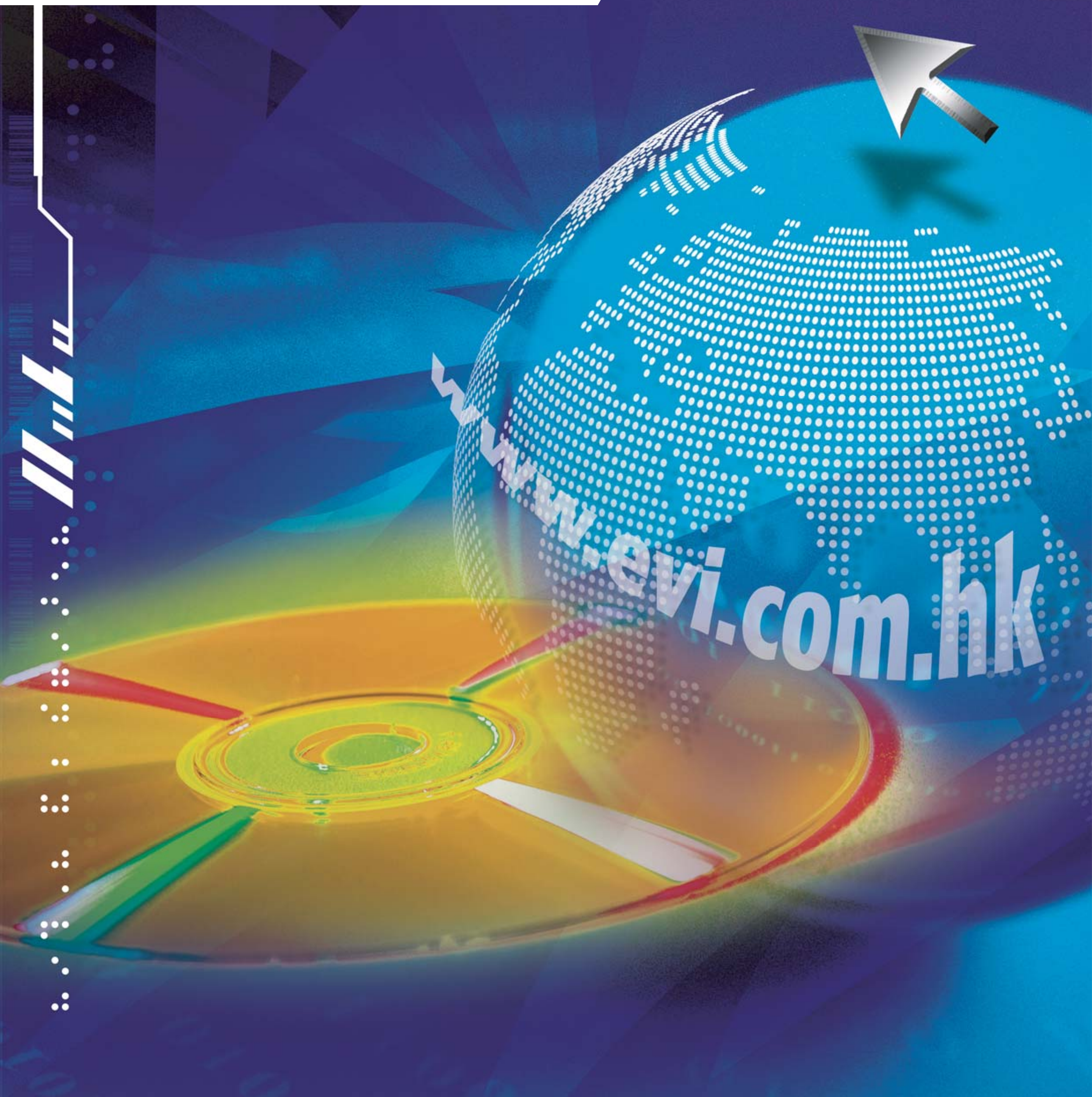
EVI Education Asia Limited
EVI 教育亞洲有限公司*

(incorporated in the Cayman Islands with limited liability 於開曼群島註冊成立之有限公司)

Stock Code 股份代號：8090

Annual Report 年報 2005



* For identification purpose only 僅供識別

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

香港聯合交易所有限公司(「聯交所」)創業板(「創業板」)之特色

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.

創業板為帶有高投資風險之公司提供一個上市之市場。尤其在創業板上市之公司毋須有過往溢利紀錄,亦毋須預測未來溢利。此外,在創業板上市之公司可能因其新興性質及該等公司經營業務之行業或國家而帶有風險。有意投資之人士應了解投資該等公司之潛在風險,並應經過審慎周詳之考慮後方作出投資決定。創業板之較高風險及其他特色表示創業板較適合專業及其他資深投資人士。

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.

由於創業板上市公司的新興性質所然,在創業板買賣的證券可能會較於主板買賣的證券承受較大的市場波動風險,同時無法保證在創業板買賣的證券會有高流通量的市場。

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.

創業板主要通過聯交所為創業板而設之互聯網網頁發布消息。上市公司一般毋須在憲報指定報章刊登付款公布披露資料。因此,有意投資之人士應注意彼等須閱覽創業板網站,以便取得創業板上市發行人之最新資料。

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.

本年報(EVI教育亞洲有限公司董事共同及個別對此負上全責)所載資料乃遵照創業板證券上市規則之規定提供有關EVI教育亞洲有限公司之資料。各董事在作出一切合理查詢後確認,就其所深知及確信:(1)本年報所載資料在各重要方面均屬準確及完整,且並無誤導成分;(2)本年報並無遺漏其他事宜,以致本年報任何內容產生誤導;及(3)本年報所表達一切意見乃經審慎周詳考慮後始行作出,並建基於公平合理之基準及假設。

CONTENTS

BOARD OF DIRECTORS

Executive Directors

Ms. IP Kit Yee, Kitty *(Managing Director)*
Mr. PONG Wai San, Wilson *(Chief Executive Officer)*
Mr. CHU Tak Long
Mr. CHEUNG Shi Kwan, Wings

Non-executive Director

Mr. TSANG Link Carl, Brian

Independent non-executive Directors

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

AUDIT COMMITTEE

Mr. KOO Fook Sun, Louis *(committee chairman)*
Mr. HUNG Tak Chow, Charles
Mr. LAI Hin Wing, Henry
Mr. YING Wing Cheung

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. LO Tsz Yung

COMPLIANCE OFFICER

Mr. CHEUNG Shi Kwan, Wings

AUTHORISED REPRESENTATIVES

Mr. LO Tsz Yung
Mr. CHEUNG Shi Kwan, Wings

QUALIFIED ACCOUNTANT

Mr. CHEUNG Hon Fai, Maurice

AUDITORS

Grant Thornton
13th Floor, Gloucester Tower
The Landmark, 11 Pedder Street
Central, Hong Kong

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
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

9th Floor, Tai Sang commercial Building
24–34 Hennessy Road
Hong Kong

WEBSITE ADDRESS

www.evi.com.hk

STOCK CODE

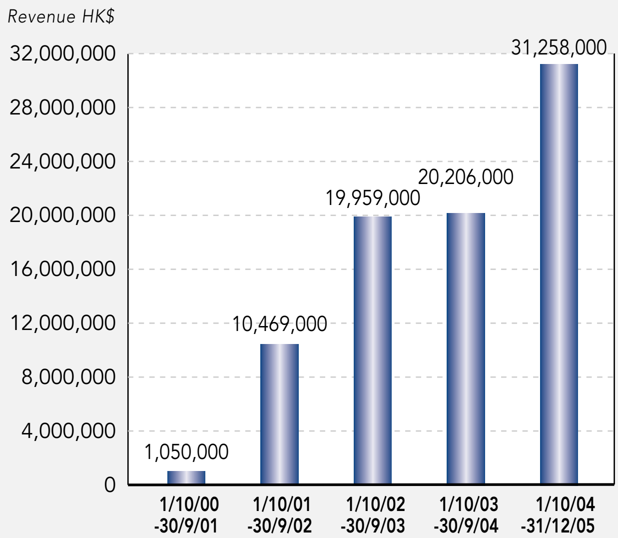
8090

CAYMAN ISLANDS LEGAL ADVISERS

Conyers Dill & Pearman, Cayman
Suite 2901, One Exchange Square
8 Connaught Place
Central
Hong Kong

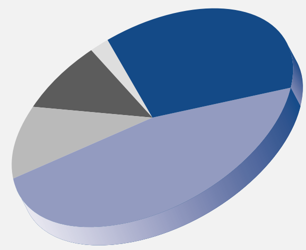
The audited consolidated results for the fifteen-month period and the comparisons with the prior years are set out in the accompanying table.

REVENUE



REVENUE BY PRODUCTS

For the period
from 1st October 2004 to 31st December 2005



- *33% Internet education fee*
- *45% Sales and installation of computer hardware and software*
- *11% Website development and commercial projects*
- *9% Computer training fee*
- *2% Others*

- Financial year end has been changed from 30th September to 31st December to be coterminous with that of the holding company.

- Total revenue for the fifteen-month period reached approximately HK$31,258,000, representing an increase of about 55% compared to the prior year twelve-month period ended 30th September 2004. On a 12-month pro rata comparison basis, revenue for the reported period increased by 24% to annualized HK$25,006,000 from HK$20,206,000 in 2004.

- Offline revenue for the fifteen-month period grew by 85% to approximately HK$21,094,000. On a 12-month pro rata comparison basis, offline revenue increased by 48% to annualized HK$16,875,000 from HK$11,386,000 in 2004.

- Loss attributable to equity holders of the Company for the fifteen-month period narrowed to approximately HK$1,007,000 from HK$4,205,000 in previous twelve-month period, representing a decrease of 76%. On a 12-month pro rata comparison basis, loss attributable to equity holders of the Company dropped 81% to annualized HK$806,000.

- As at 31st December 2005, the Group maintained its healthy financial position with cash and bank deposits of approximately HK$115.5 million and financial asset at fair value through profit or loss of approximately HK$5 million and no outstanding bank loan.

FINANCIAL PERFORMANCE

The performance of EVI Education Asia Limited (the "Company") and its subsidiaries (the "Group") continued to improve for the period from 1st October 2004 to 31st December 2005 (the "Fifteen-Month Period"), compared to the period from 1st October 2003 to 30th September 2004 (the "Prior Year Twelve-Month Period"), thanks to the strategic move to increase Group's capital through the share subscription by Midland Holdings Limited ("Midland") (the "Midland Share Subscription"). Market sentiment that turned optimistic along with the economic recovery also helped. Through networking among the kindergartens, primary schools, secondary schools, teachers, parents and children, the Group expanded its educational-commercial revenue base and reinforced its brand recognition within the education sector. The Group is now in a good position to meet the customer needs by matching appropriate commercial partners or elements with products or services.

The Company changed its financial year end date to 31st December. Consequently, all percentages are comparing a fifteen-month period to a twelve-month period.

For the Fifteen-Month Period, the Group's revenue increased by approximately 55% to HK$31,258,000. On a 12-month pro rata comparison basis, revenue for the reported period increased by 24% to annualized HK$25,006,000 from HK$20,206,000 in 2004. The increase was mainly due to improvement in offline revenue, including commercial projects and the Multi-media Learning Centre (the "MMLC") projects. For the Fifteen-Month Period, loss attributable to equity holders of the Company narrowed to approximately HK$1,007,000 from HK$4,205,000 in 2004, down 76%. On a 12-month pro rata comparison basis, loss attributable to equity holders of the Company dropped 81% from HK$4,205,000 to annualized HK$806,000.

