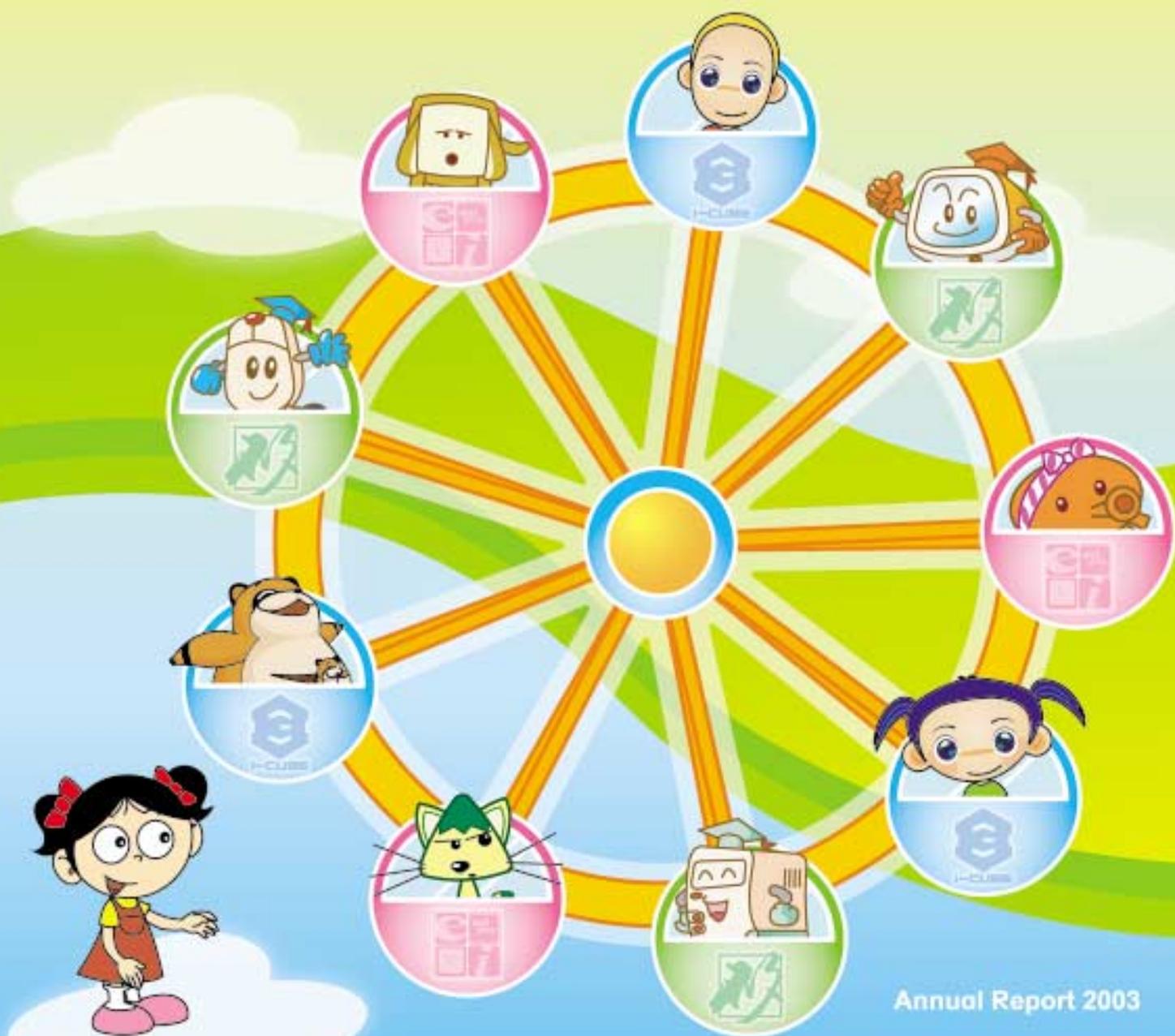




EVI Education Asia Limited

(Incorporated in the Cayman Islands with limited liability)



Annual Report 2003

Annual Report

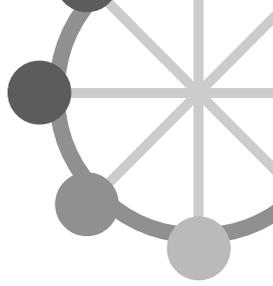
CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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, 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.



CONTENTS

Corporate Information	2
Corporate Profile	3
Financial Highlights	4
Chairman's Statement	5
Management Discussion and Analysis	7
Directors and Senior Management	11
Comparison of Business Objectives with Actual Business Progress	14
Report of the Directors	17
Auditors' Report	29
Consolidated Profit and Loss Account	30
Consolidated Balance Sheet	31
Balance Sheet	32
Consolidated Cash Flow Statement	33
Consolidated Statement of Changes in Equity	34
Notes to the Accounts	35
Financial Summary	60
Notice of Annual General Meeting	61

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 Tak Chow, Charles
HUNG Fan Wai, Wilfred
LAI Hin Wing, Henry

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 (*Committee Chairman*)
HUNG Fan Wai, Wilfred
LAI Hin Wing, Henry

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
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
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 2
463-483 Lockhart Road
Hong Kong

WEBSITE ADDRESS

www.evi.com.hk

STOCK CODE

8090

LEGAL ADVISERS

As to Cayman Islands law:
Conyers Dill & Pearman, Cayman

SPONSOR

Oriental Patron Asia Limited

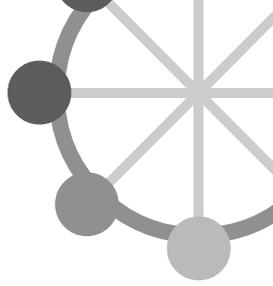
AUDITORS

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 schools, 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 schools, 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.

