



EVI Education Asia Limited

(incorporated in the Cayman Islands with limited liability)



Annual Report 2002

Annual Report

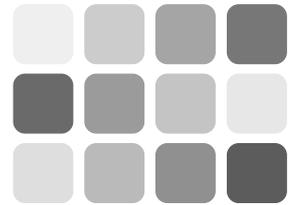
CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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.

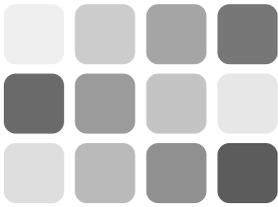
The principal means of information dissemination on GEM is publication on the Internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the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



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

PONG Wai San, Wilson (*Chairman*)
CHEUNG Shi Kwan, Wings
PONG Lo Shuk Yin, Dorothy
LAU Wai Shu

Independent Non-executive Directors

HUNG Fan Wai, Wilfred
HUNG Tak Chow, Charles

COMPANY SECRETARY

CHEUNG Hon Fai, Maurice *AHKSA, ACCA*

COMPLIANCE OFFICER

CHEUNG Shi Kwan, Wings

AUTHORISED REPRESENTATIVES

PONG Wai San, Wilson
CHEUNG Shi Kwan, Wings

QUALIFIED ACCOUNTANT

CHEUNG Hon Fai, Maurice *AHKSA, ACCA*

AUDIT COMMITTEE

HUNG Tak Chow, Charles
HUNG Fan Wai, Wilfred

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
36C Bermuda House
British American Centre
Dr. Roy's Drive
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
4th Floor
Hutchison House
10 Harcourt Road
Central
Hong Kong

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

14th Floor
Causeway Bay Plaza II
463-483 Lockhart Road
Hong Kong

WEBSITE ADDRESS

www.evi.com.hk

STOCK CODE

8090

LEGAL ADVISERS

As to Hong Kong law:

Fairbairn Catley Low & Kong

As to Cayman Islands law:

Conyers Dill & Pearman, Cayman

SPONSOR

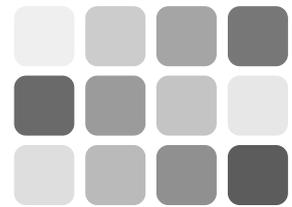
Oriental Patron Asia Limited

AUDITORS

PricewaterhouseCoopers

PRINCIPAL BANKER

Hang Seng Bank



Corporate Profile

ABOUT EVI EDUCATION ASIA LIMITED

EVI Education Asia Limited (“the Company”) aims to become an Internet education provider, offering Chinese and English language-based pre-school education services targeting kindergartens primary and secondary school, teachers, parents and pre-school children and kids. The Company’s and its subsidiaries’ (the “Group”) objective is to establish an education community consisting of kindergartens, primary and secondary school, teachers, parents and pre-school children and kids through the use of both on-line and off-line services. 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 services including extracurricular training courses, products promotion, seminars, e-media productions and information technologies (“IT”) related services. The platform is innovative and combines 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.

MISSION

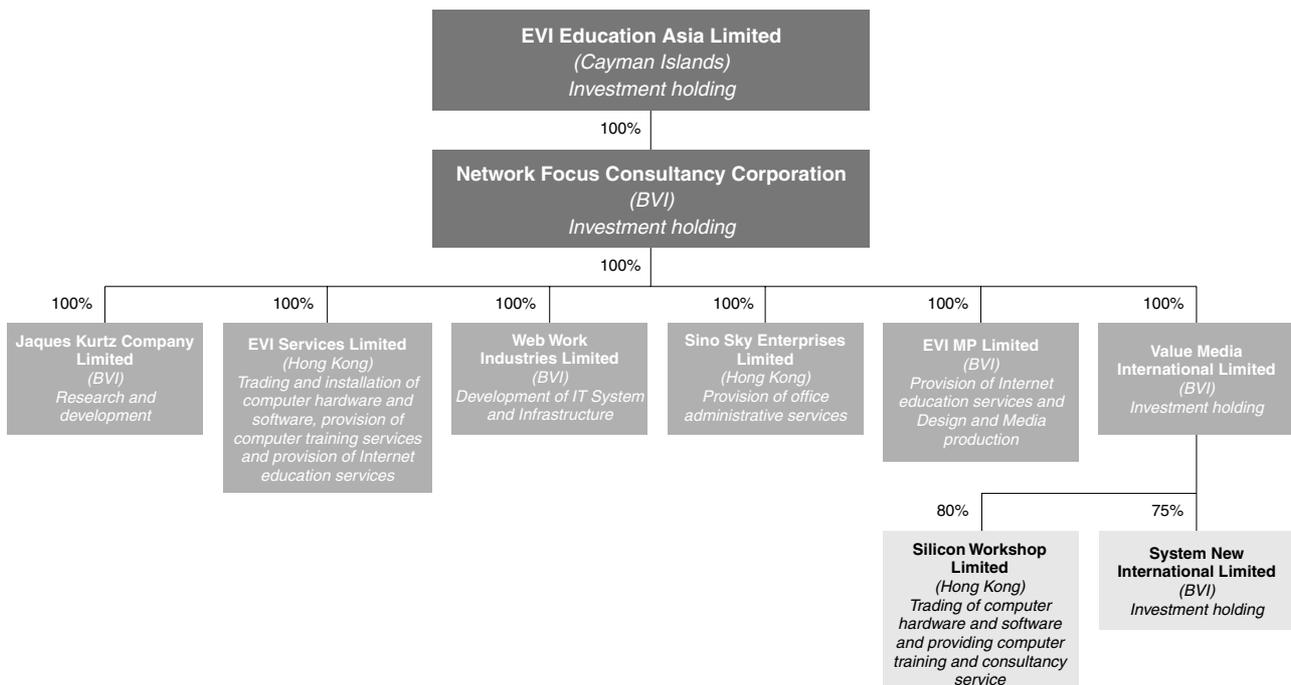
To build a Professional E-education Community with loyal user groups and;

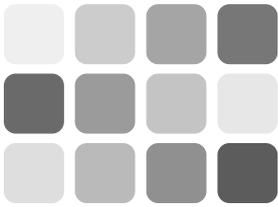
To grow into the Leading Education Services Provider in Hong Kong and Asia.

VISION

To Bring the Real World into the Classroom

CORPORATE STRUCTURE

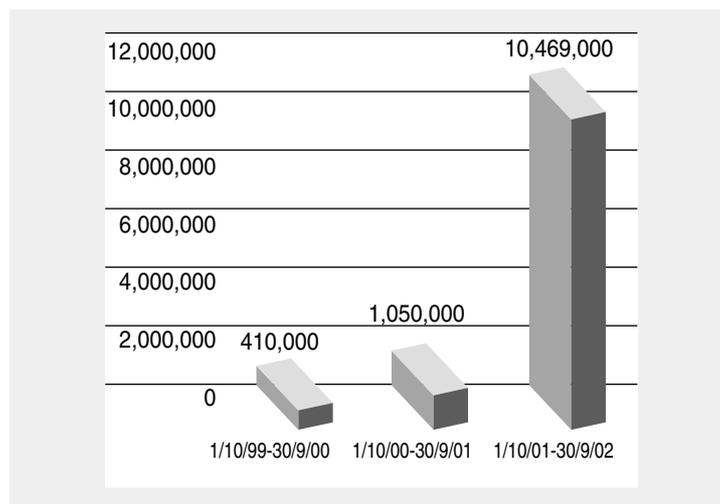




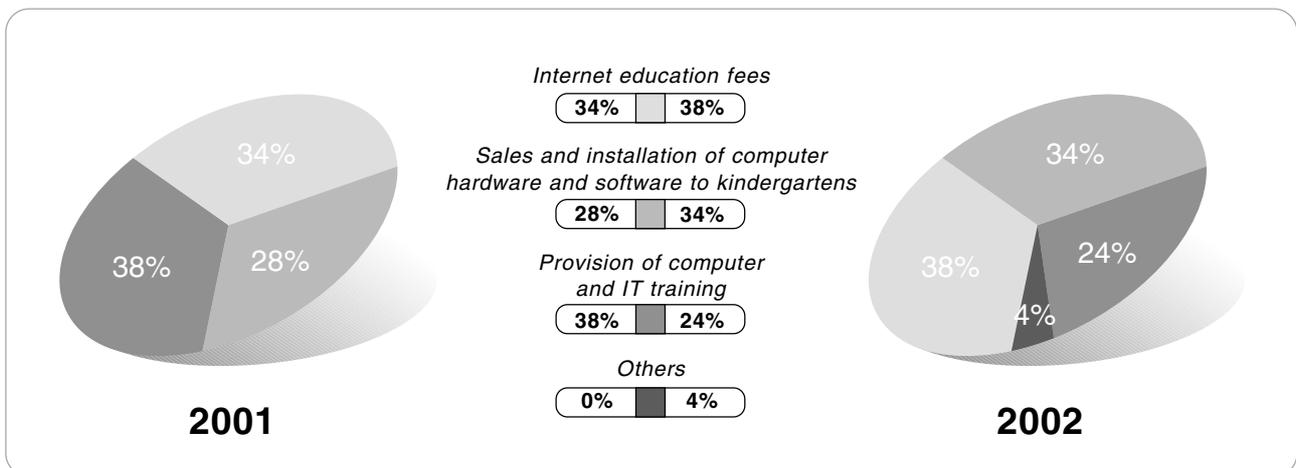
Financial Highlights

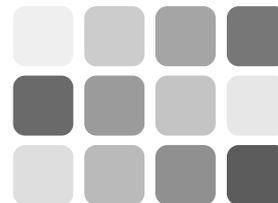
- Turnover for the year was approximately HK\$10,469,000
- Loss for the year was approximately HK\$17,877,000
- As at 30th September, 2002, the Group had approximately HK\$25.1 million cash on hand with no outstanding debt
- The Group has now attained a user base of over 18,000 including students, parents and teachers from over 150 kindergartens that are using our on-line or server base programs on both teaching and learning activities
- In March 2002, the Group acquired 80% equity interest in Silicon Workshop Limited, a well-established education service provider in Hong Kong with over 10 years experience in the education sector
- In May 2002, the Group launched a new portal, the I-Cube (www.icubeworld.com), with an innovative attempt on selling revision exercise and entertainment to the primary school students & parents groups

TURNOVER HK\$



TURNOVER BY PRODUCTS





Chairman's Statement

On behalf of the Board of Directors (the "Board"), I am pleased to present the audited consolidated results of EVI Education Asia Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 30th September, 2002.

MISSION

The mission of the Group is to build a Professional E-education Community with loyal user groups and to grow into the leading education services provider in Hong Kong and Asia. With profound expertise and good reputation in the industry, the Group has established a leading profile in the pre-school education industry in Hong Kong. The Group has taken a proactive approach to introduce the EVI On-line System and its creative approach to realise the vision of "Bringing the Real World into the Classroom".

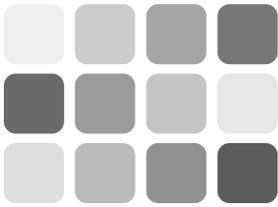
RESULTS

There was a global slowdown in the economy for the year under review. Despite the adverse sentiments in operating environment and customers' consumption power, the Group had employed proper developments strategies and built up good foundation for its e-education service business. Although the Group was stilling running at a loss, turnover for the year ended 30th September, 2002 increased by about 9 times to approximately HK\$10,469,000 over the last year (2001: HK\$1,050,000). The Group still maintained sound financial position with approximately HK\$25.1 million cash on hand as at 30th September, 2002 with no outstanding debt. The Directors anticipated that the Group's overall financial position would improve gradually upon receiving additional and recurrent subscription income from kindergartens and parents.

BUSINESS OVERVIEW AND MAJOR ACHIEVEMENTS

The EVI online education business, parallel with ancillary off-line services in its value chain, has positioned the Group as one of the prominent e-education servicing companies with distinctive advantages. The Group has applied effective marketing and promotion strategies to recruit and expand its clientele including certain well-known kindergarten groups in Hong Kong. The Group has now attained a user base of over 18,000 including students, parents and teachers from over 150 kindergartens that are using our on-line or server base programs on both teaching and learning activities.

The Company has been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for nearly two years and the listing status has affirmed our corporate profile and opened up tremendous business cooperation opportunities. During the year, the Group acquired 80% equity interest in Silicon Workshop Limited, a well-established education service provider in Hong Kong with over 10 years experience in the education sector and is serving over 100 kindergartens and over 50 primary and secondary schools. We are confident that the subsidiary will continue its contribution to the Group's growth in future.



