rights to the CJV as originally committed, while their shareholding should be reduced from 49% to 30%. The Company's shareholding in the CJV was increased from 51% to 70% accordingly, resulting in a reduction of goodwill amounting to approximately HK$636,000 arising from the formation of the CJV. With the indication of impairment arising from this first full-year performance review on the CJV and the uncertainty about the CJV's future profit contribution, an impairment assessment on the CJV was performed. The carrying amount of such cash-generating unit exceeds its recoverable amount which was determined based on value-in-use calculations, covering a three-year cash flow projections discounted at bank deposit interest rate, and the goodwill relating to the CJV amounted to HK$1,542,000 was then fully written off as "impairment loss on goodwill" in the income statement and attributable to the Group's "Internet education" segment.

Annual impairment test was performed at period end, the carrying amount of another business unit exceeds its recoverable amount which was determined based on value-in-use calculations, covering a three-year cash flow projections discounted at bank deposit interest rate, and the goodwill relating to this business unit amounted to HK$289,000 was then fully written off as "impairment loss on goodwill" in the income statement and attributable to the Group's "Sales and installation of computer hardware and software" and "Computer training" segments.

Apart from the decrease in goodwill resulting from the increase in the Group's shareholding of the CJV as mentioned above, the change in the gross carrying amount of goodwill between 30th September 2004 and 31st December 2005 was caused by the transitional provisions of HKFRS 3. In accordance with the HKFRS 3, all accumulated amortization as at 30th September 2004 was eliminated against the gross amount of goodwill and amortization of goodwill was discontinued from 1st October 2004.

(12) Trade receivables

Majority of the Group's turnover is on open account terms and in accordance with terms specified in the contracts governing the relevant transactions.

The ageing analysis of the Group's trade receivables is as follows:–

	As at 31st December 2005 *HK$'000*	**As at 30th September 2004** *HK$'000*
0 to 30 days	3,206	2,060
31 to 60 days	553	994
61 to 90 days	296	125
Over 90 days	1,286	914
	5,341	4,093
Less: provision for impairment of receivables	(559)	(527)
	4,782	3,566

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

Included in trade receivables are amounts due from a fellow subsidiary of HK$252,000, representing internet education fee received on behalf of the Group. The fellow subsidiary is controlled by Midland Holdings Limited.

(13) Trade payables

The ageing analysis of the Group's trade payables is as follows:–

	As at 31st December 2005 *HK$'000*	**As at 30th September 2004** *HK$'000*
0 to 30 days	633	703
31 to 60 days	27	198
61 to 90 days	218	13
Over 90 days	86	55
	964	969

(14) Due to minority shareholders of subsidiaries

The amount is unsecured, non-interest bearing and repayable on demand. During the period from 1st October 2004 to 31st December 2005, the Group made repayment amounting to HK$280,000 to a minority shareholder of a subsidiary.

(15) Share capital

	As at 31st December 2005 *HK$'000*	**As at 30th September 2004** *HK$'000*
Authorised :		
50,000,000,000 ordinary shares of HK$0.01 each	500,000	500,000

	Number of shares	**Ordinary shares** *HK$'000*	**Total** *HK$'000*
Issued and fully paid:			
At 1st October 2003, 30th September 2004 & 1st October 2004	4,000,000,000	40,000	40,000
Issue of shares	4,300,000,000	43,000	43,000
At 31st December, 2005	8,300,000,000	83,000	83,000

The Company issued 4,300,000,000 ordinary shares at a total consideration of HK$107,500,000 on 15th March 2005 to Valuewit Assets Limited, an indirect wholly-owned subsidiary of Midland pursuant to the subscription agreement dated 25th January 2005 between the Company and Valuewit Assets Limited. The ordinary shares issued have the same rights as the other shares in issue.

