EVI Education Asia Limited

(incorporated in the Cayman islands with limited liability)

INTERIM REPORT 2001/2002

(For the six months ended 31st March, 2002)

www.evi.com.hk

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This document, 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 document 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 document misleading; and (3) all opinions expressed in this document 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 interim report of EVI Education Asia Limited (the "Company") and its subsidiaries (together, the "Group") for the six months ended 31st March, 2002 (the "Period") together with the comparative figure for the corresponding period in 2001 in bracket.

Financial Performance

Turnover of the Group for the six months ended 31st March, 2002 increased by about 11.6 times to approximately HK$3,595,000 over the corresponding period last year (2001: HK$285,000), of which 60% was attributable to the recurrent subscription fees from the EVI On-line System from Hong Kong kindergartens which amounted to approximately HK$2,173,000. Off-line revenue grew by 6.6 times, among which approximately 14% of the total turnover was attributable to the provision of computer and information technology ("IT") training courses and 26% of the total turnover was attributable to the sales and installation of computer hardware and software and website development. Net loss attributable to shareholders for the period was approximately HK$6,136,000 (2001: HK$6,203,000), representing a decrease by about 1%. Subsequent to the final results announcement dated 31st October, 2001, the Group had formed a joint venture (the "JV") with a Singapore listed group, who is a pioneer in Internet education with over 10 years experience by disposing 25% interest in a wholly-owned subsidiary of the Company, System New International Limited to its Singapore joint venture partner with an aim to capture the primary and secondary school market. This disposal of subsidiary resulted in a gain of HK$6,318,000. In addition, the Group acquired the "I-Express CD on demand" software licensing rights from this Singapore listed company at HK$6,318,000 in October 2001 to enhance the EVI On-line System and for re-sell purposes. As mentioned in the first quarterly results announcement dated 1st February, 2002, the depressed economic situation together with slow market response leading the Group to adopt a very prudent approach and performed an assessment at 31st December, 2001 to evaluate the recoverability of the carrying value of the licensing rights and an impairment loss of approximately HK$2,786,000 was provided. The Directors believe that this approach would reflect a fair balance sheet value and hence produce a better position to reflect the Group's future operating performance.

For the three months ended 31st March, 2002, the Group achieved an increase of turnover to approximately HK$1,627,000 (2001: approximately HK$78,000). The net loss attributable to shareholders for the three months ended 31st March, 2002 was approximately HK$5,023,000 (2001: approximately HK$4,906,000).

The Group maintained a strong financial position with approximately HK$31.1 million cash on hand with no outstanding debt as at 31st March, 2002. The Directors considered that the Group's financial position could continue to strengthen due to stable recurring subscription income from kindergartens and the growth of revenue derived from its off-line business.

Business and Operational Review

Being a prominent Internet education provider in Hong Kong, the Group aims to offer Chinese and English language-based pre-school education services targeting kindergartens, teachers, parents and pre-school children. Currently, the Group's EVI On-line System comprises of three zones namely Kindergartens Zone, Parents Zone and Kids Zone, which provide a tailor-made education platform for the target users. Since September 2001, the Group has been changing the participating kindergartens a monthly subscription fee and has successfully entered into contracts with approximately 50 kindergartens, including well-known kindergarten groups, to subscribe the EVI On-line System for a term of three years. Recently the Group had solicited several large kindergarten groups to subscribe to the EVI On-line System.

During the Period, the EVI On-line System continues to gain favourable response from its users, which further enhance the reputation of the Group. Apart from the provision of core on-line education services, the Group also provides other value-added off-line services including the provision of trainings of the EVI On-line System and general IT knowledge to teachers and other user groups.

The Group continues to offer favourable subscription fees to the kindergartens so as to maximise its market shares among kindergartens in Hong Kong. It also serves as a stepping-stone to attract more parents and children to subscribe the EVI On-line System in future. During the Period, a series of aggressive brand building and marketing campaigns were launched in order to enhance the Group's image. In November 2001, the Group has co-organised the "Family Unit Green Walk" event with the Hong Kong Council of Early Childhood Education and Services (CECES) in the Shatin Race Course. On 8th December, 2001, the Group held a promotion function at the City University of Hong Kong with a warm reception of over 100 participants representing approximately 90 kindergartens. On 19th January, 2002, the Group co-organised an exhibition with Tung Wah Group of Hospitals at the Jockey Club Auditorium of The Hong Kong Polytechnic University. There were over 1,000 parents, kids, teachers and kindergarten representatives attending the event and the Group had the honor to invite the presence of the Senior Assistant Director (Administration) of the Education Department to officiate this ceremony.

The Group has always focused on the contents development of the EVI On-line System. During the Period, the Group has constantly updated and enriched the contents of the Kindergartens Zone in order to cater for the needs of the users. EVI Theme song was composed in order to create users' adherence and promote the Group's image. Besides, resources library, Putonghua and English storyboards were prepared to meet different kindergartens' need.

