



EVI Education Asia Limited

(Incorporated in the Cayman Islands with limited liability)



QUARTERLY REPORT 2003/2004

(For the first quarter ended 31st December, 2003)

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

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

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

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

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

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), I am pleased to present the unaudited consolidated results of EVI Education Asia Limited (the "Company") and its subsidiaries (together, the "Group") for the three months ended 31st December, 2003 (the "Period") together with the comparative figures for the corresponding Period in 2002 in bracket.

FINANCIAL RESULTS

Turnover of the Group during the Period increased by about 13% to approximately HK\$5,122,000 over the corresponding Period (2002: HK\$4,534,000), of which 50% was attributable to the recurrent subscription fees from the EVI On-line System from Hong Kong kindergartens which amounted to approximately HK\$2,556,000. Off-line revenue grew by 14%, among which approximately 12% of the total turnover was attributable to the provision of computer and information technology ("IT") training courses and 31% of the total turnover was attributable to the sales and installation of computer hardware and software and 7% of the total turnover was attributable to website development and other commercial projects. Net loss attributable to shareholders for the Period was approximately HK\$860,000 (2002: HK\$1,785,000), representing a decrease by about 52% as a result of the increase in revenue sources.

The Group maintained solid financial position with approximately HK\$21.7 million cash on hand with no outstanding debt as at 31st December, 2003. The Directors remained their positive perception towards the Group's future financial position due to stable recurring subscription income and rooms of growth for its on-line and off-line business.

OPERATIONAL REVIEW

Customer base and Revenue

Being a prominent internet education provider in Hong Kong, the Group offers various On-line, off-line services, programs and products to kindergartens, primary schools and different individual user groups. From time to time, the EVI portals gain favorable response from its users. The EVI On-line System now comprises of the Kindergartens Zone, Parents and Kids Zone, the Members Zone and the I-Cube. Despite the weak economic condition for the period; the Group was still capable to solicit new business for its On-line System and receiving subscription fees from the Parents and Kids Zone. EVI now has built a user base of over 50,000 users comprising of students, parents and teachers from over 200 kindergartens and 400 primary schools respectively.

Besides the provision of core on-line education services, the Group also capitalized on its school network and is now utilizing its web site development know-how with different commercial partners to bring in additional revenue. The Group now offers range of quality side-products and services such as display kiosk to organizing exhibitions, functions and events. After winning the first runner up in "The Best Websites competition by Yahoo.com.hk" in year 2002; the Group has continued to receiving development contracts from the Education and Manpower Bureau and other commercial entities.

Marketing

During the Period, series of brand building and marketing campaigns were launched in order to promote the Group's image. The Group organised the function "EVI Child Intimacy Natural Tour" with CECEs on 11th January, 2004 and near 100 parents and kids attended the event. "Happy Halloween Casting Competition" and "EVI Christmas e-card Design Competition" were held during the Period and invited over 5,000 participants from 200 different kindergartens to join the events. The Group's "On-line Kids Broadcasting" also received warm feedback from the members and parents. The Group considered all these would help to strengthen customers' confidence and adhesiveness towards the EVI brand of quality. Also, the Group has participated in a series of social and charity events such as the "Charity Bobbing for Helping Hand" on 14th November, 2003. The Group will continue to support community events and demonstrate its good corporate citizenship.

I-Cube (www.icubeworld.com), the Group's portal with aim to selling revision exercise and entertainment to primary students and parents groups has successfully established its foothold with over 400 primary schools. The rapid growth of paid members is encouraging. The portal is now updating revision exercises on monthly basis covering primary one to primary six levels. Various marketing functions were held and well received by the primary schools and I-Cube members. The Group anticipates I-Cube will enter into fast growth period with substantial increase in revenue and commercial opportunities.

Development and Launch of new products, contents and features

The Group considers the most effective way to generate additional revenue or to increase the loyalty and adhesiveness from its existing customers is to supply more value-added services through the EVI On-line System. Besides the frequent content revision under different Zones, new photo library, e-commerce modules like on-line bookshops were launched.

System infrastructure and technology deployment

As for the technology development, the Group keeps on searching and developing new add-on features for the EVI On-line System, such as uses of web-cam and discussion forum. The Group's internal technical team has also applied bar code and other electronic devices in order to provide more helpful solutions to our kindergartens' customers. During the Period, the Group has renewed the sole-distributor agreement with iKonnet to promote its "HiShare" and "HiClass" software solutions in the Hong Kong market. The Group believed these products together with the Multi-Media Learning Centre ("MMLC") set, Light Emitting Diode ("LED") display and raised floor system will continue to bring in steady revenue and contributions.

