



EVI Education Asia Limited

(incorporated in the Cayman Islands with limited liability)

www.evi.com.hk



THIRD QUARTERLY REPORT 2004 / 2005

(For the nine months ended 30th June 2005)

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 announcement 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.



Corporate Information

Board of Directors

Executive Directors

Ms. IP Kit Yee, Kitty
(Managing Director)
Mr. PONG Wai San, Wilson
(Chief Executive Officer)
Mr. CHAN Kin Chu, Harry
Mr. CHEUNG Shi Kwan, Wings

Non-executive Director

Mr. TSANG Link Carl, Brian

Independent non-executive Directors

Mr. HUNG Tak Chow, Charles
Mr. HUNG Fan Wai, Wilfred
Mr. KOO Fook Sun, Louis
Mr. LAI Hin Wing, Henry
Mr. YING Wing Cheung

Company Secretary

Mr. CHAN Kin Chu, Harry

Compliance Officer

Mr. CHEUNG Shi Kwan, Wings

Authorised Representatives

Mr. CHAN Kin Chu, Harry
Mr. CHEUNG Shi Kwan, Wings

Qualified Accountant

Mr. CHEUNG Hon Fai, Maurice

Audit Committee

Mr. KOO Fook Sun, Louis
(Committee Chairman)
Mr. HUNG Tak Chow, Charles
Mr. HUNG Fan Wai, Wilfred
Mr. LAI Hin Wing, Henry
Mr. YING Wing Cheung

Remuneration Committee

Ms. IP Kit Yee, Kitty
(Committee Chairman)
Mr. CHEUNG Shi Kwan, Wings
Mr. HUNG Tak Chow, Charles
Mr. KOO Fook Sun, Louis
Mr. YING Wing Cheung

Nomination Committee

Ms. IP Kit Yee, Kitty
(Committee Chairman)
Mr. CHEUNG Shi Kwan, Wings
Mr. HUNG Tak Chow, Charles
Mr. KOO Fook Sun, Louis
Mr. YING Wing Cheung

Auditors

Grant Thornton
Certified Public Accountants

Principal Share Registrar and Transfer Office

Bank of Bermuda (Cayman) Limited
P.O. Box 513 GT
Strathvale House
North Church Street
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

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Website

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Stock Code

8090

Cayman Islands Legal advisers

Conyers Dill & Pearman, Cayman
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8 Connaught Place, Central, Hong Kong



Third Quarterly Results for the nine months ended 30th June 2005

Financial Highlights

Benefiting from the rebound of the local economy and the continuing growth in domestic demand of the market, the Group achieved encouraging results in the third quarter of this financial year.

- Total revenue reached approximately HK\$16,717,000, representing an increase of about 12% over the corresponding period in last financial year.
- Profit attributable to shareholders amounted to about HK\$904,000, representing a breakthrough in turning the loss into profit position and a significant milestone of the Group.
- Earning per share amounted to HK 0.016 cent.
- The Group maintained its healthy financial position with approximately HK\$124.7 million cash on hand with no outstanding bank loan as at 30th June 2005.



The board of directors (the "Board") of EVI Education Asia Limited (the "Company") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for nine months ended 30th June 2005 (the "Nine-Month Period") and three months ended 30th June 2005 (the "Quarterly Period") together with comparative figures for the corresponding periods ended 30th June 2004 as follows:

Consolidated Income Statement

For the three and nine months ended 30th June 2005

	Note	(Unaudited) For the three months ended 30th June		(Unaudited) For the nine months ended 30th June	
		2005	2004	2005	2004
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	(3)	6,949	4,138	16,717	14,863
Costs of merchandise		(2,448)	(592)	(4,639)	(3,084)
Costs of internet connectivity fee		(38)	(77)	(111)	(221)
Staff costs		(2,694)	(2,573)	(7,781)	(7,441)
Depreciation		(216)	(311)	(597)	(1,100)
Amortisation of intangible assets		(12)	(285)	(41)	(1,232)
General and administrative expenses		(1,090)	(1,517)	(3,213)	(4,047)
Profit/(loss) before tax		451	(1,217)	335	(2,262)
Taxation	(4)	2	10	(25)	(74)
Profit/(loss) for the period		<u>453</u>	<u>(1,207)</u>	<u>310</u>	<u>(2,336)</u>
Attribute to:					
Shareholders of the Company		665	(1,187)	904	(2,408)
Minority interest		(212)	(20)	(594)	72
		<u>453</u>	<u>(1,207)</u>	<u>310</u>	<u>(2,336)</u>
Earning/(loss) per share					
– Basic	(6)	<u>HK 0.008 cent</u>	<u>HK (0.030) cent</u>	<u>HK 0.016 cent</u>	<u>HK (0.060) cent</u>



Notes to Condensed Quarterly Financial Statements

(1) Change of financial year end

Midland Holdings Limited ("Midland", together with its subsidiaries, the "Midland Group"), a company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), has become the holding company of the Company since 15th March 2005. Accordingly, the results of the Group will be required to be consolidated with Midland Group's consolidated accounts.

As disclosed in the Company's announcement dated 19th May 2005, its financial year end has been changed from 30th September to 31st December to be co-terminous with that of Midland (the "Change"). The Change affects the current financial year commenced from 1st October 2004. The Group's unaudited results for the twelve months ending 30th September 2005 and audited results for the fifteen months ending 31st December 2005 will be prepared for despatch to the Company's shareholders within forty-five days and three months thereafter respectively.

(2) Basis of preparation and principal accounting policies

Basis of preparation

The unaudited condensed financial statements of the Group for the Nine-Month Period have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations), issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange (the "GEM Listing Rules"). They have been prepared under the historical cost convention, except for financial assets held for trading that have been measured at fair value.

Principal accounting policies

The HKICPA has issued a number of new HKFRSs and HKASs ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. For the interim financial report for the six months ended 31st March 2005, the Company had not early adopted the new HKFRSs and the accounting policies adopted were consistent with those used in the preparation of the Group's annual financial statements for the year ended 30th September 2004.

But, subsequent to Midland becoming the Company's holding company, the Company has decided to early adopt those new HKFRSs with effect from 1st October 2004 as set out below in the third quarterly report for the Nine-Month Period ended 30th June 2005, which was also the interim period end of Midland, because Midland would adopt the new HKFRSs in the preparation of its interim results for the six months ended 30th June 2005. The principal accounting policies and methods of computation used in the preparation of the unaudited consolidated accounts for the Nine-Month Period are consistent with those used in the annual report of the Company for the twelve months ended 30th September 2004 except for the adoption of the new HKFRSs as follows:

The early adoption of HKFRS 3 "Business Combinations", HKAS 36 "Impairment of Assets" and HKAS 38 "Intangible Assets" has resulted in a prospective change in the accounting policy for goodwill. In prior years/periods, goodwill was amortized using the straight-line method over its estimated useful life of less than 5 years. Where an indication of impairment existed, the carrying amount of goodwill was assessed and written down immediately to its recoverable amount. On adoption of HKFRS 3, goodwill was not amortized since 1st October 2004 and eliminated the accumulated amortization as at 30th September 2004 with a corresponding decrease in the cost of goodwill. From 1st October 2004 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment.

The early adoption of new HKFRS 3, HKAS 36 and HKAS 38 has no material impact on the unaudited condensed financial statements for the Nine-Month Period of the Group except that (1) no goodwill amortization was charged for the Quarterly Period compared with the corresponding period in last financial year and (2) goodwill amortization of approximately HK\$767,000 previously reported for the six months ended 31st March 2005 was reversed to reflect the early adoption of these standards from 1st October 2004. There was no impact on the opening accumulated losses as at 1st October 2004.