As for the technology development, the Group will keep investing on the backbone of the EVI On-line System, for instance, through the adoption of new contents management system and rapid portal delivery tools. These will certainly improve the efficiency and effectiveness on organising and publishing contents for the entire system. The Group considered that such technology advancement to be in line with the current business growth and needs.

Further to the final results announcement dated 31st October, 2001 and as mentioned in the first quarterly results announcement dated 1st February, 2002, the Group formed a JV with a Singapore listed group. In July 2001, the Group entered into an agreement to obtain the license, namely "I-Express CD on demand Technology", from the Singapore listed group to enhance the EVI On-line System and for resell purposes. The Group established a subsidiary, System New International Limited, in July 2001 and subsequently introduced the Singapore listed group as a 25% shareholder in this subsidiary in October 2001. Through this JV, the Group proposed to extend its education services into primary and secondary schools. The Group also believes such party might assist to explore business opportunities in the Mainland China and the Asia Pacific region as well.

As mentioned in the first quarterly results announcement dated 1st February, 2002, the Group acquired an 80% interest in a well-established education service provider in Hong Kong in January 2002, who had over 10 years experience in the Hong Kong education sector and is now serving over 100 kindergartens and over 50 primary and secondary schools. This acquisition not only would help to strengthen the Group's market position and customer bases, but also could meet the needs of different customers by providing additional comprehensive services and off-line products.

Outlook

With the Group's profound experience in the education and IT sectors and its enthusiasm in providing quality education services to parents, teachers and kids, the Group strives to maximise its market share in Hong Kong. After performing modifications with continuous feedback received from the users, the Group target to charge monthly subscription fees for the Parents Zone and Kids Zone in which the income stream of the Group is expected to increase from such monthly subscription fee.

Promotional and marketing campaigns will be launched in an attempt to capture additional market shares. On 18th May, 2002, the Group will co-organise a workshop "Balanced Scorecard Implementation at Pre-school Education Institution" with "Alumni Association of Pre-School Education Administration and Management Course-SPACE-University of Hong Kong" at The City University of Hong Kong. It is expected that over hundreds of parents, kids, teachers and kindergarten representatives will attend this event and the Group has invited one of its Advisory Board Member as the speaker for the seminar.

Besides pre-school extracurricular courses and computer training courses, various courses such as "IT Fun Group" and new summer courses have been designed in order to add varieties of services to the users and to attract more attention within the education sector.

Regarding the Asia market opportunities, besides the JV with the Singapore listed group, the Group is still showing its strong interest to explore new business opportunities. Looking forward, the Group targets to increase the existing number of users; and to further explore business opportunities in Asia, including the Mainland China market.

Appreciation

On behalf of the Board of Directors, 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, 15th May, 2002.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary of the actual progress of the Group compared with the business objectives set out in the Prospectus for the period from 1st October, 2001 to 31st March, 2002.

Business objectives as stated in the prospectus dated 6th March, 2001	Actual Business progress
Customer base	
1. EVI On-line System: Achieve a user base of around 100 kindergartens in Hong Kong and 8,000 parents in Hong Kong.	The Group has already built up a user base of over 15,000 including students, parents and teachers with over 100 kindergartens are now using the Group's On-line or server base programs.
2. Computer training and system integration services: Maintain a user base of ten kindergartens in Hong Kong.	The Group is now providing computer-training courses and system integration services to over 15 kindergartens in Hong Kong. Acquisition of a new subsidiary in January 2002 brought the Group to expand such services to the primary and secondary schools in Hong Kong.
Revenue	
1. EVI On-line System: Start generating subscription income from kindergarten users and subscription from parent and children users in Hong Kong.	The Group had secured service contracts with more than 100 kindergartens where around 50 kindergartens were engaged with a 3 years contracts for the EVI On-line System. The monthly subscription income was started from September 2001, 6 months earlier than expected, showing a noteworthy milestone that generates recurrent monthly subscription income for the Group.
2. Computer training and system installation and integration services: Continue to generate steady revenue from off-line computer training and system installation and integration services to kindergartens in Hong Kong.	Off-line services including extracurricular training courses, system integration, seminars, e-media productions, MMLC setup Total Solution, Light Emitting Diode (LED) display, raised floor system and IT related services continued to generate steady revenue to the Group. Revenues generated from these off-line services increased compared with last year.
3. Pre-school education courses and events for parents and children: Start generating fees from organizing these off-line courses and events for parents and children in Hong Kong.	Pre-school extracurricular training courses continued to generate steady revenue to the Group. Courses such as "IT Fun Group" and new summer course have been designed in order to add varieties of services and to attract more attention within the education sector.