In August 2005, a review on the first full-year performance of the Chinese-foreign joint venture (the "CJV") was performed and, the results were behind original expectation, the Group and its People's Republic of China (the "PRC") partner reached an agreement to alter their mode of cooperation. According to the new arrangement, the PRC partner is no longer required to grant certain software usage rights to the CJV as originally committed, while their stake reduced from 49% to 30%. The Company's shareholding was then increased from 51% to 70%, resulting in a reduction of the Group's goodwill arisen from the formation of the CJV. With the indication of impairment from this first full-year performance review of the CJV and the uncertainty about its future profit contribution; an impairment assessment was then performed and hence the remaining balance of goodwill arisen from the formation of the CJV of HK$1,542,000 and the entire sum was written off to the income statement in the current period. An impairment test was performed at period end, the carrying amount of another cash-generating unit exceeds its recoverable amount and the goodwill relating to Silicon Workshop Limited amounted to HK$289,000 was then fully written off to the income statement at period end.

In terms of segmental performance, the Group's revenue from the Internet business for the Fifteen-Month Period increased by 15% to approximately HK$10,164,000, representing about 33% of total revenue. On a 12-month pro rata comparison basis, Internet business revenue for the reported period decreased by 8% to annualized HK$8,131,000 from HK$8,820,000 in 2004. As free hardware was no longer included with subscription renewal, the rate of subscription fee fell. Together with the drop in student number per school, the recurrent subscription income from the EVI On-line System portals declined as well. As a percentage of total revenue for the Fifteen-Month Period of HK$31,258,000, income from the Internet segment decreased following a 85% increase in offline revenue to approximately HK$21,094,000 over the Prior Year Twelve Month Period of HK$11,386,000. On a 12-month pro rata comparison basis, offline revenue for the Fifteen-Month Period increased by 48% to annualized HK$16,875,000 from HK$11,386,000 in 2004. In terms of segmental contribution, sales and installation of hardware and software yielded approximately 45%, website development and other commercial projects, approximately 11%, computer training courses and other services, approximately 11%.

Riding on the Quality Education Fund (QEF) and matching grants to upgrade the schools' IT infrastructure, the Group strengthened its sale forces so as to expand its network, and was able to increase hardware and software sales during the Fifteen-Month Period. Revenue from website development and/or commercial projects also recorded significant growth, reflecting further business potential in this segment. The directors of the Company (the "Directors" or the "Board") expected that more business opportunities in commercial collaboration are likely. In addition to revenue from recurrent computer training courses, revenue started to generate since the fourth quarter from the provision of on-line professional training courses to practitioners in the real estate broking business. During the Fifteen-Month Period, interest income increased significantly along with the increase in the capital fund stemming from Midland Share Subscription.

As at 31st December 2005, the Group maintained a sound financial position with cash on hand of approximately HK$115.5 million and financial asset at fair value through profit or loss of approximately HK$5 million and no outstanding bank loan. In view of stable recurring income from the existing core education business as well as possible new business opportunities resulting from Midland Share Subscription, the Directors maintain an optimistic outlook on the Group's future financial position.

BUSINESS REVIEW

Customer base, income stream diversified

The EVI portals continued to receive favorable response from users. Despite the shrinking of pre-school market, the Group was able to solicit new business to expand its EVI Online System and derived subscription fees at an acceptable level. Along with core online education services, the Group applied its website development know-how to collaborative projects with various commercial partners and government departments, such as, the Education and Manpower Bureau, to generate additional revenue. The Group also reinforced its network business value by organizing different activities and promotional campaigns, among which, a series of fun days or game booths were held during the year; "Frisocare Multi-intelligent Fun Fun Day" was organised for two consecutive years at Tseung Kwan O East Point City and Discovery Park respectively. Strong customer pool of the Group and high level of participation by our parent members reveal the rapport between the Group and our commercial clients.

Online professional training

In order to attain long-term growth on existing business basis, the Group began further diversification of its education service scope by means of developing online professional training programs for practitioners in the real estate broking business and/or licensed service industries in Hong Kong.

In developing professional training, the Group has actively established a close partnership with Midland University of Midland Group. For the first stage, the Group launched a new portal which is Hong Kong's first-ever professional training portal for property agents, in September 2005. By log into this classroom, users can browse and obtain the latest online information regarding the property agency profession.

Leveraging on its in-house technical knowledge and experience in 3-learning portals development, the Group also co-operated with Midland University to jointly introduce various professional property agency courses basing on real life scenario and making use of animations to indoctrinate complicated property agent knowledge to the practitioners. Despite the pace of development was adjusted in light of the shrinking of the local property market in the fourth quarter, during the Fifteen-Month Period, these courses had started to generate revenue.

Taking into account the rising requirements of continuing professional development ("CPD") training for real estate practitioners in today's competitive environment, the Group had the insight to develop on-line CPD training program. It launched online tests and games jointly with Midland University that were supplementary to the CPD Scheme of the Estate Agents Authority. Those tests and games enable all trainees to review the key contents and attain a thorough understanding of the course.

Marketing

Kindergartens: Activities such as the "EVI Drawing Competition" and festival child care activities, for example "EVI Child Care Natural Tour" were organized for members from various kindergartens regularly. The Group believes that such activities will reinforce brand building and help consolidate member parents' loyalty.

Primary schools: I-Cube continued to pursue the concept of mixing fun with learning by establishing the I-Cube Digital Learning Centre in Mongkok. The objective is to provide comfortable facilities for members to gather for recreational activities. The venue also serves to host training courses for members during holidays and off-school hours. In addition, I-Cube organized its third annual "I-Cube Inter-school Intelligent Competition" preliminary contest and the final competition was held in May 2005 at Ying Wah Primary School with great success.

Online professional training: Promotion events such as press conference were organized to introduce to the market the on-line professional training programme for estate agency practitioners. In addition, to campaign for the online CPD training program which would be supplementary to the CPD Scheme of the Estate Agents Authority, a series of advertisements were placed through print media and internet to align with its launch.

The PRC market: The Group fine-tuned its marketing strategy by putting more resources into renowned kindergartens in Dongguan and Guangzhou in order to build up showcases or references. The Directors believe that valuable business know-how garnered from cooperation with these kindergartens would help the Group in dealing with the PRC school sector in the coming year.

BUSINESS REVIEW *(Continued)*

Launch of products, contents, features and technology deployment

All along, the Group has been striving to achieve revenue growth and to build loyalty among customers by offering quality services with added value through the EVI Online System. In pursuing this commitment, continuous efforts have been made on fine-tuning and enriching the content of the Group's websites. Besides, new English multimedia teaching materials, such as "Phonics Card" were introduced and received warm welcome at "Hong Kong Book Fair 2005".

In light of the popularity and wide coverage of mobile phones in Hong Kong, the Group envisaged the use of short messages as a comprehensive and effective communication model between schools and parents. Accordingly, the Group launched short messaging service ("SMS") together with Smart Card and Web interfaces as a new service standard under the "EVI School Messages Platform." Initial marketing efforts have been made towards the targeted primary schools and kindergartens. The Directors anticipate the new services will help to increase the Group's overall market share as well as the parental subscription rate.

Social Responsibility

As a good corporate citizen toward the community in large, the Group kept supporting social and charity events such as the "Medicins Sans Frontieres Orienteering Competition 2005" and "Po Leung Kuk Bowling Competition for Charity".

LOOKING AHEAD

The Directors believe that the Group's portals and programs can provide all-rounded and optimal channels to deliver knowledge, information as well as linkage among schools, families and students through their studying process. In light of the renascent in birth rate in 2005 and rapid growth of home or broadband Internet installation, the Directors maintain a positive view towards the e-educational service industry.

The Group will continue to pace the development of on-line professional training according to the property market condition. In view of the recent market recovery, the Group targets to establish a stronger strategic relationship with Midland University. The Group will also continuously inject new elements to the training portal for property agents and introduce more professional courses and interactive activities, in order to expand our online professional property agency course. The flexibility of online training not only widened the scope of training enormously, but also accelerated the professionalization process of property agency industry, which enables the Group to establish itself as the authority in world-class online property agent training.

The Directors will continue to look for property management or investment opportunities in both the residential and commercial sectors. In view of the recent trend of growth of local property market, the Company is in its preparation stage to, by leveraging on the expertise and experience of Midland, commence property agency business.

In addition to the e-educational business, the Group had entered a licensing agreement with a bath and body care company to retail its full range of health and personal care products in Hong Kong and the mainland China. The Directors believe that, by capturing the strong rebound of retail as a result of increasing tourists from the mainland China and continuous increase in local consumption, this new business would help to broaden the Group's revenue stream.

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 Fifteen-Month Period.

By Order of the Board
IP KIT YEE, KITTY
Executive Director and Managing Director

Hong Kong, 3rd March 2006

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31st December 2005, the Group maintained healthy financial position with cash and bank deposits of approximately HK$115.5 million and financial asset at fair value through profit or loss of approximately HK$5 million and no outstanding bank loan.

The Group generally finances its operations and investing activities with internally generated cash flows, the balance of proceeds from the initial placing of shares of the Company at initial listing on GEM and the proceeds from Midland Share Subscription. As at 31st December 2005, the Group had audited net current assets of approximately HK$118,017,000 (2004: HK$17,812,000), including cash and bank deposits of HK$115,508,000 (2004: HK$19,123,000). There were nil consolidated total non-current liabilities (2004: Nil). The Group did not have any bank borrowings nor any banking facilities as at 31st December 2005 (2004: Nil). The gearing ratio (defined as a percentage of long term obligations over total assets) of the Group as at 31st December 2005 was Nil (2004: Nil). The financial position of the Group has strengthened significantly after Midland Share Subscription. 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 Midland Share Subscription together with interest income generated amounted to approximately HK$103,524,000 and the unutilized original working capital amounted to approximately HK$11,984,000 were placed in Hong Kong Dollar short-term interest bearing deposits with banks in Hong Kong. Amongst the fund, the Group placed approximately HK$4,762,000 in Australian dollar short-term interest bearing deposits with banks in Hong Kong and approximately HK$1,582,000 in Renminbi saving accounts with banks in the mainland China. In addition approximately HK$5,040,000 was placed in US dollars Callable Range Accrual Note in order to gain a higher interest return. The Directors believed that the foreign exchange exposure to Australian dollar, Renminbi and US dollars is mild as it could compensate from the relatively high interest income generated. The Group had not obtained any banking facilities for the Fifteen-Month Period. The incomes of the Group are mainly dominated in Hong Kong Dollar 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 and not to enter into derivative transactions for speculative purposes. 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 31st December 2005 (2004: Nil).

SIGNIFICANT ACQUISITION

The Company did not have any significant acquisition in the Fifteen-Month Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

There was no solid future plan for material investments and acquisition of material capital assets as at 31st December 2005.

EMPLOYEE INFORMATION

Staff costs, including directors' remuneration, were approximately HK$12,897,000 for the Fifteen-Month Period (2004: HK$10,039,000). On a 12-month pro rata comparison basis, staff costs were approximately HK$10,318,000. Headcount remained stable at 106 as at 31st December 2005 compared to 102 as at 30th September 2004. Headcount and staff costs remained stable compared with the previous corresponding period.

Employees were paid at market remuneration with discretionary bonus and benefits of medical insurance, mandatory provident fund scheme, defined contribution retirement plans organised by the relevant authorities for PRC employees, share options and necessary training. The Group's employee remuneration policy, bonus and share option schemes have been reviewed and rewarded against staff's performance on annual basis.

The Company had complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules throughout the Fifteen-Month Period. To ensure stricter compliance with the Code, relevant amendments to the Company's Articles of Association were proposed and approved by shareholders at the extraordinary general meeting held on 6th June 2005.

Below are the major corporate governance practices adopted by the Company with specific reference to the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealing set out in rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard") as the code of conduct regarding securities transactions by the Directors of the Company and has complied with the Required Standard. A copy of the Required Standard is sent to each Director of the Company upon appointment and a reminder is sent to each Director one month before the date of the board meetings to approve the Company's quarterly results, interim results and annual results that the Director cannot deal in the shares of the Company until after such results have been published.

