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If you have sold or transferred all your shares in EVI Education Asia Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



EVI Education Asia Limited

EVI 教育亞洲有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8090)

**DISCLOSEABLE AND CONNECTED TRANSACTION
DISPOSAL OF I-CUBE EDUCATION LIMITED**

A letter from the Board of EVI Education Asia Limited is set out on pages 3 to 6 of this circular.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcement" page for at least seven (7) days from the date of posting.

* For identification purpose only

CHARACTERISTICS OF GEM

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 Stock 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.

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DEFINITIONS

In this circular, unless otherwise defined or the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors
“Company”	EVI Education Asia Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“Completion”	completion of the S&P Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Loan under the S&P Agreement
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“I-Cube”	I-Cube Education Limited, a company incorporated in Hong Kong with limited liability and was held as to 60% by the Vendor and 40% by the Purchaser prior to the S&P Agreement
“Latest Practicable Date”	1st November 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Loan”	shareholder loan in the sum of HK\$264,155 due from I-Cube to the Vendor as at Completion, which was interest free, unsecured and without fixed repayment date
“Purchaser”	an individual who held 40% of the issued share capital of I-Cube prior to the S&P Agreement
“S&P Agreement”	the sale and purchase agreement dated 11th October 2006 entered into between the Purchaser and the Vendor in relation to the sale and purchase of the Sale Shares and assignment of the Loan

DEFINITIONS

“Sale Shares”	12 shares of HK\$1.00 each in the issued share capital of I-Cube, representing 60% of the entire issued share capital of I-Cube
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	Share(s) of HK\$0.01 each in the ordinary share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	EVI MP Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD



EVI Education Asia Limited

EVI 教育亞洲有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8090)

Executive Directors:

Mr. Chu Tak Long
Mr. Pong Wai San, Wilson
Mr. Lau Wai Shu

Non-Executive Director:

Mr. Tsang Link Carl, Brian

Independent Non-Executive Directors

Mr. Koo Fook Sun, Louis
Mr. Sha Pau, Eric
Mr. Ying Wing Cheung

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and

Principal Place of Business:

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

3rd November 2006

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF I-CUBE EDUCATION LIMITED

1. INTRODUCTION

The Board announced on 13th October 2006 that the Vendor (a wholly-owned subsidiary of the Group) and the Purchaser entered in the S&P Agreement dated 11th October 2006. Under the S&P Agreement, the Vendor sold and assigned to the Purchaser the Sale Shares (representing 60% of the shareholding interest in I-Cube) and the Loan (representing a shareholder's loan in the sum of HK\$264,155) due from I-Cube to the Vendor, respectively, at a total price of HK\$165,996 payable in cash at Completion. Completion took place on the same date.

* For identification purpose only

LETTER FROM THE BOARD

The S&P Agreement constitutes a discloseable transaction for the Company under the GEM Listing Rules. Since the Purchaser was a substantial shareholder and a director of I-Cube, an indirect non-wholly owned subsidiary of the Company, the S&P Agreement also constitutes a connected transaction for the Company under the GEM Listing Rules. It is subject to the reporting and announcement requirements of the GEM Listing Rules but is exempt from the independent shareholders approval requirements under the GEM Listing Rules.

The main purpose of this circular is to provide you with further particulars of the S&P Agreement in accordance with the GEM Listing Rules.

2. PARTICULARS OF THE S&P AGREEMENT

Date:

11th October 2006

Parties:

1. The Vendor. The Vendor was holding 60% of the issued share capital of I-Cube before the Disposal.
2. The Purchaser. Before the Disposal, the Purchaser was an individual shareholder of I-Cube holding 40% of its issued share capital, and also a director of I-Cube. He was accordingly a connected person (as defined in the GEM Listing Rules) of the Company.

Assets disposed of:

The Vendor sold the Sale Shares, comprising 60% of the issued share capital in I-Cube, and also assigned its rights, title and interests in the Loan in the sum of HK\$264,155 due from I-Cube to the Vendor. The Loan was interest free, unsecured and without fixed repayment date.

Consideration:

The total price for the Sale Shares and the Loan is HK\$165,996, apportioned as to HK\$12 for the Sale Shares and HK\$165,984 for the Loan, payable in cash. The consideration was fully paid at Completion occurring on the same date as the S&P Agreement.

The price had been arrived at after arm's length negotiations between the Purchaser and the Vendor with reference to, among other things, the face value of the Loan and the current net deficit of I-Cube, as detailed below. The Directors considered that the terms and conditions are fair and reasonable and are in the interest of the Group and the Shareholders taken as a whole.