THE WAY FORWARD

The kindergartens and nurseries in Hong Kong are facing keen competition due to low birth rate in recent years. In order to sustain growth and remain competitive within the market, we shall focus on our core EVI On-line System by constant upgrading and enhancing our features and products. At the same time, we shall explore and develop new business lines, like the introduction of new portal I-Cube in the Primary and Secondary school market in order to generate additional revenue for the Group. Nevertheless, the Group will continuously explore the potential of the PRC market from two perspectives; firstly to explore the huge market potential by identifying appropriate local business partners and secondly to effect cost saving benefits on content production.

In essence, during the adverse economic cycle, we shall employ tighter cost control policies in order to retain the Group's financial resources and to maximise its staying power for the benefits of our shareholders.

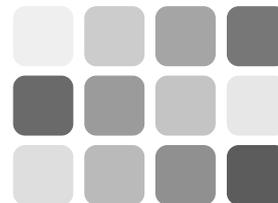
APPRECIATION

On behalf of the Board of Directors, I would like to express my appreciation to all the staff for their dedication and contribution during the year. I would also like to offer my sincerest gratitude to all the customers, business associates and shareholders for their support and advice. With their continuous co-operation and support, the Group will make every endeavor to strive for the best in the coming year.

By Order of the Board
Pong Wai San, Wilson
Chairman

Hong Kong, 27th November, 2002

Management Discussion and Analysis



OPERATIONAL REVIEW

Customer base and Revenue

Being a prominent Internet education provider in Hong Kong, the Group offers both Chinese and English language-based pre-school education services targeting kindergartens, teachers, parents and pre-school children. The EVI On-line System now comprises of the Kindergartens Zone, Parents and Kids Zone and a public view page. Since September 2001, the Group has started charging the participating kindergartens a monthly subscription fee and secured contracts with various well-known kindergarten groups for a term of three years. Despite the adverse economic condition, the Group has still successfully solicited new kindergarten groups to subscribe the EVI On-line System commencing on September 2002 school term. The EVI On-line System now has built up a user base of over 18,000 users including students, parents and teachers. The Group has also started receiving subscription fees from the Parents and Kids Zone since September 2002.

From time to time, the EVI On-line System continues to gain favourable response from its users. Besides the provision of core on-line education services, the Group also provides other value-added off-line services including the provision of different IT knowledge and training course to teachers and other user groups. The Group are capable to offer range of quality products and supporting services to our customers.

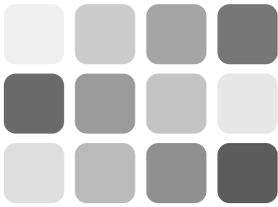
Development and Launch of new products, contents and features

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 to the EVI On-line System. During the year, the Group has frequently revised the Kindergartens Zone by putting up new contents such as resources library and festivals stories etc. New administrative modules like the Library System, KAMS (Kindergartens Advanced Management System) and the Accounting System are now ready to launch. EVI Theme song was composed in order to promote the Group's image. The Directors believed all these new features and developments would help to reinforce customers' confidence towards the EVI brand of quality and its continuous development efforts on educational services.

The Group has launched a new portal the I-Cube (www.icubeworld.com) since May 2002 with an innovative attempt on selling revision exercise and entertainment to the primary school students & parents groups. It has already established its foothold with over 100 primary schools. Paid members have to complete different exercises in order to obtain virtual cards and participate the card games thereafter. The portal is now expanding revision exercises on monthly basis serving primary one through to primary six levels. The Group believes I-Cube would help to expand our services and thus generating additional revenue from new user groups to enhance our reputation within the educational sector.

Marketing

During the year, series of aggressive brand building and marketing campaigns were launched in order to promote the Group's image. In November 2001, the Group has co-organised the "Family Unit Green Walk" event jointly with the Hong Kong Council of Early Childhood Education and Services (CECES) in the Shatin Race Course. In addition, the Group also held a promotion function at the City University of Hong Kong on 8th December, 2001 with a warm reception of over 100 participants



representing approximately 90 different 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 honour to invite the presence of the Senior Assistant Director (Administration) of the Education Department to officiate this ceremony. On 18th May, 2002, the Group had organised a workshop on “Implementation of Balanced Scorecard with Pre-school Institutions” jointly with the Alumni Association of Pre-school Education Administration and Management Course S.P.A.C.E. – University of Hong Kong at the City University of Hong Kong and over hundreds of parents, teachers and kindergarten representatives attended the workshop. Our Customer Services team members were also actively involved with various kindergarten promotional events such as the Open Day, Parents Day and Graduation Ceremony.

System infrastructure and technology deployment

As for the technology development, the Group keeps 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 certainly improved the efficiency and effectiveness on organising and publishing contents for the entire system. The Group considered that such technology advancement was in line with the current business growth and needs.

Strategic acquisitions

The Group has acquired a 80% equity interest in Silicon Workshop Limited on 15th March, 2002. It is a well-established education service provider in Hong Kong that had over 10 years operating experience in the Hong Kong education sector and is now serving over 150 schools. This acquisition has strengthened the Group’s market position and its customer bases, by offering comprehensive services and additional off-line products.

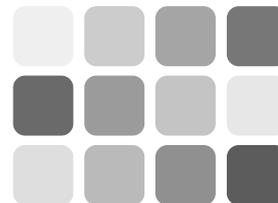
OUTLOOK

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. In order to widen our user groups, more interactive features and articles will be added and a new “Member Zone” is planned to launch in 2003 and the Group shall continue to solicit new web development works or sponsorship program from the Education Department and other commercial entities.

Regarding the off-shore business opportunities and in particular, the PRC market, the Group remains prudent on assessing different approaches including acquisition of business or JV partnership in order to fulfill its long term strategic and development goals. Nevertheless, to increase the number of users on EVI Platform and to further explore our business opportunities both in Hong Kong and other markets are always the key objectives for the Group.

FINANCIAL REVIEW

Turnover of the Group for the year ended 30th September, 2002 increased by about 9 times to approximately HK\$10,469,000 over the last year (2001: HK\$1,050,000), of which 38% was attributable to the recurrent subscription fees from the EVI On-line System from Hong Kong kindergartens which amounted to approximately HK\$3,985,000. Off-line revenue grew by 8.4 times, among which



approximately 24% of the total turnover was attributable to the provision of computer and information technology (“IT”) training courses and 34% of the total turnover was attributable to the sales and installation of computer hardware and software and 4% of the total turnover was attributable to web project development. Net loss attributable to shareholders for the year was approximately HK\$17,877,000 (2001: HK\$17,895,000), representing a decrease by about 0.1%. The operating loss before depreciation, amortisations, impairment loss and gain on disposal of interest in a subsidiary amounted to approximately HK\$11,148,000 (2001: HK\$16,205,000), representing a decrease by about 31%.

In October 2001, the Group acquired certain licensing rights from a third party (“the Vendor”) to sell a software technology in Hong Kong Special Administrative Region of the People’s Republic of China for approximately HK\$6,318,000, based on the determined fair value of the licensing rights acquired as at the date of acquisition. The consideration for such acquisition was settled by disposal to the Vendor of a 25% equity interest in System New International Limited, a subsidiary company incorporated in the British Virgin Islands, and which was intended to exploit certain internet education technologies acquired. As a result of such disposal, the Group recognised a gain on disposal of interest in a subsidiary of approximately HK\$6,318,000.

The Group has recorded an impairment loss of approximately HK\$3,159,000 for the software licensing rights respectively for the year ended 30th September, 2002. The Group has adopted prudent approach in evaluating the recoverability of the carrying value of its software licensing rights through projecting the future cash flow due to the depressed economic situation together with slow market response. The Directors believed that this approach would give a fair balance sheet value and provide a better position to reflect the Group’s future operating performance. Also, the persistence of weak economy has driven the Group to withhold its JV business development and concentrating more efforts to broaden its income from the existing pre-school customers basis.

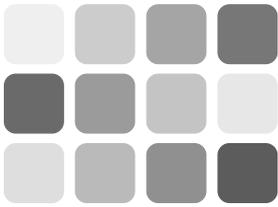
Nevertheless, the Group still maintained sound financial position with approximately HK\$25.1 million cash on hand with no outstanding debt as at 30th September, 2002. The Directors remained their positive perception toward the Group’s future financial position due to stable recurring subscription income and rooms of growth for its on-line and off-line business.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group generally financed its operations and investing activities with internally generated cash flows and the balance of the proceeds from the Placing. As at 30th September, 2002, the Group had audited net current assets of approximately HK\$22,790,000 (2001: HK\$37,883,000), including cash and bank deposits amounted to approximately HK\$25,063,000 (2001: HK\$39,468,000). The consolidated total non-current liabilities amounted to approximately HK\$500,000 (2001: Nil). The Group did not have any bank borrowings nor any banking facilities as at 30th September, 2002 (2001: Nil).

The gearing ratio (defined as a percentage of total non-current liability over total assets) of the Group on 30th September, 2002 was 1.3% (2001: Nil).

The Directors believe the Group’s existing financial resources are sufficient to fulfill its commitments and current working capital requirements.



CAPITAL STRUCTURE AND FOREIGN EXCHANGE EXPOSURE

The unutilized proceeds from the listing of the shares of the Company on GEM were placed in Hong Kong dollars short-term interest bearing deposit with banks in Hong Kong. The Group had not been granted any banking facilities for the reporting year. The incomes of the Group are dominated in Hong Kong Dollars only and the Group has adequate recurring cash flow to meet the working capital requirement. The Group adhered to a prudent policy on financial risk management and the management of currency and interest rate exposures. Hence, the Group's exposure to fluctuations in the exchange rate is considered to be minimal and there is seldom any need to make use of financial instruments for hedging purposes.

CHARGE ON ASSETS

The Group did not have any charge on their assets as at 30th September, 2002 (2001: Nil).

SIGNIFICANT ACQUISITION

On 15th March, 2002, the Group acquired a 80% equity interest in Silicon Workshop Limited at a cash consideration of HK\$3.5 million. Silicon Workshop Limited is a well-established education service provider in Hong Kong with over 10 years experience in education sector and is now serving over 150 schools. The Directors believe that the acquisition of Silicon Workshop Limited would provide business synergy and contribution for the Group's growth.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

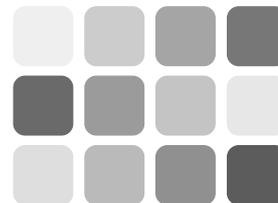
Application of proceeds from the listing of the shares of the Company on GEM will be in line with the business objectives stated in the prospectus of the Company dated 6th March, 2001. Other than that, there has been no material change in the Group's future plan for material investments and acquisition of material capital assets as at 30th September, 2002. However, the management has maintained normal interactions with certain business entities on exchange of information that might lead to further cooperation or expansion Mainland China market and other Asia Pacific markets as well.

EMPLOYEE INFORMATION

Staff costs, including directors' remuneration, were approximately HK\$11,606,000 for the year ended 30th September, 2002 (2001: HK\$8,200,000). Headcount was changed from 50 as at 30th September, 2001 to 60 as at 30th September, 2002. However, it should be noted that such change was in line with our business growth and the apparent increase in staff cost was merely due to relative low number of headcount being recorded for the first half of previous year. Employees were paid at market remuneration with discretionary bonus and benefits of medical insurance, mandatory provident fund, share options and necessary training. The Group's employees' remuneration policy, bonus and share option schemes have been reviewed and rewarded against staff's performance on annual basis.

CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 30th September, 2002 (2001: Nil).



Directors and Senior Management

BOARD OF DIRECTORS

Executive Directors

PONG Wai San, Wilson (龐維新), aged 33, is the founder, Chairman and Chief Executive Officer. He is responsible for the overall management, strategy planning and corporate development of the Group. Mr. Pong graduated from the University of British Columbia, Canada with a bachelor degree in applied science. Prior to founding the Group, he had held various senior management positions with various local international securities houses and a multinational company before founding the Group. He is the son of Madam Pong Lo Shuk Yin, Dorothy.

CHEUNG Shi Kwan, Wings (張士昆), aged 41, is the Vice-Chairman. He is responsible for the Group's overall management, operations and web content development. Mr. Cheung holds a master degree in applied finance from the University of Western Sydney, Nepean. He is a senior associate member of the Australian Institute of Banking & Finance and has over 15 years of experience in banking, administration and general management. Prior to joining the Group in December 1999, he worked for a listed company in Hong Kong.

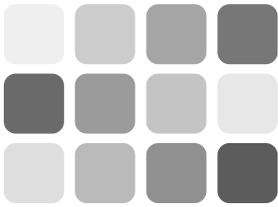
PONG Lo Shuk Yin, Dorothy (龐盧淑燕), aged 55, is an Executive Director. She is responsible for the strategic planning and business development of the Group. She joined the Group in August 1999. Madam Pong has over 20 years of experience in administration and management of kindergartens.

LAU Wai Shu, Terence (劉偉樹), aged 42, is the Chief Operating Officer. He is responsible for the Group's business operations and marketing. Mr. Lau holds a bachelor degree in applied science (civil engineering) from the University of Ottawa, Ontario, Canada. Prior to joining the Group in December 2000, he worked with various companies and has over 10 years of experience in management and marketing. Mr. Lau is appointed as the Group's executive director from 1st November, 2001.