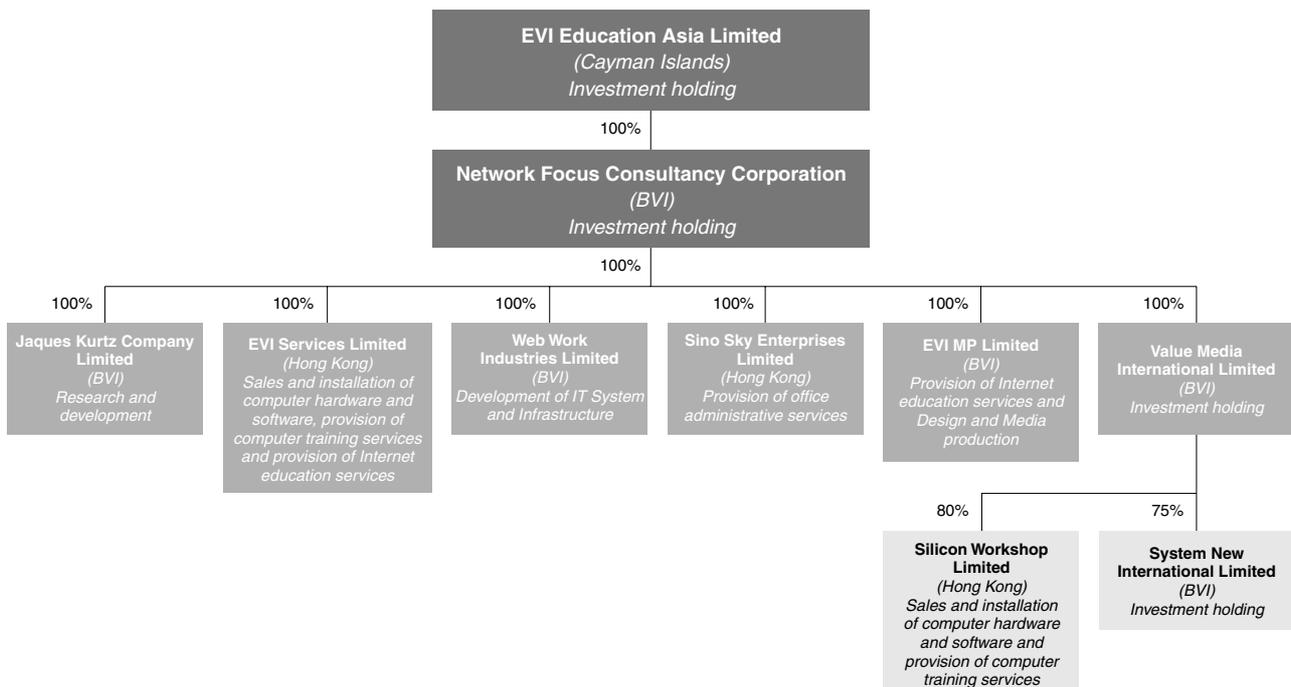
MISSION

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

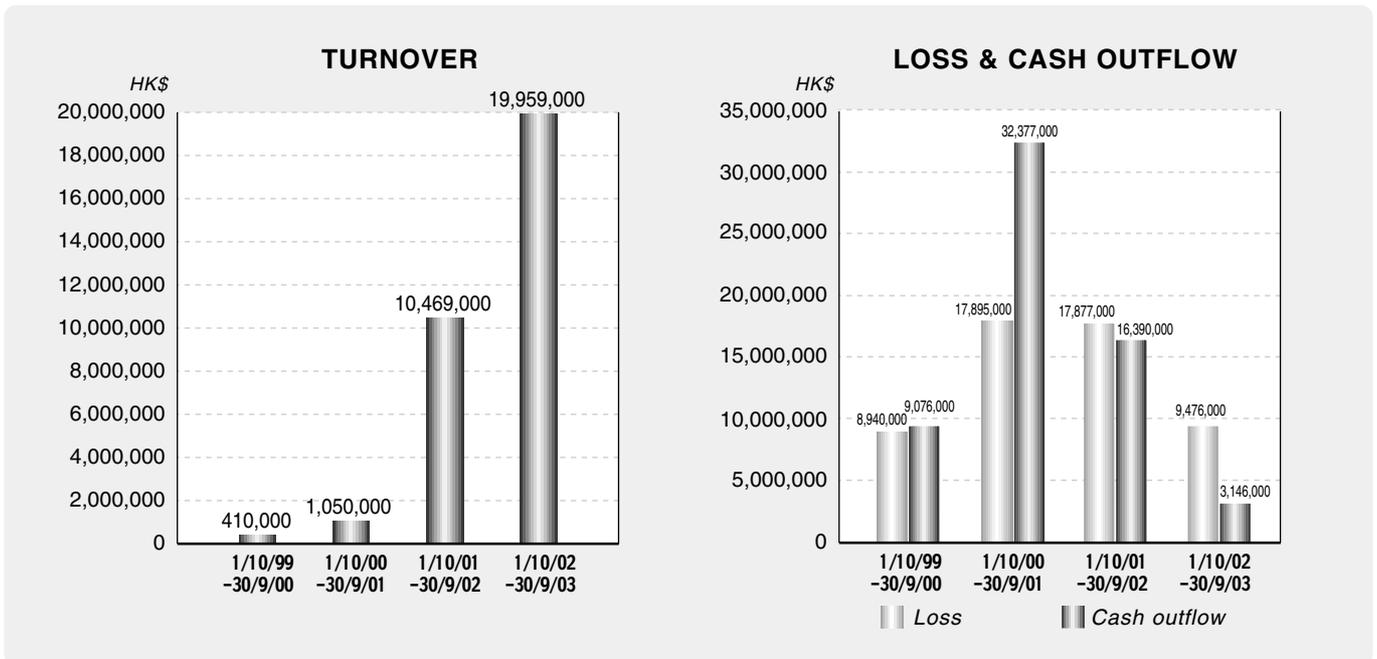
To Bring the Real World into the Classroom.

CORPORATE STRUCTURE

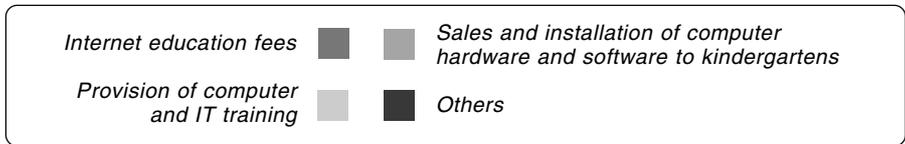
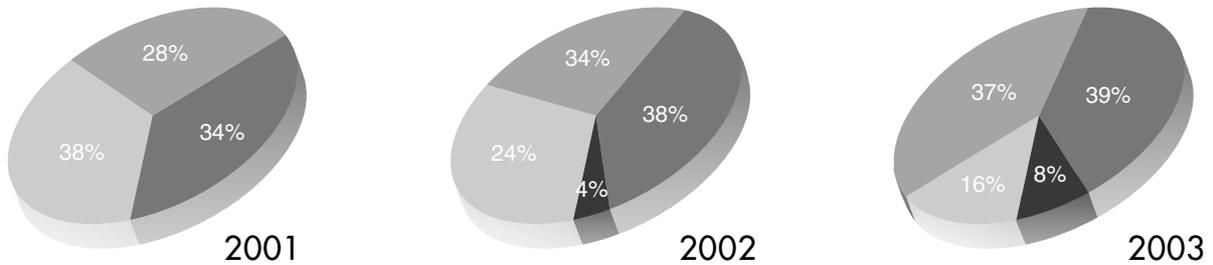
FINANCIAL HIGHLIGHTS

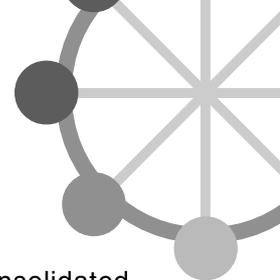
- Revenue reached HK\$19,959,000, a 91% increase from the previous year
- On-line Revenue grew by 95% to HK\$7,775,000
- Off-line Revenue grew by 88% to HK\$12,184,000
- Loss attributable to shareholders narrowed to HK\$9,476,000, from HK\$17,877,000 in the previous year, represented a decrease of 47%
- Cash outflow was reduced to HK\$3,146,000, represented a significant reduction of 81% compare to that of prior year

The audited consolidated results for the year ended 30th September, 2003 and the comparisons with last year are set out in the accompanying table.



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, 2003 (the "Year") together with the comparative figures for the corresponding year in 2002 in bracket.

FINANCIAL RESULTS

There was a global slowdown in the economy for the Year under review. Despite the adverse sentiments in operating environment and low customers' demand on consumption, the Group had employed proper development strategies to reinforce its good recognition among the e-education service business. Turnover of the Group for the year ended 30th September, 2003 increased by about 91% to approximately HK\$19,959,000 over the corresponding Year (2002: HK\$10,469,000) and net loss attributable to shareholders for the Year was approximately HK\$9,476,000 (2002: HK\$17,877,000), representing a decrease by approximately 47%. Although the Group was still running at a loss, the net cash outflow of the Group has reduced significantly to HK\$3,146,000 during the year (2002: HK\$16,390,000). The improvement of cash flow over the Year was due to effective cost control on operations and increase in revenue sources. The Group is now targeting cash breakeven position for the coming year. In essence, during the adverse economic cycle, the Group would continue to apply all necessary cost saving policies in order to retain its financial resources and to maximise its staying power for the benefits of our shareholders.

BUSINESS OVERVIEW AND MAJOR ACHIEVEMENTS

Because of the adverse economic condition, the Group has solicited fewer kindergarten groups to subscribe the EVI On-line System for the year. However, the Group has started to receive subscription fees from the Parents and Kids Zone since September 2002. To broaden our user groups further, a new "Members Zone" was introduced in December 2002. Revised interface together with more interactive features and contents were added during the year. The Group's on-line, server based programs together with its edutainment portals have now built up a user base of over 50,000 comprising students, parents and teachers from over 200 kindergartens and 400 primary schools respectively.

The kindergartens and nurseries in Hong Kong are facing keen competition due to persistent decline of birth rate in recent years. The spread of "atypical pneumonia" during the year led to suspension of classes which affected our business seriously. But the incident also raises school practitioners' attention towards the need of electronic means for effective delivery of teaching materials and communications. I believe EVI has demonstrated its commitment and proven its capability to move along the e-education service business.

The EVI On-line education services together with off-line programs within its value chain, has successfully positioned the Group as one of the leading e-education servicing companies with competitive advantages. The Group has adopted effective marketing and promotion strategies to expand its clientele including certain reputable kindergarten groups, primary and secondary schools in Hong Kong. The Group's distinctive web site development efforts have been well recognized by the public. Our project "50 Common Trees in Hong Kong Series I" prepared for the Education and Manpower Bureau of Hong Kong was ranked the first runner up in "The Best Websites competition by Yahoo.com.hk" in year 2002.

CHAIRMAN'S STATEMENT *(Continued)*

THE WAY FORWARD

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

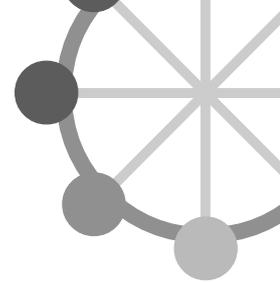
To sustain growth and remain competitive within the market, we shall constantly review and upgrade services and features under the EVI On-line or off-line programs. The Group also recognizes its source of future growth potential and financial returns are from the PRC market. We have handled our PRC business opportunities from two prospective: firstly to establish an effective production and supportive centre for part of our site contents. We are now in course of setting up a wholly owned foreign enterprise in Guangzhou. Secondly, we have engaged in trial run arrangements with several schools and sales representatives in order to modify existing EVI platform for the mass PRC market. The Group is also actively holding talks and receiving positive response from various PRC educational related organizations or associations in Beijing, Shanghai and Guangzhou on business cooperation. We believe these latest PRC developments will soon transform the Group's intrinsic value in e-education services into concrete business propositions.

APPRECIATION

Finally, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers and partners for their continuous support, to the management and staff for their contribution and dedicated efforts throughout the Year.

