



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 purpose only

FINAL RESULTS

FOR THE YEAR ENDED 31ST DECEMBER 2006

The board of directors (the “Directors” or the “Board”) of EVI Education Asia Limited (the “Company”) presents the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31st December 2006 (the “Year”) together with the audited comparative figures for the fifteen months period ended 31st December 2005 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2006

		Year ended 31st December 2006	1st October 2004 to 31st December 2005
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue/Turnover	3	27,124	31,258
Other income		5,082	3,062
Costs of merchandise		(10,392)	(12,902)
Costs of internet connectivity fee		(76)	(176)
Staff costs		(13,880)	(12,897)
Depreciation		(959)	(1,021)
Amortisation of intangible assets		(8)	(58)
Impairment loss on goodwill		–	(1,831)
General and administrative expenses		(8,122)	(7,326)
Loss before income tax	5	(1,231)	(1,891)
Income tax credit	6	–	2
Loss for the year/period		<u>(1,231)</u>	<u>(1,889)</u>
Attributable to:			
Equity holders of the Company		(920)	(1,007)
Minority interest		(311)	(882)
Loss for the year/period		<u>(1,231)</u>	<u>(1,889)</u>
Loss per share for loss attributable to the equity holders of the Company during the year/period	8		
– Basic		<u>HK(0.011) cent</u>	<u>HK(0.015) cent</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 2006

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	<i>9</i>	1,240	2,005
Financial assets at fair value through profit or loss		5,054	5,040
Intangible assets	<i>10</i>	–	8
		<hr/>	<hr/>
		6,294	7,053
Current assets			
Inventories		580	204
Trade receivables	<i>11</i>	4,979	4,782
Due from customers on installation contracts		269	624
Prepayments, deposits and other receivables		1,912	1,988
Tax refundable		–	12
Financial assets at fair value through profit or loss		130	–
Pledged deposits		294	–
Cash and bank deposits		117,035	115,508
		<hr/>	<hr/>
		125,199	123,118
		<hr/>	<hr/>
Total assets		131,493	130,171
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	<i>14</i>	83,000	83,000
Reserves	<i>15</i>	42,146	41,361
		<hr/>	<hr/>
		125,146	124,361
Minority interest	<i>16</i>	718	709
		<hr/>	<hr/>
Total equity		125,864	125,070
LIABILITIES			
Current liabilities			
Trade payables	<i>12</i>	1,692	964
Accruals and other payables		2,201	1,296
Deposits from customers		1,556	2,461
Due to minority shareholders of subsidiaries	<i>13</i>	180	380
		<hr/>	<hr/>
Total liabilities		5,629	5,101
		<hr/>	<hr/>
Total equity and liabilities		131,493	130,171
		<hr/>	<hr/>
Net current assets		119,570	118,017
		<hr/>	<hr/>
Total assets less current liabilities		125,864	125,070
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2006

	Year ended 31st December 2006 HK\$'000	1st October 2004 to 31st December 2005 HK\$'000
Balance at beginning of the year/period	125,070	21,086
Exchange translation difference (net income recognised directly in equity)	54	65
Loss for the year/period	(1,231)	(1,889)
Total recognised income and expense for the year/period	(1,177)	(1,824)
Issue of new shares	–	107,500
Share issue expenses	–	(1,056)
Minority interest in a subsidiary disposed of	319	–
Employee share-based benefits credited to employee share-based benefits reserve	1,652	–
Adjustment to goodwill attributable to minority interest	–	(636)
Balance at the end of the year/period	125,864	125,070
Total recognised income and expense for the year/period attributable to:		
Equity holders of the Company	(867)	(944)
Minority interest	(310)	(880)
Total recognised income and expense for the year/period	(1,177)	(1,824)

NOTES TO FINANCIAL STATEMENTS:

1. GENERAL INFORMATION

The Company was incorporated and domiciled in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and, its principal place of business is located at 9th Floor, Tai Sang Commercial Building, 24-34 Hennessy Road, Hong Kong. The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the Directors, the ultimate holding company is Midland Holdings Limited ("Midland"), a company incorporated in Bermuda and listed on the Main Board of the Stock Exchange.