Business objectives as stated in the prospectus dated 6th March, 2001	Actual Business progress
Revenue	
4. Advertising income: Start generating on-line banner advertising income on the EVI On-line System.	The demand and charging rate of "web banner" type advertisement dropped dramatically nowadays. Therefore, the Group has packaged new commercial sponsorship program and have held talks with local financial institution on business terms and conditions.
Development and launch of new products, contents and features	
1. Continue to develop new contents and features under the Kindergartens Zone, the Parents Zone and the Kids Zone based on the feedback from existing users.	After receiving feedback from kindergartens, more dynamic and interactive functions such as resources library, Putonghua contents and English contents have been added to Kindergartens Zone. More interfaces and articles were put up for the Parents Zone and more sophisticated games added to the Kids Zone. More new features will be added in due course.
2. Develop e-commerce capabilities for the EVI On-line System.	In view of the rapid change of e-commerce formalities, the Group needs to consider cost and benefit carefully and shall continue to seek potential partners to develop the e-commerce features for the EVI On-line System.
3. Organise off-line peer group events and activities for the Hong Kong user community of the EVI On-line System.	The Group organized various exhibitions and open days' events for kindergartens during the period, which attracted parents, kids, teachers and kindergarten representatives attending the events.
4. Research and develop new contents or convert existing contents specifically targeted at kindergartens, parents and children in Macau and PRC markets.	The Group postponed its Macau development and continued to research oversea market contents for the EVI On-line System especially for the Mainland China market. The Group's existing strategy on the Mainland China or overseas markets is to identify or select experienced local partners within educational sector in order to conduct research and to formula appropriate business model for the conversion of EVI On-line System.
5. Convert system software for the Macau and PRC versions of the On-line System. Launch pilot tests of the Macau version of the EVI On-line System.	Given the existing economic situation, the Group has doubt about the Macau market and hence set a lower priority on the Macau's development and prefers to apply resources on the Mainland China market for higher future growth and benefits. The Group considered that such postpones on Macau development and system software conversion for PRC would not cause any significant changes to its overall planning as the Group has sufficient resources to meet with its future development and commitment.

Business objectives as stated in the prospectus dated 6th March, 2001	Actual Business progress
Sales and marketing	
1. Continue to implement, arrange marketing and promotional activities in Hong Kong for the EVI On-line System.	The Group possesses a dedicated sales and marketing team responsible for: • a series of aggressive marketing campaigns such as exhibitions, workshops and to attend kindergartens' open day functions to meet with new or potential kindergartens users and then followed with subsequent visits, further meetings or demonstrations; • co-organise a seminar with Tung Wah kindergartens group in January 2002 at Jockey Club Auditorium of the Hong Kong Polytechnic University for parents and pre-school children in collaboration with existing kindergarten users of the EVI On-line System. The function could also involves the Parents and Kids and increased their familiarisation of the System.
2. Prepare and implement marketing and promotional activities in Macau and the PRC.	The Group have set a lower priority on the Macau market and put the resources on the Mainland China market. The management had keep in touch with different potential partners and planned to cooperate with them on expanding into the Mainland China market.
Overseas developments, strategic acquisitions and alliances	
1. Establish a representative office in Macau. Recruit personnel and finalise joint venture with the local partner in Macau.	The business plan on expanding into Macau was postponed. However, the Group had formed a joint venture in October 2001 with a listed group in Singapore, who is also a pioneer in Internet education. The Directors believed that such partners might assist the Group to expand education service business into the Mainland China and other Asia Pacific markets as well.
System infrastructure and technology deployment	
1. Continue to review and upgrade system requirements and use latest technology to improve IT infrastructure to cater for the increase in user traffic of the EVI On-line System.	As for the technology development, the Group will keep investing on the backbone of the EVI On-line System, for instance, the purchase of new contents management system and rapid portal delivery tools. These will certainly gear up the efficiency and effectiveness on organising and publishing contents for the entire system. The Group considered that such IT advancement is in line with the current business growth and needs.
2. Develop e-commerce enabling software features into the EVI On-line System.	The Group's internal technical team continues to study the technology on applying the video and audio streaming technologies into the EVI On-line System.
3. Liaise with local data centers in Macau and the PRC to establish local servers and IT infrastructure for local versions of the EVI On-line System.	Due to the delay on Macau development and system conversion for PRC market, the Group would not liaise with local data centres at this stage. However, the Group believed these would not cause any significant impacts as there are sufficient resources for the Group to meet with its future growth and development.

Business objectives as stated in the prospectus dated 6th March, 2001	Actual Business progress

Human resources, operations and administration

1. Increase overall headcount to around 37 full-time employees.	The Group had strengthened the sales and marketing department, content department and the technical department through staff recruitment. Also, the Group acquired a subsidiary to enlarge its products, services and customer bases and as a result, the overall headcount increased to around 60.