By Order of the Board
Pong Wai San, Wilson
Chairman

Hong Kong, 3rd December, 2003



MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

Customer base and Revenue

Being a prominent internet education provider in Hong Kong, the Group offers various on-line, off-line services, programs and products to kindergartens, primary schools and different individual user groups. From time to time, the EVI portals gain favourable responses from its users. The EVI On-line System now comprises the Kindergartens Zone, Parents and Kids Zone, the Members Zone and the I-Cube. Despite the adverse economic condition, the Group was still capable to solicit kindergartens to subscribe the EVI On-line System. It has also started receiving subscription fees from the Parents and Kids Zone since September 2002. In order to widen our user groups, a new “Members Zone” was launched in December 2002 and now EVI has built a user base of over 50,000 users comprising students, parents and teachers from over 200 kindergartens and 400 primary schools respectively.

Besides the provision of core on-line education services, the Group also capitalized on its school network and is now utilizing its web site development know-how with different commercial partners to bring in additional revenue. The Group has contracted with the Hang Seng Bank to develop an educational contents “The Story of Money” and Hong Kong’s first model bank for kids was opened on 23th August, 2003. The Group now offers range of quality side-products and services such as display kiosk to organizing exhibitions, functions and events. After winning the first runner up in “The Best Websites competition by Yahoo.com.hk” in year 2002, the Group has also awarded the development contract of “50 Common Trees in Hong Kong Series II” by the Education and Manpower Bureau of Hong Kong.

Marketing

During the Year, series of brand building and marketing campaigns were launched in order to promote the Group’s image. The Group organised the seminar “Appreciation of Reading Books” at The Hong Kong Polytechnic University on 11th January, 2003. There were over 100 participants representing approximately 50 different kindergartens attended the event. The Group has the honor to invite the Senior Lecturer from The Hong Kong Institute of Education, representatives from the School of Early Childhood Education, together with two principals of kindergartens as speakers to officiate this event. Our Customer Services team members were also actively involved in various promotions in bookstores, kindergartens Open Day and Parents Day events. The Group has also participated series of social and charity events such as “Appreciation messages to the front line medical staffs” and the “Charity Walk for Anti-SARS Emergency Relief Fund” in June 2003. The Group will continue to support the community events and demonstrate its good corporate citizenship.

I-Cube (www.icubeworld.com), the Group’s portal with aim to selling revision exercise and entertainment to primary students and parents groups has successfully established its foothold with over 400 primary schools. The growth of paid members is encouraging. The portal is now updating revision exercises on monthly basis covering primary one to primary six levels. The “I-Cube Inter-school Intelligent Competition II” being held at the “Hong Kong Book Fair 2003” and the establishment of “I-Club Fun Party Day” at “Teddy Bear Kingdom” witnessed the warm support and popularity received from primary schools and I-Cube Members. The Group anticipates I-Cube will enter into fast growth period with substantial increase in revenue and commercial opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Development and Launch of new products, contents and features

The Group considers the most effective way to generate additional revenue or to increase the loyalty and adhesiveness from its existing customers is to supply more value-added services through the EVI On-line System. Besides the frequent contents revision under different Zones, new photo library, e-commerce modules like on-line bookshops were launched. Monthly EVI Newsletters and I-Cube Newsletters were also published. The Group considered all these would help to strengthen customers' confidence and adhesiveness towards the EVI brand of quality.

System infrastructure and technology deployment

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

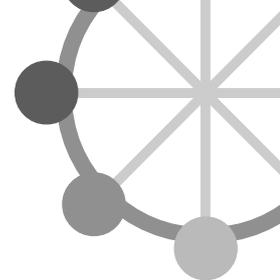
Strategic acquisitions

Silicon Workshop Ltd. that was acquired last year remains active and contributes to the Group by offering its services and solutions to school customers.

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. Meanwhile, the Group shall continue to explore new business lines and to solicit new web development works or other sponsorship programs from the commercial sector in order to generate more revenue for the Group.

Regarding the business opportunities and in particular, the PRC market, the Group has handled from two prospective: firstly to establish an effective production and supportive centre for part of the site contents. It is now in course of setting up a wholly owned foreign enterprise in Guangzhou to realize such advantage. Secondly, the Group has engaged trial run arrangements with several schools and sales representatives in order to modify existing EVI platform for the mass PRC market. The Group is also actively holding talks and receiving positive responds from various PRC educational related organizations or associations in Beijing, Shanghai and Guangzhou on joint business cooperation. The Directors believe these latest PRC developments will soon reveal the Group's accumulated e-education experience and turn such intangibles into solid business propositions.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW

Turnover of the Group for the year ended 30th September, 2003 increased by about 91% to approximately HK\$19,959,000 over the corresponding Year last year (2002: HK\$10,469,000), of which 39% was attributable to the recurrent subscription fees from the EVI On-line System from Hong Kong kindergartens which amounted to approximately HK\$7,775,000. Off-line revenue grew by 88%, among which approximately 16% of the total turnover was attributable to the provision of computer and information technology ("IT") training courses and 37% of the total turnover was attributable to the sales and installation of computer hardware and software and 8% of the total turnover was attributable to website development and other commercial projects. Net loss attributable to shareholders for the Year was approximately HK\$9,476,000 (2002: HK\$17,877,000), representing a decrease by about 47%. Although the Group was still running at a loss, the net cash outflow of the Group has reduced significantly to HK\$3,146,000 from the corresponding Year (2002: HK\$16,390,000). The improvement of cash flow over the Year was due to effective cost control on operations and increase in revenue sources.

The Group maintained solid financial position with approximately HK\$21.9 million cash on hand with no outstanding debt as at 30th September, 2003. The Directors remained their positive perception towards the Group's future financial position due to stable recurring subscription income and rooms of growth for its on-line and off-line business.

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, 2003, the Group had audited net current assets of approximately HK\$19,695,000 (2002: HK\$22,790,000), including cash and bank deposits amounted to approximately HK\$21,917,000 (2002: HK\$25,063,000). There were nil consolidated total non-current liabilities (2002: HK\$500,000). The Group did not have any bank borrowings nor any banking facilities as at 30th September, 2003 (2002: Nil).

The gearing ratio (defined as a percentage of long term obligations over total assets) of the Group as at 30th September, 2003 was Nil (2002: 1.3%). 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 deposits 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 Dollar 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 no 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, 2003 (2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

SIGNIFICANT ACQUISITION

The Company do not have any significant acquisition for the year ended 30th September, 2003.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

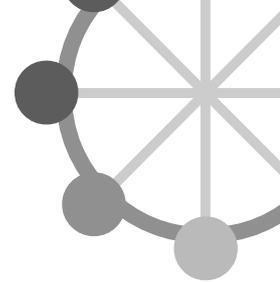
Application of proceeds from the listing of the shares of the Company on GEM will be in line with the business objectives stated in the prospectus of the Company dated 6th March, 2001. In view of the latest business and PRC market development; the Group is now establishing a wholly owned foreign enterprise in Guangzhou to fulfill part of its web contents production. The Group is also actively holding talks and receiving positive responses from various PRC educational related organizations and associations in Beijing, Shanghai and Guangzhou that might lead to joint business cooperation and investment for the PRC market. 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, 2003.

EMPLOYEE INFORMATION

Staff costs, including directors' remuneration, were approximately HK\$10,248,000 for the year ended 30th September, 2003 (2002: HK\$11,606,000). Headcount was changed from 60 as at 30th September, 2002 to 61 as at 30th September, 2003. 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, 2003 (2002: Nil).



DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

PONG Wai San, Wilson (龐維新), aged 34, is the founder, Chairman and Chief Executive Officer. He is responsible for the overall management, strategic 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 42, is the Vice-Chairman. He is responsible for the Group's overall management, operations and web contents 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 56, 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 43, is the Chief Operating Officer. He is responsible for the Group's business operations and general administration. 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 15 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 38, 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 master degree in Electrical Engineering from Cornell University as well as a bachelor 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.

DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

HUNG Fan Wai, Wilfred (孔繁偉), aged 34, 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.

LAI Hin Wing, Henry (賴顯榮), age 46, is an Independent Non-executive Director of the Company. Mr. Lai is also a Notary Public and a China Appointed Attesting Officer in Hong Kong. He holds a bachelor of law degree from the University of Hong Kong and was admitted as a solicitor in Hong Kong, England and Wales and the State of Victoria, Australia. Mr. Lai is currently a partner of a firm of solicitors and notaries in Hong Kong and has practicing in the legal firm for over 20 years. He also served as the independent non-executive director of various listed companies. Mr. Lai was appointed as the Company's independent non-executive director on 1st May, 2003.

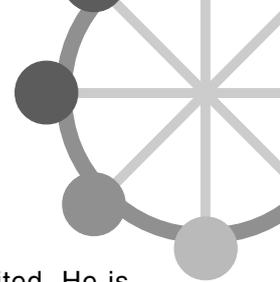
SENIOR MANAGEMENT

CHEUNG Hon Fai, Maurice (張漢輝), aged 29, 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 and has over 7 years of experience in auditing, accounting and financial management.