The Group are principally engaged in provision of internet education services, sales and installation of computer hardware and software, website development and commercial projects, provision of computer training service and sales of health and personal care products.

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

2. ADOPTION OF NEW AND AMENDED HKFRSs

From 1st January 2006, the Group has adopted all the new and amended HKFRSs which are first effective on 1st January 2006 and relevant to the Group. The adoption of these new and amended HKFRSs did not result in significant changes in the Group's accounting policies.

New and amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company is currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

Amendment to HKAS 1	"Presentation of Financial Statements – Capital Disclosures" ¹
HKFRS 7	"Financial Instruments: Disclosures" ¹
HK(IFRIC) Interpretation 7	"Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies" ²
HK(IFRIC) Interpretation 8	"Scope of HKFRS 2" ³
HK(IFRIC) Interpretation 9	"Reassessment of Embedded Derivatives" ⁴
HK(IFRIC) Interpretation 10	"Interim Financial Reporting and Impairment" ⁵
HK(IFRIC) Interpretation 11	"Group and Treasury Share Transactions" ⁶

¹ Effective for annual periods beginning on or after 1st January 2007

² Effective for annual periods beginning on or after 1st March 2006

³ Effective for annual periods beginning on or after 1st May 2006

⁴ Effective for annual periods beginning on or after 1st June 2006

⁵ Effective for annual periods beginning on or after 1st November 2006

⁶ Effective for annual periods beginning on or after 1st March 2007

3. REVENUE/TURNOVER

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. The Group's turnover recognised during the Year is as follows:

	Year ended 31st December 2006 <i>HK\$'000</i>	1st October 2004 to 31st December 2005 <i>HK\$'000</i>
Internet education services	7,775	10,164
Sales and installation of computer hardware and software	11,149	13,954
Website development and commercial projects	3,141	3,556
Computer training services	3,274	3,035
Sales of health and personal care products	1,669	441
Others	116	108
	<hr/> 27,124 <hr/>	<hr/> 31,258 <hr/>

4. SEGMENT INFORMATION

(a) *Primary reporting format – business segments*

The Group operates under five main business segments, namely (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.

	Year ended 31st December 2006						Group HK\$'000
	Internet education services HK\$'000	Sales and installation of computer hardware and software HK\$'000	Website development and commercial projects HK\$'000	Computer training services HK\$'000	Sales of health and personal care products HK\$'000	Others ⁽¹⁾ HK\$'000	
Revenue							
– External sales	7,775	11,149	3,141	3,274	1,669	116	27,124
Segment results	(1,480)	(654)	(576)	1,475	(2,667)	63	(3,839)
Unallocated expenses							(2,474)
Unallocated income							429
Interest income							4,653
Loss before income tax							(1,231)
Income tax credit							–
Loss for the year							(1,231)
Segment assets	1,378	4,464	414	795	985	2	8,038
Unallocated assets							123,455
Total assets							131,493
Segment liabilities	1,032	1,474	182	306	766	–	3,760
Unallocated liabilities							1,869
Total liabilities							5,629
Capital expenditure	160	122	62	44	373	1	762
Depreciation	450	43	158	117	190	1	959
Amortisation charge	8	–	–	–	–	–	8

1st October 2004 to 31st December 2005

	Internet education services <i>HK\$'000</i>	Sales and installation of computer hardware and software <i>HK\$'000</i>	Website development and commercial projects <i>HK\$'000</i>	Computer training services <i>HK\$'000</i>	Sales of health and personal care products <i>HK\$'000</i>	Others ⁽¹⁾ <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenue							
– External sales	10,164	13,954	3,556	3,035	441	108	31,258
Segment results	(2,837)	(1,814)	(686)	1,450	(149)	78	(3,958)
Unallocated expenses							(995)
Unallocated income							85
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	954	353	9,306
Unallocated assets							120,865
Total assets							130,171
Segment liabilities	2,330	1,296	406	386	30	3	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

Note:

(1) Others represent mainly computer maintenance and advertising income.