(16) Reserves

	Share premium *HK$'000*	**Capital reserve** *HK$'000*	**Exchange translation reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1st October 2003	22,372	14,918	–	(54,296)	(17,006)
Loss for the year	–	–	–	(4,205)	(4,205)
Exchange translation difference	–	–	72	–	72
At 30th September 2004	22,372	14,918	72	(58,501)	(21,139)
At 1st October 2004	22,372	14,918	72	(58,501)	(21,139)
Issue of new shares *(Note 15)*	64,500	–	–	–	64,500
Share issue expenses *(Note 15)*	(1,056)	–	–	–	(1,056)
Loss for the period	–	–	–	(1,007)	(1,007)
Exchange translation difference	–	–	63	–	63
At 31st December 2005	85,816	14,918	135	(59,508)	41,361

(17) Minority interest

	As at 31st December 2005 *HK$'000*	As at 30th September 2004 *HK$'000*
Balance at beginning of the period/ year	2,225	91
Loss for the period/ year	(882)	(316)
Establishment of a subsidiary	–	2,450
Adjustment of goodwill	(636)	–
Exchange translation difference	2	–
Balance at the end of the period/ year	709	2,225

(18) Share option scheme

Details of options outstanding as at 31st December 2005 were as follows:

	Number of share options	
	Pre-IPO Share Option Scheme *HK$'000*	Post-IPO Share Option Scheme *HK$'000*
Outstanding at 1st October 2003	221,500	21,000
Lapsed	(1,500)	(7,000)
Outstanding at 30th September 2004 and at 1st October 2004	220,000	14,000
Lapsed	(220,000)	(14,000)
Outstanding at 31st December 2005	–	–

As HKFRS 2 does not require full retrospective application of the new rules as described in note 2.3 above, the Group does not recognise the share-based employee incentive programmes in the financial statements.

On 6th June 2005, the Company terminated the Post-IPO Share Option Scheme and adopted a new share option scheme pursuant to an ordinary resolution.

No additional options were granted during the period from 1st October 2004 to 31st December 2005.

(19) Operating lease commitments

At 31st December 2005, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2005		2004	
	Premises *HK$'000*	Other assets *HK$'000*	Premises *HK$'000*	Other assets *HK$'000*
Within one year	2,597	131	556	194
In the second to fifth years	2,695	–	1,205	–
	5,292	131	1,761	194

FINANCIAL PERFORMANCE

The Group's performance continued to improve for the Fifteen-Month Period, compared to the Prior Year Twelve-Month Period, thanks to the strategic move to increase Group's capital through the share subscription by Midland Holdings Limited ("Midland") (the "Midland Share Subscription"). Market sentiment that turned optimistic along with the economic recovery also helped. Through networking among the kindergartens, primary schools, secondary schools, teachers, parents and children, the Group expanded its educational-commercial revenue base and reinforced its brand recognition within the education sector. The Group is now in a good position to meet the customer needs by matching appropriate commercial partners or elements with products or services.

The Company changed its financial year end date to 31st December. Consequently, all percentages are comparing a fifteen-month period to a twelve-month period.

For the Fifteen-Month Period, the Group's revenue increased by approximately 55% to HK$31,258,000. On a 12-month pro rata comparison basis, revenue for the reported period increased by 24% to annualized HK$25,006,000 from HK$20,206,000 in 2004. The increase was mainly due to improvement in offline revenue, including commercial projects and the Multi-media Learning Centre (the "MMLC") projects. For the Fifteen-Month Period, loss attributable to equity holders of the Company narrowed to approximately HK$1,007,000 from HK$4,205,000 in 2004, down 76%. On a 12-month pro rata comparison basis, loss attributable to equity holders of the Company dropped 81% from HK$4,205,000 to annualized HK$806,000.

In August 2005, a review on the first full-year performance of the Chinese-foreign joint venture (the "CJV") was performed and, the results were behind original expectation, the Group and its PRC partner reached an agreement to alter their mode of cooperation. According to the new arrangement, the PRC partner is no longer required to grant certain software usage rights to the CJV as originally committed, while their stake reduced from 49% to 30%. The Company's shareholding was then increased from 51% to 70%, resulting in a reduction of the Group's goodwill arisen from the formation of the CJV. With the indication of impairment from this first full-year performance review of the CJV and the uncertainty about its future profit contribution; an impairment assessment was then performed and hence the remaining balance of goodwill arisen from the formation of the CJV of HK$1,542,000 and the entire sum was written off to the income statement in the current period. An impairment test was performed at period end, the carrying amount of another cash-generating unit exceeds its recoverable amount and the goodwill relating to Silicon amounted to HK$289,000 was then fully written off to the income statement at period end.