Use of Proceeds

The Company obtained net proceeds, after deducting all relevant expenses, of approximately HK$52 million from the new issue of shares by way of placing. Up to 31st March, 2002, the Group has applied the net proceeds as follows:

	Amount extracted from the Prospectus dated 6th March, 2001		Actual amount used
	Total	Up to 31st March, 2002	Up to 31st March, 2002
Development and launch of new contents and features under the EVI On-line System	7.0M	3.5M	3.6M
Upgrade and improvement in system infrastructure and technology deployment	11.5M	3.5M	3.2M
Purchase and provision of hardware to kindergartens for promotion the use of the EVI On-line System	8.5M	2.75M	3.1M
Development of on-line advertising, e-commerce and related features under the EVI On-line System	7.0M	1M	2.1M
Marketing and promotional activities	6.0M	3.5M	4.5M
Working capital	12.0M	4.8M	12.0M
	52.0M	19.05M	28.5M

The remaining net proceeds as at 31st March, 2002 was approximately HK$23.5M, which have been placed on short-term interest bearing deposit with banks in Hong Kong.

Since the market response were better than expected, the actual business progress of the Group developed faster than expected and as a result the usage of IPO proceed were faster than expected. In return, the Group have generated recurrent monthly subscription income in September 2001, 6 months earlier than expected, showing a noteworthy milestone for the Group. The increase of working capital outflow was due to the acquisition of 80% of a well-established education services provider which had been mentioned in the first quarterly results announcement dated 1st February, 2002 and the increase of head count and related staff and administrative expenses. The same has been disclosed under the Cash Flow Statement.

The Directors believe that the proceeds are sufficient for covering all stated objectives in the relevant periods stated in the prospectus of the Company dated 6th March, 2001.

CONSOLIDATED INCOME STATEMENT

For the three and six months ended 31st March, 2002

	Notes	(Unaudited) For the Three Months Ended 31st March, 2002 HK$'000	2001 HK$'000	(Unaudited) For the Six Months Ended 31st March, 2002 HK$'000	2001 HK$'000
Turnover	(2)	1,627	78	3,595	285
Cost of merchandise		(127)	–	(632)	(72)
Cost of provision of internet education services		(107)	–	(181)	–
Staff costs		(2,686)	(1,947)	(5,597)	(3,030)
Depreciation of machinery and equipment		(701)	(302)	(1,402)	(346)
Amortisation of website development costs		(532)	(343)	(1,060)	(343)
Amortisation of intangible assets		(805)	–	(1,595)	–
Distribution and selling expenses		(97)	(1,044)	(348)	(1,222)
Research and development costs		–	(65)	–	(65)
General and administrative expenses		(1,738)	(1,358)	(2,771)	(1,620)
Loss from operations		(5,166)	(4,981)	(9,991)	(6,413)
Provision for impairment loss of intangible assets	(7)	–	–	(2,786)	–
Gain on disposal of subsidiary		–	–	6,318	–
Interest income		134	75	288	210
Other income		12	–	38	–
Loss before taxation	(3)	(5,020)	(4,906)	(6,133)	(6,203)
Taxation	(4)	–	–	–	–
Loss before minority interests		(5,020)	(4,906)	(6,133)	(6,203)
Minority Interests		(3)	–	(3)	–
Loss attributable to shareholders		(5,023)	(4,906)	(6,136)	(6,203)
Dividends		–	–	–	–
Loss per share – Basic	(5)	(0.13) cent	(0.15) cent	(0.15) cents	(0.19) cent

CONSOLIDATED BALANCE SHEET

As at 31st March, 2002

	Note	(Unaudited) As at 31st March, 2002 HK$'000	(Audited) As at 30th September, 2001 HK$'000
NON-CURRENT ASSETS			
Machinery and equipment	(6)	6,662	7,678
Website development costs		3,809	4,786
Intangible assets	(7)	5,449	–
Total non-current assets		15,920	12,464
CURRENT ASSETS			
Trade receivables	(8)	892	431
Prepayments, deposits and other receivables		621	502
Investments		1,985	1,985
Cash and bank deposits		31,082	39,468
Total current assets		34,580	42,386
CURRENT LIABILITIES			
Trade payables	(9)	(1,569)	(964)
Accruals liabilities and other payable		(1,518)	(2,440)
Deposits from customers		(1,658)	(1,099)
Due to minority shareholder of a subsidiary	(10)	(1,460)	–
Tax payable		(41)	–
Total current liabilities		(6,246)	(4,503)
Net current assets		28,334	37,883
NON-CURRENT LIABILITY			
Deferred tax		(43)	–
Net assets		44,211	50,347
Capital & Reserve:			
Share capital	(11)	40,000	40,000
Reserves	(12)	37,290	37,290
Accumulated Deficit	(12)	(33,079)	(26,943)
Shareholders' equity		44,211	50,347

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st March, 2002

	(Unaudited) For the six months ended 31st March, 2002 *HK$'000*
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(6,719)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	
Interest received	288
INVESTING ACTIVITIES	
Purchase of machinery and equipment	(240)
Proceeds from disposal of fixed assets	91
Purchase of subsidiary	(2,266)
Net cash outflow from investing activities	(2,415)
Net cash outflow before financing	(8,846)
FINANCING	
Contribution from a minority shareholder of a subsidiary	460
Net cash outflow from financing	460
Decrease in cash and cash equivalents	(8,386)
Cash and cash equivalents at the beginning of the period	41,453
Cash and cash equivalents at the end of the period, represented by cash and bank deposits and investments	33,067

Significant non-cash transactions:

During the period, the consideration paid of HK$6,318,000 in relation to the acquisition of Licensing rights in October 2001 was offset against the consideration received from the disposal of 25% shares holding of the Interest in subsidiary.