CHAN Kin Kee (陳健基), aged 33, is the Chief Technical Officer. He is responsible for overseeing the Group's system development, strategic architectural issues as well as managing 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 over 10 years experience on system integration, database management and consulting role in system analyzing and programming.

LAU Suk Ying, Jenny (劉淑英), aged 37, is the Editorial Manager. She is responsible for the Group's contents 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 to 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 schools.

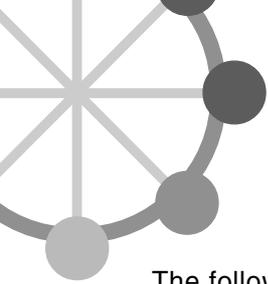
MUI Chi Pan, Benny (梅智斌), aged 28, is the Project Manager of EVI MP Limited. He is responsible for overseeing the sales and marketing operations, production and business development of the EVI MP Limited and the portal I-Cube (www.icubeworld.com). Mr. Mui holds an advanced diploma in Computer Studies from the University of Oxford. Prior to joining the Group in May 2001, Mr. Mui worked for various design and Multi-media production companies.



DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

NIP Kai Yan, Ken (聶啟恩), aged 35, 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 in 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.

CHEUNG Kin Ming, Anjou (張景明), aged 36, 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 to joining the Group in December 2000, Mr. Cheung has over 10 years of experience in computer graphics and animation production.



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, 2003.

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

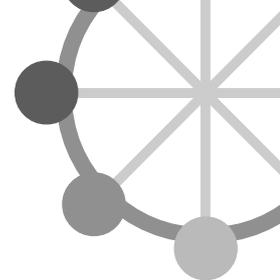
Actual Business progress

Customer base

- | | |
|---|---|
| <p>1. EVI On-line System:
Achieve a user base of around 250 kindergartens in Hong Kong and 30,000 parents in Hong Kong.</p> <p>2. Computer training and system integration services:
Maintain a user base of 12 kindergartens in Hong Kong.</p> | <p>The Group's On-line, server based programs together with its edutainment portals have built up a user base of over 50,000 comprising of students, parents and teachers from over 200 kindergartens and 400 primary schools respectively.</p> <p>With the acquisition of subsidiary last year, the Group has expanded such services to over 100 kindergartens in Hong Kong.</p> |
|---|---|

Revenue

- | | |
|---|--|
| <p>1. EVI On-line System:
Achieve balance of 28%: 72% balance of revenue from subscription income from kindergarten users, and subscription income from parents and children users.</p> <p>2. Start generating revenue from the Macau and PRC versions of the EVI On-line System.</p> <p>3. e-Commerce Income
Start distributing income from the sales of proprietary cartoon characters merchandise in Hong Kong and distributing e-commerce products and services on the EVI On-line System in Hong Kong.</p> | <p>Total revenue from the On-line business has increased 95% whilst split between kindergarten and individual subscription was 87%: 13%. The relative lower share of revenue from individuals was mainly affected by constraints of slow household broadband connection during the depressed economy and also prohibition of sales contact due to spread of "atypical pneumonia" during the year.</p> <p>The Group has deferred its business development in Macau and successfully engaged trial run arrangements with several schools and sales representatives in PRC in order to modify existing EVI platform for the mass market.</p> <p>The Group has utilized its school network and started to generate e-commerce related income with different business entities like financial institutions or programs like on-line bookshop etc. The Group has also applied its own proprietary cartoon character with web development effort for commercial health product promotion.</p> |
|---|--|



COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS *(Continued)*

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

Actual Business progress

Development and launch of new products, contents and features

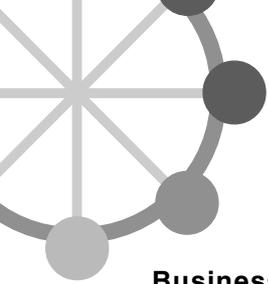
- | | |
|--|--|
| 1. Continue to develop new contents and features for the EVI On-line System. | The Group has kept regular update on its contents and features for members under different Zones. |
| 2. Start mass production, marketing and selling proprietary cartoon characters merchandise in Hong Kong. | The Group has printed newsletters and developed series of small items such as Tee-shirts, stickers, ruler, folder, calendar, coins bag with our cartoon characters for promotion. I-Cube has published its exercise CD, board game and series of collection card for sales in book stores. |

Sales and marketing

- | | |
|---|--|
| 1. Continue to implement, arrange marketing and promotional activities in Hong Kong, Macau and the PRC and promote the public awareness of the EVI On-line System as a leading Internet education platform. | Series of brand building and marketing campaigns were organized during the period. EVI Customer Services teams were actively involved in numerous events with book-stores, school Open Day, Parents Day and events like the Hong Kong Book Fair etc. |
| | The Group has also visited and conducted various presentations with different sales agents in the PRC. |

Overseas developments, strategic acquisitions and alliances

- | | |
|---|--|
| 1. Form alliance with e-commerce vendor groups to distribute products and services on the EVI On-line System. | In view of relative low demand for e-transactions or distribution through web; the Group shall continue to seek appropriate commercial partner(s) to proceed development with caution. |
| 2. Explore the possibility of expanding into other Chinese-speaking markets and review any opportunities for strategic acquisitions, joint ventures and alliances to further expand the Group's operations. | From time to time, the Group received inquiries about possible forms of business alliance. The Group is actively holding talks and receiving positive responses from various PRC educational related organizations and associations in Beijing, Shanghai and Guangzhou on joint business cooperation for the PRC market. |



COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS *(Continued)*

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

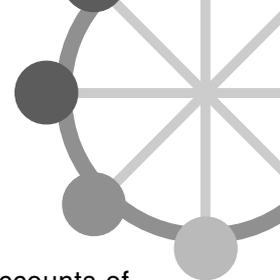
Actual Business progress

System infrastructure and technology deployment

- | | |
|---|--|
| <p>1. Conduct reviews with regard to any change in the IT technology and the Internet industry that may require changes, upgrades and refinements to the Group's overall technology deployment.</p> | <p>For the technology development, the Group keeps searching and developing new add-on features for the EVI On-line System such as web-cam, security systems and discussion forum etc. Besides, the Group has also engaged a sole-distributor agreement with iKonnet to promote its "HiShare" and "HiClass" software solutions for the Hong Kong market.</p> |
|---|--|

Human resources, operations and administration

- | | |
|--|--|
| <p>1. Maintain a steady growth of total headcount to around 42 for the Group's overall operations.</p> <p>Conduct reviews with regard to any additional deployment of headcounts in different functions and operations of the Group.</p> | <p>The Group has closely monitored and adjusted its manpower resources in line with business operation and development. Through acquisition of a subsidiary, the Group's overall headcount has increased to around 61 with more products and services being offered.</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, 2003.

PRINCIPAL ACTIVITIES

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

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

CUSTOMERS AND SUPPLIERS

For the year ended 30th September, 2003, the five largest customers accounted for approximately 24.1% (2002: 18.0%) of the Group’s total turnover and the five largest suppliers of the Group accounted for approximately 43.8% (2002: 54.4%) of the Group’s total purchases. The largest customer of the Group accounted for approximately 7.2% (2002: 6.2%) of the Group’s total turnover while the largest supplier accounted for approximately 16.6% (2002: 14.7%) of the Group’s total purchases.

None of the directors, their associates, or any shareholder (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, 2003 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\$54,296,000 as at 30th September, 2003 be carried forward.

SHARE CAPITAL

There was no change in the Company’s share capital during the year.

RESERVES AND ACCUMULATED DEFICIT

Movements in reserves and accumulated deficit of the Group and the Company during the year are set out in Note 18 to the accounts.

DISTRIBUTABLE RESERVES

As at 30th September, 2003, the Company had no reserve available for distribution to the Company’s shareholders (2002: Nil).

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.

REPORT OF THE DIRECTORS *(Continued)*

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 12 to the accounts.

MACHINERY AND EQUIPMENT

Details of movements in machinery and equipment during the year are set out in Note 10 to the accounts.

COMMITMENTS

Particulars of commitments as at 30th September, 2003 are set out in Note 20 to the accounts.

RETIREMENT PLANS

Details of the retirement plans are set out in Note 21 to the accounts.

CONNECTED TRANSACTIONS

During the year ended 30th September, 2003, the Group had no connected transactions under Chapter 20 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM") 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

Independent non-executive directors

Mr. Hung Tak Chow, Charles

Mr. Hung Fan Wai, Wilfred

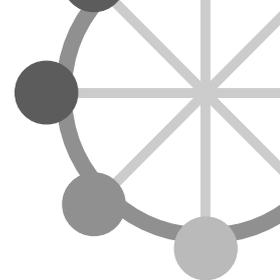
Mr. Lai Hin Wing, Henry

(Appointed on 1st May, 2003)

In accordance with the Articles of Association of the Company, Madam Pong Lo Shuk Yin, Dorothy and Mr. Lau Wai Shu will retire from office and, 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 month's notice.

REPORT OF THE DIRECTORS (Continued)



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.