(b) *Secondary reporting format – geographical segments*

No geographical analysis is provided as less than 10% of the consolidated revenue and less than 10% of total assets of the Group are attributable to locations outside Hong Kong.

5. LOSS BEFORE INCOME TAX

	Year ended 31st December 2006 HK\$'000	1st October 2004 to 31st December 2005 HK\$'000
Loss before income tax is arrived at after charging:		
Operating lease charges:		
– Premises	2,986	1,895
– Computer servers	204	246
	<hr/>	<hr/>
	3,190	2,141
Costs of merchandise	10,392	12,902
Costs of internet connectivity fee	76	176
Staff costs (including directors' emoluments)	13,880	12,897
Depreciation	959	1,021
Amortisation of intangible assets other than goodwill	8	58
Loss on disposal of property, plant and equipment	372	21
(Write back)/Provision for impairment on trade receivables	(20)	66
Auditors' remuneration	300	200
Net foreign exchange loss/(gain)	108	(24)
and crediting:		
Interest income	4,653	2,977
Fair value gain on financial assets at fair value through profit or loss	48	85
Gain on disposal of a subsidiary	381	–
	<hr/>	<hr/>

6. INCOME TAX CREDIT

	Year ended 31st December 2006 HK\$'000	1st October 2004 to 31st December 2005 HK\$'000
Current tax – Hong Kong profits tax		
Tax for the year/period	–	–
Over-provision in prior years	–	(2)
	<hr/>	<hr/>
Income tax credit	–	(2)
	<hr/>	<hr/>

No Hong Kong Profits tax has been provided in the financial statements as the companies within the Group either did not derive any assessable profit for the Year or had tax losses brought forward from previous years to offset against the current year's assessable profit.

7. FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2005: 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 Year of HK\$920,000 (1st October 2004 to 31st December 2005: HK\$1,007,000) and on 8,300,000,000 (1st October 2004 to 31st December 2005: weighted average of 6,747,483,589) ordinary shares in issue during the Year.

No diluted loss per share was presented for the Year and for the period from 1st October 2004 to 31st December 2005 because impact of the exercise of the share options was anti-dilutive.

9. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Leasehold improvements <i>HK\$'000</i>	Furniture and office equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st October 2004				
Cost	1,865	739	6,254	8,858
Accumulated depreciation	(1,787)	(696)	(5,634)	(8,117)
Net book amount	<u>78</u>	<u>43</u>	<u>620</u>	<u>741</u>
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	<u>1,077</u>	<u>114</u>	<u>814</u>	<u>2,005</u>
At 31st December 2005				
Cost	1,486	474	5,841	7,801
Accumulated depreciation	(409)	(360)	(5,027)	(5,796)
Net book amount	<u>1,077</u>	<u>114</u>	<u>814</u>	<u>2,005</u>
Net book amount at 1st January 2006	1,077	114	814	2,005
Additions	342	158	262	762
Exchange difference	(2)	–	(3)	(5)
Disposals	(372)	–	–	(372)
Disposal of a subsidiary	(75)	(23)	(93)	(191)
Depreciation	(535)	(72)	(352)	(959)
Net book amount at 31st December 2006	<u>435</u>	<u>177</u>	<u>628</u>	<u>1,240</u>
At 31st December 2006				
Cost	1,127	591	5,650	7,368
Accumulated depreciation	(692)	(414)	(5,022)	(6,128)
Net book amount	<u>435</u>	<u>177</u>	<u>628</u>	<u>1,240</u>

10. INTANGIBLE ASSETS – GROUP

	Goodwill <i>HK\$'000</i>	Website development costs <i>HK\$'000</i>	Licensing rights <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st October 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	<u>2,467</u>	<u>66</u>	<u>–</u>	<u>2,533</u>
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	<u>–</u>	<u>8</u>	<u>–</u>	<u>8</u>
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	<u>–</u>	<u>8</u>	<u>–</u>	<u>8</u>
At 1st January 2006	–	8	–	8
Amortisation charge	–	(8)	–	(8)
Net carrying amount at 31st December 2006	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 31st December 2006				
Gross carrying amount	1,831	6,534	6,318	14,683
Accumulated amortisation and impairment	(1,831)	(6,534)	(6,318)	(14,683)
Net carrying amount	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