Independent Non-executive Directors

HUNG Tak Chow, Charles (孔德秋), aged 37, is an Independent Non-executive Director. Mr. Hung has a wealth of expertise and experience across a number of information technology ("IT") disciplines gained from over 12 years in both Asia and the United States of America where he held top IT positions with major US investment banks. He obtained a masters degree in Electrical Engineering from Cornell University as well as a bachelors degree in Electrical Engineering from the University of Arizona. He is currently the regional information technology director for a major multinational financial services company based in Hong Kong. Mr. Hung was appointed as the Company's independent non-executive director in March 2001.

HUNG Fan Wai, Wilfred (孔繁偉), aged 33, is an Independent Non-executive Director. Mr. Hung is an associate member of both the Hong Kong Society of Accountants and the Australian Society of Certified Practising Accountants. He holds a bachelor of arts degree in economics from Monash University of Australia and a master degree in business administration from the University of South Australia. He is currently the Chairman of a private company. Mr. Hung was appointed as the Company's independent non-executive director in March 2001.



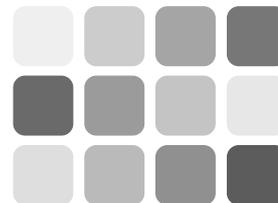
ADVISORY BOARD

CHING Teh Chi, Sansan (程德智), aged 55, is the Senior Project Consultant and Honorable Adviser and advises the Group in respect of relationships with kindergartens, on-line education content development and sales and promotions. Madam Ching has over 30 years of education experience and is currently a part-time lecturer of various universities. Since 1998, Ms. Ching has acted as the First Director of the CECES. She holds a bachelor of arts degree in humanities from the University of California, Berkeley, USA. Ms. Ching held senior positions in various Government Boards and Advisory Committees, Universities and Social Services Organisations. She joined the Group's advisory board in August 2000.

SO Cheung Ping, Andrew (蘇章平), aged 47, is the Senior Project Consultant and advises the Group in respect of application of information technologies and Internet developments. Mr. So is currently the executive director of Computer and Technology Holdings Limited and the chief executive officer of C&T Solutions Limited. Mr. So has over 21 years of IT experience gained from multinational companies including IBM and SPL WorldGroup and he is specialising in applying IT for business solutions.

KAN Siu Lun, Philip (簡兆麟), aged 47, is the Senior Adviser and advises the Group in respect of business development and future expansion. He is currently a member of the Chinese Temples Committee of the Government of Hong Kong. Until 2002, Mr. Kan is a member of the Board of Review of Inland Revenue, Hong Kong Government for six years. For the three years commencing from 1995, Mr. Kan served as Member of Court of Hong Kong Baptist University. Mr. Kan is a creative strategist and an entrepreneurial executive with solid experience in leading enterprise and application of IT for business excellence. Mr. Kan obtained his master degree in business administration from the Henley Management College, Brunel University, the United Kingdom. Mr. Kan is currently a director and the chief executive officer of a listed company and non-executive director of another listed company. Mr. Kan also held senior management position with First Pacific Bank, HSBC and Compaq Computer Limited where he served various clients of the Greater China region.

The Advisory Board is to advise the Board on major trends, developments and issues in the education industry in Hong Kong and other areas around the world, including the latest developments in information technologies and Internet development plans and strategy. The Advisory Board further assists provides advice and assistance in content development of the Group's Internet site and products. Members of the Advisory Board are nominated by the Board on the basis of their relevant background, training and experience in the education industry and are not engaged as full-time employees of the Group.



SENIOR MANAGEMENT

CHEUNG Hon Fai, Maurice (張漢輝), aged 28, is the Financial Controller and Company Secretary. He is responsible for the Group's financial management and company secretarial matters. Mr. Cheung holds a bachelor of arts degree in Accountancy from the Hong Kong Polytechnic University. He is both associate member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants. Prior to joining the Group in November 2000, he worked in a listed company in Hong Kong and an international accounting firm.

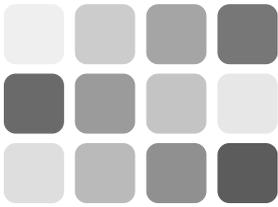
CHAN Kin Kee (陳健基), aged 32, is the Chief Technical Officer. He is responsible to oversee the Group's system development, strategic architectural issues as well as manage the Group's technology outsourcing vendors. Besides, he also leads all areas of project implementation and future development of the Group. Mr. Chan holds a bachelor of arts degree in Computing from Macquarie University, Australia. Prior to joining the Group in June 2001, he worked as the Head of IT development in a listed financial institution and has near 9 years experience on system integration, database management and consulting role in system analyzing and programming.

LAU Suk Ying, Jenny (劉淑英), aged 36, is the Editorial Manager. She is responsible for the Group's content development. She holds a bachelor of arts degree in English Language and Literature from Hong Kong Baptist University and a master degree in Translation and Interpretation from the Hong Kong City University. Prior joining the Group in April 2001, Ms. Lau worked for various Hong Kong Education Research Society and education publication companies. She has over 12 years experience in publishing curriculum kit and children's books on Pre-school and primary school.

MUI Chi Pan, Benny (梅智斌), aged 27, is the Creative and Production Officer. He is responsible for overseeing the sales and marketing operations, production and business development of the EVI MP Limited and the portal I-Cube (www.icubeworld.com). Mr. Mui holds an advanced diploma in Computer Studies from the University of Oxford. Prior joining the Group in May 2001, Mr. Mui worked for various design and Multi-media production companies.

CHEUNG Kin Ming, Anjou (張景明), aged 35, is the Creative and Production Officer. He is responsible for the Group's web graphic design and development. Mr. Cheung holds a certificate of 3D Animation of Special Effect from the City University of Hong Kong and a certificate of Computer Arts and Design from the School of Professional and Continuing Education of the University of Hong Kong. Prior joining the Group in December 2000, Mr. Cheung has over 10 years of experience in computer graphics and animation production.

NIP Kai Yan, Ken (聶啟恩), aged 34, is the Marketing Manager of Silicon Workshop Limited. He is responsible for overseeing the sales and marketing operations, and business development of the Silicon Workshop Limited, a subsidiary acquired by the Group on March 2002. Mr. Nip holds a bachelor degree in applied physics from the City University of Hong Kong. Mr. Nip has over 10 years experience on Pre-school and primary school education industries.



Comparison of Business Objectives with Actual Business Progress

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 April, 2002 to 30th September, 2002.

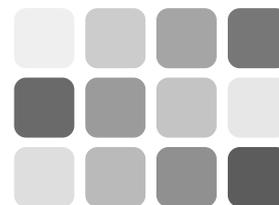
Business objectives as stated in the prospectus dated 6th March, 2001	Actual Business progress
--	---------------------------------

Customer base

- | | |
|---|--|
| 1. EVI On-line System:
Achieve a user base of around 150 kindergartens in Hong Kong and 15,000 parents in Hong Kong. | The Group has already built up a user base of over 18,000 including students, parents and teachers with over 150 kindergartens are now using the Group's On-line or server base programs on both teaching and learning activities. |
| 2. Computer training and system integration services:
Maintain a user base of ten kindergartens in Hong Kong. | The Group has provided computer-training courses and system integration services to over 15 kindergartens in Hong Kong. Acquisition of a new subsidiary in March 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 has secured service contracts with kindergartens which were engaged with 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 and the Group also starts to receive subscription fees from the Parents and the Kids Zone. A new "Member Zone" has been developed in order to generate additional revenue from the EVI Portal. |
| 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, Light Emitting Diode (LED) display, raised floor system and IT related services continued to generate steady revenue to the Group. |



Comparison of Business Objectives with Actual Business Progress

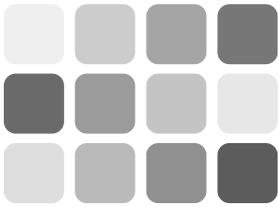
Business objectives as stated in the prospectus dated 6th March, 2001 Actual Business progress

Revenue (Continued)

- | | |
|--|---|
| <p>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.</p> | <p>Pre-school extracurricular training courses continued to generate steady revenue to the Group. Courses such as “IT Fun Group” and new summer courses have been designed in order to add varieties of services and to attract more attention within the education sector.</p> |
| <p>4. Advertising income
Start generating on-line banner advertising income on the EVI On-line System.</p> | <p>The demand and charging rate of “web banner” type advertisement have dropped dramatically nowadays. Nevertheless, the Group has secured web site development works from the Education Department of HKSAR and commercial entities.</p> |

Development and launch of new products, contents and features

- | | |
|---|--|
| <p>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.</p> | <p>The Group has frequently revised the Kindergartens Zone and putting up new contents such as festivals stories etc. New administrative modules like the Library System and KAMS (Kindergartens Advanced Management System) and the Accounting System were now ready to launch. More interactive features, articles and new games were put up for the Parents and Kids Zone.</p> |
| <p>2. Develop e-commerce capabilities for the EVI On-line System.</p> | <p>In view of the rapid change of e-commerce formalities and relative low demand of e-transaction; the Group shall continue to exercise due care in seeking competent partners and its development pace in this respect.</p> |
| <p>3. Organise off-line peer group events and activities for the Hong Kong user community of the EVI On-line System.</p> | <p>The Group has organized various exhibitions and attend Kindergartens’ open days’ events, which attracted parents, kids, teachers and kindergarten representatives during the period.</p> |
| <p>4. Research and develop new contents or convert existing contents specifically targeted at kindergartens, parents and children in Macau and PRC markets.</p> | <p>The Group has postponed its Macau development and continued to research oversea market contents for the EVI On-line System. The Group’s existing strategy on the Mainland China or overseas markets is to identify or select experienced local partners within educational sector to conduct research and to formula appropriate business model for the conversion of EVI On-line System.</p> |



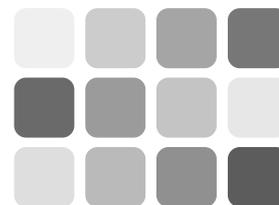
**Business objectives as stated in
the prospectus dated 6th March, 2001 Actual Business progress**

Development and launch of new products, contents and features *(Continued)*

- | | |
|---|---|
| 5. Convert system software for the Macau and PRC versions of the On-line System. Launch pilot tests of the Macau and PRC version of the EVI On-line System. Review the results of the pilot tests and revise the contents and features accordingly. | 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. |
| 6. Develop a series of proprietary cartoon character merchandise and identify suitable manufacturers. | The Group has developed a series of proprietary cartoon character merchandise and continues to identify proper applications and such manufacturers. |

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: <ul style="list-style-type: none">• 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 meeting or demonstrations;• organised a workshop on "Implementation of Balanced Scorecard with Pre-school Institutions" jointly with the Alumni Association of Pre-school Education Administration and Management Course S.P.A.C.E. - University of Hong Kong at the City University of Hong Kong on 18th May, 2002. Over hundreds of parents, teachers and kindergarten representatives attended the workshop. |
| 2. Prepare and implement marketing and promotional activities in Macau and the PRC. | The Group did not incur such marketing and promotional expenses due to defer business development for both Macau and PRC markets. |



Comparison of Business Objectives with Actual Business Progress

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

Overseas developments, strategic acquisitions and alliances

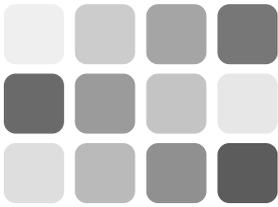
- | | |
|---|---|
| <p>1. Because of the pilot-run of the Macau and PRC versions of the EVI On-line System, no substantial revenue will be generated from overseas markets.</p> | <p>The Group did not commerce and spend on the pilot run or software conversion due to defer business development for both Macau and PRC markets. 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.</p> |
| <p>2. Establish a representative office in major city in PRC. Recruit personnel and finalise joint venture with the PRC partner.</p> | <p>The Group did not set up the representative office due to defer of its business development for PRC market. The Group shall continue to seek appropriate partner as its JV partner for PRC operations.</p> |

System infrastructure and technology deployment

- | | |
|--|---|
| <p>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.</p> | <p>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 was in line with the current business growth and needs.</p> |
| <p>2. Develop e-commerce enabling software features into the EVI On-line System.</p> | <p>The Group's internal technical team has studied the application of bar code and other electronic devices in order to provide new features and functions for EVI On-line System.</p> |
| <p>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.</p> | <p>Due to delay on Macau development and system conversion for PRC market, the Group would not liaise with local data centers 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.</p> |

Human resources, operations and administration

- | | |
|--|---|
| <p>1. Increase overall headcount to around 37 full-time employees.</p> | <p>Due to acquisition of subsidiary and additional supporting staff requirements, the Group's headcount has increased to around 60.</p> |
|--|---|



Report of the Directors

The Directors have the pleasure of presenting the annual report together with the audited accounts of EVI Education Asia Limited (“the Company”) and its subsidiaries (together “the Group”) for the year ended 30th September, 2002.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in selling and installation of computer hardware and software, provision of computer training services and provision of internet education services.