Notes to Condensed Quarterly Financial Statements *(continued)*

(2) Basis of preparation and principal accounting policies *(continued)*

Principal accounting policies (continued)

Under HKFRS 2 "Share-Based Payment", the fair value of share options at grant date is amortised over the relevant vesting periods to the income statement and it applies to the share options that are granted after 7th November 2002 and had not yet been vested as at 1st January 2005. As (1) the pre-IPO share options granted on 28th February 2001 which was before the relevant date of 7th November 2002; (2) the post-IPO share options were granted on 31st October 2001 which was before the relevant date of 7th November 2002 and (3) no share option has been granted under the new share option scheme which was adopted by the Company on 6th June 2005, no share options of the Company are subject to the requirements of the HKFRS 2. Therefore, the adoption of the HKFRS 2 has not resulted in a charge of employee options expenses to the income statement.

Under HKAS 32 and HKAS 39, financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. In addition, derivative financial instruments that do not qualify for hedge accounting are classified as held for trading. Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Financial assets originally designated as financial assets at fair value through profit or loss may not subsequently be reclassified.

There was no impact on the opening accumulated losses as at 1st October 2004 from the adoption of all new HKFRSs.

(3) Revenue

The Group is principally engaged in (i) provision of internet education services, (ii) sales and installation of computer hardware and software, (iii) web site development and commercial projects and (iv) provision of computer training services. Revenues recognised during the Nine-Month Period are as follows:

	For the three months ended 30th June		For the nine months ended 30th June	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover				
Internet education fee	2,234	2,638	6,696	7,741
Sales and installation of computer hardware and software	1,814	679	4,839	4,213
Web site development and commercial projects	1,589	92	2,386	710
Computer training fee	578	630	1,770	1,933
Others	12	33	95	85
Total Turnover	6,227	4,072	15,786	14,682
Other revenue				
Interest income	722	66	931	181
Total Revenue	6,949	4,138	16,717	14,863



Notes to Condensed Quarterly Financial Statements *(continued)*

(4) Taxation

The amount of taxation charged to the unaudited consolidated income statement represented the Hong Kong profits tax provided on the estimated assessable profit for the Nine-Month Period. Hong Kong profits tax has been provided at the rate of 17.5% (2004:17.5%) on the estimated assessable profit arising in or derived from Hong Kong.

The Company was incorporated in the Cayman Islands and is exempt from the taxation in the Cayman Islands until 2021. The Company's subsidiaries were incorporated in the British Virgin Islands under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempt from payment of British Virgin Islands income taxes. No provision for PRC profit tax has been made as there is no assessable profit for PRC subsidiaries for the periods.

During the Nine-Month Period, the tax effect of temporary differences for deferred tax assets was not recognised in the financial statements as the tax loss of the Company is subject to the agreement of the Hong Kong Inland Revenue Department and can be carried forward indefinitely.

(5) Interim Dividend

The Board does not recommend the payment of an interim dividend for the Nine-Month Period. (2004: Nil)

(6) Earning/(loss) per Share

The calculation of basic earning/(loss) per share for the Nine-Month Period and the Quarterly Period is based on the unaudited consolidated profit/(loss) attributable to shareholders of the Company for the Nine-Month Period and the Quarterly Period of approximately HK\$904,000 and HK\$665,000 (2004: loss HK\$2,408,000 and loss HK\$1,187,000) respectively and on the weighted average number of 5,670,695,971 shares and 8,300,000,000 shares of the Company deemed to be in issue throughout the Nine-Month Period and Quarterly Period respectively (2004: both of 4,000,000,000 Shares).

No diluted earning/(loss) per share is presented for the Quarterly Period and Nine-Month Period because the exercise price of the share option was higher than the average market price of the shares of the Company (the "Shares") in both the Quarterly Period and Nine-Month Period.