11. TRADE RECEIVABLES – GROUP

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

As at 31st December 2006, the ageing analysis of the Group's trade receivables was as follows:

	As at 31st December 2006 <i>HK\$'000</i>	As at 31st December 2005 <i>HK\$'000</i>
0 to 30 days	3,350	3,206
31 to 60 days	366	553
61 to 90 days	258	296
Over 90 days	<u>1,444</u>	<u>1,286</u>
	5,418	5,341
Less: provision for impairment of receivables	<u>(439)</u>	<u>(559)</u>
	<u>4,979</u>	<u>4,782</u>

Included in trade receivables are amounts due from fellow subsidiaries of HK\$93,000 (2005: HK\$252,000), representing internet education fee received on behalf of the Group. The fellow subsidiaries are controlled by Midland.

12. TRADE PAYABLES – GROUP

At 31st December 2006, the ageing analysis of the trade payables was as follows:

	As at 31st December 2006 HK\$'000	As at 31st December 2005 HK\$'000
0 to 30 days	1,211	633
31 to 60 days	173	27
61 to 90 days	80	218
Over 90 days	228	86
	<u>1,692</u>	<u>964</u>

13. DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES – GROUP

The amount is unsecured, non-interest bearing and repayable on demand. During the Year, the Group made repayment amounting to HK\$200,000 to a minority shareholder of a subsidiary.

14. SHARE CAPITAL

		As at 31st December 2006 HK\$'000	As at 31st December 2005 HK\$'000
<i>Authorised:</i>			
50,000,000,000 ordinary shares of HK\$0.01 each		<u>500,000</u>	<u>500,000</u>
	Number of shares	Ordinary shares HK\$'000	Total HK\$'000
<i>Issued and fully paid:</i>			
At 1st October 2004	4,000,000,000	40,000	40,000
Issue of shares	<u>4,300,000,000</u>	<u>43,000</u>	<u>43,000</u>
At 31st December 2005, 1st January 2006 and 31st December 2006	<u>8,300,000,000</u>	<u>83,000</u>	<u>83,000</u>

15. RESERVES

Group

	Share premium <i>HK\$'000</i>	Capital reserve ⁽¹⁾ <i>HK\$'000</i>	Exchange translation reserve <i>HK\$'000</i>	Employee share-based benefits reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st October 2004	22,372	14,918	72	–	(58,501)	(21,139)
Issue of new shares	64,500	–	–	–	–	64,500
Share issue expenses	(1,056)	–	–	–	–	(1,056)
Exchange translation difference	–	–	63	–	–	63
Loss for the period	–	–	–	–	(1,007)	(1,007)
At 31st December 2005 and at 1st January 2006	85,816	14,918	135	–	(59,508)	41,361
Exchange translation difference	–	–	53	–	–	53
Employee share-based benefits	–	–	–	1,652	–	1,652
Loss for the year	–	–	–	–	(920)	(920)
At 31st December 2006	<u>85,816</u>	<u>14,918</u>	<u>188</u>	<u>1,652</u>	<u>(60,428)</u>	<u>42,146</u>

Note:

- (1) Capital reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of subsidiaries acquired through an exchange of shares pursuant to the group reorganisation on 28th February 2001.

Under the Companies Law (Revised) of the Cayman Islands, share premium and contributed surplus are distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium and contributed surplus if it is, or would after the payment be, unable to pay its liabilities as they become due.

16. MINORITY INTEREST

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Balance at beginning of the year/period	709	2,225
Loss for the year/period	(311)	(882)
Disposal of a subsidiary	319	–
Adjustment of goodwill	–	(636)
Exchange translation difference	1	2
Balance at the end of the year/period	<u>718</u>	<u>709</u>

17. SHARE OPTION SCHEME

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price per share <i>HK\$</i>	Number of options
Outstanding at 1st October 2004, 31st December 2005 and 1st January 2006	–	–
Granted	0.06	83,000,000
		<hr/>
Outstanding at 31st December 2006		83,000,000
		<hr/>

Share options outstanding at the end of Year have the following exercisable periods and exercise prices:

Exercisable period	2006	
	Exercise price per share <i>HK\$</i>	Number of options
1st April 2006 to 31st March 2009	0.06	41,500,000
1st June 2006 to 31st May 2009	0.06	41,500,000
		<hr/>
		83,000,000
		<hr/>

18. OPERATING LEASE COMMITMENTS

At 31st December 2006, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2006		2005	
	Premises <i>HK\$'000</i>	Other assets <i>HK\$'000</i>	Premises <i>HK\$'000</i>	Other assets <i>HK\$'000</i>
Within one year	834	128	2,597	131
In the second to fifth years	394	–	2,695	–
	<hr/>	<hr/>	<hr/>	<hr/>
	1,228	128	5,292	131
	<hr/>	<hr/>	<hr/>	<hr/>

FINANCIAL PERFORMANCE

The Group recorded a turnover of approximately HK\$27,124,000 for the Year, representing an increase of 2% when compared to the unaudited results for twelve-month period ended 31st December 2005. The following comparisons and analysis base the unaudited results for year ended 31st December 2005.

In terms of segmental performance, revenue from sales and installation of computer hardware and software maintained a similar level as in last year at HK\$11,149,000, accounting for about 41.10% of the Group's turnover. Income from internet education service decreased by 2% to HK\$7,775,000, accounting for 29% of the total turnover. The decrease was mainly due to the disposal of I-Cube Education Limited ("I-Cube") which provides on-line education for primary schools. Revenue from website development and commercial projects slightly decreased by 2% to HK\$3,141,000, contributing 11.58% to the total turnover. Due to the satisfactory results of the web-based teaching books for both primary schools and kindergartens and the increase in training fee income from learning centre during the first nine months, revenue from computer training services recorded an increase of approximately 35% to HK\$3,274,000, accounting for 12% to the total turnover. Income from sales of health and personal care products leaped dramatically to HK\$1,669,000, representing 6% to the total turnover.

Among the other income, HK\$4,653,000 of which was generated from the bank interest income.

The loss for the Year narrowed slightly by 1% to HK\$1,231,000. The loss attributable to equity holders of the Company increased by 64% to HK\$920,000, mainly deriving from the set up and marketing costs for the retail business of health and personal care products which recorded a loss of approximately HK\$2,667,000 during the Year.

The loss from online education business narrowed significantly by HK\$790,000, or 28%, to HK\$1,480,000. The sales and installation of computer hardware and software sector also achieved an improvement as its loss narrowed notably by HK\$797,000, or 44%, to HK\$654,000. The computer training sector recorded a profit of approximately HK\$1,475,000, representing an increase of 22% over the last year.

As at 31st December 2006, the Group had pledged deposits and cash and bank balances of approximately HK\$117,329,000 and financial assets at fair value through profit and loss of approximately HK\$5,184,000 and no outstanding bank loan.

BUSINESS REVIEW

Our revenue mainly generated from five sectors: – (i) internet education services; (ii) sales and installation of computer hardware and software; (iii) website development and commercial projects; (iv) computer training services; and (v) sales of health and personal care products.

Internet Education Services

Online education services targeting the kindergarteners and their parents remained a stable and reliable income of the Group. Amid the efforts of our marketing team, we successfully introduced our online educational programme to kindergarten in Macau last year. Besides, we took one step ahead in terms of research and development as we have injected new teaching elements into our Portal to enhance its attractiveness and value. Among those to-be-launched functions, "Interactive Activities" is a teaching tool designed for teaching kindergarteners mathematics and school songs, kindergarten activities records,

search engine for students' information and teaching staff information records will be added into the existing "Kindergarten Management System", "Pictures Information System" is another new teaching materials designed for delivering information about particular pictures.

The online professional training programmes, which is designated for practitioners in the property agency industry and has consolidated the Company's IT knowledge and the training expertise of our holdings company, Midland, generated modest revenue for the Group during the Year.