In terms of segmental performance, the Group's revenue from the Internet business for the Fifteen-Month Period increased by 15% to approximately HK$10,164,000, representing about 33% of total revenue. On a 12-month pro rata comparison basis, Internet business revenue for the reported period decreased by 8% to annualized HK$8,131,000 from HK$8,820,000 in 2004. As free hardware was no longer included with subscription renewal, the rate of subscription fee fell. Together with the drop in student number per school, the recurrent subscription income from the EVI On-line System portals declined as well. As a percentage of total revenue for the Fifteen-Month Period of HK$31,258,000, income from the Internet segment decreased following a 85% increase in offline revenue to approximately HK$21,094,000 over the Prior Year Twelve Month Period of HK$11,386,000. On a 12-month pro rata comparison basis, offline revenue for the Fifteen-Month Period increase by 48% to annualized HK$16,875,000 from HK$11,386,000 in 2004. In terms of segmental contribution, sales and installation of hardware and software yielded approximately 45%, website development and other commercial projects, approximately 11%, computer training courses and other services, approximately 11%.

Riding on the Quality Education Fund (QEF) and matching grants to upgrade the schools' IT infrastructure, the Group strengthened its sale forces so as to expand its network, and was able to increase hardware and software sales during the Fifteen-Month Period. Revenue from website development and/or commercial projects also recorded significant growth, reflecting further business potential in this segment. The Directors expected that more business opportunities in commercial collaboration are likely. In addition to revenue from recurrent computer training courses, revenue started to generate since the fourth quarter from the provision of on-line professional training courses to practitioners in the real estate broking business. During the Fifteen-Month Period, interest income increased significantly along with the increase in the capital fund stemming from Midland Share Subscription.

As at 31st December 2005, the Group maintained a sound financial position with cash on hand of approximately HK$115.5 million and financial asset at fair value through profit or loss of approximately HK$5 million and no outstanding bank loan. In view of stable recurring income from the existing core education business as well as possible new business opportunities resulting from Midland Share Subscription, the Directors maintain an optimistic outlook on the Group's future financial position.

BUSINESS REVIEW

Customer base, income stream diversified

The EVI portals continued to receive favorable response from users. Despite the shrinking of pre-school market, the Group was able to solicit new business to expand its EVI Online System and derived subscription fees at an acceptable level. 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, among which, a series of fun days or game booths were held during the year; "Frisocare Multi-intelligent Fun Fun Day" was organised for two consecutive years at Tseung Kwan O East Point City and Discovery Park respectively. 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.

Online professional training

In order to attain long-term growth on existing business basis, the Group began further diversification of its education service scope by means of developing online professional training programs for practitioners in the real estate broking business and/or licensed service industries in Hong Kong.

In developing professional training, the Group has actively established a close partnership with Midland University of Midland Group. For the first stage, the Group launched a new portal which is Hong Kong's first-ever professional training portal for property agents, in September 2005. By log into this classroom, users can browse and obtain the latest online information regarding the property agency profession.

Leveraging on its in-house technical knowledge and experience in 3-learning portals development, the Group also co-operated with Midland University to jointly introduce various professional property agency courses basing on real life scenario and making use of animations to indoctrinate complicated property agent knowledge to the practitioners. Despite the pace of development was adjusted in light of the shrinking of the local property market in the forth quarter, during the Fifteen-Month Period, these courses had started to generate revenue.

Taking into account the rising requirements of continuing professional development ("CPD") training for real estate practitioners in today's competitive environment, the Group had the insight to develop on-line CPD training program. It launched online tests and games jointly with Midland University that were supplementary to the CPD Scheme of the Estate Agents Authority. Those tests and games enable all trainees to review the key contents and attain a thorough understanding of the course.

Marketing

Kindergartens: Activities such as the "EVI Drawing Competition" and festival child care activities, for example "EVI Child Care Natural Tour" were organized for members from various kindergartens regularly. The Group believes that such activities will reinforce brand building and help consolidate member parents' loyalty.