Having made specific enquiry of all Directors of the Company, all Directors confirmed that they had complied with the Required Standard.

THE BOARD OF DIRECTORS

The Company is eager to maintain a strong independent element on the Board and have a balanced composition of Executive and Non-executive Directors including Independent Non-executive Directors. The Board consists of four Independent Non-executive Directors that is more than one-third of the Board. As at the date of this report, the Board comprises nine Directors, of which (i) four are Executive Directors, namely Ms. Ip Kit Yee, Kitty, Mr. Pong Wai San, Wilson, Mr. Chu Tak Long and Mr. Cheung Shi Kwan, Wings; (ii) one is Non-executive Director, being Mr. Tsang Link Carl, Brian; and (iii) four are Independent Non-executive Directors, namely Mr. Hung Tak Chow, Charles, Mr. Koo Fook Sun, Louis, Mr. Lai Hin Wing, Henry and Mr. Ying Wing Cheung. The information is also published on the Company's corporate website.

Members of the Board met regularly throughout the Fifteen-Month Period to discuss the overall strategy as well as the operation and financial performance of the Group. There are total of four board meetings held during the Fifteen-Month Period. The percentage is just a reference since several directors were appointed and resigned during the Fifteen-Month Period which shows a relatively low attendance rate.

Attendance of individual Directors at Board Meetings held during the Fifteen-Month Period:–

Number of Meetings	4	
Executive Directors	**Attendance**	**Percentage**
Ms. Ip Kit Yee, Kitty	4/4	100%
Mr. Pong Wai San, Wilson	4/4	100%
Mr. Chan Kin Chu, Harry	4/4	100%
Mr. Cheung Shi Kwan, Wings	4/4	100%
Ms. Pong Lo Shuk Yin, Dorothy	0	0%
Mr. Lau Wai Shu	0	0%
Non-executive Director		
Mr. Tsang Link Carl, Brian	4/4	100%
Independent Non-executive Directors		
Mr. Koo Fook Sun, Louis	2/4	50%
Mr. Hung Tak Chow, Charles	3/4	75%
Mr. Lai Hin Wing, Henry	2/4	50%
Mr. Ying Wing Cheung	2/4	50%
Mr. Hung Fan Wai, Wilfred	0	0%

The principal function of the Board is to formulate strategy, monitor and control operating and financial performance in pursuit of the Group's overall strategic objectives. The Board, led by the Managing Director, retains full responsibility for setting objective and business development plans, overseeing the processes that management has in place to identify business opportunities and risks, and assuming responsibility for corporate governance. The Board has appointed three board committees to assist the Board in discharge of its duties and to oversee particular aspects of the Group's affairs, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

The Board meets regularly, normally quarterly, and additional meetings would be arranged, if and when required. Agendas and information packages that contain analysis and background material will be circulated in a timely and comprehensive manner to Directors/committees' members. All businesses transacted at the board meetings were well-documented. Minutes of board meetings are taken by the Company Secretary and are available to all Directors.

Pursuant to the GEM Listing Rules, every Independent Non-executive Director has confirmed his independence status during the re-appointment and new appointment. Also, there were no special relationship (including financial, business, family or other material/relevant relationships) among existing members of the Board and in particular, between the Managing Director and the Chief Executive Officer.

The Managing Director of the Company performs the function of chairman and is responsible for leadership and management of the Board, the overall corporate direction, corporate strategy and policy making of the group. The Company's Chief Executive Officer is responsible for overall management, business development, implementation of strategy and policy in achieving the overall commercial objectives. The roles of the Managing Director and the Chief Executive Officer are distinctive.

All Directors are appointed and are then subject to periodic re-appointment by the shareholders through rotation at the annual general meeting. Each Director should be subject to retirement by rotation at least once every three years. All the Independent Non-executive Directors have been appointed for a specific term.

REMUNERATIONS OF DIRECTORS AND EXECUTIVES

The Remuneration Committee comprises five members, a majority of whom are Independent Non-executive Directors, and is chaired by Ms. Ip Kit Yee, Kitty. The Remuneration Committee is aimed to review and determine the remuneration policy and packages of the executive directors and executives.

The Chief Executive Officer of the Company is responsible for reviewing all relevant remuneration data and market conditions as well as the performance of individuals and the profitability of the Group, and proposing to the Remuneration Committee for consideration and approval, remuneration packages for the executive directors and executives. Executive directors do not participate in the determination of their own remuneration. Remuneration of non-executive directors is approved by the Board.

The terms of reference of the Remuneration Committee are posted on the Company's corporate website.

The Remuneration Committee is scheduled to meet at least once a year for the determination of the remuneration packages of Directors and executives of the Group. In addition, the Committee also meets as and when required to consider remuneration related matters. All businesses transacted at the Committee meetings are well recorded and the records are maintained. One meeting was held in the Fifteen-Month Period. The attendance of each member is set out as follows:

Attendance of individual members at Remuneration Committee Meeting held during the Fifteen-Month Period:–

Number of meetings	1	
Independent Non-executive Directors	**Attendance**	**Percentage**
Mr. Koo Fook Sun, Louis	1/1	100%
Mr. Hung Tak Chow, Charles	1/1	100%
Mr. Ying Wing Cheung	1/1	100%
Executive Directors		
Ms. Ip Kit Yee, Kitty *(Chairman)*	1/1	100%
Mr. Cheung Shi Kwan, Wings	1/1	100%

NOMINATION OF DIRECTORS

The Nomination Committee comprises five members, a majority of whom are Independent Non-executive Directors, and is chaired by Ms. Ip Kit Yee, Kitty. The Nomination Committee is responsible for nominating potential candidates for directorship, reviewing the nomination of directors and making recommendations to the Board on such appointments.

The terms of reference of the Nomination Committee are posted on the Company's corporate website.

The Nomination Committee is scheduled to meet at least once a year for the review of the structure, size and composition of the Board. In addition, the Nomination Committee also meets as and when required to consider nomination related matters. All businesses transacted at the Nomination Committee meetings are well recorded and the records are maintained. One meeting was held in the Fifteen-Month Period. The attendance of each member is set out as follows:

Attendance of individual members at Nomination Committee Meeting held during the Fifteen-Month Period:–

Number of meetings	1	
Independent Non-executive Directors	**Attendance**	**Percentage**
Mr. Koo Fook Sun, Louis	1/1	100%
Mr. Hung Tak Chow, Charles	1/1	100%
Mr. Ying Wing Cheung	1/1	100%
Executive Directors		
Ms. Ip Kit Yee, Kitty *(Chairman)*	1/1	100%
Mr. Cheung Shi Kwan, Wings	1/1	100%

AUDITORS' REMUNERATION

The Company reviews the appointment of external auditors on an annual basis including a review of the audit scope and approval of the audit fee. During the Fifteen-Month Period, the fee payable to the Company's external auditors for the Fifteen-Month Period audit amounted to HK$200,000 and fee for non-audit related activities amounted to HK$48,000, comprising HK$45,000 for the taxation services and HK$3,000 for reviewing the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee comprises four members and is chaired by Mr. Koo Fook Sun, Louis, a member of the Hong Kong Institute of Certified Public Accountants and has many years of experience in investment banking and professional accounting. All the committee members are appointed from the independent non-executive directors of the Company. Under its terms of reference which are aligned with the code provisions set out in the Code, the Audit Committee is required to evaluate the overall effectiveness of the internal control and risk management frameworks, to review the accounting principles and practices adopted by the Group and other financial reporting matters and ensure the completeness, accuracy and fairness of the financial statements, to monitor compliance with statutory and listing requirements and to oversee the relationship with the external auditors.

The Audit Committee meets the external auditors at least four times a year to discuss any area of concern during the audits or review. The Audit Committee reviews the quarterly, interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's quarterly, interim and annual reports.

Senior representatives of the external auditors, Executive Directors and senior executives are invited to attend the meetings, if required. None of the Audit Committee members are members of the former or existing employees of the Company.

Terms of reference adopted by the Audit Committee are aligned with the code provisions set out in the Code and are posted on the Company's corporate website. The Audit Committee is required to review the accounting principles and practices adopted by the Group and other financial reporting matters and ensure the completeness, accuracy and fairness of the financial statements of the Company, to monitor compliance with statutory and listing requirements and to oversee the relationship with the external auditors.

The Audit Committee met five times during the Fifteen-Month Period with the executives and the external auditors. The attendance of each member is set out as follows:

Attendance of individual Directors at Audit Committee Meetings held during the Fifteen-Month Period

Number of meetings	5	
Independent Non-executive Directors	**Attendance**	**Percentage**
Mr. Koo Fook Sun, Louis ** *(Chairman)*	2/5	40%
Mr. Hung Tak Chow, Charles	5/5	100%
Mr. Lai Hin Wing, Henry	5/5	100%
Mr. Ying Wing Cheung	3/5	60%
Mr. Hung Fan Wai, Wilfred **	2/5	40%

** *Certified Public Accountants*

The percentage is just a reference since several directors were appointed and resigned during the Fifteen Month Period which shows a relatively low attendance rate.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledges its responsibility to prepare the Company's accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these accounts for the Fifteen-Month Period, the Directors have selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquires; consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

INTERNAL CONTROLS

The Board is responsible for the Group's internal control system and for reviewing its effectiveness. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than to eliminate risks of failure in operational systems and achievement of the Group's objectives.

After reviewing the effectiveness of the internal control system through Audit Committee, the Board considered that the system needs continuing improvement to enhance its effectiveness and efficiencies.

The Directors submit their report together with the audited financial statements of the Group for the Fifteen-Month Period.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in provision of internet education services targeting kindergartens and primary students, sales and installation of computer hardware and software, computer training services and development of on-line professional training programs for real estate practitioners.

An analysis of the Group's performance for the Fifteen-Month Period by business segments is set out in Note 6 to the financial statements.

CUSTOMERS AND SUPPLIERS

For the Fifteen-Month Period, the five largest customers accounted for approximately 20.2% (2004: 20.2%) of the Group's total turnover and the five largest suppliers of the Group accounted for approximately 45.7% (2004: 34.1%) of the Group's total purchases. The largest customer of the Group accounted for approximately 6.3% (2004: 7.4%) of the Group's total turnover while the largest supplier accounted for approximately 27.4% (2004: 11.2%) 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 Fifteen-Month Period are set out in the consolidated income statement on page 24.

The Directors do not recommend the payment of a dividend and recommend that the accumulated deficit of approximately HK$59,508,000 as at 31st December 2005 be carried forward.

SHARE CAPITAL

Details of the movements in share capital of the Company were set out in note 24.

RESERVES AND ACCUMULATED DEFICIT

Movements in reserves and accumulated deficit of the Group during the Fifteen-Month Period are set out in Note 26 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st December 2005, the Company had reserves available for distribution amounted to HK$42,299,000 (2004: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 62.

CHARITABLE CONTRIBUTION

During the Fifteen-Month Period, the Group made charitable contributions amounted to HK$55,101 (2004: HK$10,000).

PURCHASE, SALES OR REDEMPTION OF SHARES

On 25th January 2005, the Company entered into a subscription agreement with Valuewit Assets Limited ("Valuewit"), an indirect wholly-owned subsidiary of Midland, under which Valuewit subscribed for 4,300,000,000 new shares of HK$0.01 each in the Company at a price of HK$0.025 per share (the "Subscription"). The market price of the shares of the Company on 25th January 2005, being the date on which the terms of the Subscription were fixed, was HK$0.06.

The Directors believed that the Subscription was in the interests of the Company and its shareholders as a whole, represented a good opportunity to improve the Group's capital base and strengthen its financial position. The Directors also considered that the Subscription would provide the Group with the necessary funding to develop new businesses such as property management and property investment and in particular, the on-line professional training services for real-estate brokers and related examination which would in turn enhance the Group's revenue stream.