An analysis of the Group’s performance for the year by business and geographical segments is set out in Note 3 to the accounts.

CUSTOMERS AND SUPPLIERS

For the year ended 30th September, 2002, the five largest customers accounted for approximately 18.0% (2001: 39.4%) of the Group’s total turnover and the five largest suppliers of the Group accounted for approximately 54.4% (2001: 81.2%) of the Group’s total purchases. The largest customer of the Group accounted for approximately 6.2% (2001: 10.2%) of the Group’s total turnover while the largest supplier accounted for approximately 14.7% (2001: 30.8%) of the Group’s total purchases.

None of the directors, their associates, or any shareholders (which, to the knowledge of the Directors, owned more than 5% of the Company’s share capital) had a beneficial interest in the Group’s five largest customers and suppliers.

RESULTS AND APPROPRIATIONS

Details of the Group’s results for the year ended 30th September, 2002 are set out in the consolidated profit and loss account on page 30.

The Directors do not recommend the payment of a dividend and recommend that the accumulated deficit of approximately HK\$44,820,000 as at 30th September, 2002 be carried forward.

SHARE CAPITAL

There was no change in the Company’s share capital during the year other than the subdivision of the Company’s shares which details are set out in the section headed “Share subdivision” below.

RESERVES AND ACCUMULATED DEFICIT

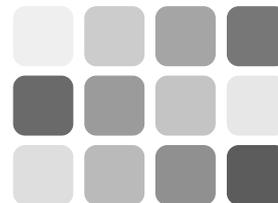
Movements in reserves and accumulated deficit of the Group and the Company during the year are set out in Note 16 to the accounts.

DISTRIBUTABLE RESERVES

As at 30th September, 2002, the Company had no reserve available for distribution to the Company’s shareholders (2001: HK\$9,192,000).

PURCHASE, SALE OR REDEMPTION OF SHARES

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



PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the Companies Law (Revised) of the Cayman Islands.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 11 to the accounts.

MACHINERY AND EQUIPMENT

Details of movements in machinery and equipment during the year are set out in Note 9 to the accounts.

COMMITMENTS

Particulars of commitments as at 30th September, 2002 are set out in Note 18 to the accounts.

RETIREMENT PLANS

Details of the retirement plans are set out in Note 19 to the accounts.

CONNECTED TRANSACTIONS

During the year ended 30th September, 2002, the Group had no connected transactions under Chapter 20 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").

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors who held office during the year and up to the date of this report are:

Executive directors

Mr. Pong Wai San, Wilson

Mr. Cheung Shi Kwan, Wings

Madam Pong Lo Shuk Yin, Dorothy

Mr. Lau Wai Shu

(Appointed on 1st November, 2001)

Independent non-executive directors

Mr. Hung Fan Wai, Wilfred

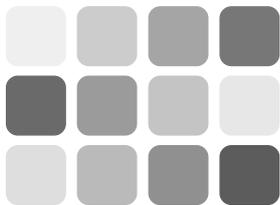
Mr. Hung Tak Chow, Charles

Mr. Ko Chun Hay, Kelvin

(Resigned on 30th September, 2002)

In accordance with the Articles of Association of the Company, Mr. Cheung Shi Kwan, Wings and Mr. Lau Wai Shu will retire from office and, will be eligible to offer themselves for re-election at the forthcoming annual general meeting of the Company.

Except for Mr. Lau Wai Shu, each of the executive directors of the Company has entered into a service contract with the Company for an initial term of three years commencing from 1st March, 2001. The service contracts shall continue thereafter until terminated by either party giving the other not less than three months' notice after the expiration of the said initial fixed term. For Mr. Lau Wai Shu, the service contract with the Company do not have a fixed term but shall continue thereafter until terminated by either party giving the other not less than two months' notice.

**DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (Continued)**

The independent non-executive directors of the Company are not appointed for specific contracted terms but are subject to retirement by rotation in accordance with the Company's Articles of Association.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

SHARE SUBDIVISION

A resolution approving the subdivision of the issued and unissued shares of HK\$0.05 each (each an "Original Share") 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. 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 of the Company's share option schemes and a factor of 5 has to be applied to the number of shares issuable under the schemes.

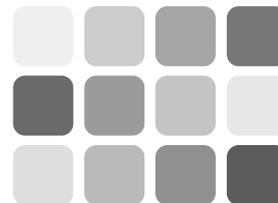
DIRECTORS' INTERESTS IN SHARES

As at 30th September, 2002, the interests of the directors and their respective associates in the Company and its associated corporations are recorded in the register maintained under Section 29 of the Securities (Disclosures of Interests) Ordinance ("SDI Ordinance") of the Company or which required, pursuant to Rules 5.40 to 5.59 of 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	Personal interests	Number of Shares of the Company			Percentage of Shares outstanding
		Family interests	Corporate interests	Total	
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:

- As at 30th September, 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.
- Mr. Pong is the son of Madam Pong Lo Shuk Yin, Dorothy. Accordingly, Madam Pong Lo Shuk Yin, Dorothy is deemed to be interested in 2,609,200,000 Shares beneficially held by Summerview Enterprises Limited.



DIRECTORS' INTERESTS IN SHARES (Continued)

Other than disclosed above, as at 30th September, 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 210,000,000 Shares at a price of HK\$0.076 per share (as adjusted) exercisable during the period from 16th March, 2002 to 15th March, 2005.

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

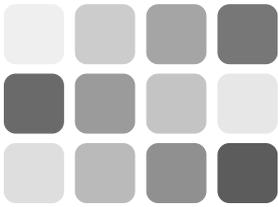
	Subscription price per share	No. of underlying Shares under the options
Mr. Pong	HK\$0.076	100,000,000
Pong Lo Shuk Yin, Dorothy	HK\$0.076	81,000,000
Cheung Shi Kwan, Wings	HK\$0.076	25,000,000
Lau Wai Shu (<i>Note 1</i>)	HK\$0.076	4,000,000
		<u>210,000,000</u>

Note:

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 twelve 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 shall not exceed:

- (a) 30% of the total number of options during the first year of the three-year period;
- (b) 60% of the total number of options during the second year of the three-year period; and
- (c) the remaining unexercised options during the third year of the three-year period.



DIRECTORS RIGHTS TO ACQUIRE SHARES OR DEBENTURES (Continued)

(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”), options were 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 2,500,000 Shares of the Company at a price of HK\$0.208 per share (as adjusted) exercisable during the period from 1st November, 2002 to 31st October, 2005.

Such 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 shall not exceed:

- (a) 30% of the total number of options during the first year of the three-year period;
- (b) 60% of the total number of options during the second year of the three-year period; and
- (c) the remaining unexercised options during the third year of the three-year period.

None of the above options has been exercised during the year ended 30th September, 2002.

Save as disclosed above, at no time during the year ended 30th September, 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.

SHARE OPTION SCHEMES

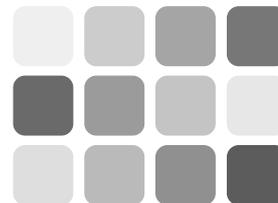
Pursuant to a written resolution of all the shareholders of the Company passed on 28th February, 2001, two share option schemes namely, Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme (collectively referred to as the “Schemes”) were adopted by the Company.

SUMMARY OF THE SCHEMES

(a) Purposes of the Schemes

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of certain executive directors and employees of the Group to the growth of the Group prior to the listing of the Shares on GEM.

The purpose of the Post-IPO Share Option Scheme is to recognise the contribution of certain employees of the Group and to retain the services of these employees who will continue to make valuable contribution to the Company.

**SUMMARY OF THE SCHEMES** (Continued)**(b) Participants of the Schemes**

Pursuant to the Pre-IPO Share Option Scheme, the Directors may, at their absolute discretion, invite any employee of the Company or any of its subsidiaries, whether full time, part time or otherwise and including (without limitation) any executive director and advisers of the Company or of any subsidiary, to take up options to subscribe for Shares. On 28th February, 2001, options to subscribe for an aggregate of 255,000,000 Shares at an exercise price equal to HK\$0.076 (as adjusted) have been conditionally granted by the Company to three directors, one Advisory Board member and ten employees of the Company. No further options may be granted upon the listing of the shares of the Company on GEM on 15th March, 2001.

Pursuant to the Post-IPO Share Option Scheme, the grantees eligible for the Post-IPO Share Option Scheme include any employee of the Company or any subsidiary (include any executive director of the Company or any subsidiary but not any non-executive director) which is in full-time employment with the Company or any subsidiary at the time when an option is granted to such employee.

(c) Total number of shares available for issue under the Schemes

The total number of shares subject to the Share Option Scheme is 400,000,000 Shares, equivalent to 10% of the issued share capital of the Company immediately following the completion of the Placing, the Capitalisation Issue and the Pre-IPO Issue.

Pursuant to a written resolution of all the shareholders of the Company passed on 28th February, 2001, options to subscribe for an aggregate of 255,000,000 Shares have been conditionally granted by the Company pursuant to the Pre-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 25,000,000 Shares have been conditionally granted by the Company under the Post-IPO Share Option Scheme.

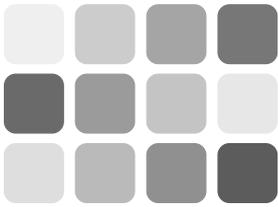
As at 30th September, 2002, 120,000,000 Shares are available for issue under the Post-IPO Share Option Scheme, representing approximately 3% of the issued share capital of the Company as at 30th September, 2002.

(d) Maximum entitlement of each participant

No option may be granted to any one person which, if exercised in full, will result in the total number of Shares already issued and which may fall to be issued to him under all the options previously granted to him pursuant to the Schemes exceeding 25% of the maximum aggregate number of Shares for the time being issued and which may fall to be issued under the Schemes.

(e) Time of exercise of options

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may not expire earlier than three years and later than 10 years from the date of grant of the Option subject to the provisions for early termination thereof.



SUMMARY OF THE SCHEMES (Continued)

(f) Payment on acceptance of option

A consideration of HK\$1 is payable on acceptance of the grant of an option.

(g) Basis of determining the subscription price

The subscription price for shares under the Pre-IPO Share Option Scheme is HK\$0.38, being the price per share at which the shares are offered for subscription by the public at the initial public offer of shares of the company. Adjusted Subscription price of the Pre-IPO Share Options pursuant to the share subdivision was HK\$0.076 per share.

The subscription price for shares under the Post-IPO Share Option Scheme is determined by the Board of Directors of the Company and notified to the grantee and will be no less than the higher of the closing price of Share on the Stock Exchange on the date of grant of the option, the average of the closing price of Shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the option or the nominal value of the Shares.

(h) Remaining life of the Schemes

The Pre-IPO Share Option Scheme has no remaining life as no further options may be granted but the provisions of such plan shall in all other respects remain in full force and effect and options which are granted during the life of such plan may continue to be exercisable in accordance with their terms of issue.

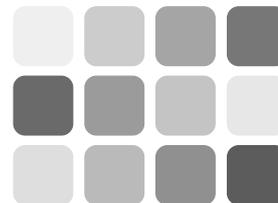
The Post-IPO Share Option Scheme will remain valid until 28th February, 2011.

The other principal terms of the Pre-IPO Share Option Scheme and the Post-IPO Scheme Option Scheme are set out in the prospectus of the Company dated 6th March, 2001.

In view of the small historical trading volume and fluctuation of the trading price of the Company's Shares, the directors have also noted that the value of the theoretical value of the share options granted during the year depends on a number of variables which are difficult to ascertain. Accordingly, the directors believe that any calculation of the value of options will not be meaningful and may be misleading to shareholders in the circumstances.

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 255,000,000 Shares at an exercise price equal to HK\$0.076 (as adjusted) 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.



PRE-IPO SHARE OPTION SCHEME (Continued)

As at 30th September, 2002, options to subscribe for an aggregate of 221,500,000 Shares granted on 28th February, 2001 were outstanding and these options relate to the options granted to four directors, one consultant and three employees at the date of grant, details of which as at 30th September, 2002 are as follows:

	Number of share options
As at 1st October, 2001	250,500,000
<i>Less:</i> share options lapsed during the year	<u>(29,000,000)</u>
As at 30th September, 2002	<u>221,500,000</u>

Note:

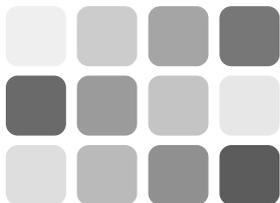
- The subscription price for all the options exercised is HK\$0.076 per share (as adjusted).
- All of these options may be exercised within three years from 15th March, 2002 provided that the maximum number of shares the grantees are entitled to subscribe for by exercising the options shall not exceed:
 - 30% of the total number of options during the first year of the three-year period;
 - 60% of the total number of options during the second year of the three-year period; and
 - the remaining unexercised options during the third year of the three-year period.