(7) Movement of reserves

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange difference <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st October 2003	22,372	14,918	-	(54,296)	(17,006)
Loss attributable to shareholders	-	-	-	(2,408)	(2,408)
Exchange difference	-	-	72	-	72
At 30th June 2004	<u>22,372</u>	<u>14,918</u>	<u>72</u>	<u>(56,704)</u>	<u>(19,342)</u>
At 1st October 2004	22,372	14,918	72	(58,501)	(21,139)
Issue of new shares <i>(Note)</i>	64,500	-	-	-	64,500
Share issue expenses <i>(Note)</i>	(1,056)	-	-	-	(1,056)
Profit attributable to shareholders	-	-	-	904	904
Exchange difference	-	-	(33)	-	(33)
At 30th June 2005	<u>85,816</u>	<u>14,918</u>	<u>39</u>	<u>(57,597)</u>	<u>43,176</u>

Note: During the Nine-Month Period, 4,300,000,000 new Shares of HK\$0.01 each (the "Subscription Shares") were issued at a premium of HK\$0.015 each. The reason for this increase in issued share capital was that Midland Group subscribed for the Subscription Shares on 15th March 2005 pursuant to a subscription agreement dated 25th January 2005 (the "Share Subscription").



Financial Performance

The strategic move in strengthening Group's capital fund deriving from Midland's Share Subscription together with the optimistic sentiment under recent economic recovery have led to a remarkable and encouraging result for the Quarterly Period. The Group expanded its edu-commercial business revenue base in this quarter and reinforced its brand of quality within the education market. The Group has built up peer network among the kindergartens, primary schools, secondary schools, teachers, parents and children through its on-line system ("EVI On-line System"). These groups consist of customers with great demand and concerns on both educational and child-care related products and services. The Group is well versed to fulfill their consumption requirements by blending appropriate commercial partners or elements with its products or services.

The Group's unaudited consolidated turnover for the Nine-Month Period increased to approximately HK\$15,786,000, representing an increase of 8% over the corresponding period in the last financial year (2004: HK\$14,682,000). As a result of the improvement in commercial projects revenue and interest income, the Group achieved a profit attributable to shareholders of approximately HK\$904,000 for the Nine-Month Period (2004 loss: HK\$2,408,000), representing a breakthrough in turning the loss into profit position of its first time.

In the Quarterly Period, the Group achieved turnover of approximately HK\$6,227,000 (2004: HK\$4,072,000). The profit attributable to shareholders for the Quarterly Period was approximately HK\$665,000 (2004 loss: HK\$1,187,000) which was mainly contributed by the significant increase in the interest income.

By comparing segment financial performance of the previous corresponding period, the Group's revenue from the internet media for the Nine-Month Period remained stable at approximately HK\$6,696,000 which represents about 42% of the total turnover. The recurrent subscription income generated from those portals of the EVI On-line System targeting the kindergarten users in Hong Kong remained the core revenue. While the number of kindergarten users increased slightly during the Quarterly Period, subscription fees reduced since hardware was no longer included for renewal. The Group's another portal I-Cube has also recorded satisfactory growth for the Nine-Month Period. Revenue from off-line services increased significantly to approximately HK\$9,090,000. Approximately 31% of the total turnover was attributable to the sales and installation of computer hardware and software, approximately 15% was attributable to website development and other commercial projects and the remaining approximately 12% was attributable to the provision of computer training courses and others services. Increased revenue from website development and/or commercial projects has shown their business potential for further exploration and the directors of the Company (the "Directors") expected that more business opportunities of holding commercial cooperating activities would arise to the Company. Turnover contributions from the business segments other than website development and commercial projects did not have any material changes when compared to the last corresponding period. Interest income increased significantly simultaneous with the increase in the capital fund which was resulted from the Midland Group's subscription for the Company's Shares on 15th March 2005 pursuant to a subscription agreement dated 25th January 2005.



Financial Performance *(continued)*

The Group maintained sound financial position with approximately HK\$124.7 million cash on hand and had no outstanding bank loan as at 30th June 2005. The Directors remain positive towards the Group's future financial position in view of the stable recurring income from the existing core education business together with the possible expansion of new business opportunities resulting from the Share Subscription.

Business Overview and Major Achievements

Customer base

The EVI portals continued to gain favorable response from its users. Despite the trend of downsizing in market, the Group was still capable to solicit new business to expand its EVI On-line System and continued to receiving subscription fees therefrom at an acceptable level. EVI now has a peer user network of over 50,000 users comprising of students, parents and teachers from approximately 200 kindergartens and 400 primary schools respectively.