DIRECTORS' INTERESTS IN SHARES

As at 30th September, 2003, the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such positions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares of the Company

Name of director	Number of Shares of the Company				Percentage of Shares outstanding
	Personal interests	Family interests	Corporate interests	Total	
Mr. Pong Wai San, Wilson ("Mr. Pong") (Note 1)	153,610,000	–	2,609,200,000	2,762,810,000	69.07%
Mr. Cheung Shi Kwan, Wings	4,000,000	–	–	4,000,000	0.10%
Madam Pong Lo Shuk Yin, Dorothy (Note 2)	–	2,762,810,000	–	2,762,810,000	69.07%

Notes:

- As at 30th September, 2003, 2,609,200,000 shares are registered in the name of and beneficially owned by Summerview Enterprises Limited and 153,610,000 shares are registered in the name of Mr. Pong. 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, the 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, who is deemed to be interested in 2,609,200,000 shares beneficially owned by Summerview Enterprises Limited and 153,610,000 shares beneficially owned by Mr. Pong respectively.

REPORT OF THE DIRECTORS (Continued)**DIRECTORS' INTEREST IN SHARES** (Continued)**Short positions in shares of the Company**

None as recorded.

Save as disclosed in this paragraph, as at 30th September, 2003, none of the Directors had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant the Model Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

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 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:

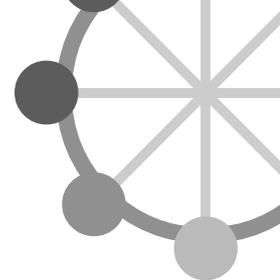
	<u>Subscription price per share</u>	<u>No. of underlying Shares under the options</u>
Mr. Pong	HK\$0.076	100,000,000
Pong Lo Shuk Yin, Dorothy	HK\$0.076	81,000,000
Cheung Shi Kwan, Wings	HK\$0.076	25,000,000
Lau Wai Shu (<i>Note 1</i>)	HK\$0.076	4,000,000
		<u>210,000,000</u>

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:

- (i) 30% of the total number of options during the first year of the three-year period;
- (ii) 60% of the total number of options during the second year of the three-year period; and
- (iii) the remaining unexercised options during the third year of the three-year period.



REPORT OF THE DIRECTORS *(Continued)*

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 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:

- (i) 30% of the total number of options during the first year of the three-year period;
- (ii) 60% of the total number of options during the second year of the three-year period; and
- (iii) 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, 2003.

Save as disclosed above, at no time during the year ended 30th September, 2003 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.

REPORT OF THE DIRECTORS (Continued)**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 directors and advisers of the Company or any such 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 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 Pre-IPO 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.

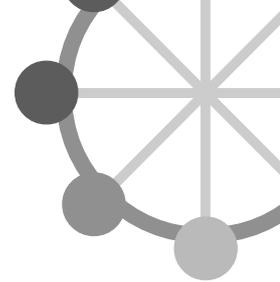
As at 30th September, 2003, 120,000,000 shares are available for issue under the Post-IPO Share Option Scheme, representing approximately 3% of the issued share capital of the Company as at 30th September, 2003.

(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 Schemes at any time during a period to be determined and notified by the Directors to each grantee, which period may not expire earlier than 3 years and later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.



REPORT OF THE DIRECTORS *(Continued)*

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 shares 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 Schemes 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 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.

REPORT OF THE DIRECTORS (Continued)**PRE-IPO SHARE OPTION SCHEME** (Continued)

As at 30th September, 2003, 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, 2003 are as follows:

	Number of share options
As at 1st October, 2002	221,500,000
Less: share options lapsed during the year	—
As at 30th September, 2003	<u>221,500,000</u>

Notes:

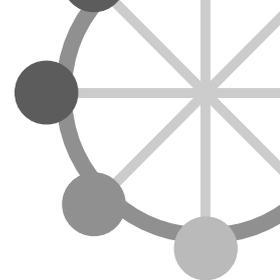
- The subscription price for all the options exercised is HK\$0.076 per share.
- All of these options may be exercised within three years from 15th March, 2002 provided that the maximum number of shares the grantees are entitled to subscribe for by exercising the options shall not exceed:
 - 30% of the 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 exercised 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 an exercise price equal to HK\$0.208 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, 2003, options to subscribe for an aggregate of 21,000,000 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, 2003 are as follows:

	Number of share options
As at 1st October, 2002	23,000,000
Less: share options lapsed during the year	<u>(2,000,000)</u>
As at 30th September, 2003	<u>21,000,000</u>



REPORT OF THE DIRECTORS (Continued)

POST-IPO SHARE OPTION SCHEME (Continued)

Notes:

1. The subscription price for all the options exercised is HK\$0.208 per share.
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, 2003, the Directors were not aware of any other persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Long positions in shares of the company

Name	Number of issued shares	Capacity in which shares are held	Percentage
Summerview Enterprises Limited	2,609,200,000 (Note 1)	Beneficial owner	65.23%
Mr. Pong	2,762,810,000 (Note 1)	Beneficial owner and interest of a controlled corporation	69.07%
Madam Pong Lo Shuk Yin, Dorothy	2,762,810,000 (Note 1)	Family interests	69.07%

Note:

1. As at 30th September, 2003, 2,609,200,000 shares are registered in the name of and beneficially owned by Summerview Enterprises Limited and 153,610,000 shares are registered in the name of Mr. Pong. Mr. Pong is the son of Madam Pong Lo Shuk Yin, Dorothy, who is deemed to be interested in 2,609,200,000 shares beneficially owned by Summerview Enterprises Limited and 153,610,000 shares beneficially owned by Mr. Pong respectively.

Short positions in shares of the company

None as recorded.

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.

REPORT OF THE DIRECTORS *(Continued)*

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, Oriental Patron Asia Limited (the "Sponsor"), as at 30th September, 2003, neither 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 interest in the Company's share capital.

Pursuant to the agreement dated 20th June, 2002, entered into between the Company and the Sponsor, the Sponsor will receive a fee for acting as the Company's retained sponsor for the period from 20th June, 2002 to 30th September, 2003.

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:

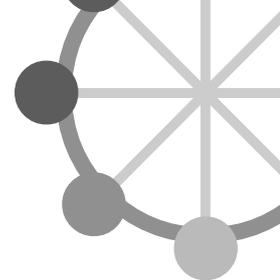
Mr. Hung Tak Chow, Charles*

Mr. Hung Fan Wai, Wilfred*

Mr. Lai Hin Wing, Henry*

*(Appointed as a member of audit committee
on 1st May, 2003)*

* *Independent non-executive directors*



REPORT OF THE DIRECTORS (Continued)

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, 2003, the Group has applied the net proceeds as follows:

	Total HK\$	Amount extracted from the Prospectus dated 6th March, 2001 up to 30th September, 2003 HK\$	Actual amount used up to 30th September, 2003 HK\$
Development and launch of new contents and features under the EVI On-line System	7.0M	7.0M	6.0M
Upgrade and improvement in system infrastructure and technology deployment	11.5M	11.5M	8.4M
Purchase and provision of hardware to kindergartens for promotion of the use of the EVI On-line System	8.5M	8.5M	5.9M
Development of on-line advertising, e-commerce and related features under the EVI On-line System	7.0M	7.0M	6.3M
Marketing and promotional activities	6.0M	6.0M	6.0M
Working capital	12.0M	12.0M	12.0M
	52.0M	52.0M	44.6M

The remaining net proceeds as at 30th September, 2003 were approximately HK\$7.4 million, which have been placed as short-term interest bearing deposits with banks in Hong Kong.

Since the economic downturn, the Group has employed tightened cost controls and the actual usage of the IPO proceeds was slower than expected. However, this has not had a significant effect on the business progress of the Group.

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.



REPORT OF THE DIRECTORS *(Continued)*

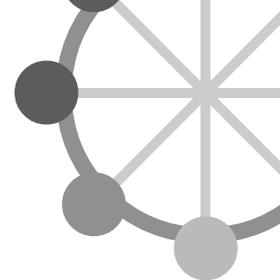
AUDITORS

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, 3rd December, 2003



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 solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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, 2003 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

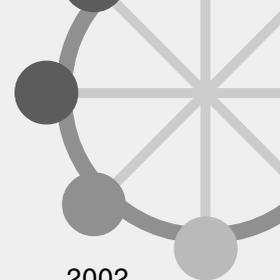
Hong Kong, 3rd December, 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT*For the year ended 30th September, 2003*

	<i>Note</i>	2003 HK\$'000	2002 HK\$'000
Turnover	3	19,959	10,469
Costs of merchandise		(6,301)	(2,788)
Costs of internet connectivity fee		(525)	(508)
Staff costs		(10,248)	(11,606)
Depreciation		(3,269)	(4,334)
Amortisation of intangible assets		(2,963)	(5,986)
General and administrative expenses		(6,259)	(6,715)
Gain on disposal of interest in a subsidiary	3	–	6,318
Impairment loss on intangible assets		–	(3,159)
		<hr/>	<hr/>
Operating loss	4	(9,606)	(18,309)
Interest income	3	247	525
		<hr/>	<hr/>
Loss before taxation		(9,359)	(17,784)
Taxation	7	(76)	(40)
		<hr/>	<hr/>
Loss after taxation		(9,435)	(17,824)
Minority interests		(41)	(53)
		<hr/>	<hr/>
Loss attributable to shareholders	8	(9,476)	(17,877)
		<hr/>	<hr/>
Loss per share	9		
– Basic		HK(0.24) cents	HK(0.45) cents
		<hr/>	<hr/>
– Diluted		N/A	N/A
		<hr/>	<hr/>