NOTES TO THE INTERIM FINANCIAL STATEMENT:

(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 (2000 Revision) of the Cayman Islands. The Company's shares were listed on GEM on 15th March, 2001. The Company's Directors consider Summerview Enterprises Limited, a company incorporated in British Virgin Islands, to be the ultimate holding company.

On 28th February, 2001, the Company became the holding company of the other companies comprising the Group pursuant to a group reorganisation ("the Reorganisation") which included exchanges of shares. The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation are regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the six months ended 31st March, 2002, rather than from the date on which the Reorganisation was completed. The comparative figures as at and for the six months ended 31st March, 2001 have been presented on the same basis.

The condensed interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" (the Standard) issued by the Hong Kong Society of Accountants and the disclosure requirements set out in Chapter 18 of The Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the Rules). In this first year of implementation of the Standard, as permitted by the Rules, no comparative figures for the corresponding period of the preceding year have been presented for the condensed consolidated cash flow statement.

The principal accounting policies adopted in the 2000/2001 Annual Accounts have been applied to the Interim results except the intangible assets as described below:

(a) *Accounting for the acquisition of the License rights*

The cost of the License, which equals the contract price of the License, was recorded as an intangible asset. Intangible asset was stated at cost, less any impairment losses, and is amortised over its estimated useful life using straight-line basis.

(b) Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired subsidiary, jointly controlled entity or associated company at the date of acquisition.

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1st January, 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill is amortised over ten years.

The condensed interim financial statements are unaudited, but have been reviewed by the Audit Committee.

(2) Turnover and Revenue

An analysis of the Group's total Turnover and Revenue and operating results by line of business provided for the Period were as follows:

	Turnover and Revenue			
	For the Three Months Ended 31st March,		**For the Six Months Ended 31st March,**	
	2002	**2001**	**2002**	**2001**
	$'000	*$'000*	*$'000*	*$'000*
Internet education fee	1,107	–	2,173	–
Selling and installation of computer hardware and software	106	–	696	89
Computer training fee	314	78	506	196
Website production fee	100	–	220	–
Total Turnover for the period	1,627	78	3,595	285
Interest income	134	75	288	210
Other income	12	–	38	–
Total Revenue for the period	1,773	153	3,921	495

	Loss from operations			
	For the Three Months Ended 31st March,		For the Six Months Ended 31st March,	
	2002	2001	2002	2001
	$'000	*$'000*	*$'000*	*$'000*
Internet education fee	(4,060)	–	(6,621)	–
Selling and installation of computer hardware and software	(119)	(1,915)	(1,108)	(2,876)
Computer training fee	87	(58)	192	(46)
Website production fee	(119)	–	(223)	–
	(4,211)	(1,973)	(7,760)	(2,922)
Unallocated expenses	(955)	(3,008)	(2,231)	(3,491)
Loss from operations for the period	(5,166)	(4,981)	(9,991)	(6,413)

No geographical analysis of each segment is shown as Turnover and Revenue and Loss from Operations outside Hong Kong are immaterial.

(3) Loss before taxation

The Group's loss from Operations before taxation is arrived at after charging/crediting:

	For the Three Months Ended 31st March		For the Six Months Ended 31st March	
	2002	2001	2002	2001
	$'000	*$'000*	*$'000*	*$'000*
After charging:				
Cost of provision of internet education services	107	–	181	–
Cost of merchandise	127	–	632	72
Staff costs	2,686	1,947	5,597	3,030
Operating lease rentals in respect of				
– premises	253	245	702	293
– computer servers	123	109	246	109
Depreciation of machinery and equipment	701	302	1,402	346
Amortisation of website development	532	343	1,060	343
Amortisation of intangible assets:				
– Goodwill	15	–	15	–
– Licensing rights	790	–	1,580	–
Provision for impairment loss of Licensing rights	–	–	2,786	–
After crediting:				
Interest income	134	75	288	210
Other income	12	–	38	–
Gain on disposal of subsidiary	–	–	6,318	–

(4) 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.

(5) Loss per Share

The calculation of basic loss per share for the six months and three months ended 31st March, 2002 is based on the unaudited consolidated loss attributable to shareholders of approximately HK$6,136,000 and HK$5,023,000 (2001:HK$6,203,000 and HK$4,906,000) and on the weighted average number of both approximately 4,000,000,000 shares (2001: 3,328,620,000 shares and 3,234,605,000 shares) deemed to be in issue throughout the year, on the assumption that the Group Reorganisation (see Note 1) and Share Capital and Share Subdivision (see Note 11) has been completed on 1st October, 2000.