The net proceeds of the Subscription amounted to approximately HK$106.4 million. Since the pace of development of online professional training at its first phase was adjusted in light of the shrinking of the local property market in the fourth quarter of 2005, the amount of investment made in the development of and promotion for this training services was less than originally planned.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the Fifteen-Month Period.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association nor 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 14 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the Fifteen-Month Period are set out in Note 13 to the financial statements.

COMMITMENTS

Particulars of commitments as at 31st December 2005 are set out in Note 28 to the financial statements.

RETIREMENT PLANS

Details of the retirement plans are set out in Note 29 to the financial statements.

RELATED PARTY TRANSACTION

During the Fifteen-Month Period, the Group entered into a transaction with a party regarded as "Related Party" under Hong Kong Accounting Standard 24.

The Group engaged a company which is controlled by Mr. Pong Wai Yan, who is a close family member of a director of the Company, Mr. Pong Wai San, Wilson, to provide decoration service. The decoration expenses paid to that related company were made in the normal course of business and according to the prices and terms similar to those charged to and contracted with other major customers of the supplier agreed between the parties.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors who hold office during the Fifteen-Month Period and up to the date of this report are:

Executive Directors

Ms. Ip Kit Yee, Kitty (Managing Director) *(appointed on 15th March 2005)*
Mr. Pong Wai San, Wilson (Chief Executive Officer)
Mr. Chu Tak Long *(appointed on 19th January 2006)*
Mr. Cheung Shi Kwan, Wings
Mr. Chan Kin Chu, Harry *(appointed on 15th March 2005 and resigned on 19th January 2006)*
Madam Pong Lo Shuk Yin, Dorothy *(resigned on 15th March 2005)*
Mr. Lau Wai Shu *(resigned on 15th March 2005)*

Non-executive Director

Mr. Tsang Link Carl, Brian *(appointed on 15th March 2005)*

Independent Non-executive Directors

Mr. Hung Tak Chow, Charles
Mr. Lai Hin Wing, Henry
Mr. Koo Fook Sun, Louis *(appointed on 24th June 2005)*
Mr. Ying Wing Cheung *(appointed on 17th May 2005)*
Mr. Hung Fan Wai, Wilfred *(resigned on 15th November 2005)*

According to Article 86 of the Company's Articles of Associations, Mr. Chu Tak Long, Mr. Tsang Link Carl, Brian, Mr. Koo Fook Sun, Louis and Mr. Ying Wing Cheung shall retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

According to Article 86 of the Company's Articles of Associations, Ms. Ip Kit Yee, Kitty shall also retire at the forthcoming annual general meeting and shall not offer herself for re-election.

According to Article 87 of the Company's Articles of Associations, Mr. Pong Wai San, Wilson ("Mr. Pong"), Mr. Cheung Shi Kwan, Wings and Mr. Lai Hin Wing, Henry shall retire by rotation at the forthcoming annual general meeting and only Mr. Pong who, being eligible, offer himself for re-election. Mr. Cheung Shi Kwan, Wings has tendered resignation as Executive Director of the Company with effect from 4th March 2006. Messrs. Lai Hin Wing, Henry and Hung Tak Chow, Charles have respectively tendered resignations as Independent Non-executive Directors of the Company with effect from 4th and 13th March 2006.

BIOGRAPHICAL DETAILS OF DIRECTORS AND EXECUTIVES

Brief biographical details of Directors and executives are set out as follows:

Executive Directors

Ms. IP Kit Yee, Kitty, aged 45, has been appointed as Executive Director and Managing Director of the Company since March 2005. Ms. Ip is responsible for leadership and management of the Board, the overall corporate direction and policy making of the Group. Ms. Ip is currently also the managing director (corporate affairs) of Midland Holdings Limited ("Midland"), the Company's ultimate holding company. Ms. Ip has many years of experience in property administration and real estate broking and marketing in Hong Kong and the PRC. Ms. Ip also serves as member and chairman of the remuneration committee and nomination committee of the Company.

Mr. PONG Wai San, Wilson, aged 36, is the founder and Chief Executive Officer of the Company. He is responsible for the overall management, business development, and implementation of strategy and policy of the Group. He is also the Honorary Consul of Central African Republic, Chairman of Yan Oi Tong and has held various positions in a number of charity organizations in Hong Kong. Prior to founding the Group, he had held various senior management positions with various local and international securities houses and a multinational company before founding the Group. Mr. Pong is also a director of Summerview Enterprises Limited which has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

Mr. CHU Tak Long, aged 56, has been appointed as Executive Director of the Company since January 2006. He is responsible for corporate development and strategic management of the Company. Mr. Chu joined Midland in 2003 and is currently the deputy chairman of Midland Wealth Management Limited and has extensive experience in the business development, strategic management and securities industry. Mr. Chu is currently also the president of Estate Agents Management Association, the chairman of Federation of Industries and Commerce in Kwai Chung and Tsing Yi, the director of Hong Kong Industry and Commerce Association, the mentor of Mentorship Programme for SMEs, Trade & Industry Department as well as the vice chairman of Chinese Executive Club, Hong Kong Management Association. Mr. Chu holds a bachelor of Science degree of the Northeastern University, Boston, USA and a Master of Business Administration degree of the University of Wisconsin, USA.

Mr. CHEUNG Shi Kwan, Wings, aged 44, is the Executive Director of the Company. He is responsible for the Group's operations and web content development. Mr. Cheung holds a master degree in applied finance from the University of Western Sydney, Nepean. He is a senior associate member of the Financial Services Institute of Australasia and has over 16 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. Mr. Cheung also serves as member of remuneration committee and nomination committee of the Company.

Non-executive Director

Mr. TSANG Link Carl, Brian, aged 42, has been appointed as Non-executive Director of the Company since March 2005. He is a practising solicitor in Hong Kong and is a partner of the Hong Kong law firm of Iu, Lai & Li, legal adviser to Midland. He graduated from King's College, London with a LLB. Degree in 1985. He is also admitted to practise law in England and Wales, Singapore, New South Wales, Queensland and the Australian Capital Territories. He is currently a non-executive director of CITIC Resources Holdings Limited (Stock Code: 1205) and Pacific Century Premium Developments Limited (Stock Code: 432), both are public companies listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Main Board"). In 2005, he has been appointed as an adjudicator of the Registration of Persons Tribunal as well as a member of Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants (HKICPA).

BIOGRAPHICAL DETAILS OF DIRECTORS AND EXECUTIVES *(Continued)*

Independent Non-executive Directors

Mr. KOO Fook Sun, Louis, aged 49, has been appointed as the Independent Non-executive Director of the Company since June 2005. Mr. Koo is also the managing director of Hercules Capital Limited, a corporate finance advisory firm. Mr. Koo has many years of experience in investment banking and professional accounting. He was the managing director and head of the corporate finance department of a major international bank, a director and chief executive officer of a Main Board listed company. He currently also serves as an independent non-executive director of another four companies listed on the Main Board, one of which is Midland. Mr. Koo graduated with a bachelor's degree in business administration from the University of California at Berkeley and is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Koo is also the chairman of the audit committee and member of the remuneration committee and nomination committee of the Company.

Mr. HUNG Tak Chow, Charles, aged 40, has been appointed an Independent Non-executive Director of the Company since March 2001. Mr. Hung has a wealth of expertise and experience across a number of information technology ("IT") disciplines gained from over 17 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 Chief Information and Operations Officer, Senior Vice President of PCA Life Insurance Co., Ltd, Japan (Part of Prudential plc.). Mr. Hung also serves as member of the audit committee, remuneration committee and nomination committee of the Company.

Mr. LAI Hin Wing, Henry, age 48, has been appointed an Independent Non-executive Director of the Company since May 2003. Mr. Lai is a Notary Public and also a China Appointed Attesting Officer in Hong Kong. He holds a bachelor of laws degree from the University of Hong Kong and was admitted a solicitor in Hong Kong, England and Wales and the State of Victoria, Australia. Mr. Lai is currently a partner of Messrs. P.C. Woo & Co, a firm of solicitors and notaries in Hong Kong and has been practising in the legal firm for over 21 years. He also serves as a member of the audit committee of the Company.

Mr. YING Wing Cheung, aged 55, has been appointed as an Independent Non-executive Director of the Company since May 2005. Mr. Ying has over 31 years' experience in electronic products manufacturing business and is well versed in marketing strategic and corporate strategic planning. Mr. Ying is currently a managing director of Way Mild Company Limited and a director of Yangzhou Jiang Jia Electronics Co. Ltd. He has been appointed as a member of Guangdong Committee of Chinese People's Political Consultative Conference for the Eighth Term and the Ninth Term since 1998 to 2008. Mr. Ying was also a member of Jiangmen Committee of Chinese People's Political Consultative Conference for the Eighth Term and the Ninth Term since 1993 to 2003. Mr. Ying serves in many social organisations; he is currently a president of Sze Yap Clansmen Association (New Territories, Hong Kong) Limited and a member of Jiangsu Province Chinese Overseas Friendship Association. Mr. Ying has also been appointed as members of audit committee, remuneration committee and nomination committee of the Company since May 2005.

EXECUTIVES

Chief Operating Officer

Mr. LAU Wai Shu, aged 45, is the Chief Operating Officer and is responsible for the business operations and general administration of the Company together with its subsidiaries (the "Group"). Mr. Lau holds a bachelor's 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 was appointed as an executive director in November 2001 and resigned on 15 March 2005.

Company Secretary

Mr. LO Tsz Yung, aged 41, has been appointed as the Company Secretary of the Company since January 2006. He is currently responsible for overseeing the finance and accounting functions of the Company. Mr. Lo holds a bachelor's degree in Accountancy and a master's degree in Business Administration. He has over 18 years of experience in accounting and auditing. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Qualified Accountant

Mr. CHEUNG Hon Fai, Maurice, aged 32, is the Financial Controller of the Company. He is responsible for the Group's financial management. Mr. Cheung has over 9 years of experience in auditing, accounting and financial management and he is an associate member of the Hong Kong Institute of Certificate Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Directors' Service Contracts

None of the Directors being proposed for re-election at the forthcoming AGM 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.

Mr. Koo Fook Sun, Louis and Mr. Ying Wing Cheung are Independent Non-executive Directors of the Company and were appointed for a one-year term expiring on 23rd June 2006 and 16th May 2006 respectively.

Independence of Independent Non-executive Directors

The Company confirmed that annual confirmation of independence were received from each of the Company's independent non-executive directors pursuant to Rule 5.09 of the GEM Listing Rules.

DIRECTORS' INTEREST AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December 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 recorded in 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 stated as follows:

(a) The Company

	Number of shares of the company			
Name of director	**Personal interests**	**Corporate interests**	**Total**	**Percentage of shareholding**
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%

DIRECTORS' INTEREST AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

(a) The Company (Continued)

Note:

As at 31st December 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 31st December 2005, none of the Directors, nor 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 recorded in 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 Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

SHARE OPTIONS SCHEMES

1. Pre-IPO Share Options Scheme

The Company adopted a share option scheme "Pre-IPO Share Options Scheme" on 28th February 2001, the options to subscribe for an aggregate of 255,000,000 shares (as adjusted by the share subdivision as 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 Fifteen-Month Period.

2. Post – IPO Share Options Scheme

The Company had adopted a share option scheme "Post-IPO Share Option Scheme" on 31st October 2001, the options to subscribe 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 of HK$0.208 (as adjusted). All of these options were exercisable in the period from 1st November 2002, the expiry date of 12 months from the date of grant, to 31st October 2005 provided that the maximum number of shares the grantees were entitled to subscribe for by exercising the options should not exceed:

1. 30% of the total number of options during the first year of such three-year period;

2. 60% of the total number of options during the second of such three-year period;

3. the remaining unexercised options during the third year of such three-year period.