LETTER FROM THE BOARD

Completion:

Completion took place on the same date as the S&P Agreement. After Completion, I-Cube ceased to be a subsidiary of the Company, and the Company ceased to have any interest in I-Cube.

3. REASONS FOR, AND BENEFITS OF, THE S&P AGREEMENT

The Company is an investment holding company. Its subsidiaries are principally engaged in provision of internet education services targeting kindergartens and primary students, sales and installation of computer hardware and software, computer training services, development of on-line professional training programs for real estate practitioners and sales of health and personal care products.

Prior to the S&P Agreement, I-Cube was a 60% indirect subsidiary of the Company. It was incorporated on 28th July 2004 and began operations in October 2004. It is principally engaged in the provision of internet education services and design and media production, and provision of internet education games in Hong Kong.

The audited net deficit of I-Cube as at 31st December 2005 was approximately HK\$691,234, and the audited loss for the period from its date of incorporation up to 31st December 2005 was approximately HK\$691,254. Based on the management accounts of I-Cube for the six months ended 30th June 2006, the unaudited net deficit of I-Cube as at 30th June 2006 was approximately HK\$708,392, and the unaudited loss for the six months ended 30th June 2006 was approximately HK\$17,159.

The Disposal was part of the continuing efforts made by the Group to optimize and improve its management of resources. Since its commencement of operations in October 2004, I-Cube had not achieved operating profit. The Directors believed that the time period required by I-Cube to achieve profitability still remained uncertain and the Disposal allowed the Group to halt further investment in I-Cube and crystallised the losses to the Group arising from its operations. The Disposal also enabled the Group to recoup its investment in I-Cube, mainly by way of the Loan which was in itself an unsecured receivable and subject to further impairment if I-Cube were left to operate at continuing financial loss in the future.

The net carrying value of the Group's investment in I-Cube as at the date of the S&P Agreement was a deficit of approximately HK\$203,000, being the sum of the net deficit of I-Cube shared by the Group of approximately HK\$467,000 and the Loan being written off. The Group expects to record a gain of approximately HK\$319,000 as a result of the Disposal, which represents the difference between the net proceeds received and the net carrying value of I-Cube as at date of the S&P Agreement. The net proceeds in the amount of approximately HK\$116,000 (after deduction of related stamp duty, costs and expenses) are intended to be used as general working capital.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) considered the terms of the Disposal, including the consideration, to be fair and reasonable on normal commercial terms, and in the interests of the Shareholders as a whole.

4. EFFECTS ON THE EARNINGS, AND ASSETS AND LIABILITIES OF THE GROUP

The Directors confirm that no adverse effect on the working capital position of the Group nor any negative impact on the assets and liabilities of the Group will arise as a result of the Disposal. In light of the above benefits which the Directors expect to be brought about as a result of the Disposal, the Directors believe that the Disposal will have a positive impact on the earnings of the Group in the future.

5. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
For and on behalf of the Board
Chu Tak Long
Executive Director and Managing Director

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

DISCLOSURE OF INTERESTS**(a) Directors and chief executive of the Company**

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were otherwise required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, were as follows:

Name of Directors	Personal interests	Family interests	Corporate Interests	Equity derivative (Share Option)	Total	Percentage of the issued Share capital
Mr. Pong Wai San, Wilson (Note 1)	150,610,000	-	2,182,300,000	-	2,332,910,000	28.11%
Mr. Tsang Link Carl, Brian (Note 2)	-	-	-	83,000,000	83,000,000	1.00%
Mr. Lau Wai Shu	3,000,000	-	-	-	3,000,000	0.04%

Notes:

1. 2,182,300,000 Shares were registered in the name of and beneficially owned by Summerview Enterprises Limited and 150,610,000 Shares were registered in the name of Mr. Pong Wai San, Wilson. The entire issued share capital of Summerview Enterprises Limited was registered in the name of and beneficially owned by Mr. Pong Wai San, Wilson.
2. On 16th January 2006, share options were granted under the Share Option Scheme to Mr. Tsang Link Carl, Brian for subscription of 83,000,000 Shares of the Company at the exercise price of HK\$0.06 each.
3. All the interests disclosed above represent long position in the Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company held any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were otherwise required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders

As at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital (including any options in respect of such capital) carrying rights to vote in all circumstances at general meetings of the Company or in any other member of the Group:

The Company:

Name of Shareholder	Number of issued Shares	Capacity in which Shares are held	Percentage of the issued Share capital
Valuewit Assets Limited	4,300,000,000 (<i>Note 1</i>)	Corporation interest	51.81%
Midland Holdings Limited	4,300,000,000 (<i>Note 1</i>)	Interest in controlled corporation	51.81%
Summerview Enterprises Limited	2,182,300,000 (<i>Note 2</i>)	Corporation interest	26.29%

Notes:

1. These Shares represent the same block of Shares. Valuwit Assets Limited is a wholly-owned subsidiary of Midland Holdings Limited.
2. The interest of Summerview Enterprises Limited in the Company duplicates those of Mr. Pong Wai San, Wilson in the Company.
3. All the interests disclosed above represent long position in the Shares.