Income stream diversified

Parallel with the provision of core on-line education services, the Group has applied its web site development know-how to the projects in co-operation with commercial partners and different departments of the Government of The HKSAR such as the Education and Manpower Bureau to bring in additional revenue. By leveraging its well-established network with kindergarten and primary school users, the Group has captured business opportunities to co-operate with commercial partners in organizing functions like "Frisocare Multi-intelligent Fun Fun Day" held at Discovery Park on 19th June 2005. These commercial projects not only resulted a "win-win" situation for both kindergartens, parents, kids and our commercial partners but have also diversified the Group's income stream.

Marketing

For the kindergarten sector, various activities like "EVI Child Care Natural Tour" and "EVI Drawing Competition" were held for members from different kindergartens during the Quarterly Period. The Group considered all these activities would reinforce EVI's brand of quality and also help to strengthen parent members' loyalties.

For the primary school sector, I-Cube organized its third "I-Cube Inter-school Intelligent Competition" with its final contest held on 14th May 2005 at Ying Wah Primary School. The activity was highlighted and reported by Sing Tao Daily in serial manner. Besides the portal, "I-Cube Digital Learning Centre" was established at Mongkok with an aim to provide comfort facilities for members' gathering and recreational activities during the summer holidays and off school period. I-Cube has successfully blended fun element into learning process where more and more schools and parents recognizing it as one of the hottest sites among the primary students.



Business Overview and Major Achievements *(continued)*

Marketing *(Continued)*

For the PRC market, the Group is now formulating new marketing plan after the EVI simplified Chinese version (www.haoertong.com) obtained an official endorsement in 2004. The Group has directed resources to build up models for renowned kindergartens in Dongguan and Guangzhou. It is believed that such experience and strong customer base would lead to a better business proposition for the next school semester. Both the Group and the Chinese Foreign Co-operation joint venture company will continue to seek other forms of cooperation with various PRC educational related organizations and associations in different regions.

Development and launch of new products, contents and features and technology deployment

The Group considers the most effective way to generate additional revenue and to increase loyalty and adhesiveness of its existing customers is to provide more value-added services through the EVI On-line System. Therefore, content revision and enrichment of the Group's websites are carried out periodically for continuous enhancement in their quality. Besides, new English multimedia teaching materials "Phonics Fun" was introduced recently and received warm welcome during the "Hong Kong Book Fair 2005".

In the technology development respect, the Group kept researching and improving the functions and user-friendly features for the EVI On-line System. The Group considered the newly introduced software product known as "HiMeeting" together with the existing products namely "HiShare", "HiClass", "HiShow", MMLC and LED display would continue to generate steady revenue to the Group.

In view of the enormous penetration and coverage of mobile phones in Hong Kong, the Group considered that it may make use of this technology to serve as a comprehensive and effective communication channel between schools and parents. Hence, the Group has adopted the SMS application together with Smart Card and web interfaces with new services and business models on the "EVI School Messages Platform". The Group expected these new value-added services for both school and parent groups would help to enlarge its school network with marginal contribution.



Business Overview and Major Achievements *(continued)*

Outlook

Despite the negative implication of low birth rate, the Group believes parents nowadays are more willing to invest in children education, products and services. More parental focus and resources are directed towards multiple skills and intelligence development beyond the regular class activities. It is expected that more open, transparent or effective communication would be the key evaluation factor from parent's prospective. Hence, the Group believes that its portals or programs are all-round and ideal channels to deliver services and to reinforce linkage, relationship between schools, families and students in their learning cycles. In view of the rapid trend of home or broadband internet installation, the Directors remain positive on the e-educational service industry. Geographically, the Group recognizes the PRC market as its source of future growth and return in light of its fast economic growth. The Directors believe that the deployment of information technology as a new medium of delivering educational and learning contents within PRC presents tremendous commercial opportunities.