Primary schools: I-Cube continued to pursue the concept of mixing fun with learning by establishing the I-Cube Digital Learning Centre in Mongkok. The objective is to provide comfortable facilities for members to gather for recreational activities. The venue also serves to host training courses for members during holidays and off-school hours. In addition, I-Cube organized its third annual "I-Cube Inter-school Intelligent Competition" preliminary contest and the final competition was held in May 2005 at Ying Wah Primary School with great success.

Online professional training: Promotion events such as press conference were organized to introduce to the market the on-line professional training programme for estate agency practitioners. In addition, to campaign for the online CPD training program which would be supplementary to the CPD Scheme of the Estate Agents Authority, a series of advertisements were placed through print media and internet to align with its launch.

The PRC market: The Group fine-tuned its marketing strategy by putting more resources into renowned kindergartens in Dongguan and Guangzhou in order to build up showcases or references. The Directors believe that valuable business know-how garnered from cooperation with these kindergartens would help the Group in dealing with the PRC school sector in the coming year.

Launch of products, contents, features and technology deployment

All along, the Group has been striving to achieve revenue growth and to build loyalty among customers by offering quality services with added value through the EVI Online System. In pursuing this commitment, continuous efforts have been made on fine-tuning and enriching the content of the Group's websites. Besides, new English multimedia teaching materials, such as "Phonics Card" were introduced and received warm welcome at "Hong Kong Book Fair 2005".

In light of the popularity and wide coverage of mobile phones in Hong Kong, the Group envisaged the use of short messages as a comprehensive and effective communication model between schools and parents. Accordingly, the Group launched short messaging service ("SMS") together with Smart Card and Web interfaces as a new service standard under the "EVI School Messages Platform." Initial marketing efforts have been made towards the targeted primary schools and kindergartens. The Directors anticipate the new services will help to increase the Group's overall market share as well as the parental subscription rate.

Social Responsibility

As a good corporate citizen toward the community in large, the Group kept supporting social and charity events such as the "Medicins Sans Frontieres Orienteering Competition 2005" and "Po Leung Kuk Bowling Competition for Charity".

LOOKING AHEAD

The Directors believe that the Group's portals and programs can provide all-rounded and optimal channels to deliver knowledge, information as well as linkage among schools, families and students through their studying process. In light of the renascent in birth rate in 2005 and rapid growth of home or broadband Internet installation, the Directors maintain a positive view towards the e-educational service industry.

The Group will continue to pace the development of on-line professional training according to the property market condition. In view of the recent market recovery, the Group targets to establish a stronger strategic relationship with Midland University. The Group will also continuously inject new elements to the training portal for property agents and introduce more professional courses and interactive activities, in order to expand our online professional property agency course. The flexibility of online training not only widened the scope of training enormously, but also accelerated the professionalization process of property agency industry, which enables the Group to establish itself as the authority in world-class online property agent training.

The Directors will continue to look for property management or investment opportunities in both the residential and commercial sectors. In view of the recent trend of growth of local property market, the Company is in its preparation stage to, by leveraging on the expertise and experience of Midland, commence property agency business.

In addition to the e-educational business, the Group had entered a licensing agreement with a bath and body care company to retail its full range of health and personal care products in Hong Kong and the mainland China. The Directors believe that, by capturing the strong rebound of retail as a result of increasing tourists from the mainland China and continuous increase in local consumption, this new business would help to broaden the Group's revenue stream.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Financial Resources and Gearing Ratio

As at 31st December 2005, the Group maintained healthy financial position with cash and bank deposits of approximately HK$115.5 million and financial asset at fair value through profit or loss of approximately HK$5 million and no outstanding bank loan.

The Group generally finances its operations and investing activities with internally generated cash flows, the balance of proceeds from the initial placing of shares of the Company for at initial listing on GEM and the proceeds from Midland Share Subscription. As at 31st December 2005, the Group had audited net current assets of approximately HK$118,017,000 (2004: HK$17,812,000), including cash and bank deposits of HK$115,508,000 (2004: HK$19,123,000). There were nil consolidated total non-current liabilities (2004: Nil). The Group did not have any bank borrowings nor any banking facilities as at 31st December 2005 (2004: Nil). The gearing ratio (defined as a percentage of long term obligations over total assets) of the Group as at 31st December 2005 was Nil (2004: Nil). The financial position of the Group has strengthened significantly after Midland Share Subscription. The Directors believe the Group's existing financial resources are sufficient to fulfill its commitments and current working capital requirements.

