



## **EVI Education Asia Limited**

(Incorporated in the Cayman Islands with limited liability)



**INTERIM REPORT 2000/2001**

(For the six months ended 31st March, 2001)

[www.evi.com.hk](http://www.evi.com.hk)

## **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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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.

## ABOUT EVI EDUCATION ASIA LIMITED

EVI Education Asia Limited (“the Company”) aims to become an Internet education provider, offering Chinese language-based pre-school education services targeting kindergartens, teachers, parents and pre-school children. The Company and its subsidiaries (the “Group”) objective is to establish an on-line education community consisting of kindergartens, teachers, parents and pre-school children. Children can learn with their parents on the Company’s education platform tailor-made for each kindergarten featuring on-line teaching, learning and education-related management tools together with our off-line support services. The platform is innovative as it combines information technologies (“IT”), traditional teaching curricula and professional on-line and off-line pre-school education materials.

The Company’s shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM”) on 15th March, 2001.

## RESULTS

The board of directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Group for the six months and three months ended 31st March, 2001 together with the comparative figure for the corresponding period in 2000.

	<i>Notes</i>	<b>For the Three Months Ended 31st March</b>		<b>For the Six Months Ended 31st March</b>	
		<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	(2)	78	23	285	23
Cost of sales		–	–	(72)	–
Gross profit		78	23	213	23
Distribution and selling expenses		(1,044)	(16)	(1,222)	(16)
Research and development costs		(65)	–	(65)	–
General and administrative expenses		(3,950)	(331)	(5,339)	(958)
Loss from operations		(4,981)	(324)	(6,413)	(951)
Interest income		75	–	210	–
Loss before taxation		(4,906)	(324)	(6,203)	(951)
Taxation	(3)	–	–	–	–
Loss attributable to shareholders		(4,906)	(324)	(6,203)	(951)
Dividends	(4)	–	–	–	–
Loss per share – Basic	(5)	(0.74) cents	(0.07) cents	(0.96) cents	(0.19) cents

**(1) Group reorganisation and basis of preparation**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15th January, 2001 under the Companies Law of the Cayman Islands. The Company's shares were listed on GEM on 15th March, 2001. The reorganisation of the Group ("Group Reorganisation") prior to the listing on GEM was completed on 13th March, 2001. The Group resulting from the Group reorganisation is regarded as a continuing entity. Accordingly, the consolidated results of the Group for the six months and three months ended 31st March, 2001 have been prepared on the merger accounting basis as if the Company had always been the holding company of the Group. The combined results for the six months and three months ended 31st March, 2000 have been prepared on a basis as if the current group structure had been in existence throughout the six months ended 31st March, 2000 or since their respective dates of incorporation where there is a shorter period.

All intra-group transactions have been properly eliminated for the current reporting period and for the last corresponding period.

The principal accounting policies adopted in preparing the unaudited consolidated results conform with Statement of Standard Accounting Practice issued by the Hong Kong Society of Accountants.

**(2) Turnover and revenue recognition**

Turnover comprises (i) the net invoiced value for sales and installation of computer hardware and software sold after allowances for returns and discounts, and (ii) fee from provision of computer training services.

Revenue is recognized when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Sales revenue is recognised when the merchandise is delivered and installed and title has passed. Training fee income is recognised upon the provision of computer training services. Interest income is recognised on a time-proportion basis on the principal outstanding and at the rates applicable.

**(3) Taxation**

Individual companies within the Group provide for profits tax on the basis of their profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes.

No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising in or derived from Hong Kong.

There was no significant unprovided deferred taxation as at 31st March, 2001 and 31st March, 2000.

**(4) Interim dividend**

The Board does not recommend the payment of an interim dividend for the six months and three months ended 31st March, 2001. The Group has not declared any dividends for the corresponding half-yearly period and quarterly period in 2000.

**(5) Loss per Share**

The calculation of basic loss per share for the six months and three months ended 31st March, 2001 is based on the respective unaudited consolidated loss attributable to shareholders of approximately HK\$6,203,000 and HK\$4,906,000 (2000: HK\$951,000 and HK\$324,000) and the weighted average number of approximately 646,921,000 shares and 665,724,000 shares (2000: 491,402,000 shares and 491,402,000 shares) in issue during the six months and three months ended 31st March, 2001.

The exercise of the share options granted by the Company would have a dilutive effect on the loss per share for the six months and three months ended 31st March, 2001. However, no such options are currently exercisable. No diluted loss per share is presented as the outstanding share options were anti-dilutive. No such potential dilutive effect existed for the corresponding period 31st March, 2000.