The Group cash position has strengthened following the Shares Subscription by Midland completed on 15th March 2005.

During the Quarterly Period, the Group had carried out a feasibility study on the development of on-line professional training programs for practitioners in the real estate broking business and/or other regulated or licensed servicing industries in Hong Kong. An initial business plan had been made up and was considered viable by the Directors. Under the business plan, it is scheduled that the first phase of the on-line training programs targeting practitioners in the real estate broking business to cater for their licensing examination requirements could be launched to the market in the next quarter. With an aim to enhance the quality of the training programs, the Group has decided to form strategic alliance with law firms that are reputable and experienced in property transactions to provide legal advice on the programs, particularly those subjects concerning laws relating to estate agency work. Considering the increasing requirements on real estate brokers for continuing professional development ("CPD"), the Group had the insight to start a study on the feasibility on the development of on-line CPD training programs for the practitioners.

Besides the development of on-line professional training programmes, the management will continue to explore new business opportunities and as appropriate, directing resources for property management, holdings and/or related investment, as and when opportunities arise. As of the reporting date, the Group did not have any specific plan nor identify any investment target. The Group will, subject to the property market condition in Hong Kong, recruit a team of professional staff with specific task to review and recommend such property investment opportunities for the Board to consider and approve from time to time.



Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30th June 2005, the interests and short positions of each of the Directors, chief executives or their associates in the Shares, underlying Shares or debentures of the Company and or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be entered into the register to be kept under section 352 of the SFO; or to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by the Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Name of director	Number of Shares of the Company			Percentage of Shares outstanding
	Personal interests	Corporate interests	Total	
Mr. Pong Wai San, Wilson ("Mr. Pong") (Note)	153,610,000	2,182,300,000	2,335,910,000	28.14%
Mr. Cheung Shi Kwan, Wings	4,000,000	-	4,000,000	0.05%

Note: As at 30th June 2005, 2,182,300,000 Shares were registered in the name of and beneficially owned by Summerview Enterprises Limited ("Summerview") and 153,610,000 Shares were registered in the name of Mr. Pong. The entire issued share capital of Summerview are registered in the name of and beneficially owned by Mr. Pong.

All the interests disclosed above represent long position in the Shares of the Company.

Save as disclosed above, as at 30th June 2005, none of the Directors, chief executive of the Company or their associates had or deemed to have any interests or short positions in the Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be entered into the register required to be kept under section 352 of the SFO or to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by the Directors as referred to in Rule 5.46 of the GEM Listing Rules.

Outstanding Share Options

As at 30th June 2005, options to subscribe for an aggregate of 6,500,000 Shares granted under the Post-IPO Share Option Scheme were outstanding.

(1) Pre-IPO Share Option Scheme

Pursuant to a written resolution of all the shareholders of the Company passed on 28th February 2001, options to subscribe for an aggregate of 255,000,000 Shares (as adjusted by the share subdivision on 31st October 2001) at an exercise price of HK\$0.076 (as adjusted) had been conditionally granted by the Company to certain Directors and employees of the Group. All of these options lapsed during the Nine-Month Period.



Outstanding Share Options *(continued)*

(2) Post-IPO Share Option Scheme

At the Board meeting of the Company held on 31st October 2001, options for an aggregate of 25,000,000 Shares were conditionally granted by the Company to fifteen full time employees of the Group at the exercise price equal of HK\$0.208 (as adjusted). All of these options may be exercised in the period from 1st November 2002, being the expiry date of 12 months from the date of grant to 31st October 2005, provided that the maximum number of Shares the grantees are entitled to subscribe for by exercising the options shall not exceed:

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

As at 30th June 2005, options for an aggregate of 6,500,000 Shares granted to three employees under the Post-IPO Share Option Scheme were outstanding. Details of the movements of the outstanding share options during the Nine-Month Period were as follows:

	Number of share options
As at 1st October 2004	14,000,000
<i>Less: share options lapsed during the Nine-Month Period</i>	<u>(7,500,000)</u>
As at 30th June 2005	<u>6,500,000</u>

(3) New Share Option Scheme

At the Company's extraordinary general meeting held on 6th June 2005, a new share option scheme of the Company was approved by its shareholders. As at 30th June 2005, no option was granted thereunder. The new share option scheme became unconditional on 13 July 2005. Thereupon, the operation of the Post-IPO Scheme Option Scheme was terminated.