Details of the abovementioned outstanding options during the Fifteen-Month Period are as follows:

	Number of share options	
	Pre-IPO Share Option Scheme	**Post-IPO Share Option Scheme**
	'000	*'000*
Outstanding at 1st October 2004	220,000	14,000
Lapsed	(220,000)	(14,000)
Outstanding at 31st December 2005	–	–

On 6th June 2005, the Company terminated the Post-IPO Share Option Scheme.

SHARE OPTIONS SCHEMES *(Continued)*

2005 Share Option Scheme

At the Company's extraordinary general meeting held on 6th June 2005, a new share option scheme (the "2005 Share Option Scheme") of the Company was adopted and approved by its shareholders. No share options were granted under the 2005 Share Option Scheme during the Fifteen-Month Period nor share options were outstanding as at 31st December 2005.

On 16th January 2006, share options were granted under the 2005 Share Option Scheme to Mr. Tsang Link Carl, Brian, non-executive director of the Company, for the subscription of 83,000,000 shares of the Company at the exercise price of HK$0.06 each.

The major terms of the 2005 Share Option Scheme are summarized as follows:

(a) **Purposes of the 2005 Share Option Scheme**

The principal purposes of the 2005 Share Option Scheme are to enable the Group and its Invested Entities to recruit and retain high calibre Eligible Persons and attract human resources that are valuable to the Group or Invested Entities, to recognise the contributions of the Eligible Persons to the growth of the Group or Invested Entities by rewarding them with opportunities to obtain ownership interest in the Company and to motivate and give incentives to these Eligible Persons to continue to contribute to the long term success and prosperity of the Group or Invested Entities.

(b) **Participants of the 2005 Share Option Scheme**

The Board may invite any Eligible Person as the Board may in its absolute discretion select, having regard to each person's qualifications, skills, background, experience, service records and/or contribution or potential value to the relevant member(s) of the Group or Invested Entity.

(c) **Total number of shares available for issue**

Total number of shares available for issue is 830,000,000 representing approximately 10% of the issued share capital of the Company as at the date of this report.

(d) **Maximum entitlement of each Eligible Person**

The maximum number of shares issued and to be issued upon exercise of options granted under the 2005 Share Option Scheme and any other share option schemes of the Company to each eligible person, in any 12-month period must not exceed 1% of the shares in issue.

Any further grant of share options in excess of the abovementioned limit shall be separately approved by the shareholders of the Company and, for so long as the Company remains a subsidiary of Midland, the shareholders of Midland in their respective general meeting with such grantee and his associates abstaining from voting and / other requirements prescribed under the Listing Rules from time to time.

(e) **Maximum entitlement of each Eligible Person who is a connected person**

The maximum number of shares issued and to be issued upon exercise of options granted under the 2005 Share Option Scheme and any other share option schemes of the Company to each eligible person who is a director, chief executive, management shareholder (if applicable) or substantial shareholder of the Company, in any 12-month period shall not exceed 0.1% of the shares in issue and an aggregate value which based on the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of each grant shall not exceed HK$5,000,000.00.

Any further grant of share options in excess of the abovementioned limit shall be subject to the issue of a circular by the Company and shall be separately approved by the shareholders of the Company and, for so long as the Company remains a subsidiary of Midland, the shareholders of Midland in their respective general meeting with such grantee and his associates abstaining from voting and / other requirements prescribed under the Listing Rules from time to time.

SHARE OPTIONS SCHEMES *(Continued)*

(f) **Time of exercise of Option**

The 2005 Share Option Scheme will remain in force for a period of 10 years commencing from the Adoption Date, after which no further Options shall be granted. The Options which are granted during the life of the 2005 Share Option Scheme may, however continue to be exercisable in accordance with their terms of issue and, for such purposes only, the provisions of the 2005 Share Option Scheme shall remain in full force and effect.

(g) **Basis of determining the subscription price**

The subscription price for the Shares under the 2005 Share Option Scheme shall be a price determined by the Board at its absolute discretion and notified to an Eligible Person but shall not be less than the highest of:

(i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date;

(ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the Offer Date; and

(iii) the nominal value of a share.

(h) **Remaining life of the 2005 Share Option Scheme**

The 2005 Share Option Scheme became effective on 6 June 2005 will remain in force for a period of 10 years from the date of adoption.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at 31st December 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	4,300,000,000	*(Note 1)*	Controlled Company	51.81%
Summerview Enterprises Limited ("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 31st December 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 31st December 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.

DIRECTORS' INTEREST 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 Fifteen-Month Period or at any time during the Fifteen-Month Period.

MANAGEMENT CONTRACTS

No contract 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 Fifteen-Month Period.

AUDITORS

PricewaterhouseCoopers were auditors of the Company for the year ended 30th September 2003. Grant Thornton, who were appointed as auditors of the Company by the shareholders at extraordinary general meeting held on 8th November 2004, to fill the casual vacancy arising from the resignation of PricewaterhouseCoopers.

The financial statements have been audited by Grant Thornton, who will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

IP Kit Yee, Kitty
Executive Director and Managing Director

Hong Kong, 3rd March 2006

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

TO THE MEMBERS OF EVI EDUCATION ASIA LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 24 to 61 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 financial statements which give a true and fair view. In preparing financial statements 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 financial statements 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 Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, 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 financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2005 and of the Group's loss and cash flows for the period from 1st October 2004 to 31st December 2005 and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
Hong Kong

3rd March 2006

For the period from 1st October 2004 to 31st December 2005

	Notes	**1st October 2004 to 31st December 2005 HK$'000**	1st October 2003 to 30th September 2004 HK$'000
Revenue	5	**31,258**	20,206
Other income	7	**3,062**	235
Costs of merchandise	7	**(12,902)**	(5,450)
Costs of internet connectivity fee	7	**(176)**	(291)
Staff costs	11	**(12,897)**	(10,039)
Depreciation	7	**(1,021)**	(1,306)
Amortisation of intangible assets	7	**(58)**	(1,645)
Impairment loss on goodwill	16	**(1,831)**	–
General and administrative expenses		**(7,326)**	(6,215)
Loss before income tax	7	**(1,891)**	(4,505)
Income tax credit/(expense)	8	**2**	(16)
Loss for the period/year	9	**(1,889)**	(4,521)
Attributable to:			
Equity holders of the Company		**(1,007)**	(4,205)
Minority interest		**(882)**	(316)
Loss for the period/year		**(1,889)**	(4,521)
Loss per share for loss attributable to the equity holders of the Company during the period/year			
– Basic	10	**HK (0.015) cent**	HK (0.105) cent
– Diluted	10	**N/A**	N/A

As at 31st December 2005

	Notes	As at 31st December 2005 HK$'000	As at 30th September 2004 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**2,005**	741
Financial asset at fair value through profit or loss	15	**5,040**	–
Intangible assets	16	**8**	2,533
		7,053	3,274
Current assets			
Inventories	17	**204**	–
Trade receivables	18	**4,782**	3,566
Due from customers on installation contracts	19	**624**	135
Prepayments, deposits and other current assets		**1,988**	863
Tax refundable		**12**	–
Cash and bank deposits	20	**115,508**	19,123
		123,118	23,687
Total assets		**130,171**	26,961
EQUITY AND LIABILITIES			
Equity attributable to the Company's equity holders			
Share capital	24	**83,000**	40,000
Reserves	26	**41,361**	(21,139)
		124,361	18,861
Minority interest	27	**709**	2,225
Total Equity		**125,070**	21,086
Current liabilities			
Trade payables	21	**964**	969
Accruals and other payables		**1,296**	1,739
Deposits from customers	22	**2,461**	2,473
Due to minority shareholders of subsidiaries	23	**380**	660
Provision for tax		**–**	34
Total current liabilities		**5,101**	5,875
Total equity and liabilities		**130,171**	26,961
Net current assets		**118,017**	17,812
Total assets less current liabilities		**125,070**	21,086

Pong Wai San, Wilson
Director

Ip Kit Yee, Kitty
Director

As at 31st December 2005

	Notes	**As at 31st December 2005 HK$'000**	As at 30th September 2004 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	*14*	**125,295**	18,851
Current assets			
Cash and bank deposits		**4**	5
Total assets		**125,299**	18,856
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	*24*	**83,000**	40,000
Reserves	*26*	**42,299**	(21,144)
Total equity		**125,299**	18,856
Net current assets		**4**	5
Total assets less current liabilities		**125,299**	18,856

Pong Wai San, Wilson
Director

Ip Kit Yee, Kitty
Director

For the period from 1st October 2004 to 31st December 2005

	1st October 2004 to 31st December 2005 HK$'000	1st October 2003 to 30th September 2004 HK$'000
Cash flows from operating activities		
Loss before income tax	**(1,891)**	(4,505)
Adjustments for:		
Depreciation	**1,021**	1,306
Amortisation of intangible assets	**58**	1,645
Impairment loss on goodwill	**1,831**	–
Interest income	**(2,977)**	(235)
Gain on disposal of listed investments	**(85)**	–
Loss on disposal of property, plant and equipment	**21**	–
Operating loss before working capital changes	**(2,022)**	(1,789)
Increase in trade receivables	**(1,216)**	(21)
Increase in inventories	**(204)**	–
(Increase)/Decrease in due from customers on installation contracts	**(489)**	665
Increase in prepayments, deposits and other current assets	**(1,060)**	(180)
Decrease in trade payables	**(5)**	(878)
Decrease in accruals and other payables	**(443)**	(147)
Decrease in deposits from customers	**(12)**	(445)
Cash used in operations	**(5,451)**	(2,795)
Interest received	**2,977**	235
Income tax paid	**(44)**	(49)
Net cash used in operating activities	**(2,518)**	(2,609)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(2,309)**	(385)
Purchase of listed investments	**(761)**	–
Acquisition of financial asset at fair value through profit or loss	**(5,040)**	–
Proceeds from disposal of property, plant and equipment	**3**	–
Proceeds from disposal of listed investments	**846**	–
Net cash used in investing activities	**(7,261)**	(385)
Cash flows from financing activities		
Proceeds from issue of shares	**107,500**	–
Share issue expenses	**(1,056)**	–
(Decrease)/Increase in due to minority shareholders of subsidiaries	**(280)**	200
Net cash generated from financing activities	**106,164**	200
Net increase/(decrease) in cash and cash equivalents	**96,385**	(2,794)
Cash and cash equivalents at beginning of period/year	**19,123**	21,917
Cash and cash equivalents at end of period/year	**115,508**	19,123
Analysis of cash and cash equivalents:		
Cash and bank deposits	**115,508**	19,123

For the period from 1st October 2004 to 31st December 2005

	1st October 2004 to 31st December 2005 *HK$'000*	(Restated) 1st October 2003 to 30th September 2004 *HK$'000*
Balance at beginning of the period/year, as previously reported as equity	**18,861**	22,994
At beginning of the period/year, as previously separately reported as minority interest	**2,225**	91
Balance at beginning of the period/year	**21,086**	23,085
Exchange translation difference (net income recognised directly in equity)	**65**	72
Loss for the period/year	**(1,889)**	(4,521)
Total recognised income and expense for the period/year	**(1,824)**	(4,449)
Issue of new shares	**107,500**	–
Share issue expenses	**(1,056)**	–
Goodwill relating to establishment of a subsidiary attributable to minority interest	**–**	2,450
Adjustment to goodwill attributable to minority interest	**(636)**	–
Balance at the end of the period/year	**125,070**	21,086
Total recognised income and expense for the period/year attributable to:		
Equity holders of the Company	**(944)**	(4,133)
Minority interest	**(880)**	(316)
Total recognised income and expense for the period/year	**(1,824)**	(4,449)

For the period from 1st October 2004 to 31st December 2005

1. GENERAL INFORMATION

EVI Education Asia Limited (the "Company") was incorporated and domiciled in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company's registered office is located at Century Yard, Cricket Square, Hutchins Drive, P. O. Box 2681 GT, George Town, Grand Cayman, Cayman Islands, British West Indies and, its principal place of business is located at 9th Floor, Tai Sang Commercial Building, 24-34 Hennessy Road, Hong Kong. The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (the "Group") are principally engaged in selling and installation of computer hardware and software, website development and commercial projects, provision of computer training services and provision of internet education services.