Capital Structure and Foreign Exchange Exposure

The unutilized proceeds from Midland Share Subscription together with interest income generated amounted to approximately HK$103,524,000 and the unutilized original working capital amounted to approximately HK$11,984,000 were placed in Hong Kong Dollar short-term interest bearing deposits with banks in Hong Kong. Amongst the fund, the Group placed approximately HK$4,762,000 in Australian dollar short-term interest bearing deposits with banks in Hong Kong and approximately HK$1,582,000 in Renminbi saving accounts with banks in the mainland China. In addition approximately HK$5,040,000 was placed in US dollars Callable Range Accrual Note in order to gain a higher interest return. The Directors believed that the foreign exchange exposure to Australian dollar, Renminbi and US dollars is mild as it could compensate from the relatively high interest income generated. The Group had not obtained any banking facilities for the Fifteen-Month Period. The incomes of the Group are mainly dominated in Hong Kong Dollar and the Group has adequate recurring cash flow to meet the working capital requirement. The Group adhered to a prudent policy on financial risk management and the management of currency and interest rate exposures and not to enter into derivative transactions for speculative purposes. Hence, the Group's exposure to fluctuations in the exchange rate is considered to be minimal and there is no need to make use of financial instruments for hedging purposes.

Charge on Assets

The Group did not have any charge on their assets as at 31st December 2005 (2004: Nil).

Significant Acquisition

The Company did not have any significant acquisition in the Fifteen-Month Period.

Future Plans for Material Investments and Capital Assets

There was no solid future plan for material investments and acquisition of material capital assets as at 31st December 2005.

Employee Information

Staff costs, including directors' remuneration, were approximately HK$12,897,000 for the Fifteen-Month Period (2004: HK$10,039,000). On a 12-month pro rata comparison basis, staff cost were approximately HK$10,318,000. Headcount remained stable at 106 as at 31st December 2005 compared to 102 as at 30th September 2004. Headcount and staff cost remained stable compared with the previous corresponding period.

Employees were paid at market remuneration with discretionary bonus and benefits of medical insurance, mandatory provident fund scheme, defined contribution retirement plans organised by the relevant authorities for PRC employees, share options and necessary training. The Group's employee remuneration policy, bonus and share option schemes have been reviewed and rewarded against staff's performance on annual basis.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code on corporate governance practices (the "Code") as set out in Appendix 15 of the rules governing the listing of securities on the GEM Listing Rules for the Fifteen-Month Period.

AUDIT COMMITTEE

The Company has established an audit committee and has formulated its written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises four independent non-executive Directors, namely Mr. Koo Fook Sun, Louis, Mr. Hung Tak Chow, Charles, Mr. Lai Hin Wing, Henry and Mr. Ying Wing Cheung.

This final results has been reviewed by the Audit Committee which has provided comments and advice thereon and are of the opinion that such report complied with the applicable accounting standards, the GEM Listing Rules and other legal requirements and that adequate disclosure has been made.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

On 25th January 2005, the Company entered into a subscription agreement with Valuewit Assets Limited ("Valuewit"), an indirect wholly-owned subsidiary of Midland, under which Valuewit subscribed for 4,300,000,000 new shares of HK$0.01 each in the Company at a price of HK$0.025 per share.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Fifteen-Month 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 Fifteen-Month Period.

As at the date of this announcement, the EVI Board comprises nine Directors, of which (i) four are executive Directors, namely Ms. Ip Kit Yee, Kitty, Mr. Pong Wai San, Wilson, Mr. Chu Tak Long and Mr. Cheung Shi Kwan, Wings; (ii) one is non-executive Director, being Mr. Tsang Link Carl, Brian; and (iii) four are independent non-executive Directors, namely Mr. Hung Tak Chow, Charles, Mr. Koo Fook Sun, Louis, Mr. Lai Hin Wing, Henry and Mr. Ying Wing Cheung.

By Order of the Board
EVI Education Asia Limited
IP KIT YEE, KITTY
Executive Director and Managing Director

Hong Kong, 3rd March 2006

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.