Other members of the Group:

Name of substantial shareholder	Name of relevant member of the Group	Percentage of the issued share capital
Horizon.com Limited	System New International Limited	25%
陳竹 (Chen Zhu)*	廣州邁達威維佳科技開發有限公司 (Guangzhou Mai Da Wei Wei Jia Scientific Technology Development Company Limited)*	30%
Nip Kai Yan	Silicon Workshop Limited	19%

* *The unofficial English transliterations or translations of Chinese names of persons or entities are for identification purposes only.*

As at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO and so far as known to the Directors or chief executive of the Company, there were no other persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital, save as disclosed above.

LITIGATION

No member of the Group was engaged in any litigation, arbitration or claims of material importance and no litigation, arbitration or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any of its subsidiaries other than contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

COMPETING INTERESTS

None of the Directors or their respective associate(s) is interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

MISCELLANEOUS

- (1) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (2) The head office and principal place of the Company in Hong Kong is at 9th Floor, Tai Sang Commercial Building, 24-34 Hennessy Road, Hong Kong.
- (3) The secretary of the Company is Mr. Lo Tsz Yung who is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (4) The qualified accountant of the Company is Mr. Chan Kei, Jeffrey who is an associate member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (5) The compliance officer of the Company is Mr. Lau Wai Shu.
- (6) The share registrar and transfer office of the Company in Hong Kong is Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (7) Under the terms of reference of the audit committee of the Company, the committee is required to evaluate the overall effectiveness of the internal control and risk management frameworks, to review the accounting principles and practices adopted by the Group and other financial reporting matters and ensure the completeness, accuracy and fairness of the financial statements, to monitor compliance with statutory and listing requirements and to oversee the relationship with the external auditors. It currently comprises 3 Independent Non-Executive Directors, namely, Mr. Koo Fook Sun, Louis, Mr. Sha Pau, Eric and Mr. Ying Wing Cheung.
 - (a) Mr. Koo Fook Sun, Louis is the managing director of Hercules Capital Limited, a corporate finance advisory firm. Mr. Koo has many years of experience in investment banking and professional accounting. He was the managing director and head of the corporate finance department of a major international bank, a director and chief executive officer of a main board listed company. He currently also serves as an independent non-executive director of another three companies listed on the main board. Mr. Koo graduated with a bachelor's degree in business administration from the University of California at Berkeley and is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Koo has been appointed as an independent non-executive director and

chairman of the audit committee of Midland Holdings Limited, the holding company of the Company, since September 2004 and has also been appointed as a member of Midland Holdings Limited's remuneration committee and nomination committee since March 2005. Mr. Koo has also been appointed as chairman of the audit committee and a member of the remuneration committee and nomination committee of the Company all with effect from 24th June 2005.

- (b) Mr. Sha Pau, Eric is the founder of and is currently managing director of Konda Industries Limited, a special leather goods manufacturing and exporting firm. Mr. Sha has over 20 years' solid experience in international marketing field and is now specified in formulating corporate strategies and overall management and marketing. He holds a Bachelor's degree in Business Administration from Windsor University, Ontario, Canada. Mr. Sha has been appointed as independent non-executive director as well as members of the audit committee, remuneration committee and nomination committee of the Company all with effect from 13th March 2006.
 - (c) Mr. Ying Wing Cheung has over 30 years' experience in electronic products manufacturing business and is well versed in marketing strategic and corporate strategic planning. Mr. Ying is a managing director of Way Mild Company Limited and a director of Yangzhou Jiang Jia Electronics Co. Ltd. He has been appointed as a member of Guangdong Committee of Chinese People's Political Consultative Conference for the Eighth Term and the Ninth Term since 1998 to 2008. Mr. Ying was also a member of Jiangmen Committee of Chinese People's Political Consultative Conference for the Eighth Term and the Ninth Term since 1993 to 2003. Mr. Ying serves in many social organisations; he is currently a president of Sze Yap Clansmen Association (New Territories, Hong Kong) Limited and a member of Jiangsu Province Chinese Overseas Friendship Association. Mr. Ying has also been appointed as members of audit committee, remuneration committee and nomination committee of the Company all with effect from 17th May 2005.
- (8) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.