On 15th March 2005, Midland Holdings Limited ("Midland"), a company incorporated in Bermuda and listed on the Main Board of the Stock Exchange, became the ultimate holding company of the Company.

The Company announced on 19th May 2005 that the financial year end date of the Company had been changed from 30th September to 31st December each year so as to align itself with the financial year end of Midland. The financial statements for the current period cover the fifteen months ended 31st December 2005. The corresponding amounts shown for the income statement, statement of changes in equity, cash flow statement and related notes cover the twelve-month period from 1st October 2003 to 30th September 2004 and therefore may not be comparable with amounts shown for the current period.

The consolidated financial statements of the Group on pages 24 to 61 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as published by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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").

The financial statements for the period from 1st October 2004 to 31st December 2005 were approved by the board of directors on 3rd March 2006.

For the period from 1st October 2004 to 31st December 2005

2. EARLY ADOPTION OF NEW/REVISED HKFRS

The HKICPA has issued a number of new/revised standards and interpretations of HKFRS which are effective for accounting periods beginning on or after 1st January 2005. The Company has decided to early adopt the new/revised standards and interpretations of HKFRS, which are relevant to its operations, with effect from 1st October 2004. These include the following new, revised and renamed standards :

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments : Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments : Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment.

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect to presentation, recognition and measurement of accounts are described in the following notes:

2.1 Early adoption of HKAS 1

The application of HKAS 1 led to an update of the presentation of financial statements. Minority interest is now included as a separate line item within equity. Profit and loss attributable to minority interest and that attributable to owners of the parent company is now presented as an allocation of the net result of the period/year.

2.2 Early adoption of HKAS 36, HKAS 38 and HKFRS 3

These standards stipulate a prospective change to the accounting policies.

In accordance with the provision of HKFRS 3, the amortisation of goodwill has ceased and the accumulated amortisation at 30th September 2004 was eliminated against the original gross amount of goodwill. Goodwill is now subject only to annual testing for impairment as well as when there is indication of impairment. The Group has allocated the carrying amount of its goodwill to its cash generating units.

No adjustments to prior period financial statements were deemed to be necessary as a result of the reassessment of the useful lives of its intangible assets in accordance with the provision of HKAS 38.

2. EARLY ADOPTION OF NEW/REVISED HKFRS *(Continued)*

2.3 *Early adoption of HKFRS 2*

Prior to the adoption of HKFRS 2 on 1st October 2004, equity-settled share-based payment transactions were treated as changes in the entity's equity only upon execution. HKFRS 2 requires all goods and services received in the course of share-based payment transactions to be measured at fair value and recognised in the financial statements with a corresponding credit to equity, unless the transaction is settled in cash. When applied to employee share-based compensation, this leads to the recognition of share options which have been granted and are expected to vest as an expense in profit or loss.

According to the transitional provisions of HKFRS 2, all equity-settled share-based payments granted after 7th November 2002 that had not vested at the first application of this standard are required to be recognised retrospectively in the Group's financial statements.

As the Group's share options were granted before 7th November 2002, in accordance with the transitional provisions, the Group is not required to apply the accounting provisions of HKFRS 2 retrospectively.

2.4 *Other standards early adopted*

The early adoption of HKAS 2, 7, 8, 10, 14, 16, 17, 21, 24, 27, 32, 33, 37 and 39 did not result in significant alterations to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The early adoption of these other standards did not result in any changes to the amounts or disclosures in these financial statements.

2.5 *New standards or interpretations that have been issued but are not yet effective*

The Group has not early adopted the following standards that have been issued but are not yet effective. The adoption of such standards will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 7	Financial Instruments – Disclosures

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

The financial statements have been prepared on the historical cost basis except for financial assets held for trading or are designated by the Group to be carried at fair value through profit or loss upon initial recognition. These financial assets have been measured at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year. All material intercompany transactions and balances within the Group are eliminated on consolidation.

For the period from 1st October 2004 to 31st December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Company has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

In addition, acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3.4 Foreign currency translation

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the parent company.

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

In the consolidated financial statements, all separate financial statements of subsidiaries, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into the Group's presentation currency at the average rates over the reporting period. Any differences arising from this procedure have been dealt with in the currency translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Hong Kong dollars at the closing rates.

For the period from 1st October 2004 to 31st December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Income and expenses recognition

Revenue comprises the fair value for the sale of goods and services, net of rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

Sales and installation of computer hardware and software from contracts with customers, whereby the sale and installation of computer hardware and software are bundled together in one contract, are 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.

Service fees are recognised when the related services are rendered.

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

Operating expenses are recognised in the income statement upon utilisation of the services or at the date of their origin.

3.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

3.7 Other intangible assets and research and development activities

Other intangible assets include internally developed websites used in production or administration and licensing rights. They are accounted for as follows:

(i) *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. Capitalised website development costs are stated at cost less accumulated amortisation and impairment losses.

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

(ii) *Licensing rights*

Costs of licensing rights acquired are capitalised and amortised using the straight-line method over their estimated useful lives of two years. Capitalised costs of licensing rights are stated at cost less accumulated amortisation and impairment losses.

For the period from 1st October 2004 to 31st December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

The gain or loss arising on the disposal of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives at the following rates per annum:

Leasehold improvements	50% or over the unexpired lease terms
Furniture and office equipment	25% to 33%
Computer equipment	20% to 33%

3.9 Impairment testing of goodwill, other intangible assets and property, plant and equipment

The Group's goodwill, other intangible assets and property, plant and equipment are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life of those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

3.10 Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the present value of the lease payments plus incidental payment, if any, to be borne by the lessee. A corresponding amount is recognised as a finance lease liability, irrespective or whether some of these lease payments are payable up-front at the date of inception of the lease.

For the period from 1st October 2004 to 31st December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Leases *(Continued)*

Depreciation methods and useful lives corresponding to those applied to comparable acquired assets are applied to subsequent accounting for assets held under finance lease agreement. The corresponding finance lease liability is reduced by lease payments less finance charges, which are expensed to finance costs.

All other leases are treated as operating lease agreements. Operating lease payments are recognised as an expense on a straight-line basis. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

3.11 Financial assets

The Group's financial assets include trade and other receivables and financial assets at fair value through profit or loss. They are included in balance sheet line items 'Trade receivables', 'Due from customers on installation contracts', 'Prepayments, deposits and other current assets', 'Tax refundable' and 'Cash and bank deposits' and 'Financial asset at fair value through profit or loss'.

The Group classifies its investments other than hedging instruments, into the following categories: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognised on their settlement date. All financial assets that are not classified as fair value through profit or loss are initially recognised at fair value, plus transaction costs.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

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 income statement. Financial assets originally designated as financial assets at fair value through profit or loss may not subsequently be re-classified.

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in income statement. Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

For the period from 1st October 2004 to 31st December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Inventories

Inventories represent purchased goods. At the balance sheet date, inventories are carried at the lower of cost and net realisable value. Cost represents the purchase cost of the goods computed using weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3.13 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.

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.

3.14 Accounting for income taxes

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, in accordance with the rules set out in HKAS 12, no deferred taxes are recognised in conjunction with goodwill. This applies also to temporary differences associated with shares in subsidiaries if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are dealt with directly in equity.

For the period from 1st October 2004 to 31st December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand as well as short term highly liquid investments.

3.16 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from the share premium.

3.17 Pension obligations and short term employee benefits

Pensions to employees are provided through several defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contributions.

The contributions recognised in respect to defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

Short-term employee benefits are recognised for the number of paid leave days remaining at the balance sheet date. They are included in current pension and other employee obligation at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

3.18 Financial liabilities

The Group's financial liabilities include trade and other payables. They are included in balance sheet line items 'Trade payables', 'Accruals and other payables', 'Deposits from customers' and 'Due to minority shareholders of subsidiaries'.

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3.19 Other provisions, contingent liabilities and contingent assets

Other provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Group which can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognised as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long term provisions are discounted to their present values, where time value of money is material.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

For the period from 1st October 2004 to 31st December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.19 Other provisions, contingent liabilities and contingent assets *(Continued)*

In those cases where the possible outflow of economic resources as a result of present obligations is considered impossible or remote, or the amount to be provided for cannot be measured reliably, no contingent liability is recognised in the consolidated balance sheet, unless assumed in the course of a business combination as described in note 3.3. These contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognised, less any amortisaton.

3.20 Related parties

A party is considered to be related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Company/Group; (ii) has an interest in the Company that gives it significant influence over the Company/Group; or (iii) has joint control over the Company/Group;

(b) the party is a member of the key management personnel of the Company or its parent;

(c) the party is a close member of the family of any individual referred to in (a) or (b);

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c); or

(e) the party is a post-employment benefit plan for the benefit of employees of the Company/Group, or of any entity that is a related party of the Company/Group.

3.21 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, property, plant and equipment, inventories and receivables, and mainly exclude financial asset at fair value through profit or loss and cash and bank deposits. Segment liabilities comprise operating liabilities and exclude items such as accrual for common expenses.

Capital expenditure comprises additions to intangible assets and property, plant and equipment, including additions resulting from acquisitions through purchases of subsidiaries.

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

For the period from 1st October 2004 to 31st December 2005

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations which require the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectibility and ageing analysis of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

Estimated fair value of financial assets

The estimation of fair value of financial assets required the Group to estimate the future market value expected to be received from the disposal of the financial assets and a suitable discount rate in order to calculate the present value.

Depreciation and amortisation

The Group depreciated and amortised the property, plant and equipment and the intangible assets other than goodwill on a straight-line basis over the estimated useful lives of three to five years, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's property, plant and equipment and the intangible assets.

5. REVENUE

The Group is principally engaged in (i) provision of internet education services, (ii) sales and installation of computer hardware and software, (iii) website development and commercial projects and (iv) provision of computer training services. Revenue recognised during the period is as follows:

	1st October 2004 to 31st December 2005 *HK$'000*	1st October 2003 to 30th September 2004 *HK$'000*
Revenue		
Internet education fee	**10,164**	8,820
Sales and installation of computer hardware and software	**13,954**	7,102
Website development and commercial projects	**3,556**	1,609
Computer training fee	**3,035**	2,553
Others	**549**	122
Turnover	**31,258**	20,206

For the period from 1st October 2004 to 31st December 2005

6. SEGMENT INFORMATION

(a) Primary reporting format – business segments

The Group operates under four main business segments, namely internet education, sales and installation of computer hardware and software, website development and commercial projects and provision of computer training services.