(6) **Movement of reserves**

	<b>Share premium account</b> <i>HK\$'000</i>	<b>Capital reserve(a)</b> <i>HK\$'000</i>	<b>Accumulated losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Balance as at 1st October, 2000	–	–	(9,048)	(9,048)
Premium on issue of Ordinary Shares	52,800	–	–	52,800
Share issuance expenses	(8,737)	–	–	(8,737)
Effect of Group Reorganization	(21,691)	14,918	–	(6,773)
Loss attributable to shareholders	–	–	(6,203)	(6,203)
Balance as at 31st March, 2001	<u>22,372</u>	<u>14,918</u>	<u>(15,251)</u>	<u>22,039</u>

The movement in reserve have no difference except the loss for the period for the six months and three months ended 31st March, 2001. There is no movement in reserve except the loss for the period of the six months and three months ended 31st March, 2000.

- (a) The capital reserve of the Group represented 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 a subsidiary acquired through an exchange of shares pursuant to the Group Reorganisation.

## **BUSINESS REVIEW AND PROSPECTS**

### **Financial performance and business review**

The Company's shares were listed on GEM on 15th March, 2001 at an issued price of HK\$0.38 per share. The net proceeds of the Placing, after deducting related expenses, are approximately HK\$52 million. Turnover for the six months ended 31st March, 2001 increased by about 12.4 times from HK\$23,000 to approximately HK\$285,000, of which 68.77% was attributable to the provision of computer and IT training courses and 31.23% was attributable to the sales and installation of computer hardware and software to kindergartens in Hong Kong. The Group's cost of sales primarily represented cost of computer hardware and software sourced by the Group from its suppliers, direct labour and operation overheads. During the six months ended 31st March, 2001, the Group's cost of sales was approximately HK\$72,000 and its gross profit was approximately HK\$213,000. The Group's gross profit margin for the six months ended 31st March 2001 was approximately 75%. For the three months ended 31st March, 2001, the Group achieved a turnover of approximately HK\$78,000, compared with the same period in 2000, which turnover of approximately HK\$23,000. The net loss for the three months ended 31st March, 2001 was approximately HK\$4,906,000. The loss attributable to shareholders for the six months ended 31st March, 2001 increased to HK\$6,203,000 primarily due to the increase in operation overheads and the marketing effort to promote the Group's services and products. The Group has diversified its education services from off-line to on-line education community through the development of its EVI On-line System.

The EVI On-line System was officially launched in January 2001. The Group has placed strong emphasis on the promotion of its system through on-site kindergarten demonstrations, exhibition workshop held in the Hong Kong City Hall and event sponsorship such as sponsoring The Hong Kong International Kite Festival. The Group also organises presentations and workshops in order to demonstrate the efficiency and effectiveness of the system for marketing purposes.

To cope with the expansion of the Group, the Group relocated to a new office with approximately 8,000 square feet and a new training centre has established to provide training courses to kindergartens teachers for the EVI On-line System. The Directors believe that human resources are important to the future development of the Group. And during the period, the Group had strengthened its sales and marketing department and the content research and development department through staff recruitment and the improvement in the design and marketing tools.

The Group is one of the pioneers in the provision of Internet education services in Hong Kong and the Company became publicly listed in March 2001. This accomplishment positions the Group to a new position that widens the horizon for growth and expansion. As at 31st March, 2001, the Group had maintained a strong financial position with approximately HK\$54 million cash in hand and the Group is debt-free.

## Prospects

The Group envisions enormous business opportunities and market potential in Hong Kong's education market as the application of IT in education to enhance teaching and learning has increased in the past few years and the Hong Kong Government has undertaken the leadership and coordination role in establishing the use of IT in education in Hong Kong. Leveraging on its experienced and strong management team in the education market and strong business partnerships and alliances for further market expansion, the Group expects to gain a significant market share amongst kindergartens in Hong Kong within a short period of time.

Since the commencement of the pilot-run and the official launch of its EVI On-line System in November 2000 and January 2001 respectively, the Group has received favourable responses from the education communities. The responses have been encouraging and further confirm the acceptance of the EVI On-line System for the Hong Kong education market. The Group intends to start charging monthly subscription fees in the coming school year starting from September 2001 for its users of the Kindergartens Zone to generate recurrent subscription income for its on-line business. The Group's strategy is to adopt a favourable pricing policy amongst its kindergarten users in Hong Kong and to use these kindergartens as a foundation to bring in parents and children as additional subscribers to its system. The Directors believe that the Group's income from its on-line business will increase significantly when such multiplying effect takes place.