Outlook

The Group believes parents nowadays are more willing to invest in children education, products and services. Therefore, besides regular teaching and school activities; more and more parental focus and resources are directing to all-round skills development for the children. And the use of information technology or computer application is always one of these core skills to be acquired by the children. Hence, the Group considers its portals or programs are effective and ideal channels to deliver such services and to reinforce the linkage, relationship between schools, families and students in their learning cycles. The Group's latest portal I-Cube has successfully blended knowledge, learning with funs, participations from schools and parents that rendering it as one of the hottest sites among the primary students.

To sustain growth and remain competitive within the market, the Group constantly review and upgrade services and features under the EVI On-line or off-line programs. The Group also recognizes its source of future growth potential and financial returns are from the PRC market. The Group set up a wholly owned foreign enterprise in Guangzhou to serve as an effective production and supportive centre for part of EVI site contents. The Group has also engaged trial run arrangements with several schools and sale representatives in order to modify existing EVI platform for the mass PRC market. Since the Group has received positive responses from various PRC educational related organizations or associations; the Group is now undergoing business planning for the PRC market. The Group believes these latest PRC developments will soon transform the Group's intrinsic value in e-education services into concrete business propositions.

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 contribution and dedicated efforts throughout the Period.

By Order of the Board
Pong Wai San, Wilson
Chairman

Hong Kong, 12th February, 2004.

CONSOLIDATED PROFIT AND LOSS RESULTS

For the three months ended 31st December, 2003

		(Unaudited)	
		For the Three Months	
		Ended 31st December,	
		2003	2002
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	(2)	5,122	4,534
Cost of merchandise		(956)	(828)
Cost of internet connectivity fee		(97)	(123)
Staff costs		(2,394)	(2,526)
Depreciation		(442)	(740)
Amortisation of intangible assets		(731)	(817)
General and administrative expenses		(1,303)	(1,328)
		<hr/>	<hr/>
Operating loss		(801)	(1,828)
Interest income		34	67
		<hr/>	<hr/>
Loss before taxation		(767)	(1,761)
Taxation	(3)	(46)	(16)
		<hr/>	<hr/>
Loss after taxation		(813)	(1,777)
Minority interests		(47)	(8)
		<hr/>	<hr/>
Loss attributable to shareholders		(860)	(1,785)
		<hr/>	<hr/>
Loss per share			
– Basic	(4)	HK(0.02) cent	HK(0.04) cent
		<hr/>	<hr/>
– Diluted		N/A	N/A
		<hr/>	<hr/>

Notes:

(1) Basis of preparation

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

(2) Turnover and Revenue

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

	Turnover	
	For the Three Months	
	Ended 31st December,	
	2003	2002
	\$'000	\$'000
Turnover		
Internet education fee	2,556	2,290
Sales and installation of computer hardware and software	1,605	1,040
Computer training fee	615	841
Others	346	363
	<hr/>	<hr/>
	5,122	4,534
Interest income	34	67
	<hr/>	<hr/>
Total Revenues	5,156	4,601

(3) Taxation

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

Hong Kong profits tax has been provided at the rate of 17.5% (2002:16%) on the estimated assessable profit arising in or derived from Hong Kong.

(4) Loss per Share

The calculation of basic loss per share for the Period is based on the unaudited consolidated loss attributable to shareholders of approximately HK\$860,000 (2002: HK\$1,785,000) and on the weighted average number of 4,000,000,000 shares (2002: 4,000,000,000 shares) deemed to be in issue throughout the Period.

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

(5) Movements of reserves

There have been no movements in the reserves of the Group during the Period except for the loss attributable to shareholders during the Period.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the period ended 31st December, 2003. The Group has not declared any dividends for the corresponding Period.

COMPETING INTERESTS

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

BOARD PRACTICES AND PROCEDURES

Throughout the Period, the Company was in compliance with the Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee and has formulated its written terms of reference in compliance with Rules 5.23 and 5.25 of the GEM Listing Rules. The members of the Audit Committee up to the date comprised the three independent non-executive directors, Mr. Hung Tak Chow, Charles, Mr. Hung Fan Wai, Wilfred and Mr. Lai Hin Wing, Henry. The primary duties of the Audit Committee are to review the Company's annual report, half-yearly reports and quarterly report and to provide advice and comments thereon to the Board of Directors.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period ended 31st December, 2003.

By Order of the Board
Pong Wai San, Wilson
Chairman

Hong Kong, 12th February, 2004.