Diluted loss per share is not presented for the six months and three months ended 31st March, 2002 because the effect is anti-dilutive. Dilutive loss per share is not presented for the six months and three months ended 31st March, 2001 as there were no dilutive potential ordinary shares in existence during the corresponding period.

(6) Machinery and equipment

Movements in machinery and equipment (consolidated) were:

	Leasehold improvements *$'000*	Furniture and office equipment *$'000*	Computer equipment *$'000*	Total *$'000*
Cost				
Beginning of period	1,839	315	6,939	9,093
Additions for the period	–	5	123	128
Acquisition of subsidiary	151	409	827	1,387
Disposals for the period	–	(46)	(129)	(175)
At the end of period	1,990	683	7,760	10,433
Accumulated depreciation				
Beginning of period	538	61	816	1,415
Provision of the period	451	46	905	1,402
Acquisition of subsidiary	91	373	520	984
Disposals for the period	–	(2)	(28)	(30)
At the end of period	1,080	478	2,213	3,771
Net book value				
At the end of period	910	205	5,547	6,662
At the beginning of period	1,301	254	6,123	7,678

(7) Intangible Assets

	Goodwill *HK$'000*	Licensing rights *HK$'000*	Total *HK$'000*
Cost			
Additions and at the end of period	3,512	6,318	9,830
Amortisation			
Amortised for the period	–	(2,786)	(2,786)
Provision for impairment loss	(15)	(1,580)	(1,595)
At the end of the period	(15)	(4,366)	(4,381)
Net Book Value			
At the end of the period	3,497	1,952	5,449

Goodwill

In January 2002, the Group acquired 80% interest in a Hong Kong well-established education provider for a total cash consideration of HK$3.5 million of which HK$1 million consideration is payable when the subsidiary meet a targeted profit in the coming two years (see note 10). The total fair value of the proportionate share in the net liabilities of the subsidiary amounted to approximately HK$12,000. The excess of purchase consideration over the fair values of the identifiable assets acquired was accounted for as goodwill. The goodwill capitalized started to amortise over 10 years starting from its date of acquisition.

Provision for impairment Loss of Licensing rights

As at 31st December, 2001, the Group reviewed and performed an assessment to evaluate the recoverability of the carrying value of the Licensing rights. The assessment was based on value in use of the assets as determined at the cash generating unit (the individual business operations) based on the present value of estimated future cash flows. As a result of this assessment, the group determined to provide for an impairment loss of approximately HK$2,786,000.

(8) Trade Receivable

As at 31st March, 2002, net trade receivable accounted to HK$892,000 (30th September 2001: HK$431,000). The ageing analysis of net trade receivables, is as follows:–

	(Unaudited) As at 31st March, 2002 *HK$'000*	**(Audited) As at 30th September, 2001** *HK$'000*
0 to 30 days	413	422
31 to 60 days	133	9
61 to 90 days	21	–
Over 90 days	325	–
	892	431

It is the Group's policy to grant a normal term of credit period of 7 days to 14 days to its trade customers related to the internet education services. For computer installation works, the Group generally grants a normal credit period of 30 days to 60 days on average to its trade customers.

(9) Accounts Payable

As at 31st March, 2002, trade payables accounted to HK$1,569,000 (30th September, 2001: HK$964,000). The ageing analysis of trade payables is as follow:–

	(Unaudited) As at 31st March, 2002 *HK$'000*	**(Audited) As at 30th September, 2001** *HK$'000*
Outstanding balances with ages:		
0 to 30 days	1,132	964
31 to 60 days	223	–
61 to 90 days	–	–
Over 90 days	214	–
	1,569	964

(10) Due to minority shareholder of a subsidiary

This amount represented a HK$1 million remaining cash consideration payable for the acquisition of subsidiary (see note 7) plus a HK$460,000 amount due to the minority shareholder.

The amount was unsecured, non-interest bearing and had no fixed repayment terms.

(11) Share Capital and Share Subdivision

	(Unaudited) As at 31st March, 2002 *HK$'000*	**(Audited) As at 30th September, 2001** *HK$'000*
Authorised Ordinary Share Capital:		
50,000,000,000 Shares of 0.01 each	500,000	
10,000,000,000 Ordinary Shares of 0.05 each		500,000
Issued and fully paid Share Capital:		
4,000,000,000 Shares of 0.01 each	40,000	
800,000,000 Ordinary Shares of 0.05 each		40,000

A resolution approving the subdivision of the issued and unissued share of HK$0.05 each (each an "**Original Share**") be divided into five shares of HK$0.01 each (each a "**Share**") in the share capital of the Company was duly passed at the annual general meeting of the Company held on 30th November, 2001.

(12) Movements of reserves

There have been no movements in the reserves of the Group during the period except for the accumulated loss recognised during the period.