In addition, the Group will continue to enrich its contents and features of its EVI On-line System. The Group is in the process of developing additional value-added services to increase flexibility, convenience and attractiveness of the EVI On-line System for parents, teachers and pre-school children and hence increase the income source for the EVI On-line System to capture new opportunities in the education community.

The Group currently focuses only on the Hong Kong market. However, the Group will seek opportunities for geographical expansion into other Chinese-speaking markets in Asia and develop contents and adopt versions of the EVI On-line System which are suitable for the local community.

Leveraging on all these capabilities, the Directors are confident that the EVI On-line System will continue to create valuable assets to the Group and in the future generate favourable returns to meet the expectations of all shareholders.

## DIRECTORS' INTEREST IN SHARES

As at 31st March, 2001, the interests of the directors and their respective associates in the Company and its associated corporations as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") of the Company or which required, pursuant to Rules 5.40 to 5.59 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were as follows:

Director	Type of interests	Total Number of Shares
Mr Pong Wai San, Wilson ("Mr Pong") ( <i>Note 1</i> )	Corporate	521,840,000 shares
Mr. Cheung Shi Kwan, Wings	Personal	800,000 shares
Madam Pong Lo Shuk Yin, Dorothy ( <i>Note 2</i> )	Family	521,840,000 shares

### Notes:

1. These Shares are registered in the name of and beneficially owned by, Summerview Enterprises Limited. The entire issued share capital of Summerview Enterprises Limited is registered in the name of and beneficially owned by, Mr. Pong.
2. These Shares are registered in the name of and beneficially owned by, Summerview Enterprises Limited. The entire issued share capital of Summerview Enterprises Limited is registered in the name of and beneficially owned by, Mr. Pong and Mr. Pong is the son of Madam Pong Lo Shuk Yin, Dorothy and accordingly, Madam Pong Lo Shuk Yin is deemed to be interested in the 521,840,000 Shares beneficially owned by, Summerview Enterprises Limited.

Save as disclosed above, as at 31st March, 2001 none of the directors or their associates had any personal, family, corporate or other interests in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance or which, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, are required to be notified to the Company and the Stock Exchange.

## OUTSTANDING SHARE OPTIONS

As at 31st March, 2001, options comprising an aggregate of 51,000,000 underlying shares granted pursuant to the Pre-IPO Share Option Plan and no options had been granted pursuant to the Share Option Scheme. All of these options are subject to the same limitations on the timing of exercise as detailed in the section headed "Directors' Rights to Acquire Shares or Debentures".

### SHARE OPTION

#### (1) Pre-IPO Share Option Plan

As at 31st March, 2001, options comprising an aggregate of 51,000,000 underlying shares granted on 28th February, 2001 at an exercise price of HK\$0.38 per share were outstanding. These options were granted to the following categories of grantees:

Categories of grantees	Total no. of grantees	No. of underlying shares comprised in the options
Directors	3	41,200,000
Consultant	1	1,000,000
Employees	10	8,800,000
		Total
		51,000,000

Details of the grant to the directors of the Company are set out in the section headed "Directors' Rights to Acquire Shares or Debentures". The following are details of the options granted to directors (including alternate directors) of the Company:

Name of director	No. of underlying shares Comprised in the options
Mr. Pong	20,000,000
Madam Pong Lo Shuk Yin, Dorothy	16,200,000
Mr. Cheung Shi Kwan, Wings	5,000,000
	Total
	41,200,000

#### (2) Share Option Scheme

During the period 31st March, 2001, no option was granted by the Company under the Share Option Scheme, as adopted by the Company on 28th February, 2001. During the six months and three months period ended 31st March, 2001, no option granted or exercised pursuant to the Share Option Scheme.

Save as disclosed above, during the six months ended 31st March, 2001, none of the directors and employees of the Company or its subsidiaries was granted options to subscribe for shares in the Company. During the six months ended 31st March, 2001, no option had been granted to the directors of the Company under the Share Option Scheme.

A summary of the major terms of each share option scheme including details of all options granted thereunder are set out at pages 179-183 of the prospectus of the Company dated 6th March, 2001.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the Pre-IPO Share Option Plan as described in the section headed "Outstanding Share Options" above. The options are exercisable in accordance with the terms of the Pre-IPO Share Option Plan at any time during a period commencing 1 year after the date of grant and ending 3 years after the date of grant in accordance with the following schedule:

<b>Period since date of grant</b>	<b>Percentage of shares comprised in options which become exercisable</b>
Year 1	Up to 30%
Year 2	Up to 60%
Year 3	All shares in respects of which the option has not been previously exercised.