Sales and Installation of Computer Hardware and Software

The income from the sales and installation of computer hardware and software for school users maintained at similar level as previous years. With the Group's capabilities in system infrastructure development and technology deployment, we had, in 2006, expanded our client base from school users to exhibitors. In the exhibition "ITU Telecom World 2006", we were engaged to supply computer hardware equipments and supporting services to the major exhibitors, from which the Group achieved satisfactory profits.

Website Development and Commercial Projects

Leveraging our expertise and well-established brand name among school sector, the Group had obtained new design and production projects from commercial partners and government departments during the Year. In particular, we got projects with variety from the Education and Manpower Bureau (EMB), ranging from production of CD ROM, e-learning package to website enhancement, targeting students at different ages. In order to stay competitive in terms of our market positioning, developing and introducing new software systems to cater the ever changing needs of our different school and kindergarten users always rank high in our annual working plan. During the Year, we developed several new supplementary application solutions including "library management system", "homework management system" and "visual internet meeting system".

Computer Training Services

The Group continues to co-operate with primary schools and kindergartens in providing class-room training services for their students. Our series of web-based teaching books "DR. P.C. Family" designated for both primary schools and kindergartens that were launched in academic year 2006 kept receiving satisfactory feedback from schools. In addition to our first teaching book "DR. P.C. Family, new e-teaching books in story mode like "an Ugly Duckling" and "the Three Little Pigs" were introduced during the Year. These series of teaching books not only have contributed to the Group's revenue, but also help enhancing the popularity of EVI brand name among primary schools and kindergartens.

Sales on Health and Personal Care Products

Amid the overall rent rise in property leasing market and the tougher than expected competition in the local retail market, this business unit underwent a re-engineering, under which the marketing strategies were modified and the selling channel gradually switched from retail shops to consignment counters in department store. Besides, new product lines under various brand names and with different characters were introduced with an aim to increase our product varieties. These measures were proved to have effectively controlled the cost and increased sales in this business sector.

OUTLOOK

In light of the economic recovery and new initiatives taken by the Government to encourage birth rate, the Company's outlook on its online education in the local market turned positive.

The Directors believe that the launch of the "Pre-Primary Education Voucher Scheme" by the Government will bring about positive effects on the development of the Group's online education business targeting kindergartens. In view of the vision behind the Government's new initiatives for pre-primary education to deliver quality education for children, the Directors expect that this may give rise to business opportunities to the Company as kindergartens may need to upgrade their teaching and IT infrastructures. The Company will be well positioned to capture these opportunities by persistently reinforcing its research and development force.

Under the Company's effort to enrich the functions of EVI Online System, it has recently added new innovative element into this portal by establishing a new channel "Childish World Performing Channel" in the parent zone. Through this channel, parent users are free to share those funny videos of their kids in daily living. This new element has raised the attractiveness and content variety of the portal and the Company expects that, following the launch of this new function, the rate of subscription to the on-line education service will be stimulated to a higher level in the coming quarters. Looking ahead, the Company will keep on updating and upgrading the contents and functions in the kindergarten zone, parent and kid zone in the Portal not only for increasing the local market share, but also for entering into the tremendous markets in the PRC and Macau. Amid the different customer needs, culture and education system in these new markets, the Company will dedicate effort to website and content development and advancement in the coming year.

In view of the Government's intention to develop Hong Kong to be one of the international exhibition centers, the Company's outlook on its computer hardware installation service targeting exhibitors is positive. The Company bases its optimism towards the development of e-teaching book business on the satisfactory results of its first series of web-based teaching books "Dr. P.C. Family". Continuous marketing efforts will be allocated to the promotion of our teaching books in an attempt to boost their sales in the coming new academic year.

Leveraging on our information technology expertise and strong customers base in the academic sector, the Group will continue developing new business to achieve synergy, to diversify products lines under our retail business, and to enhance our market share with an aim to deliver a better return to our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2006, the Group maintained healthy financial position with pledged deposits and cash and bank balances of approximately HK\$117,329,000 and financial assets at fair value through profit or loss of approximately HK\$5,184,000 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 at initial listing on GEM and the proceeds from Midland's share subscription. As at 31st December 2006, the Group had audited net current assets of approximately HK\$119,570,000 (2005: HK\$118,017,000), including pledged deposits

and cash and bank balances approximately HK\$117,329,000 (2005: HK\$115,508,000). There were nil consolidated total non-current liabilities (2005: Nil). The Group did not have any bank borrowings and pledged its fixed bank deposits of HK\$294,000 as at 31st December 2006 (2005: Nil). The gearing ratio (defined as a percentage of long term obligations over total assets) of the Group as at 31st December 2006 was Nil (2005: Nil). The Directors believe the Group's existing financial resources are sufficient to fulfill its commitments, current working capital requirements and further development.