(13) Commitment

The Group had operating lease commitments in respect of premises and computer servers under various non-cancellable operating lease agreements. The commitments payable under these agreements are analysed as follows:

	(Unaudited) As at 31st March, 2002 *HK$'000*	**(Audited) As at 30th September, 2001** *HK$'000*
Amount payable within a period of:		
One year	1,586	1,854
One to two years	–	432
	1,586	2,286

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 31st March, 2002. The Group has not declared any dividends for the corresponding period in 2001.

DIRECTORS' INTEREST IN SHARES

As at 31st March, 2002, 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:

Name of director	Number of Shares of the Company Personal interests	Family interests	Corporate interests	Total	Percentage of Shares outstanding
Mr. Pong Wai San, Wilson ("Mr Pong") *(Note 1)*	–	–	2,609,200,000	2,609,200,000	65.23%
Mr. Cheung Shi Kwan, Wings	4,000,000	–	–	4,000,000	0.10%
Madam Pong Lo Shuk Yin, Dorothy *(Note 2)*	–	2,609,200,000	–	2,609,200,000	65.23%

Notes:

1. As at 31st March, 2002, Summerview Enterprises Limited held 2,609,200,000 Shares of the Company. The entire issued share capital of Summerview Enterprises Limited was registered in the name of and beneficially owned by Mr. Pong. The interest of Mr. Pong in the issued shares of the Company was, accordingly corporate interest in the Company as described in Rule 18.16(1) of the GEM Listing Rules.

2. Mr. Pong is the son of Madam Pong Lo Shuk Yin, Dorothy, who is deemed to be interested in 2,609,200,000 Shares beneficially held by Summerview Enterprises Limited.

Other than disclosed above, as at 31st March, 2002, neither the directors nor their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and neither the directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS RIGHTS TO ACQUIRE SHARES OR DEBENTURES

(a) Pre-IPO Share Option Scheme

Pursuant to the Pre-IPO Share Option Scheme adopted by the Company on 28th February, 2001 (the "Pre-IPO Share Option Scheme"), options were granted on the same day to certain executive directors and staff of the Group to subscribe for an aggregate of 42,000,000 Original Shares (equivalent to 210,000,000 Shares) at a price of HK$0.38 per Original Share (now adjusted to HK$0.076 per Share) exercisable in the period from 16th March, 2002 to 15th March, 2005.

During the six months ended 31st March, 2002, no option had been granted to the directors of the Company under the Pre-IPO Share Option Scheme.

The following are details of the Pre-IPO Share Options granted to directors of the Company:

Name	Subscription price per Share	No. of underlying Shares Comprised in the options
Mr. Pong	$0.076	100,000,000
Pong Lo Shuk Yin, Dorothy	$0.076	81,000,000
Cheung Shi Kwan, Wings	$0.076	25,000,000
Lau Wai Shu *(Note 1)*	$0.076	4,000,000
		210,000,000

Notes:

1. Mr. Lau Wai Shu was appointed as an executive director of the Company on 1st November, 2001.

All of these options may be exercised within three years after the expiry of 12 months from the date of listing of the shares of the Company on the GEM on 15th March, 2001 provided that the maximum number of shares the grantees are entitled to subscribe for by exercising the options shall not exceed:

(a) 30% of the total number of option during the first year of such three-year period;

(b) 60% of the total number of option during the second year of such three-year period; and

(c) the remaining unexercised option during the third year of such three-year period.

(b) Post-IPO Share Option Scheme

Pursuant to the share option scheme adopted by the Group on 28th February, 2001 (the " Post-IPO Share Option Scheme"), option was granted on 31st October, 2001 to Mr. Lau Wai Shu, who was subsequently appointed as an executive director of the Company on 1st November, 2001, to subscribe for 500,000 Original Shares (equivalent to 2,500,000 Shares) in the Company at a price of HK$1.04 per Original Share (now adjusted to HK$0.208 per Share) exercisable during the period from 1st November, 2002 to 31st October, 2005.

All of these options may be exercised within three years after the expiry of 12 months from the date of grant of the options, provided that the maximum number of shares the grantees are entitled to subscribe for by exercising the options shall not exceed:

(a) 30% of the total number of option during the first year of such three-year period;

(b) 60% of the total number of option during the second year of such three-year period; and

(c) the remaining unexercised option during the third year of such three-year period.

None of the above options has been exercised during the six months ended 31st March, 2002.

Save as disclosed above, at no time during the six months ended 31st March, 2002 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.

OUTSTANDING SHARE OPTIONS

As at 31st March, 2002, options to subscribe for an aggregate of 250,500,000 Shares has been granted pursuant to the Pre-IPO Share Option Scheme and option to subscribe for an aggregate of 24,000,000 Shares has been granted pursuant to the Post-IPO Share Option Scheme were outstanding. All of these options are subject to the same conditions on the timing of exercise as detailed in the section headed "Directors' Rights to Acquire Shares or Debentures" above.

(1) Pre-IPO Share Option Scheme

Pursuant to a written resolution of all the shareholders of the Company passed on 28th February, 2001, options to subscribe for an aggregate of 51,000,000 Original Shares at an exercise price equal to HK$0.38 have been conditionally granted by the Company to certain directors and employees of the Company. All of these options may be exercised in the period from 16th March, 2002 to 15th March, 2005.