Substantial Shareholders

So far as is known to the Directors, as at 30th June 2005, the interests and short positions (if any) of the substantial shareholders in the shares and underlying shares of the Company as entered into the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Number of issued shares	Capacity in which shares are held	Percentage holding
Valuewit Assets Limited ("Valuewit")	4,300,000,000 (Note 1)	Beneficial Owner	51.81%
Midland Holdings Limited ("Midland")	4,300,000,000 (Note 1)	Controlled Company	51.81%
Summerview	2,182,300,000	Beneficial Owner	26.29%
Mr. Pong	2,182,300,000 (Note 2)	Controlled Company	28.14%
	153,610,000	Beneficial Owner	

Notes:

1. Valuewit and Midland are deemed to be interested in the same tranche of shares which have been issued to Valuewit on 15th March 2005 pursuant to a subscription agreement dated 25th January 2005 entered into between, inter alia, the Company and Midland.
2. As at 30th June 2005, 2,182,300,000 Shares were registered in the name of and beneficially owned by Summerview. The entire issued share capital of Summerview is registered in the name of and beneficially owned by Mr. Pong.

All the interests disclosed above represent long position in the Shares of the Company.

Save as disclosed herein, as at 30th June 2005, the Directors were not aware of any other persons or companies (not being a Director or chief executive of the Company) had, or deemed to have, interests or short positions in the Shares or underlying Shares representing 5% or more of the Company's issued share capital.

Competing Interests

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

Board Practices and Procedures

The Company had complied with Rule 5.34 of the GEM Listing Rules regarding board practices and procedures throughout the Nine-Month Period.



Audit Committee

The Company has established an audit committee and has formulated its written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises the five independent non-executive Directors, namely Mr. Hung Tak Chow, Charles, Mr. Hung Fan Wai, Wilfred, Mr. Koo Fook Sun, Louis, Mr. Lai Hin Wing, Henry and Mr. Ying Wing Cheung. The primary duties of the Audit Committee are to oversee the Company's financial reporting process and internal control system. Up to the date of this report, three audit committee meetings were held during the Nine-Month Period.

This quarterly report has been reviewed by the Audit Committee which has provided comments and advice thereon and are of the opinion that such report complied with the applicable accounting standards, the GEM Listing Rules and other legal requirements and that adequate disclosure has been made.

Remuneration Committee

The Remuneration Committee of the Company has been established on 21st April 2005. The function of the Committee is to consider and recommend to the Board on the Group's remuneration policy and structure and to review and determine the remuneration packages of the executive directors and senior management.

The Committee comprises three independent non-executive Directors, namely Mr. Hung Tak Chow, Charles, Mr. Koo Fook Sun, Louis and Mr. Ying Wing Cheung, and two executive Directors namely Ms. Ip Kit Yee, Kitty and Mr. Cheung Shi Kwan, Wings.

Nomination Committee

The Nomination Committee of the Company has been established on 21st April 2005. The function of the Committee is to having regard to the independence and quality of nominees, make recommendations to the Board so as to ensure that all nominations are fair and transparent.

The Committee comprises three independent non-executive Directors, namely Mr. Hung Tak Chow, Charles, Mr. Koo Fook Sun, Louis and Mr. Ying Wing Cheung, and two executive Directors namely Ms. Ip Kit Yee, Kitty and Mr. Cheung Shi Kwan, Wings.

Purchase, Sale and Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Nine-Month Period.



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 hard work, support and dedication throughout the Nine-Month Period.

By Order of the Board

EVI Education Asia Limited

Ip Kit Yee, Kitty

Executive Director and Managing Director

Hong Kong, 5th August 2005