CONSOLIDATED BALANCE SHEET

As at 30th September, 2003



	Note	2003 HK\$'000	2002 HK\$'000
Non-current assets			
Machinery and equipment	10	1,662	4,643
Intangible assets	11	1,728	5,587
Total non-current assets		<u>3,390</u>	<u>10,230</u>
Current assets			
Trade receivables	13	3,545	2,906
Due from customers on installation contracts	14	800	–
Prepayments, deposits and other current assets		647	784
Cash and bank deposits		21,917	25,063
Total current assets		<u>26,909</u>	<u>28,753</u>
Current liabilities			
Trade payables	15	(1,847)	(951)
Accruals and other payables		(1,922)	(2,066)
Deposits from customers		(2,918)	(1,862)
Due to minority shareholder of a subsidiary	2	(460)	(960)
Taxation payable		(67)	(124)
Total current liabilities		<u>(7,214)</u>	<u>(5,963)</u>
Net current assets		<u>19,695</u>	<u>22,790</u>
Total assets less current liabilities		<u>23,085</u>	<u>33,020</u>
Financed by:			
Share capital	16	40,000	40,000
Reserves	18	37,290	37,290
Accumulated deficit	18	(54,296)	(44,820)
Shareholders' funds		<u>22,994</u>	<u>32,470</u>
Minority interests		91	50
Non-current liability			
Due to minority shareholder of a subsidiary	2	–	500
		<u>23,085</u>	<u>33,020</u>

Pong Wai San, Wilson
Chairman

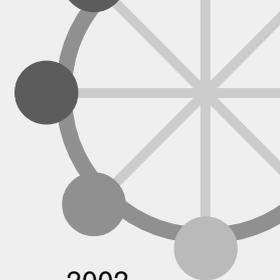
Cheung Shi Kwan, Wings
Director

BALANCE SHEET*As at 30th September, 2003*

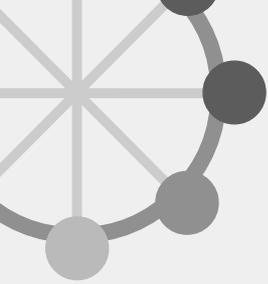
	<i>Note</i>	2003 HK\$'000	2002 HK\$'000
Non-current asset			
Investment in subsidiaries	12	<u>10,020</u>	<u>17,762</u>
Current assets			
Prepayments, deposits and other current assets		4	8
Cash and bank deposits		<u>13,074</u>	<u>15,138</u>
		<u>13,078</u>	<u>15,146</u>
Current liability			
Due to a director		<u>(18)</u>	<u>(18)</u>
Net current assets		<u>13,060</u>	<u>15,128</u>
Total assets less current liability		<u>23,080</u>	<u>32,890</u>
Financed by:			
Share capital	16	40,000	40,000
Reserves	18	24,881	24,881
Accumulated deficit	18	<u>(41,801)</u>	<u>(31,991)</u>
Shareholders' fund		<u>23,080</u>	<u>32,890</u>

Pong Wai San, Wilson
Director

Cheung Shi Kwan, Wings
Director

CONSOLIDATED CASH FLOW STATEMENT*For the year ended 30th September, 2003*

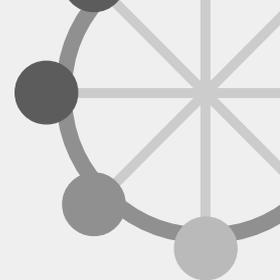
	<i>Note</i>	2003 HK\$'000	2002 HK\$'000
Net cash outflow generated from operations	<i>19(a)</i>	(2,815)	(14,074)
Interest received		247	525
Hong Kong profits tax paid		(133)	–
		<hr/>	<hr/>
Net cash outflow from operating activities		(2,701)	(13,549)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Investing activities			
Purchase of machinery and equipment		(341)	(1,130)
Proceeds from disposal of machinery and equipment		–	212
Net cash outflow from acquisition of a subsidiary		–	(1,806)
Additions of intangible assets		(104)	(117)
		<hr/>	<hr/>
Net cash outflow from investing activities		(445)	(2,841)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Decrease in cash and cash equivalents		(3,146)	(16,390)
Cash and cash equivalents, at beginning of year		25,063	41,453
		<hr/>	<hr/>
at end of year	<i>19(d)</i>	21,917	25,063
		<hr/>	<hr/>



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30th September, 2003

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Balance at beginning of year	32,470	50,347
Loss attributable to shareholders	<u>(9,476)</u>	<u>(17,877)</u>
Balance at end of year	<u>22,994</u>	<u>32,470</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 Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (“the GEM Listing Rules”). They have been prepared under the historical cost convention.

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAPs”) issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2002.

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34 (revised)	:	Employee benefits

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out below.

NOTES TO THE ACCOUNTS *(Continued)*

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, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

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.

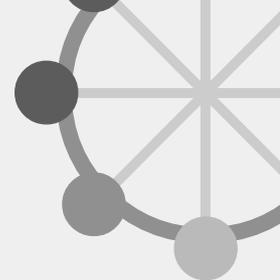
Gain or loss on disposal of subsidiaries represents the difference between the sales proceeds and the Group's share of the net assets/liabilities of the subsidiaries together with any unamortised goodwill or negative goodwill, or goodwill/negative goodwill taken to reserves and which was not previously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



NOTES TO THE ACCOUNTS (Continued)

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 less accumulated impairment losses 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.

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 three to five years.

NOTES TO THE ACCOUNTS (Continued)**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

Costs of licensing rights acquired 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

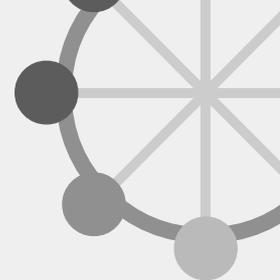
Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line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

(f) Trade receivables

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

(g) Installation work in progress

When the outcome of an installation contract can be estimated reliably, contract revenue and costs are recognised over the period of the contract, respectively, as revenues and expenses. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a given period; the stage of completion is measured by reference to actual costs incurred for work performed to date as a percentage of total estimated costs for each contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.



NOTES TO THE ACCOUNTS *(Continued)*

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

(g) Installation work in progress *(Continued)*

When the outcome of an installation contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that will be recoverable. Contract costs are recognised when incurred.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the year-end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers on installation contracts under current assets. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on installation contracts under current liabilities.

(h) 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 comprise cash on hand, deposits held at call with banks and bank overdrafts.

(i) Provisions

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 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.

(j) 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.

NOTES TO THE ACCOUNTS *(Continued)*

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

(k) 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.

(l) 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, on the following basis:

(i) Sales and installation of computer hardware and software

The Group enters into contracts with customers whereby the sales and installation of computer hardware and software are bundled together in one contract. Revenue from such contracts is recognised by reference to the stage of completion of the contracts, which is measured by reference to actual costs incurred for work performed to date as a percentage of total estimated costs for each contract.

(ii) Service fees

Service fees are recognised when the related services are rendered.

(iii) Interest income

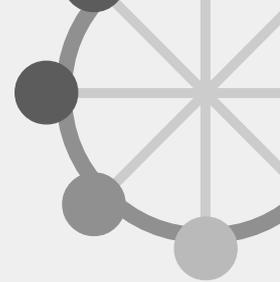
Interest income is recognised on a time-proportion basis, taking into account the principal outstanding and the interest rates applicable.

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.



NOTES TO THE ACCOUNTS *(Continued)*

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

(m) Employee benefits *(Continued)*

(ii) Bonus plans

Provisions for bonus plans due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Pension obligations

The Group operates a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred. When the contributions do not fall due wholly within twelve months after the end of period in which the employees render the related service, the contributions should be discounted using the discount rate determined by reference to market yields at the balance sheet date on high quality.

(n) 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, receivables and exclude operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation. Capital expenditure comprises additions to intangible assets (note 11) and machinery and equipment (note 10).

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, 2003, balance due to the minority shareholder of a subsidiary was unsecured, non-interest bearing and repayable when repayment is approved by board of directors of the subsidiary.

NOTES TO THE ACCOUNTS (Continued)**2. RELATED PARTY TRANSACTIONS** (Continued)

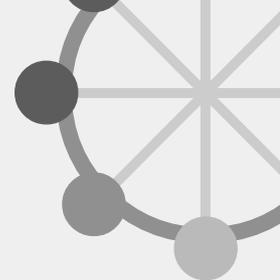
During the year, a minority shareholder of a subsidiary agreed to waive the consideration payable by the Group on acquisition of a 80% interest in the subsidiary amounting to HK\$1,000,000 as the subsidiary was not likely to be able to meet the target profit as agreed by the Group and the minority shareholder of the subsidiary upon acquisition. As a result of such waiver, goodwill on acquisition of the subsidiary was reduced by HK\$1,000,000. Refer to Note 11 for details.