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 25,000,000 Shares at a exercise price equal to HK\$0.208 (as adjusted) have been conditionally granted by the Company to fifteen full time employees of the Group (including options to subscribe for 2,500,000 Shares 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.

As at 30th September, 2002, options to subscribe for an aggregate of 23,000,000 Shares granted on 31st October, 2001 were outstanding and these options relate to the options granted to one director and twelve employees at the date of grant, details of which as at 30th September, 2002 are as follows:

	Number of share options
As at 1st October, 2001	–
<i>Add:</i> Granted during the year	25,000,000
<i>Less:</i> share options lapsed during the year	<u>(2,000,000)</u>
As at 30th September, 2002	<u>23,000,000</u>

**POST-IPO SHARE OPTION SCHEME (Continued)**

Note:

1. The subscription price for all the options exercised is HK\$0.208 per share (as adjusted).
2. All of these options may be exercised within three years from 1st November, 2002 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 options during the first year of the three-year period;
 - (b) 60% of the total number of options during the second year of the three-year period; and
 - (c) the remaining unexercised options during the third year of the three-year period.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 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 interests, being 10% or more of the shares of the Company:

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

Notes:

1. As at 30th September, 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. Accordingly, Madam Pong Lo Shuk Yin, Dorothy is deemed to be interested in 2,609,200,000 shares beneficially held by Summerview Enterprises Limited.

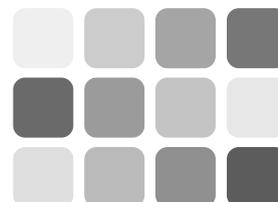
DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which any of the Company's directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SPONSOR'S INTEREST

The Company and ICEA Capital Limited ("ICEA") have mutually agreed that the appointment of ICEA as the sponsor to the Company under the sponsorship agreement dated 6th March, 2001 will terminate with effect from 20th June, 2002 which was initiated by the Company due to more favourable terms agreed under the new sponsorship arrangement. The Board further announced that Oriental Patron Asia Limited be appointed as retained sponsor to the Company from 20th June, 2002 to 30th September, 2003 in accordance with the requirements under Rules 6.01 and 17.81 of the GEM Listing Rules in return for a sponsor fee.

As at 30th September, 2002, the Company has been notified by Oriental Patron Asia Limited (the "Sponsor") that 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.



MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

AUDIT COMMITTEE

The Company has established an Audit Committee and has formulated its written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board of Directors.

The members of the Audit Committee during the year and up to the date of this report are as follows:

Mr. Hung Fai Wai, Wilfred*

Mr. Hung Tak Chow, Charles*

Mr. Ko Chun Hay, Kelvin*

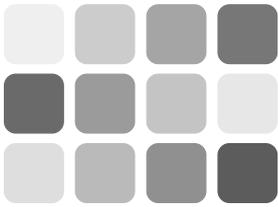
*(Resigned as a member of the audit committee
on 30th September, 2002)*

* *Independent non-executive directors*

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 30th September, 2002, the Group has applied the net proceeds as follows:

	Total	Amount extracted from the Prospectus dated 6th March, 2001 up to 30th September, 2002	Actual amount used up to 30th September, 2002
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Development and launch of new contents and features under the EVI On-line System	7.0M	6.0M	4.6M
Upgrade and improvement in system infrastructure and technology deployment	11.5M	7.5M	5.7M
Purchase and provision of hardware to kindergartens for promotion of the use of the EVI On-line System	8.5M	4.5M	4.4M
Development of on-line advertising, e-commerce and related features under the EVI On-line System	7.0M	2.5M	2.9M
Marketing and promotional activities	6.0M	5.0M	5.7M
Working capital	12.0M	7.2M	12.0M
	<u>52.0M</u>	<u>32.7M</u>	<u>35.3M</u>



USE OF PROCEEDS (*Continued*)

The remaining net proceeds as at 30th September, 2002 was approximately HK\$16.7 million, which have been placed as short-term interest bearing deposit with banks in Hong Kong.

Since the market response was better than expected, the actual business progress of the Group developed faster than expected and as a result the usage of IPO proceeds was faster than expected. In return, the Group has 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 in March 2002 and the increase of head count and related staff and administrative expenses. The same has been disclosed under the Consolidated 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.

BOARD PRACTICES AND PROCEDURES

Throughout the year, 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.

AUDITORS

The accounts for the year ended 30th September, 2001 were audited by Arthur Andersen & Co. Following the combining of the practice of Arthur Andersen & Co with PricewaterhouseCoopers, Arthur Andersen & Co resigned as auditors and the Directors appointed PricewaterhouseCoopers to fill the casual vacancy. The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board,

Pong Wai San, Wilson
Chairman

Hong Kong, 27th November, 2002

AUDITORS' REPORT

TO THE SHAREHOLDERS OF EVI EDUCATION ASIA LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 30 to 59 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

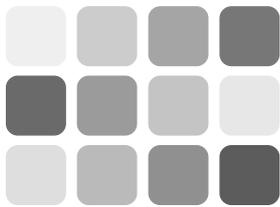
OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 30th September, 2002 and of the group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27th November, 2002



CONSOLIDATED PROFIT AND LOSS ACCOUNT

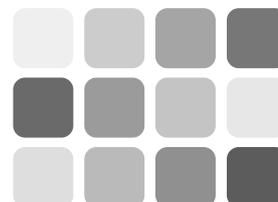
For the year ended 30th September, 2002

	Note	2002 HK\$'000	2001 HK\$'000
Turnover	3	10,469	1,050
Costs of merchandise		(2,788)	(260)
Costs of internet connectivity fee		(508)	(303)
Staff costs		(11,606)	(8,200)
Depreciation		(4,334)	(1,390)
Amortisation of intangible assets		(5,986)	(1,527)
General and administrative expenses		(6,715)	(8,492)
Gain on disposal of interest in a subsidiary	3 & 4	6,318	–
Impairment loss on intangible assets	4	(3,159)	–
Operating loss	4	(18,309)	(19,122)
Interest income	3	525	1,227
Loss before taxation		(17,784)	(17,895)
Taxation	6	(40)	–
Loss after taxation		(17,824)	(17,895)
Minority interests		(53)	–
Loss attributable to shareholders	7	(17,877)	(17,895)
Loss per share	8		
– Basic		HK\$ (0.45) cents	HK (0.49) cents
– Diluted		N/A	N/A

A separate statement of recognised gains and losses is not presented because there were no recognised gains or losses other than the loss attributable to shareholders.

CONSOLIDATED BALANCE SHEET

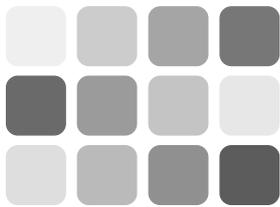
As at 30th September, 2002



	<i>Note</i>	2002 HK\$'000	2001 <i>HK\$'000</i>
Non-current assets			
Machinery and equipment	9	4,643	7,678
Intangible assets	10	5,587	4,786
Total non-current assets		<u>10,230</u>	<u>12,464</u>
Current assets			
Trade receivables	12	2,906	431
Prepayments, deposits and other current assets		784	502
Investments		–	1,985
Cash and bank deposits		25,063	39,468
Total current assets		<u>28,753</u>	<u>42,386</u>
Current liabilities			
Trade payables	13	(951)	(964)
Accruals and other payables		(2,066)	(2,440)
Deposits from customers		(1,862)	(1,099)
Due to minority shareholder of a subsidiary	2	(960)	–
Taxation payable		(124)	–
Total current liabilities		<u>(5,963)</u>	<u>(4,503)</u>
Net current assets		<u>22,790</u>	<u>37,883</u>
Total assets less current liabilities		<u>33,020</u>	<u>50,347</u>
Financed by:			
Share capital	14	40,000	40,000
Reserves	16	37,290	37,290
Accumulated deficit	16	(44,820)	(26,943)
Shareholders' funds		32,470	50,347
Minority interests		50	–
Non-current liability			
Due to minority shareholder of a subsidiary	2	500	–
		<u>33,020</u>	<u>50,347</u>

Pong Wai San, Wilson
Chairman

Cheung Shi Kwan, Wings
Director

**BALANCE SHEET**

As at 30th September, 2002

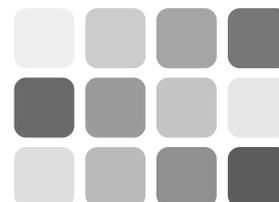
	<i>Note</i>	2002 HK\$'000	2001 <i>HK\$'000</i>
Non-current asset			
Investment in subsidiaries	11	<u>17,762</u>	<u>32,852</u>
Current assets			
Prepayments, deposits and other current assets		8	14
Cash and bank deposits		<u>15,138</u>	<u>16,344</u>
		<u>15,146</u>	<u>16,358</u>
Current liability			
Due to a director		<u>(18)</u>	<u>(18)</u>
Net current assets		<u>15,128</u>	<u>16,340</u>
Net assets		<u>32,890</u>	<u>49,192</u>
Financed by:			
Share capital	14	40,000	40,000
Reserves	16	24,881	24,881
Accumulated deficit	16	<u>(31,991)</u>	<u>(15,689)</u>
		<u>32,890</u>	<u>49,192</u>

Pong Wai San, Wilson
Director

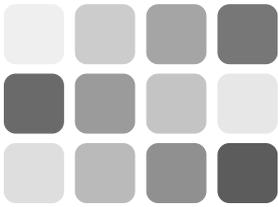
Cheung Shi Kwan, Wings
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30th September, 2002



	<i>Note</i>	2002 HK\$'000	2001 HK\$'000
Net cash outflow from operating activities	17(a)	<u>(14,074)</u>	<u>(12,060)</u>
Returns on investments and servicing of finance			
Interest received		<u>525</u>	<u>1,227</u>
Investing activities			
Purchase of machinery and equipment		(1,130)	(8,673)
Proceeds from disposal of machinery and equipment		212	12
Net cash outflow from acquisition of a subsidiary	17(b)	(1,806)	–
Additions of intangible assets		<u>(117)</u>	<u>(4,883)</u>
Net cash outflow from investing activities		<u>(2,841)</u>	<u>(13,544)</u>
Net cash outflow before financing		<u>(16,390)</u>	<u>(24,377)</u>
Financing	17(c)		
Issuance of shares		–	60,840
Issuance of shares by a subsidiary		–	5,000
Share issuance expenses		–	(8,738)
Decrease in amount due to a director		–	(348)
Net cash inflow from financing		<u>–</u>	<u>56,754</u>
(Decrease) Increase in cash and cash equivalents		(16,390)	32,377
Cash and cash equivalents,			
at 1st October		<u>41,453</u>	<u>9,076</u>
at 30th September	17(e)	<u>25,063</u>	<u>41,453</u>



Notes to the Accounts

1. **PRINCIPAL ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) **Basis of preparation**

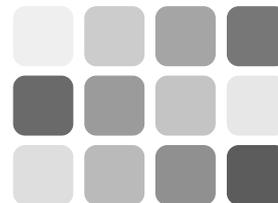
The accounts have been prepared in accordance with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on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

In the current year, the HKSA issued a number of Statements of Standard Accounting Practice (“SSAPs”) and related interpretations which are effective for accounting periods commencing on or after 1st January, 2001. The new SSAPs relevant to the Group are:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1st July, 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The adoption of the aforementioned new/revised SSAPs has no material effect on the Group’s accounts, other than as required by SSAP 26 - Segment reporting. Segment information of the Group has been disclosed in note 3 to the accounts.

In addition to the adoption of the above standards, the Group has adopted the consequential changes made to SSAP 17 “Property, plant and equipment” and SSAP 18 “Revenue”. The Directors consider that the consequential changes made to these SSAPs do not have a material impact on the accounts of the Group.



1. **PRINCIPAL ACCOUNTING POLICIES** (Continued)

(b) **Group accounting**

(i) *Consolidation*

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 30th September. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

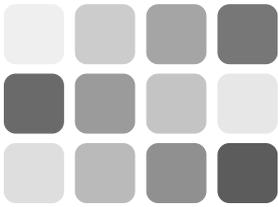
Gain or loss on disposal of subsidiaries represents the difference between the sales proceeds and the Group's share of the net assets/liabilities of the subsidiaries together with any unamortised goodwill or negative goodwill, or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) *Translation of foreign currencies*

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

**1. PRINCIPAL ACCOUNTING POLICIES** (Continued)**(c) Machinery and equipment and depreciation**

Machinery and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost of each asset over its estimated useful life on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	50% (over the unexpired lease term)
Furniture and office equipment	33%
Computer equipment	20% to 33%

Improvements are capitalised and depreciated over their expected useful lives to the Group.