	1st October 2004 to 31st December 2005					
	Internet education	Sales and installation of computer hardware and software	Website development and commercial projects	Computer training	Others	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
– External sales	10,164	13,954	3,556	3,035	549	31,258
Segment results	(2,837)	(1,814)	(686)	1,450	(71)	(3,958)
Unallocated expenses						(910)
Operating loss						(4,868)
Interest income						2,977
Loss before income tax						(1,891)
Income tax credit						2
Loss for the period						(1,889)
Segment assets	2,427	4,679	269	624	1,307	9,306
Unallocated assets						120,865
Total assets						130,171
Segment liabilities	2,330	1,296	406	386	33	4,451
Unallocated liabilities						650
Total liabilities						5,101
Capital expenditure	1,326	64	–	538	381	2,309
Depreciation	846	62	97	16	–	1,021
Amortisation charge	58	–	–	–	–	58
Impairment loss on goodwill	1,542	144	–	145	–	1,831

For the period from 1st October 2004 to 31st December 2005

6. SEGMENT INFORMATION *(Continued)*

(a) Primary reporting format – business segments *(Continued)*

	1st October 2003 to 30th September 2004					
	Internet education HK$'000	Sales and installation of computer hardware and software HK$'000	Website development and commercial projects HK$'000	Computer training HK$'000	Others HK$'000	Group HK$'000
Revenue						
– External sales	8,820	7,102	1,609	2,553	122	20,206
Segment results	(3,155)	(1,385)	(262)	632	(20)	(4,190)
Unallocated expenses						(550)
Operating loss						(4,740)
Interest income						235
Loss before income tax						(4,505)
Income tax expense						(16)
Loss for the year						(4,521)
Segment assets	3,735	2,972	174	649	13	7,543
Unallocated assets						19,418
Total assets						26,961
Segment liabilities	3,167	1,177	271	405	21	5,041
Unallocated liabilities						834
Total liabilities						5,875
Capital expenditure	2,835	–	–	–	–	2,835
Depreciation	1,306	–	–	–	–	1,306
Amortisation charge	907	369	–	369	–	1,645

For the period from 1st October 2004 to 31st December 2005

6. SEGMENT INFORMATION *(Continued)*

(b) **Secondary reporting format - geographical segments**

The Group's operations are located in two main geographical areas.

A geographical analysis of the Group's revenue is not presented as the Group's revenue in geographical segments other than Hong Kong is less than 10% of the aggregate amount of all segments.

The following is an analysis of the carrying amounts of segment assets, additions to property, plant and equipment and intangible assets, analysed by the geographical areas in which the assets are located:

	Segment assets		**Capital expenditures**	
	As at 31st December 2005 HK$'000	As at 30th September 2004 HK$'000	**1st October 2004 to 31st December 2005 HK$'000**	1st October 2003 to 30th September 2004 HK$'000
Hong Kong	**127,319**	19,997	**2,150**	164
Mainland China	**2,852**	6,964	**159**	2,671
	130,171	26,961	**2,309**	2,835

7. LOSS BEFORE INCOME TAX

	1st October 2004 to 31st December 2005 HK$'000	1st October 2003 to 30th September 2004 HK$'000
Loss before income tax is arrived at after charging:		
Operating lease charges		
– premises	**1,895**	1,861
– computer servers	**246**	219
	2,141	2,080
Costs of merchandise	**12,902**	5,450
Costs of internet connectivity fee	**176**	291
Staff cost (including directors' emoluments)	**12,897**	10,039
Depreciation	**1,021**	1,306
Amortisation of:		
– Website development costs	**58**	636
– Goodwill	**–**	1,009
	58	1,645
Impairment loss on goodwill	**1,831**	–
Loss on disposal of property, plant and equipment	**21**	–
Provision for impairment on trade receivables	**66**	59
Auditors' remuneration	**200**	180
and crediting:		
Interest income	**2,977**	235
Gain on disposal of listed investments	**85**	–
	3,062	235

For the period from 1st October 2004 to 31st December 2005

8. INCOME TAX CREDIT/EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2004 : 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period/year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

	1st October 2004 to 31st December 2005	1st October 2003 to 30th September 2004
	HK$'000	*HK$'000*
Current tax – Hong Kong profits tax		
Tax for the period/year	**–**	16
Over-provision in prior years	**(2)**	–
Income tax (credit)/expense	**(2)**	16

Reconciliation between tax (credit)/expense and accounting loss at applicable tax rates:

	1st October 2004 to 31st December 2005	1st October 2003 to 30th September 2004
	HK$'000	*HK$'000*
Loss before income tax	**(1,891)**	(4,505)
Tax on loss, calculated at the rates applicable to profits in the tax jurisdiction concerned	**(619)**	(647)
Tax effect of non-deductible expenses	**1,118**	196
Tax effect of non-taxable revenue	**(550)**	(60)
Tax effect of temporary differences not recognised	**213**	527
Tax effect of prior year's tax losses utilised this year	**(162)**	–
Over-provision in prior years	**(2)**	–
Income tax (credit)/expense	**(2)**	16

For the period from 1st October 2004 to 31st December 2005

8. INCOME TAX CREDIT/EXPENSE *(Continued)*

The tax effect of temporary differences for deferred tax assets not recognised in the financial statements is in respect of the following:

	Group	
	As at 31st December 2005	As at 30th September 2004
	HK$'000	*HK$'000*
Accelerated depreciation allowance	**26**	(85)
Tax loss *	**(9,524)**	(9,362)
	(9,498)	(9,447)

* *Tax loss of the Group is subject to the agreement of the Hong Kong Inland Revenue Department and can be carried forward indefinitely. No deferred tax asset has been recognised due to the uncertainty of future profit streams against which the asset can be utilised.*

9. LOSS FOR THE PERIOD/YEAR

Of the consolidated loss for the period from 1st October 2004 to 31st December 2005 of HK$1,889,000 (year ended 30th September 2004: HK$4,521,000), a loss of HK$1,000 (year ended 30th September 2004: HK$4,224,000) has been dealt with in the financial statements of the Company.

10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company for the period from 1st October 2004 to 31st December 2005 of HK$1,007,000 (year ended 30th September 2004: HK$4,205,000) and on the weighted average of 6,747,483,589 (year ended 30th September 2004: 4,000,000,000) ordinary shares in issue during the period.

No diluted loss per share was presented for the period from 1st October 2004 to 31st December 2005 and the year ended 30th September 2004 because impact of the exercise of the share options was anti-dilutive.

11. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	1st October 2004 to 31st December 2005	1st October 2003 to 30th September 2004
	HK$'000	*HK$'000*
Wages and salaries	**12,295**	9,343
Pension costs – defined contribution plans	**602**	696
	12,897	10,039

For the period from 1st October 2004 to 31st December 2005

12. DIRECTORS' REMUNERATION AND EXECUTIVES' EMOLUMENTS

12.1 Directors' emoluments

	Fees	Salaries and allowances	Contribution to defined contribution plan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
1st October 2004 to 31st December 2005				
Executive directors				
Mr. Pong Wai San, Wilson[1]	–	–	–	–
Ms. Pong Lo Shuk Yin, Dorothy[1]	–	–	–	–
Mr. Cheung Shi Kwan, Wings	–	713	15	728
Mr. Lau Wai Shu	–	246	6	252
Ms. Ip Kit Yee, Kitty	–	–	–	–
Mr. Chan Kin Chu, Harry	–	–	–	–
	–	959	21	980
Non-executive director				
Mr. Tsang Link Carl, Brian	–	–	–	–
Independent non-executive directors				
Mr. Hung Tak Chow, Charles	50	–	–	50
Mr. Lai Hin Wing, Henry	50	–	–	50
Mr. Hung Fan Wai, Wilfred	100	–	–	100
Mr. Ying Wing Cheung	–	–	–	–
Mr. Koo Fook Sun, Louis	–	–	–	–
	200	–	–	200
	200	959	21	1,180

For the period from 1st October 2004 to 31st December 2005

12. DIRECTORS' REMUNERATION AND EXECUTIVES' EMOLUMENTS *(Continued)*

12.1 Directors' emoluments *(Continued)*

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Contribution to defined contribution plan *HK$'000*	Total *HK$'000*
1st October 2003 to 30th September 2004				
Executive directors				
Mr. Pong Wai San, Wilson[1]	–	–	–	–
Ms. Pong Lo Shuk Yin, Dorothy[1]	–	–	–	–
Mr. Cheung Shi Kwan, Wings	–	556	12	568
Mr. Lau Wai Shu	–	534	12	546
	–	1,090	24	1,114
Independent non-executive directors				
Mr. Hung Tak Chow, Charles	50	–	–	50
Mr. Lai Hin Wing, Henry	–	–	–	–
Mr. Hung Fan Wai, Wilfred	–	–	–	–
	50	–	–	50
	50	1,090	24	1,164

Note:

1. Directors' emoluments received by Mr. Pong Wai San, Wilson and Ms. Pong Lo Shuk Yin, Dorothy amounted to HK$15 and HK$6 respectively (year ended 30th September 2004: HK$12 and HK$12 respectively).

There was no arrangement under which a director waived or agreed to waive any remuneration during the period from 1st October 2004 to 31st December 2005 and the year ended 30th September 2004. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director for the period from 1st October 2004 to 31st December 2005 and the year ended 30th September 2004.

For the period from 1st October 2004 to 31st December 2005

12. DIRECTORS' REMUNERATION AND EXECUTIVES' EMOLUMENTS *(Continued)*

12.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the period from 1st October 2004 to 31st December 2005 included one director (year ended 30th September 2004: two directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (year ended 30th September 2004: three) individuals are as follows:

	1st October 2004 to 31st December 2005	1st October 2003 to 30th September 2004
	HK$'000	*HK$'000*
Basic salaries, other allowances and benefits in kind	**1,992**	1,254
Contributions to pensions schemes	**54**	36
	2,046	1,290

During the period from 1st October 2004 to 31st December 2005 and the year ended 30th September 2004, no emoluments were paid to the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office. The emoluments of all the five highest paid individuals fall within the range of Nil to HK$1,000,000.

For the period from 1st October 2004 to 31st December 2005

13. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Leasehold improvements *HK$'000*	Furniture and office equipment *HK$'000*	Computer equipment *HK$'000*	Total *HK$'000*
At 1st October 2003				
Cost	1,788	715	8,161	10,664
Accumulated depreciation	(1,758)	(639)	(6,605)	(9,002)
Net book amount	30	76	1,556	1,662
Net book amount at 1st October 2003	30	76	1,556	1,662
Additions	77	31	277	385
Depreciation	(29)	(64)	(1,213)	(1,306)
Net book amount at 30th September 2004	78	43	620	741
At 30th September 2004				
Cost	1,865	739	6,254	8,858
Accumulated depreciation	(1,787)	(696)	(5,634)	(8,117)
Net book amount	78	43	620	741
Net book amount at 1st October 2004	78	43	620	741
Additions	1,409	122	778	2,309
Disposals	–	(3)	(21)	(24)
Depreciation	(410)	(48)	(563)	(1,021)
Net book amount at 31st December 2005	**1,077**	**114**	**814**	**2,005**
At 31st December 2005				
Cost	**1,486**	**474**	**5,841**	**7,801**
Accumulated depreciation	**(409)**	**(360)**	**(5,027)**	**(5,796)**
Net book amount	**1,077**	**114**	**814**	**2,005**

For the period from 1st October 2004 to 31st December 2005

14. INTERESTS IN SUBSIDIARIES – COMPANY

	As at 31st December 2005 *HK$'000*	As at 30th September 2004 *HK$'000*
Investments at cost – unlisted shares	**2,608**	2,608
Due from subsidiaries	**169,505**	63,061
	172,113	65,669
Less: Provision for impairment	**(46,818)**	(46,818)
	125,295	18,851

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

Particulars of the subsidiaries at 31st December 2005 are as follows:

Name	**Place of incorporation and kind of legal entity**	**Particulars of issued share capital**	**Percentage of interest held by the Company**	**Principal activities and place of operation**
Network Focus Consultancy Corporation	British Virgin Islands, limited liability company	2,000 ordinary shares of US$1 each	100%*	Investment holding in Hong Kong
EVI Services Limited	Hong Kong, limited liability company	21,053 ordinary shares of HK$1 each	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	1 ordinary share of US$1 each	100%	Inactive
Sino Sky Enterprises Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	Provision of internal office administrative services in Hong Kong