3. TURNOVER, REVENUE AND SEGMENT REPORTING

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

	2003 HK\$'000	2002 <i>HK\$'000</i>
Turnover		
Internet education fee	7,775	3,985
Sales and installation of computer hardware and software	7,484	3,490
Computer training fee	3,142	2,530
Others	1,558	464
	19,959	10,469
Gain on disposal of interest in a subsidiary	–	6,318
Interest income	247	525
Total revenues	20,206	17,312

NOTES TO THE ACCOUNTS (Continued)

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

The Group operates under three main business segments, namely internet education, sales and installation of computer hardware and software and computer training and in one geographical segment, Hong Kong.

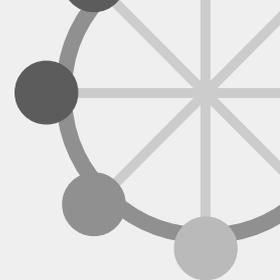
	Internet education 2003 HK\$'000	Sales and installation of computer hardware and software 2003 HK\$'000	Computer training 2003 HK\$'000	Others 2003 HK\$'000	Group 2003 HK\$'000
Turnover	7,775	7,484	3,142	1,558	19,959
Segment (loss) profit	(6,396)	(2,255)	754	(757)	(8,654)
Unallocated costs					(952)
Operating loss					(9,606)
Interest income					247
Loss before taxation					(9,359)
Taxation					(76)
Loss after taxation					(9,435)
Minority interests					(41)
Loss attributable to shareholders					(9,476)
Segment assets	2,966	3,593	1,083	251	7,893
Unallocated assets					22,406
Total assets					30,299
Segment liabilities	3,107	2,120	466	497	6,190
Unallocated liabilities					1,024
Total liabilities					7,214
Capital expenditure	445	–	–	–	445
Depreciation	3,269	–	–	–	3,269
Amortisation	2,112	426	425	–	2,963

NOTES TO THE ACCOUNTS (Continued)

3. TURNOVER, REVENUE AND SEGMENT REPORTING (Continued)

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

NOTES TO THE ACCOUNTS (Continued)



4. OPERATING LOSS

Operating loss is stated after charging and crediting the following:

	2003 HK\$'000	2002 HK\$'000
Charging		
Costs of merchandise	6,301	2,788
Cost of internet connectivity fee	525	508
Staff costs (including directors' emoluments) (Note 6)	10,248	11,606
Operating lease rentals in respect of		
– premises	1,562	1,746
– computer servers	434	492
Depreciation	3,269	4,334
Amortisation of intangible assets		
– Website development costs	2,112	2,193
– Goodwill	851	634
– Licensing rights	–	3,159
Impairment loss on intangible assets		
– Licensing rights	–	3,159
Net loss on disposal of machinery and equipment	53	44
Provision for doubtful debts	284	132
Auditors' remuneration	308	370
	<hr/>	<hr/>
Crediting		
Gain on disposal of interest in a subsidiary	–	6,318
Gain on disposal of investments	–	52
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (Continued)

5. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

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

	2003 HK\$'000	2002 HK\$'000
Fees for executive directors	–	–
Fees for independent non-executive directors	–	–
Other emoluments for executive directors		
– Salaries and allowances	1,200	1,958
– Pension costs – defined contribution plans	24	40
Other emoluments for non-executive directors		
– Salaries and allowances	50	100
	<u>1,274</u>	<u>2,098</u>

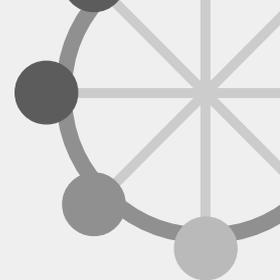
No directors waived any emoluments during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director for the year.

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

	2003	2002
<i>Executive directors</i>		
– Nil to HK\$1,000,000	4	4
<i>Non-executive directors</i>		
– Nil to HK\$1,000,000	3	3
	<u>7</u>	<u>7</u>

The executive directors received individual emoluments for the year ended 30th September, 2003 of approximately HK\$612,000 (2002: HK\$648,000), HK\$612,000 (2002: HK\$636,000), HK\$12 (2002: HK\$472,000) and HK\$12 (2002: HK\$242,000), respectively.

The non-executive directors received individual emoluments for the year ended 30th September, 2003 of approximately HK\$50,000 (2002: HK\$50,000), Nil (2002: Nil) and Nil (2002: Nil), respectively.



NOTES TO THE ACCOUNTS *(Continued)*

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

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Salaries and allowances	2,537	2,645
Pension costs – defined contribution plans	60	56
	<u>2,597</u>	<u>2,701</u>

Two (2002: three) of the five 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. **STAFF COSTS**

Staff costs, including directors' emoluments, consisted of:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Salaries and allowances	9,264	10,737
Unutilised annual leave	289	–
Pension costs – defined contribution plans	695	869
	<u>10,248</u>	<u>11,606</u>

NOTES TO THE ACCOUNTS (Continued)**7. 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 17.5% (2002: 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	
	2003	2002
	HK\$'000	HK\$'000
Accelerated depreciation allowance	168	398
Tax loss*	(8,357)	(7,797)
Effect of change in tax rate	(731)	–
	(8,920)	(7,399)

* Tax loss of the Group is subject to the agreement of the Hong Kong Inland Revenue Department and can be carried forward indefinitely.

8. LOSS ATTRIBUTABLE TO SHAREHOLDERS

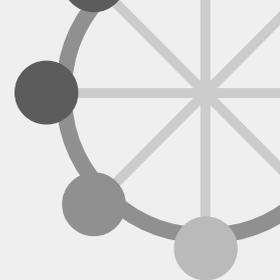
The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$9,810,000 (2002: HK\$16,302,000).

9. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss attributable to shareholders of approximately HK\$9,476,000 (2002: HK\$17,877,000) and on the weighted average number of 4,000,000,000 shares (2002: 4,000,000,000 shares) in issue during the year.

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

NOTES TO THE ACCOUNTS (Continued)



10. MACHINERY AND EQUIPMENT

	Group			
	Leasehold improvements <i>HK\$'000</i>	Furniture and office equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 1st October, 2002	1,886	710	8,705	11,301
Additions	53	5	283	341
Disposals	(151)	–	(827)	(978)
At 30th September, 2003	1,788	715	8,161	10,664
Accumulated depreciation				
At 1st October, 2002	1,492	532	4,634	6,658
Charge for the year	364	107	2,798	3,269
Disposals	(98)	–	(827)	(925)
At 30th September, 2003	1,758	639	6,605	9,002
Net book value				
At 30th September, 2003	30	76	1,556	1,662
At 30th September, 2002	394	178	4,071	4,643

NOTES TO THE ACCOUNTS (Continued)

11. INTANGIBLE ASSETS

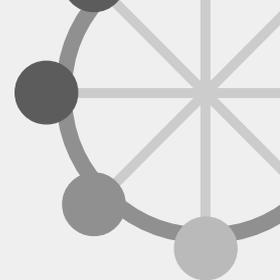
	Group			
	Website development cost <i>HK\$'000</i>	Goodwill <i>HK\$'000</i>	Licensing rights <i>HK\$'000</i>	Total <i>HK\$'000</i>
	At 1st October, 2002	2,710	2,877	–
Additions	104	–	–	104
Effect of change in consideration (Note 2 and Note 19(c))	–	(1,000)	–	(1,000)
Amortisation during the year	(2,112)	(851)	–	(2,963)
At 30th September, 2003	702	1,026	–	1,728
At 30th September, 2003				
Cost	6,534	2,511	6,318	15,363
Accumulated amortisation and impairment loss	(5,832)	(1,485)	(6,318)	(13,635)
Net book value	702	1,026	–	1,728
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

12. INVESTMENT IN SUBSIDIARIES

	Company	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Unlisted shares, at cost	2,608	2,608
Due from subsidiaries	49,980	47,741
	52,588	50,349
Less: accumulated impairment losses	(42,568)	(32,587)
	10,020	17,762

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

NOTES TO THE ACCOUNTS (Continued)



12. INVESTMENT IN SUBSIDIARIES (Continued)

The following is a list of the subsidiaries as at 30th September, 2003:

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%	Sales 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%	Inactive
Sino Sky Enterprises Limited	Hong Kong, limited liability company	HK\$2	100%	Provision of office administrative services to the Group in Hong Kong
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

NOTES TO THE ACCOUNTS *(Continued)*

12. 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
Silicon Workshop Limited	Hong Kong, limited liability company	HK\$100	80%	Sales and installation of computer hardware and software and provision of computer training services in Hong Kong

* *Shares held directly by the Company.*

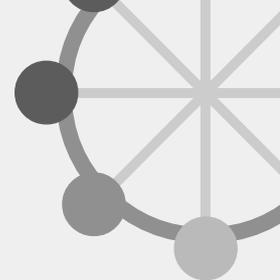
13. TRADE RECEIVABLES

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, 2003, the ageing analysis of the Group's trade receivables was as follows:

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
0 – 30 days	2,329	2,092
31 – 60 days	452	422
61 – 90 days	166	221
91 – 180 days	1,066	355
	4,013	3,090
<i>Less: provision for doubtful debts</i>	(468)	(184)
	3,545	2,906

NOTES TO THE ACCOUNTS (Continued)



14. INSTALLATION WORK IN PROGRESS

	Group	
	2003	2002
	HK\$'000	HK\$'000
Contract costs incurred plus attributable profits		
less foreseeable losses to date	1,026	–
Less: progress billings to date	<u>(226)</u>	–
	<u>800</u>	–
Included in current assets under the following captions:		
Due from customers on installation contracts	<u>800</u>	–

As at 30th September, 2003, no retention money was held by customers for contract work (2002: Nil).