On 30th November, 2001, a resolution was passed pursuant to which each Original Share was subdivided into five Shares (the "Share Subdivision"). In order to reflect the effect resulting from the Share Subdivision, a factor of 1/5 has to be applied to the Original Option Subscription Price and a factor of 5 has to be applied to the Number of Shares Issuable. Adjusted Subscription price of the Pre-IPO Share Options was HK$0.076 per share. Adjusted Number of Shares Issuable of the Pre-IPO Share Options after the Share Subdivision was 255,000,000.

Subsequent to 28th February, 2001 and up to 30th September, 2001, options to subscribe for a total of 4,500,000 Shares (equivalent to 900,000 Original Shares) granted to 3 employees of the Group pursuant to the Pre-IPO Share Option Scheme had lapsed upon their cessation of employment with the Group. Subsequent to 1st October, 2001 and up to 31st March, 2002, no option were granted or lapsed.

As at 31st March, 2002, options to subscribe for an aggregate of 250,500,000 Shares granted on 28th February, 2001 at an exercise price of HK$0.076 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	4	210,000,000
Consultant	1	5,000,000
Employees	6	35,500,000
Total		250,500,000

Pre-IPO Share Options to subscribed 210,000,000 Shares granted to the four Directors and the details of the grant are set out in the section headed "Directors' Rights to Acquire Shares or Debentures" above.

(2) Post-IPO Share Option Scheme

Pursuant to a written resolution of all the shareholders of the Company passed on 31st October, 2001, options granted for an aggregate of 5,000,000 Original Shares at a exercise price equal to HK$1.04 have been conditionally granted by the Company to 15 full time employees of the Group (including options to subscribe for 500,000 Original Shares were granted to Mr. Lau Wai Shu who was appointed as director on 1st November, 2001 subsequently). All of these options may be exercised in the period from 1st November, 2002 to 31st October, 2005.

On 30th November, 2001, a resolution was passed pursuant to which each Original Share was subdivided into five Shares (the "Share Subdivision"). In order to reflect the effect resulting from the Share Subdivision as stated above, a factor of 1/5 has to be applied to the Original Option Subscription Price and a factor of 5 has to be applied to the Number of Shares Issuable. Adjusted Subscription price of the Post-IPO Share Options was HK$0.208 per share. Adjusted Number of Shares of the Post-IPO Share Options Issuable after the Share Subdivision was 25,000,000.

Subsequent to 1st November, 2001 and up to 31st March, 2002, options to subscribe for a total of 1,000,000 Shares (equivalent to 200,000 Original Shares) granted to 1 employee of the Group pursuant to the Post-IPO Share Option Scheme had lapsed upon her cessation of employment with the Group.

As at 31st March, 2002, options to subscribe for an aggregate of 24,000,000 Shares granted on 31st October, 2001 at an exercise price of HK$0.208 per share were outstanding. The options included 2,500,000 Shares granted to Mr. Lau Wai Shu who was appointed as an executive director of the Company on 1st November, 2001 subsequently and the details of the grant are set out in the section headed "Directors' Rights to Acquire Shares or Debentures" above.

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.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2002, according to the register of substantial shareholders required to be maintained under Section 16(1) of the SDI Ordinance, the Company has been notified of the following interested, being 10% or more of the Company:

Name	Number of issued shares	Percentage holding
Summerview Enterprises Limited	2,609,200,000 *(Note 1)*	65.23%
Mr. Pong	2,609,200,000 *(Note 1)*	65.23%
Madam Pong Lo Shuk Yin, Dorothy	2,609,200,000 *(Note 1)*	65.23%

Notes:

1. As at 31st March, 2002, Summerview Enterprises Limited held 2,609,200,000 shares of the Company. The entire issued share capital of Summerview Enterprises Limited was registered in the name of and beneficially owned by Mr. Pong. Mr. Pong is the son of Madam Pong Lo Shuk Yin, Dorothy, who is deemed to be interested in 2,609,200,000 shares beneficially held by Summerview Enterprises Limited.

SPONSORS INTERESTS

As updated and notified by the Company's sponsor, ICEA Capital Limited (the "Sponsor"), as at 31st March, 2002 neither of the Sponsor nor any of their respective directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the Company's share capital.

Pursuant to the agreement dated 6th March, 2001 entered into between the Company and the Sponsor, the sponsor will receive a fee for acting as the Company's retained sponsor for the period from 16th March, 2001 to 30th September, 2003.

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.

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, Hung Tak Chow, Charles, Ko Chun Hay, Kelvin, Hung Fan Wai, Wilfred and the Company Secretary Cheung Hon Fai, Maurice. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee has reviewed the draft of this Report and has provided advice and comments thereon.

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, 2002.

By Order of the Board
Pong Wai San, Wilson
Chairman

Hong Kong, 15th May, 2002.