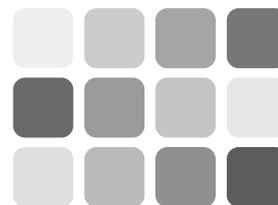
At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that machinery and equipment are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

Gain or loss on disposal of machinery and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(d) Intangibles*(i) Goodwill*

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 at the date of acquisition.

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1st October, 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill is generally amortised over 3-5 years.



1. **PRINCIPAL ACCOUNTING POLICIES** (Continued)

(d) **Intangibles** (Continued)

(ii) *Research and website development costs*

The costs for developing websites which include external direct cost of materials and services consumed in developing the website are capitalised, and the capitalisation of such costs ceases no later than the point at which the website is substantially completed and ready for its intended purpose, except that such costs involve provision of additional functions or features to the website. Website development costs are amortised on a straight-line basis over a period of three years, which represent the expected useful life of the website.

Research and other development costs relating to website development and website maintenance costs are expensed in the year in which they are incurred.

(iii) *Licensing rights*

On the adoption of SSAP 29, costs of licensing rights acquired during the year are capitalised and amortised using the straight-line method over their estimated useful lives of two years.

(iv) *Impairment of intangible assets*

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

(e) **Operating leases**

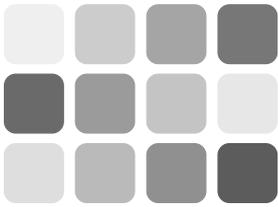
Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(f) **Accounts receivable**

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(g) **Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired.

**1. PRINCIPAL ACCOUNTING POLICIES (Continued)****(h) Provisions**

In accordance with SSAP 28, provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

(i) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

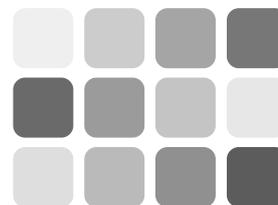
Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(j) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(k) Revenue recognition

Revenue is recognised 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. Revenue from selling and installation of computer hardware and software is recognised when the merchandise is delivered and the related installation is completed. Service fees are recognised when the related services are rendered. Interest income is recognised on a time-proportion basis, taking into account the principal outstanding and the interest rates applicable.



1. **PRINCIPAL ACCOUNTING POLICIES** (Continued)

(l) **Retirement benefit costs**

The Group contributes to the mandatory provident fund scheme which is available to all employees. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the profit and loss account represents contributions payable by the Company to the fund.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

The assets of the scheme are held separately from those of the Group in an independently administered fund.

(m) **Segment reporting**

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, machinery and equipment and receivables, and exclude investments and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation. Capital expenditure comprises additions to intangible assets (note 10) and machinery and equipment (note 9), including additions resulting from acquisitions through purchases of subsidiaries (notes 11 and 17(b)).

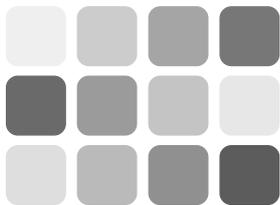
In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

2. **RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

As at 30th September, 2002, the balances due to the minority shareholder of a subsidiary were held by the Group as liabilities, were unsecured, non-interest bearing and repayable in accordance with the following terms:

- (a) HK\$500,000, representing consideration payable on acquisition of a 80% interest in the subsidiary (notes 11 and 17(b)), is due for repayment provided that the subsidiary's net profit for the year ending 31st December, 2002 exceeds HK\$500,000;

**2. RELATED PARTY TRANSACTIONS (Continued)**

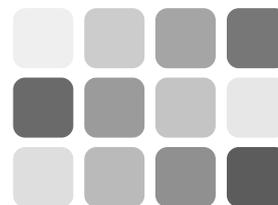
- (b) HK\$500,000 representing the remaining consideration payable, is due for repayment provided that the subsidiary's net profit for the year ending 31st December, 2003 exceeds HK\$500,000; and
- (c) HK\$460,000, representing loan from the minority shareholder, is repayable when repayment is approved by the board of directors of the subsidiary.

The Directors, after considering the financial performance of the subsidiary up to 30th September, 2002, are of the opinion that the subsidiary will likely be able to meet the target, as mentioned in note 2(a) and (b) above.

3. TURNOVER, REVENUE AND SEGMENT REPORTING

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

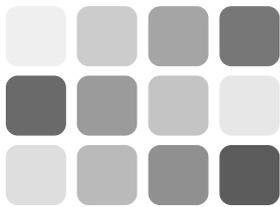
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover		
Internet education fee	3,985	358
Selling and installation of computer hardware and software	3,490	295
Computer training fee	2,530	397
Others	464	–
	<hr/> 10,469	<hr/> 1,050
Gain on disposal of interest in a subsidiary (<i>note 4(b)</i>)	6,318	–
Interest income	525	1,227
	<hr/> 17,312	<hr/> 2,277



3. **TURNOVER, REVENUE AND SEGMENT REPORTING** (Continued)

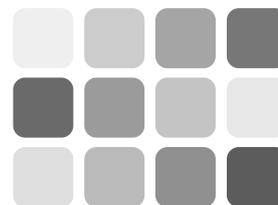
The Group is organised on a worldwide basis into three main business segments, namely selling and installation of computer hardware and software, computer training and internet education and in one geographical segment, Hong Kong.

	Internet education 2002 HK\$'000	Selling and installation of computer hardware and software 2002 HK\$'000	Computer training 2002 HK\$'000	Others 2002 HK\$'000	Group 2002 HK\$'000
Turnover	3,985	3,490	2,530	464	10,469
Segment (loss) profit	(13,933)	(2,800)	279	(641)	(17,095)
Unallocated costs					(1,214)
Operating loss					(18,309)
Interest income					525
Loss before taxation					(17,784)
Taxation					(40)
Loss after taxation					(17,824)
Minority interests					(53)
Loss attributable to shareholders					(17,877)
Segment assets	7,640	3,095	2,294	236	13,265
Unallocated assets					25,718
Total assets					38,983
Segment liabilities	2,345	964	722	158	4,189
Unallocated liabilities					2,274
Total liabilities					6,463
Capital expenditure	7,565	903	903	–	9,371
Depreciation	4,334	–	–	–	4,334
Amortisation	5,352	317	317	–	5,986
Impairment loss	3,159	–	–	–	3,159



3. TURNOVER, REVENUE AND SEGMENT REPORTING (Continued)

	Internet education 2001 HK\$'000	Selling and installation of computer hardware and software 2001 HK\$'000	Computer training 2001 HK\$'000	Group 2001 HK\$'000
Turnover	358	295	397	1,050
Segment loss	(11,825)	(4,658)	(1,228)	(17,711)
Unallocated costs				(1,411)
Operating loss				(19,122)
Interest income				1,227
Loss before taxation				(17,895)
Taxation				–
Loss after taxation				(17,895)
Minority interests				–
Loss attributable to shareholders				(17,895)
Segment assets	12,742	100	42	12,884
Unallocated assets				41,966
Total assets				54,850
Segment liabilities	3,027	298	19	3,344
Unallocated liabilities				1,159
Total liabilities				4,503
Capital expenditure	13,556	–	–	13,556
Depreciation	1,390	–	–	1,390
Amortisation	1,527	–	–	1,527



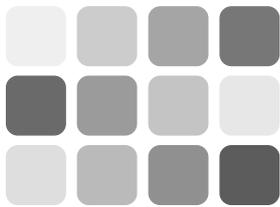
4. OPERATING LOSS

Operating loss is stated after charging and crediting the following:

	2002 HK\$'000	2001 HK\$'000
Charging		
Costs of merchandise	2,788	260
Costs of internet connectivity fee	508	303
Staff costs (including directors' emoluments)	11,606	8,200
Operating lease rentals in respect of		
– premises	1,746	1,217
– computer servers	492	305
Depreciation	4,334	1,390
Amortisation of intangible assets		
– Website development costs	2,193	1,527
– Goodwill	634	–
– Licensing rights	3,159	–
Impairment loss on intangible assets		
– Licensing rights (a)	3,159	–
Net loss on disposal of machinery and equipment	44	77
Auditors' remuneration	370	475
	<hr/>	<hr/>
Crediting		
Gain on disposal of interest in a subsidiary (b)	6,318	–
Gain on disposal of investments	52	–
	<hr/>	<hr/>

Notes

- (a) During the year, the Group reviewed and performed an assessment to evaluate the recoverability of the carrying value of certain licensing rights acquired during the year (refer to note 4(b) below for details of settlement of the acquisition). The assessment was based on value in use of the assets, as determined based on the present value of estimated future cash flows of the relevant cash generating unit. As a result of this assessment, the Group determined to provide for an impairment loss of approximately HK\$3,159,000, in addition to the amortisation already charged, reducing the carrying value of these rights to HK\$nil as at 30th September, 2002.
- (b) During the year, the Group acquired certain licensing rights from a third party ("the Vendor") to sell a software technology in Hong Kong for approximately HK\$6,318,000, based on the determined fair value of the licensing rights acquired as at the date of acquisition. The consideration for such acquisition was settled by disposal to the Vendor of a 25% equity interest in System New International Limited, a subsidiary company incorporated in the British Virgin Islands, and which was intended to exploit certain internet education technologies acquired. As a result of such disposal, the Group recognised a gain on disposal of interest in a subsidiary of approximately HK\$6,318,000.

**5. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS**

(a) Details of emoluments paid/payable to directors of the Company during the year are:

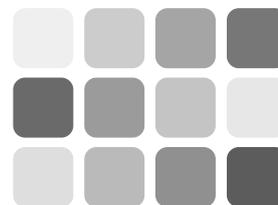
	2002	2001
	HK\$'000	HK\$'000
Fees for executive directors	–	–
Fees for independent non-executive directors	–	–
Other emoluments for executive directors		
– Salaries and allowances	1,958	1,640
– Mandatory provident fund	40	24
Other emoluments for non-executive directors		
– Salaries and allowances	100	–
	<u>2,098</u>	<u>1,664</u>

No directors waived any emoluments during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director for the year.

Analysis of directors' emoluments by number of directors and emolument ranges is as follows:

	2002	2001
<i>Executive directors</i>		
– Nil to HK\$1,000,000	4	3
<i>Non-executive directors</i>		
– Nil to HK\$1,000,000	3	3
	<u>7</u>	<u>6</u>

The executive directors received individual emoluments for the year ended 30th September, 2002 of approximately HK\$648,000 (2001: 485,000), HK\$636,000 (2001: HK\$649,000), HK\$472,000 (2001: HK\$675,000) and HK\$242,000 (2001: HK\$340,000), respectively.



5. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

- (b) Details of emoluments of the five highest paid individuals (including directors and other employees) are:

	2002 HK\$'000	2001 HK\$'000
Salaries and allowances	2,645	2,551
Mandatory provident fund	56	50
	<u>2,701</u>	<u>2,601</u>

Three (2001: three) of the highest paid individuals were directors of the Company, whose emoluments have been included in note 5(a) above.

During the year, no emoluments were paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office. The emoluments of all of the five highest paid individuals (including directors and other employees) fall within the range of Nil to HK\$1,000,000.

6. TAXATION

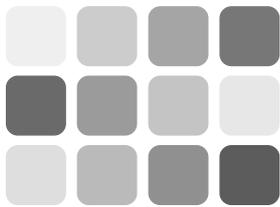
The Company is incorporated in the Cayman Islands and is exempt from taxation in the Cayman Islands until 2021. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempt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

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

The tax effect of timing differences for deferred tax assets not provided for in the accounts was in respect of the following:

	Group	
	2002 HK\$'000	2001 HK\$'000
Accelerated depreciation allowance	398	1,689
Tax loss*	(7,797)	(5,711)
	<u>(7,399)</u>	<u>(4,022)</u>

* Tax loss of the Group is subject to the agreement of the Hong Kong Inland Revenue Department.



7. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$16,302,000 (2001: HK\$15,689,000).

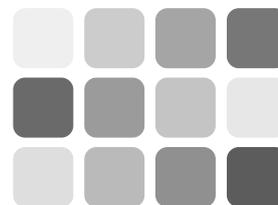
8. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss attributable to shareholders of approximately HK\$17,877,000 (2001: HK\$17,895,000) and on the weighted average number of approximately 4,000,000,000 shares (2001: 3,619,935,000 shares) in issue during the year.