None of the above options, which are not exercisable in the first year of grant, has been exercised during the six months ended 31st March, 2001.

During the six months ended 31st March, 2001, no option had been granted to the directors of the Company under the Share Option Scheme.

Save as disclosed above, at no time during the six months ended 31st March, 2001 was the Company, its subsidiaries or holding company a party to any arrangements to enable the directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2001 the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following interests, being 10% or more of the Company's issued share capital:

So far as the Directors are aware immediately following the Placing, the Capitalisation Issue and the Pre-IPO Issue and the Over-allotment Option is not exercised and taking no account of Shares which may be taken up under the Placing, the following shareholders will be interested in more than 10% of the Shares then in issue:

<b>Name</b>	<b>Number of shares held</b>	<b>Approximate percentage of shareholding</b>
Summerview Enterprises Limited	521,840,000 ( <i>Note 1</i> )	65.23
Mr. Pong	521,840,000 ( <i>Note 1</i> )	65.23
Madam Pong Lo Shuk Yin, Dorothy	521,840,000 ( <i>Note 1</i> )	65.23
Cyber Generation Limited	91,520,000 ( <i>Note 2</i> )	11.4
Hanny Magnetics (B.V.I.) Limited	91,520,000 ( <i>Note 2</i> )	11.4
Hanny Holdings Limited	91,520,000 ( <i>Note 2</i> )	11.4

### Notes:

1. These Shares are registered in the name of and beneficially owned by, Summerview Enterprises Limited. The entire issued share capital of Summerview Enterprises Limited is registered in the name of and beneficially owned by, Mr. Pong. Mr. Pong is the son of Madam Pong Lo Shuk Yin, Dorothy and accordingly, Madam Pong Lo Shuk Yin is deemed to be interested in the 521,840,000 Shares beneficially owned by, Summerview Enterprises Limited.
2. These Shares are registered in the name of and beneficially owned by, Cyber Generation Limited. The entire issued share capital of Cyber Generation is beneficially owned by Hanny Magnetics (B.V.I.) Limited. Hanny Magnetics (B.V.I.) Limited is in turn, wholly and beneficially owned by Hanny Holdings Limited.

## SIGNIFICANT SHAREHOLDERS

So far as the Directors are aware, as at 31st March, 2001, the following persons were entitled to exercise or control the exercise of five percent or more of the voting power at general meetings of the Company and who are able, as a practicable matter, to direct or influence the management of the Company:

<b>Name</b>	<b>Number of Shares held</b>	<b>Approximate percentage of shareholding</b>
Summerview Enterprises Limited	521,840,000	65.23
Mr. Pong	521,840,000	65.23
Madam Pong Lo Shuk Yin, Dorothy	521,840,000	65.23
Cyber Generation Limited	91,520,000	11.4
Hanny Magnetics (B.V.I.) Limited	91,520,000	11.4
Hanny Holdings Limited	91,520,000	11.4

## SPONSOR'S INTERESTS

As confirmed by the Company's sponsor, ICEA Capital Limited (the "Sponsor"), as at 31st March, 2001 neither the Sponsor nor its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company or any member of the Group or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Pursuant to the sponsorship agreement dated 6th March, 2001 entered into between the Company and the Sponsor, the Sponsor will receive sponsorship fees for acting as the Company's retained sponsor until 30th September, 2003.

## COMPETING INTERESTS

The Directors believe that none of the directors or the management shareholders of the Company (as defined in Rules Governing the Listing of the Scheme's on the Growth Enterprises Market of the Stock Exchange of Hong Kong Limited) had an interest in a business, which cause or may cause significant competition with the business of the Group.

## AUDIT COMMITTEE

The Company established an audit committee on 28th February, 2001 with written terms of reference in compliance with rules 5.23 and 5.24 of the GEM Listing Rules. The audit committee has four members comprising the three independent non-executive directors, namely, Ko Chun Hay, Kelvin and Hung Fan Wai, Wilfred, Hung Tak Chow, Charles and the Company Secretary Cheung Hon Fai, Maurice.

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

The shares of the Company only commenced trading on GEM on 15th March, 2001. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31st March, 2001.

By Order of the Board  
**Pong Wai San, Wilson**  
*Chairman*

Hong Kong, 11th May, 2001.