CAPITAL STRUCTURE AND FOREIGN EXCHANGE EXPOSURE

The unutilized proceeds from Midland's share subscription together with interest income generated therefrom amounted to approximately HK\$107,329,000 and the unutilized original working capital amounted to approximately HK\$9,705,000 were all placed in interest bearing deposits with banks in Hong Kong and the PRC. Amongst the fund, the Group placed approximately HK\$4,959,000 in US dollar interest bearing deposits with banks in Hong Kong, approximately HK\$579,000 in Renminbi saving accounts with banks in the PRC. In addition, for a higher interest return, approximately HK\$5,054,000 was placed in US dollar Callable Range Accrual Note. The Directors believed that the Group's foreign exchange exposure to Renminbi and US dollars is mild as it could compensate from the relatively high interest income generated. 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.

SIGNIFICANT ACQUISITION

The Company did not have any significant acquisition in the Year.

SIGNIFICANT INVESTMENT PLAN

As at 31st December 2006, the Group did not have any significant investment plans.

EMPLOYEE INFORMATION

As at 31st December 2006, the Group had a total of 90 staff. Employee costs (including directors' remuneration) were approximately HK\$13,880,000 (12 months ended 31st December 2005 (unaudited): HK\$10,318,000).

In addition to salary, other fringe benefits include discretionary bonus and medical subsidies, mandatory provident fund, defined contribution retirement plans organised by the relevant authorities for PRC employees, share options and training are offered to all employees of the Group. Performance of the employees is reviewed on an annual basis with adjustment compatible to the market.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in Appendix 15 – Code on Corporate Governance Practices of the GEM Listing Rules throughout the Year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealing set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Required Standard”) as the code of conduct regarding the securities transactions by the Directors and has complied with the Required Standard. A copy of the Required Standard is sent to each Director of the Company upon appointment and a reminder is sent to each Director one month before the date of the board meetings to approve the Company’s annual, interim and quarterly results that the Director cannot deal in the shares of the Company until after such results have been published. All Directors have confirmed their compliance with the Required Standard throughout the Year.

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions amounted to HK\$781,000 (2005: HK\$55,101).

PURCHASE, SALES OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed shares during the Year.

CONNECTED TRANSACTIONS

On 11th October 2006, a sale and purchase agreement (the “Agreement”) was entered into between EVI MP Limited (“MP”), an indirect wholly-owned subsidiary of the Company as vendor, and a connected person who held 40% of the issued share capital of I-Cube prior to the Agreement as purchaser whereby MP agreed to (1) sell to the purchaser 60% of the issued share capital in I-Cube (the “Sale Shares”) and (2) assign its rights, title and interests in a loan in the sum of HK\$264,155 due from I-Cube to MP (the “Loan”) at the total consideration of HK\$165,996, apportioned as to HK\$12 for the Sale Shares and HK\$165,984 for the Loan. The completion of the Agreement took place on the same date.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Mr. Koo Fook Sun, Louis, Mr. Sha Pau, Eric 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.

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 Year.

By Order of the Board
EVI Education Asia Limited
PONG Wai San, Wilson
Executive Director and Chief Executive Officer

Hong Kong, 7 March 2007

As at the date of this announcement, the Board comprises six Directors, of which (i) two are executive Directors, namely Mr. Pong Wai San, Wilson and Mr. Lau Wai Shu; (ii) one is non-executive Director, namely Mr. Tsang Link Carl, Brian; and (iii) three are independent non-executive Directors, namely Mr. Koo Fook Sun, Louis, Mr. Sha Pau, Eric and Mr. Ying Wing Cheung.

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.