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

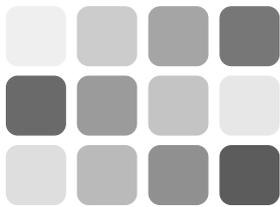
9. MACHINERY AND EQUIPMENT

	Group			Total HK\$'000
	Leasehold improvements HK\$'000	Furniture and office equipment HK\$'000	Computer equipment HK\$'000	
Cost				
At 1st October, 2001	1,839	315	6,939	9,093
Additions	–	31	1,099	1,130
Acquisition of a subsidiary	151	410	827	1,388
Disposals	(104)	(46)	(160)	(310)
At 30th September, 2002	1,886	710	8,705	11,301
Accumulated depreciation				
At 1st October, 2001	538	61	816	1,415
Charge for the year	906	101	3,327	4,334
Acquisition of a subsidiary	91	373	499	963
Disposals	(43)	(3)	(8)	(54)
At 30th September, 2002	1,492	532	4,634	6,658
Net book value				
At 30th September, 2002	394	178	4,071	4,643
At 30th September, 2001	1,301	254	6,123	7,678



10. INTANGIBLE ASSETS

	Group			
	Website development costs <i>HK\$'000</i>	Goodwill <i>HK\$'000</i>	Licensing rights <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st October, 2001	4,786	–	–	4,786
Additions	117	–	6,318	6,435
Acquisition of a subsidiary (note 17(b))	–	3,511	–	3,511
Impairment loss	–	–	(3,159)	(3,159)
Amortisation during the year	(2,193)	(634)	(3,159)	(5,986)
At 30th September, 2002	2,710	2,877	–	5,587
At 30th September, 2002				
Cost	6,430	3,511	6,318	16,259
Accumulated amortisation and impairment loss	(3,720)	(634)	(6,318)	(10,672)
Net book value	2,710	2,877	–	5,587
At 30th September, 2001				
Cost	6,313	–	–	6,313
Accumulated amortisation and impairment loss	(1,527)	–	–	(1,527)
Net book value	4,786	–	–	4,786



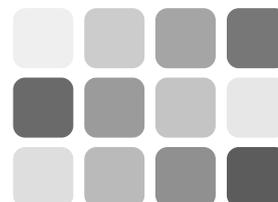
11. INVESTMENT IN SUBSIDIARIES

	Company	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Unlisted shares, at cost	2,608	2,608
Due from subsidiaries	47,741	46,244
	50,349	48,852
<i>Less: Accumulated impairment loss</i>	(32,587)	(16,000)
	17,762	32,852

The outstanding balances with the subsidiaries are unsecured, interest free and not repayable until the subsidiaries are financially capable to do so.

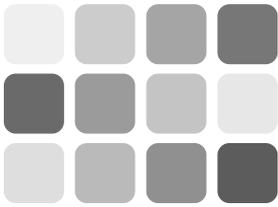
The following is a list of the subsidiaries as at 30th September, 2002:

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Interest held	Principal activities and place of operation
Network Focus Consultancy Corporation	British Virgin Islands, limited liability company	US\$2,000	100%*	Investment holding in Hong Kong
EVI Services Limited	Hong Kong, limited liability company	HK\$21,053	100%	Selling and installation of computer hardware and software, provision of computer training services and internet education services in Hong Kong
Jaques Kurtz Company Limited	British Virgin Islands, limited liability company	US\$1	100%	Research and development in Hong Kong
Sino Sky Enterprises Limited	Hong Kong, limited liability company	HK\$2	100%	Provision of office administrative services to the Group in Hong Kong


11. INVESTMENT IN SUBSIDIARIES (Continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Interest held	Principal activities and place of operation
Web Work Industries Limited	British Virgin Islands, limited liability company	US\$1	100%	Development of information technology system and infrastructure in Hong Kong
EVI MP Limited	British Virgin Islands, limited liability company	US\$1	100%	Provision of internet education services, design and media production
Value Media International Limited	British Virgin Islands, limited liability company	US\$100	100%	Investment holding in Hong Kong
System New International Limited	British Virgin Islands, limited liability company	US\$100	75%	Inactive
Silicon Workshop Limited (acquired on 15th March, 2002)	Hong Kong, limited liability company	HK\$100	80%	Trading of computer hardware and software, provision of computer training services and consultancy services in Hong Kong

* Shares held directly by the Company.

**12. TRADE RECEIVABLES**

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

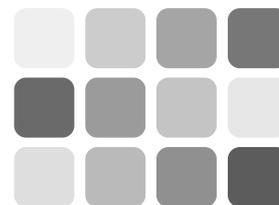
At 30th September, 2002, the ageing analysis of the Group's trade receivables was as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
0 – 30 days	2,092	431
31 – 60 days	422	–
61 – 90 days	221	–
Over 91 days	355	–
	3,090	431
<i>Less: Provision for doubtful debts</i>	(184)	–
	2,906	431

13. TRADE PAYABLES

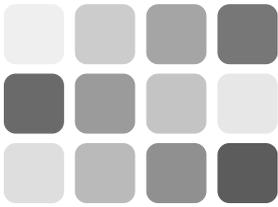
At 30th September, 2002, the ageing analysis of the Group's trade payables was as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
0 – 30 days	620	964
31 – 60 days	165	–
61 – 90 days	10	–
Over 91 days	156	–
	951	964



14. SHARE CAPITAL

	Company-Authorised	
	Number of shares	Nominal value
	<i>'000</i>	<i>HK\$'000</i>
Upon incorporation of the Company (a)	2,000	100
Increase in authorised share capital (b)	9,998,000	499,900
At 30th September, 2001	10,000,000	500,000
Subdivision of shares (h)	40,000,000	–
At 30th September, 2002	50,000,000	500,000
	Company – Issued and fully paid	
	Number of shares	Nominal value
	<i>'000</i>	<i>HK\$'000</i>
Issue of shares (a, c and d)	125,200	6,260
Issue of shares through a placing (e)	160,000	8,000
Capitalisation of share premium (f and g)	514,800	25,740
At 30th September, 2001	800,000	40,000
Subdivision of shares (h)	3,200,000	–
At 30th September, 2002	4,000,000	40,000



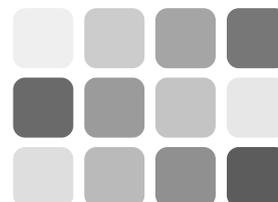
14. **SHARE CAPITAL** (Continued)

Notes –

- (a) Upon incorporation, the Company had authorised share capital of HK\$100,000, divided into 2,000,000 shares of HK\$0.05 each. On 12th February, 2001, 1 share was allotted and issued as fully paid and 999,999 shares were allotted and issued as nil paid.
- (b) On 28th February, 2001, the Company's authorised share capital was increased from HK\$100,000 to HK\$500,000,000, by the creation of an additional 9,998,000,000 shares ranking pari passu with the then existing shares in all respects.
- (c) On 28th February, 2001, the Company acquired the entire issued share capital of Network Focus Consultancy Corporation ("NFCC"), by issuing 1,000,000 shares of the Company, credited as fully paid, and crediting as fully paid the 999,999 shares previously issued as mentioned in note 14(a) above.
- (d) On 28th February, 2001, 79,976,000 shares and 42,424,000 shares, both credited as fully paid, were allotted to Mr. Pong Wai San, Wilson, a director of the Company and Cyber Generation Limited, a shareholder of the Company, respectively, for settlements of the then outstanding balances due to them of approximately HK\$5,000,000 and HK\$5,188,000, respectively.
- (e) On 28th February, 2001, 800,000 shares were allotted and issued to a director of the Company at HK\$0.05 per share.
- (f) On 15th March, 2001, 160,000,000 shares of HK\$0.05 each were issued at HK\$0.38 per share through a placing ("the New Issue"), resulting in cash proceeds of HK\$60,800,000.
- (g) Immediately after the New Issue, share premium of HK\$25,740,000 was capitalised for the issuance of 514,800,000 shares of HK\$0.05 each on a pro-rata basis to certain of the Company's shareholders before the New Issue.
- (h) On 30th November, 2001, the Company subdivided all its issued and unissued shares of HK\$0.05 each into five shares of HK\$0.01 each.

15. **SHARE OPTIONS**

- (a) The Company adopted a share option scheme ("Pre-IPO Share Option Scheme") on 28th February, 2001. On the same date, options were granted to the executive directors and other employees of the Group to subscribe for an aggregate of 255,000,000 shares (as adjusted by the share subdivision as mentioned in note 14(h)) of the Company at a price of HK\$0.076 per share (as adjusted), exercisable during a three-year period from 15th March, 2002 to 14th March, 2005. Maximum number of shares in which employees are entitled to subscribe for by exercising the options shall not exceed (a) 30% of the total number of options during the first year of the three-year period; (b) 60% of the total number of the options during the second year of the three-year period; and (c) the remaining unexercised options during the third year of the three-year period. During the year, 29,000,000 (2001: 4,500,000) of these options lapsed in connection with the cessation of employment of certain employees.



15. SHARE OPTIONS (Continued)

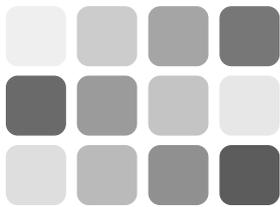
(a) (Continued)

Movements of the share options under the Pre-IPO Share Option Scheme during the year ended 30th September, 2002 were:

Date of grant	Exercise period	Subscription price per share	Number of shares				End of year
			Beginning of year	Granted during the year	Lapsed during the year	Exercised during the year	
			'000	'000	'000	'000	'000
28th February, 2001	15th March, 2002						
	to 14th March, 2005	HK\$0.076	250,500	-	(29,000)	-	221,500

- (b) The Company adopted another share option scheme ("Share Option Scheme") on 28th February, 2001, pursuant to which it may grant options to employees (including executive directors) of the Group to subscribe for shares of the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company from time to time, excluding for this purpose shares issued on the exercise of options. The subscription price will be determined by the Directors, and will not be less than the higher of: (a) the nominal value of the shares; (b) the average of the closing price of the shares quoted on the GEM of the Stock Exchange on the five trading days immediately preceding the date of offer of the options; or (c) the closing price of the shares quoted on the GEM of the Stock Exchange on the date of offer of the options, which must be a business day as defined in the GEM Listing Rules.

On 31st October, 2001, the Company granted 25,000,000 options (as adjusted) to certain employees of the Group to subscribe for the Company's shares in accordance with the Share Option Scheme. The share options are exercisable during the period from 1st November, 2002 to 31st October, 2005 at a subscription price of HK\$0.208 per share (as adjusted). During the year, 2,000,000 of these options lapsed in connection with the cessation of employment of certain employees.



15. SHARE OPTIONS (Continued)

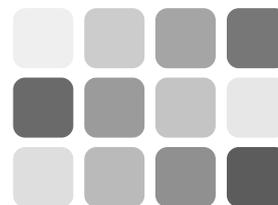
(b) (Continued)

Movements of the share options under the Share Option Scheme during the year ended 30th September, 2002 were:

Date of grant	Exercise period	Subscription price per share	Number of shares				End of year
			Beginning of year	Granted during the year	Lapsed during the year	Exercised during the year	
			'000	'000	'000	'000	'000
31st October, 2001	1st November, 2002						
	to 31st October, 2005	HK\$0.208	-	25,000	(2,000)	-	23,000

16. RESERVES

	Group			Total
	Share premium	Capital reserve (a)	Accumulated deficit	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st October, 2000	9,998	-	(9,048)	950
Effect of the Reorganisation	(9,998)	-	-	(9,998)
	-	-	(9,048)	(9,048)
Capitalisation of amounts due to a director and a shareholder (note 14(d))	4,068	-	-	4,068
Premium on issue of ordinary shares (note 14(f))	52,800	-	-	52,800
Share issuance expenses	(8,738)	-	-	(8,738)
Capitalisation of share premium (note 14(g))	(25,740)	-	-	(25,740)
Others	(18)	-	-	(18)
Effect of the Reorganisation	-	14,918	-	14,918
Loss attributable to shareholders	-	-	(17,895)	(17,895)
At 30th September, 2001	22,372	14,918	(26,943)	10,347
At 1st October, 2001	22,372	14,918	(26,943)	10,347
Loss attributable to shareholders	-	-	(17,877)	(17,877)
At 30th September, 2002	22,372	14,918	(44,820)	(7,530)


16. RESERVES (Continued)

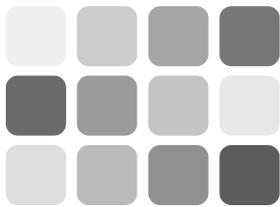
	Company			
	Share premium	Contributed surplus (b)	Accumulated deficit	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st October, 2000	–	–	–	–
Capitalisation of amounts due to a director and a shareholder (note 14(d))	4,068	–	–	4,068
Premium on issue of ordinary shares (note 14(f))	52,800	–	–	52,800
Share issuance expenses	(8,738)	–	–	(8,738)
Capitalisation of share premium (note 14(g))	(25,740)	–	–	(25,740)
Others	(18)	–	–	(18)
Effect of the Reorganisation	–	2,509	–	2,509
Loss attributable to shareholders	–	–	(15,689)	(15,689)
At 30th September, 2001	22,372	2,509	(15,689)	9,192
At 1st October, 2001	22,372	2,509	(15,689)	9,192
Loss attributable to shareholders	–	–	(16,302)	(16,302)
At 30th September, 2002	22,372	2,509	(31,991)	(7,110)

Notes –

- (a) Capital reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of subsidiaries acquired through an exchange of shares pursuant to the Reorganisation.
- (b) Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of a subsidiary acquired through an exchange of shares pursuant to the Reorganisation.