15. TRADE PAYABLES

At 30th September, 2003, the ageing analysis of the Group's trade payables was as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
0 – 30 days	1,416	620
31 – 60 days	336	165
61 – 90 days	16	10
91 – 180 days	79	156
	<u>1,847</u>	<u>951</u>

16. SHARE CAPITAL

	Company – Authorised	
	Number of	Nominal
	shares	value
	'000	HK\$'000
At 30th September, 2001	10,000,000	500,000
Subdivision of shares (a)	<u>40,000,000</u>	–
At 30th September, 2002 and 30th September, 2003	<u>50,000,000</u>	<u>500,000</u>

NOTES TO THE ACCOUNTS (Continued)

16. SHARE CAPITAL (Continued)

	Company – Issued and fully paid	
	Number of shares '000	Nominal value HK\$'000
At 30th September, 2001	800,000	40,000
Subdivision of shares (a)	3,200,000	–
At 30th September, 2002 and 30th September, 2003	4,000,000	40,000

- (a) 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.

17. 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 16(a)) 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.

Movements of the share options under the Pre-IPO Share Option Scheme during the year ended 30th September, 2003 were:

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

NOTES TO THE ACCOUNTS (Continued)

17. SHARE OPTIONS (Continued)

- (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 (2002: 2,000,000) of these options lapsed in connection with the cessation of employment of certain employees.

Movements of the share options under the Share Option Scheme during the year ended 30th September, 2003 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	23,000	–	(2,000)	–	21,000

NOTES TO THE ACCOUNTS (Continued)

18. RESERVES

	Group			
	Share premium	Capital reserve (a)	Accumulated deficit	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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)
At 1st October, 2002	22,372	14,918	(44,820)	(7,530)
Loss attributable to shareholders	–	–	(9,476)	(9,476)
At 30th September, 2003	22,372	14,918	(54,296)	(17,006)
	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, 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)
At 1st October, 2002	22,372	2,509	(31,991)	(7,110)
Loss attributable to shareholders	–	–	(9,810)	(9,810)
At 30th September, 2003	22,372	2,509	(41,801)	(16,920)

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.

NOTES TO THE ACCOUNTS (Continued)**18. RESERVES** (Continued)

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, 2003, the Company had no reserves available for distribution to shareholders (2002: Nil).

19. CONSOLIDATED CASH FLOW STATEMENT

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

	2003	2002
	HK\$'000	HK\$'000
Operating loss	(9,606)	(18,309)
Gain on disposal of interest in a subsidiary	–	(6,318)
Depreciation	3,269	4,334
Amortisation of intangible assets	2,963	5,986
Impairment loss on intangible assets	–	3,159
Net loss on disposal of machinery and equipment	53	44
Increase in trade receivables	(639)	(1,687)
Increase in due from customers on installation contracts	(1,026)	–
Decrease/(increase) in prepayments, deposits and other current assets	137	(143)
Increase/(decrease) in trade payables	896	(604)
Decrease in accruals and other payables	(144)	(842)
Increase in deposits from customers	1,282	306
	<hr/>	<hr/>
Net cash outflow generated from operations	(2,815)	(14,074)

NOTES TO THE ACCOUNTS (Continued)

19. CONSOLIDATED CASH FLOW STATEMENT (Continued)

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

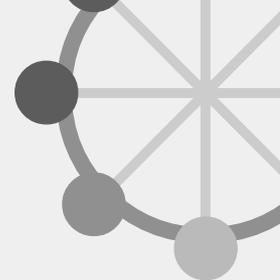
	Share capital and share premium <i>HK\$'000</i>	Minority Interests <i>HK\$'000</i>	Due to minority shareholder of a subsidiary <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30th September, 2001	62,372	–	–	62,372
Increase in amount due to minority shareholder of a subsidiary	–	–	1,460	1,460
Share of net liability upon acquisition	–	(3)	–	(3)
Share of profit of a subsidiary	–	53	–	53
At 30th September, 2002	62,372	50	1,460	63,882
Effect of change in consideration (Note 2 and Note 11)	–	–	(1,000)	(1,000)
Share of profit of a subsidiary	–	41	–	41
At 30th September, 2003	62,372	91	460	62,923

(c) Major non-cash transaction

During the year, a minority shareholder of a subsidiary agreed to waive the consideration payable by the Group on acquisition of a 80% interest in the subsidiary amounting to HK\$1,000,000, which was adjusted as a reduction in the carrying value of goodwill (see Note 11).

(d) Analysis of cash and cash equivalents:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Cash and bank deposits	<u>21,917</u>	<u>25,063</u>



NOTES TO THE ACCOUNTS *(Continued)*

20. OPERATING LEASE COMMITMENTS

At 30th September, 2003, 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:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Not later than one year	2,076	1,694
Later than one year and not later than five years	<u>446</u>	<u>1,922</u>
	<u>2,522</u>	<u>3,616</u>

21. 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 MPF Scheme at 5% of the employees’ earnings with the maximum contribution by each of the Group and the employees limited to \$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\$695,000 (2002: HK\$869,000).

22. ULTIMATE HOLDING COMPANY

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

23. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 3rd December, 2003.

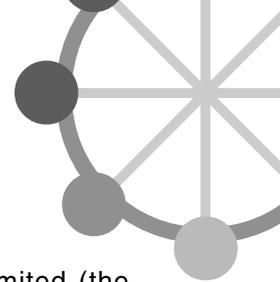
FINANCIAL SUMMARY

For the year ended 30th September, 2003

	Period from 28th June, 1999 to 30th September,		Year ended 30th September,		
	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000
Turnover	–	410	1,050	10,469	19,959
Costs of merchandise	–	(278)	(260)	(2,788)	(6,301)
Cost of internet connectivity fee	–	–	(303)	(508)	(525)
Staff costs	(20)	(1,969)	(8,200)	(11,606)	(10,248)
Depreciation	–	(111)	(1,390)	(4,334)	(3,269)
Amortisation of intangible assets	–	–	(1,527)	(5,986)	(2,963)
General and administrative expenses	(88)	(7,040)	(8,492)	(6,715)	(6,259)
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)	(9,606)
Interest income	–	48	1,227	525	247
Loss before taxation	(108)	(8,940)	(17,895)	(17,784)	(9,359)
Taxation	–	–	–	(40)	(76)
Loss after taxation	(108)	(8,940)	(17,895)	(17,824)	(9,435)
Minority Interests	–	–	–	(53)	(41)
Loss attributable to shareholders	(108)	(8,940)	(17,895)	(17,877)	(9,476)
ASSETS AND LIABILITIES					
TOTAL ASSETS	7	11,717	54,850	38,983	30,299
TOTAL LIABILITIES	(115)	(10,765)	(4,503)	(6,463)	(7,214)
MINORITY INTERESTS	–	–	–	(50)	(91)
	(108)	952	50,347	32,470	22,994

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 four years ended 30th September, 2000, 2001, 2002 and 2003 and the assets and liabilities as at 30th September, 1999, 2000, 2001, 2002 and 2003 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.



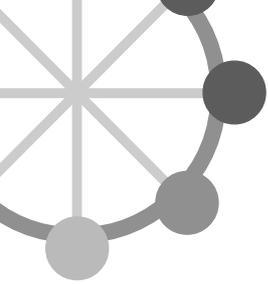
NOTICE OF ANNUAL GENERAL MEETING

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 2, 463-483 Lockhart Road, Hong Kong on 13th January, 2004 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, 2003;
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



NOTICE OF ANNUAL GENERAL MEETING *(Continued)*

(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:

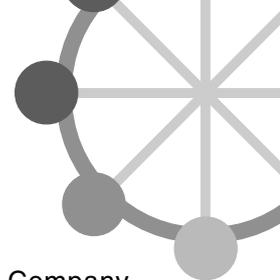
“**Relevant Period**” means the period from the date of the passing of this Resolution until whichever is the earliest of:

- (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;



NOTICE OF ANNUAL GENERAL MEETING *(Continued)*

- (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, 15th December, 2003

NOTICE OF ANNUAL GENERAL MEETING *(Continued)*

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 2
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, 2003. 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 Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, 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, 2003.