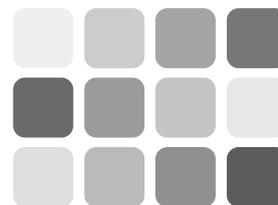
Under the Companies Law (Revised) of the Cayman Islands, share premium and contributed surplus are distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium and contributed surplus if (i) it is, or would after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

As at 30th September, 2002, the Company has no reserves available for distribution to shareholders (2001: HK\$9,192,000).

**17. CONSOLIDATED CASH FLOW STATEMENT**

(a) Reconciliation of operating loss to net cash outflow from operating activities:

	2002	2001
	HK\$'000	HK\$'000
Operating loss	(18,309)	(19,122)
Gain on disposal of interest in a subsidiary	(6,318)	–
Depreciation	4,334	1,390
Amortisation of intangible assets	5,986	1,527
Impairment loss on intangible assets	3,159	–
Loss on disposal of machinery and equipment	44	77
Increase in trade receivables	(1,687)	(259)
(Increase) Decrease in prepayments, deposits and other current assets	(143)	53
(Decrease) Increase in trade payables	(604)	964
(Decrease) Increase in accruals and other payables	(842)	2,287
Increase in deposits from customers	306	1,023
	<hr/>	<hr/>
Net cash outflow from operating activities	(14,074)	(12,060)



17. CONSOLIDATED CASH FLOW STATEMENT (Continued)

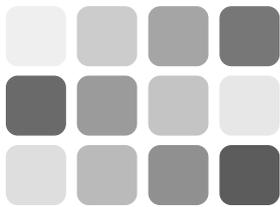
(b) Purchase of a subsidiary

	<i>HK\$'000</i>
Net liabilities acquired	
Machinery and equipment	425
Trade receivables	788
Prepayments, deposits and other current assets	139
Cash and bank deposits	234
Trade payables	(591)
Accruals and other payables	(468)
Deposits from customers	(457)
Taxation payable	(84)
Minority interests	3
	<u> </u>
	(11)
Goodwill	<u>3,511</u>
	<u>3,500</u>
Satisfied by	
Cash consideration paid	2,040
Consideration payable (<i>note 2</i>)	1,000
Increase in loan from minority shareholder (<i>note 2</i>)	460
	<u> </u>
	<u>3,500</u>

The subsidiary acquired during the year contributed approximately HK\$73,000 to the Group's net operating cash outflow.

Analysis of the net cash outflow in respect of the purchase of a subsidiary:

	<i>HK\$'000</i>
Cash consideration paid	2,040
Cash and bank deposits acquired	<u>(234)</u>
Net cash outflow in respect of the purchase of a subsidiary	<u>1,806</u>



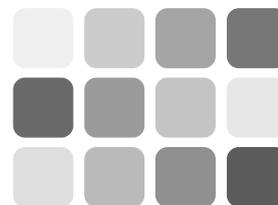
17. CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Analysis of changes in financing is as follows:

	Share capital and share premium HK\$'000	Due to a director HK\$'000	Due to a shareholder HK\$'000	Minority Interests HK\$'000	Due to minority shareholder of a subsidiary HK\$'000	Total HK\$'000
As at 30th September, 2000	10,000	5,348	5,188	-	-	20,536
Issue of shares to a director (note 14(e))	40	-	-	-	-	40
Issue of shares through a placing (note 14(f))	60,800	-	-	-	-	60,800
Issue of shares by a subsidiary	5,000	-	-	-	-	5,000
Share issuance expenses	(8,738)	-	-	-	-	(8,738)
Effect of the Reorganisation	(14,918)	-	-	-	-	(14,918)
Repayment	-	(348)	-	-	-	(348)
Capitalisation of outstanding balances with a director and a shareholder (note 14(d))	10,188	(5,000)	(5,188)	-	-	-
At 30th September, 2001	62,372	-	-	-	-	62,372
Increase in amount due to minority shareholder of a subsidiary	-	-	-	-	1,460	1,460
Share of net liability upon acquisition	-	-	-	(3)	-	(3)
Share of profit of a subsidiary	-	-	-	53	-	53
At 30th September, 2002	62,372	-	-	50	1,460	63,882

(d) Major non-cash transaction

During the year, the Group acquired certain licensing rights from a third party ("the Vendor") to sell a software technology in Hong Kong for approximately HK\$6,318,000. The consideration for such acquisition was settled by disposal to the Vendor of a 25% equity interest in System New International Limited, a subsidiary (note 4(b)).



17. CONSOLIDATED CASH FLOW STATEMENT (Continued)

(e) Analysis of cash and cash equivalents:

	2002 HK\$'000	2001 HK\$'000
Cash and bank deposits	25,063	39,468
Investments	—	1,985
	<u>25,063</u>	<u>41,453</u>

18. OPERATING LEASE COMMITMENTS

At 30th September, 2002, 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:

	2002 HK\$'000	2001 HK\$'000
Not later than one year	1,694	1,854
Later than one year and not later than five years	1,922	432
	<u>3,616</u>	<u>2,286</u>

19. RETIREMENT PLANS

The employees of the Group participate in the Mandatory Provident Fund Scheme (“the MPF Scheme”), a defined contribution scheme managed by an independent trustee. The Group and its employees each make monthly contributions to the scheme at 5% of the employees’ earnings with the maximum contribution by each of the Group and the employees limited to HK\$1,000 per month and thereafter contributions are voluntary.

During the year, the aggregate contributions made by the Group to the MPF Scheme amounted to approximately HK\$800,000 (2001: HK\$421,000).

20. ULTIMATE HOLDING COMPANY

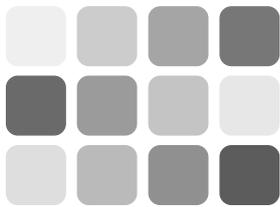
The directors regard Summerview Enterprises Limited, a company incorporated in the British Virgin Islands, as the ultimate holding company.

21. COMPARATIVE FIGURES

The accounts for the year ended 30th September, 2001 were audited by Arthur Andersen & Co, Certified Public Accountants, whose report dated 31st October, 2001 expressed an unqualified opinion on the accounts.

22. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 27th November, 2002.



Financial Summary

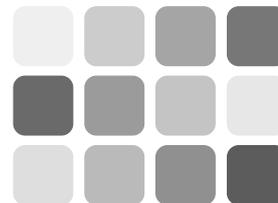
For the year ended 30th September, 2002

	Period from	Year ended 30th September,		
	28th June, 1999 to 30th September, 1999	2000	2001	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	–	410	1,050	10,469
Costs of merchandise	–	(278)	(260)	(2,788)
Costs of internet connectivity fee	–	–	(303)	(508)
Staff costs	(20)	(1,969)	(8,200)	(11,606)
Depreciation	–	(111)	(1,390)	(4,334)
Amortisation of intangible assets	–	–	(1,527)	(5,986)
General and administrative expenses	(88)	(7,040)	(8,492)	(6,715)
Gain on disposal of interest in a subsidiary	–	–	–	6,318
Impairment loss on intangible assets	–	–	–	(3,159)
Operating loss	(108)	(8,988)	(19,122)	(18,309)
Interest income	–	48	1,227	525
Loss before taxation	(108)	(8,940)	(17,895)	(17,784)
Taxation	–	–	–	(40)
Loss after taxation	(108)	(8,940)	(17,895)	(17,824)
Minority interests	–	–	–	(53)
Loss attributable to shareholders	(108)	(8,940)	(17,895)	(17,877)
ASSETS AND LIABILITIES				
TOTAL ASSETS	7	11,717	54,850	38,983
TOTAL LIABILITIES	(115)	(10,765)	(4,503)	(6,463)
MINORITY INTERESTS	–	–	–	(50)
	(108)	952	50,347	32,470

Notes –

- The Company was incorporated in the Cayman Islands on 15th January, 2001 and became the holding company of the Group on 28th February, 2001 as a result of the Group Reorganisation.
- The results for the period from 28th June, 1999 to 30th September, 1999 and for each of the three years ended 30th September, 2000, 2001 and 2002 and the assets and liabilities as at 30th September, 1999, 2000, 2001 and 2002 have been prepared using the merger method of accounting as if the group structure immediately after the Group Reorganisation had been in existence since 28th June, 1999.

NOTICE OF ANNUAL GENERAL MEETING

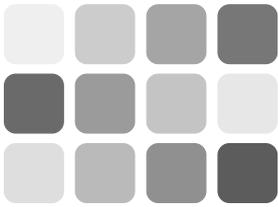


NOTICE IS HEREBY GIVEN that the annual general meeting of EVI Education Asia Limited (the “**Company**”) will be held at 14th Floor, Causeway Bay Plaza II, 463-483 Lockhart Road, Hong Kong on 8th January, 2003 at 4:00 p.m. to transact the following ordinary business:

1. to receive and consider the audited consolidated financial statements and the reports of the directors and auditors for the year ended 30th September, 2002;
2. to re-elect directors and to authorise the board of directors to fix the directors’ remuneration;
3. THAT PricewaterhouseCoopers be appointed as auditors of the Company in place of the retiring auditors, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and their remuneration be fixed by the directors;

and, as specific business, to consider and, if thought fit, passing the following Resolutions as ordinary resolution

4. “THAT:
 - (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on the GEM (the “**GEM Listing Rules**”), the exercise by the directors of the Company during the Relevant Period (as herein defined) of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for the shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
 - (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as herein defined); or (ii) the exercise of any options granted under any share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of shares in lieu of the whole or part of a dividend on shares in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares, shall not exceed the aggregate of:
 - (aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution; and



(bb) (if the directors of the Company are so authorised by a separate ordinary Resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of that Resolution),

and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

(d) for the purposes of this Resolution:

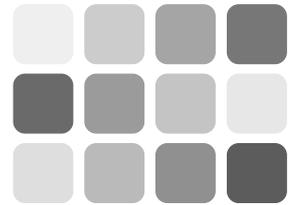
“**Relevant Period**” means the period from the date of the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, or any other applicable law of the Cayman Islands to be held; and
- (iii) the passing of an ordinary Resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this Resolution;

“**Rights Issue**” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the directors of the Company to holders of shares in the Company on the register on a fixed record date in proportion to their then holdings of shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

5. “THAT:

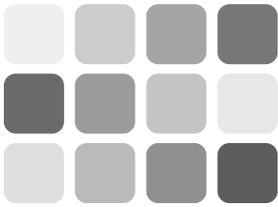
- (a) the exercise by the directors of the Company during the Relevant Period (as herein defined) of all powers of the Company to purchase the shares in the Company on the Stock Exchange or any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange, the GEM Listing Rules and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;



- (b) the aggregate nominal amount of the shares which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
 - (c) for the purposes of this Resolution, “**Relevant Period**” means the period from the date of the passing of this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association the Company, or any other applicable law of the Cayman Islands to be held; and
 - (iii) the passing of an ordinary Resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this Resolution.”
6. “THAT the directors of the Company be and they are hereby authorised to exercise the authority referred to in paragraph (a) of Resolution no. 4 above in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such Resolution.”

By order of the Board of Directors
EVI Education Asia Limited
Cheung Hon Fai, Maurice
Company Secretary

Hong Kong, 9th December, 2002



Registered office:

Century Yard, Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town, Grand Cayman
British West Indies

**Head office and Principal place
of business in Hong Kong:**

14th Floor
Causeway Bay Plaza II
463-483 Lockhart Road
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. A form of proxy for use at the annual general meeting will be despatched to the shareholders with the annual report for the year end 30th September, 2002. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company's Hong Kong branch registrar, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong no later than 48 hours before the time of the meeting or any adjourned meeting. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish.
3. In relation to proposed Resolutions nos. 4 and 6 above, approval is being sought from the shareholders for the grant to the directors of a general mandate to authorise the allotment and issue of shares under the GEM Listing Rules. The directors have no immediate plans to issue any new shares other than shares which may fall to be issued under any share option scheme of the Company or any scrip dividend scheme which may be approved by the shareholders.
4. In relation to proposed resolution no. 5 above, the directors wish to state that they will exercise the powers conferred thereby to repurchase shares in circumstances which they deem appropriate for the benefit of the shareholders. An explanatory statement containing the information necessary to enable the shareholders to make an informed decision to vote on the proposed resolution as required by the GEM Listing Rules will be set out in a separate document to be despatched to the shareholders with the annual report for the year ended 30th September, 2002.