For the period from 1st October 2004 to 31st December 2005

14. INTERESTS IN SUBSIDIARIES – COMPANY *(Continued)*

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Percentage of interest held by the Company	Principal activities and place of operation
Web Work Industries Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	100%	Development of information technology system and infrastructure in Hong Kong
EVI MP Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	100%	Provision of internet education services, design and media production in Hong Kong
Value Media International Limited	British Virgin Islands, limited liability company	100 ordinary shares of US$1 each	100%	Investment holding in Hong Kong
System New International Limited	British Virgin Islands, limited liability company	100 ordinary shares of US$1 each	75%	Inactive
Silicon Workshop Limited	Hong Kong, limited liability company	100 ordinary shares of HK$1 each	80%	Sales and installation of computer hardware and software and provision of computer training services in Hong Kong
I-CUBE Education Limited	Hong Kong, limited liability company	20 ordinary shares of HK$1 each	60%	Provision of internet education services and design and media production, provision of internet education games in Hong Kong
廣州搖籃軟件開發有限公司	PRC, foreign wholly-owned limited liability company	registered capital of HK$150,000	100%	Development and sales of computer software and hardware and provision of advisory services in the PRC
EVI-MDV Technical Development Limited	PRC, co-operative joint venture with limited liability	registered capital of HK$5,000,000	70%	Development and sales of computer software and provision of technical support and after-sales services in the PRC

For the period from 1st October 2004 to 31st December 2005

14. INTERESTS IN SUBSIDIARIES – COMPANY *(Continued)*

Name	Place of incorporation and kind of legal entity	Particulars of issued share capital	Percentage of interest held by the Company	Principal activities and place of operation
Sinodelta Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Provision of SMS messaging services, trading of music boards and attendance systems in Hong Kong
Star and Rose (Hong Kong) Limited (formerly known as Will Sky Group Limited)	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	100%	Investment holding in Hong Kong
Truegoal Group Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	100%	Provision of internal office administrative services in Hong Kong
Eternal Beauty Group Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	100%	Provision of internal office administrative services in Hong Kong
Eternal Nice International Limited (formerly known as Star and Rose (Hong Kong) Limited)	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Trading of body care products in Hong Kong
Big Atop Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Trading of body care products in Hong Kong
Gainwell Group Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	100%*	Investment holding in Hong Kong
EVI eTraining Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Provision of online training courses in Hong Kong
Genius Team Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Investment holding in Hong Kong
Leader Concord Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	100%	Investment holding in Hong Kong
Prosperity Property Agency Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	Property agency in Hong Kong

* *Shares held directly by the Company.*

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15. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP

	As at 31st December 2005 ***HK$'000***	As at 30th September 2004 *HK$'000*
5 years non-call 3 months US dollars Callable Range Accrual Note	**5,040**	–

The above financial asset is classified as financial asset at fair value through profit or loss on initial recognition.

16. INTANGIBLE ASSETS – GROUP

	Goodwill *HK$'000*	**Website development costs** *HK$'000*	**Licensing rights** *HK$'000*	**Total** *HK$'000*
At 1st October 2003				
Gross carrying amount	2,511	6,534	6,318	15,363
Accumulated amortisation and impairment	(1,485)	(5,832)	(6,318)	(13,635)
Net carrying amount	1,026	702	–	1,728
Net carrying amount at 1st October 2003	1,026	702	–	1,728
Additions	2,450	–	–	2,450
Amortisation charge	(1,009)	(636)	–	(1,645)
Net carrying amount at 30th September 2004	2,467	66	–	2,533
At 30th September 2004				
Gross carrying amount	4,961	6,534	6,318	17,813
Accumulated amortisation and impairment	(2,494)	(6,468)	(6,318)	(15,280)
Net carrying amount	2,467	66	–	2,533
Net carrying amount at 1st October 2004	2,467	66	–	2,533
Amortisation charge	–	(58)	–	(58)
Adjustment of goodwill	(636)	–	–	(636)
Impairment loss	(1,831)	–	–	(1,831)
Net carrying amount at 31st December 2005	**–**	**8**	**–**	**8**
At 31st December 2005				
Gross carrying amount	**1,831**	**6,534**	**6,318**	**14,683**
Accumulated amortisation and impairment	**(1,831)**	**(6,526)**	**(6,318)**	**(14,675)**
Net carrying amount	**–**	**8**	**–**	**8**

For the period from 1st October 2004 to 31st December 2005

16. INTANGIBLE ASSETS – GROUP *(Continued)*

Note:

In August 2005, a review on the first full-year performance of the Chinese-foreign joint venture (the "CJV") was performed and the results of the CJV were behind original expectation. The Group and its PRC partner reached an agreement to alter their mode of cooperation. According to the new arrangement, the PRC partner is no longer required to grant certain software usage rights to the CJV as originally committed, while their shareholding should be reduced from 49% to 30%. The Company's shareholding in the CJV was increased from 51% to 70% accordingly, resulting in a reduction of goodwill amounting to approximately HK$636,000 arising from the formation of the CJV. With the indication of impairment arising from this first full-year performance review on the CJV and the uncertainty about the CJV's future profit contribution, an impairment assessment on the CJV was performed. The carrying amount of such cash-generating unit exceeds its recoverable amount which was determined based on value-in-use calculations, covering a three-year cash flow projections discounted at bank deposit interest rate, and the goodwill relating to the CJV amounted to HK$1,542,000 was then fully written off as "impairment loss on goodwill" in the income statement and attributable to the Group's "Internet education" segment.

Annual impairment test was performed at period end, the carrying amount of another business unit exceeds its recoverable amount which was determined based on value-in-use calculations, covering a three-year cash flow projections discounted at bank deposit interest rate, and the goodwill relating to this business unit amounted to HK$289,000 was then fully written off as "impairment loss on goodwill" in the income statement and attributable to the Group's "Sales and installation of computer hardware and software" and "Computer training" segments.

Apart from the decrease in goodwill resulting from the increase in the Group's shareholding of the CJV as mentioned above, the change in the gross carrying amount of goodwill between 1st October 2004 and 31st December 2005 was caused by the transitional provisions of HKFRS 3. In accordance with HKFRS 3, all accumulated amortisation as at 30th September 2004 was eliminated against the gross amount of goodwill and amortisation of goodwill was discontinued from 1st October 2004.

17. INVENTORIES – GROUP

	As at 31st December 2005 *HK$'000*	As at 30th September 2004 *HK$'000*
Finished goods	**204**	–

18. TRADE RECEIVABLES – GROUP

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

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

	As at 31st December 2005 *HK$'000*	As at 30th September 2004 *HK$'000*
0 to 30 days	**3,206**	2,060
31 to 60 days	**553**	994
61 to 90 days	**296**	125
Over 90 days	**1,286**	914
	5,341	4,093
Less: provision for impairment of receivables	**(559)**	(527)
	4,782	3,566

For the period from 1st October 2004 to 31st December 2005

18. TRADE RECEIVABLES – GROUP *(Continued)*

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

Included in trade receivables are amounts due from fellow subsidiaries of HK$252,000, representing internet education fee received on behalf of the Group. The fellow subsidiaries are controlled by Midland.

19. DUE FROM CUSTOMERS ON INSTALLATION CONTRACTS – GROUP

	As at 31st December 2005 *HK$'000*	As at 30th September 2004 *HK$'000*
Installation work in progress		
Contract costs incurred plus recognised profits less foreseeable losses to date	**624**	330
Less: progress billings to date	**–**	(195)
	624	135
Included in current assets under the following caption:		
Due from customers on installation contracts	**624**	135

As at 31st December 2005, no retention was held by customers for contract work (30th September 2004: Nil).

20. CASH AND BANK DEPOSITS – GROUP

Cash and bank deposits include the following components:

	As at 31st December 2005 *HK$'000*	As at 30th September 2004 *HK$'000*
Cash at banks and in hand	**7,769**	14,548
Short-term bank deposits	**107,739**	4,575
	115,508	19,123

The interest rate of short-term bank deposits ranged from 1.6% to 5.28% during the period from 1st October 2004 to 31st December 2005 (year ended 30th September 2004: ranged from 0.04% to 5.01%). They have a maturity of 30 days and are eligible for immediate cancellation without receiving any interest for the last deposit period.

Included in bank and cash balances of the Group is an amount of HK$1,582,000 (30th September 2004: HK$433,000) representing bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency.

For the period from 1st October 2004 to 31st December 2005

21. TRADE PAYABLES – GROUP

At 31st December 2005, the ageing analysis of the trade payables was as follows:

	As at 31st December 2005	As at 30th September 2004
	HK$'000	*HK$'000*
0 to 30 days	**633**	703
31 to 60 days	**27**	198
61 to 90 days	**218**	13
Over 90 days	**86**	55
	964	969

22. DEPOSITS FROM CUSTOMERS – GROUP

At 31st December 2005, the ageing analysis of the deposits from customers was as follows:

	As at 31st December 2005	As at 30th September 2004
	HK$'000	*HK$'000*
0 – 30 days	**2,402**	2,444
31 – 60 days	**–**	8
61 – 90 days	**8**	–
Over 90 days	**51**	21
	2,461	2,473

23. DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES – GROUP

The amount is unsecured, non-interest bearing and repayable on demand. During the period from 1st October 2004 to 31st December 2005, the Group made repayment amounting to HK$280,000 to a minority shareholder of a subsidiary.

For the period from 1st October 2004 to 31st December 2005

24. SHARE CAPITAL

	As at 31st December 2005 *HK$'000*	As at 30th September 2004 *HK$'000*
Authorised :		
50,000,000,000 ordinary shares of HK$0.01 each	**500,000**	500,000

	Number of shares	**Ordinary shares** *HK$'000*	**Total** *HK$'000*
Issued and fully paid:			
At 1st October 2003, 30th September 2004 & 1st October 2004	4,000,000,000	40,000	40,000
Issue of shares	4,300,000,000	43,000	43,000
At 31st December 2005	**8,300,000,000**	**83,000**	**83,000**

The Company issued 4,300,000,000 ordinary shares at a total consideration of HK$107,500,000 on 15th March 2005 to Valuewit Assets Limited, an indirect wholly-owned subsidiary of Midland pursuant to the subscription agreement dated 25th January 2005 between the Company and Valuewit Assets Limited. The ordinary shares issued have the same rights as the other shares in issue.

25. SHARE-BASED EMPLOYEE COMPENSATION

During the period from 1st October 2004 to 31st December 2005, the Group's share option schemes for employee compensation are discussed below.

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 on 30th November 2001) 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 totals 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.

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.

For the period from 1st October 2004 to 31st December 2005

25. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

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 were exercisable during the period from 1st November 2002 to 31st October 2005 at a subscription price of HK$0.208 per share (as adjusted). Maximum number of shares in which employees are entitled to subscribe for by exercising the options shall not exceed (a) 30% of the totals 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.

Details of options outstanding as at 31st December 2005 were as follows:

	Number of share options	
	Pre-IPO Share Option Scheme	**Share Option Scheme**
	'000	*'000*
Outstanding at 1st October 2003	221,500	21,000
Lapsed	(1,500)	(7,000)
Outstanding at 30th September 2004 and at 1st October 2004	220,000	14,000
Lapsed	(220,000)	(14,000)
Outstanding at 31st December 2005	–	–

As HKFRS 2 does not require full retrospective application of the new rules as described in note 2.3 above, the Group does not recognise the share-based employee incentive programmes in the financial statements.

On 6th June 2005, the Company terminated the Share Option Scheme and adopted a new share option scheme ("2005 Share Option Scheme") pursuant to an ordinary resolution. Pursuant to the 2005 Share Option Scheme, the Company may grant options to any employees, senior executives or officers, managers, directors (including executive, non-executive and independent non-executive directors) or consultants of the Group, or any other eligible persons, who, as determined by the directors of the Company, have contributed or will contribute to the growth and development 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 at the adoption date, 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. The 2005 Share Option Scheme will remain in force for a period of 10 years commencing from 6th June 2005.

No additional options were granted during the period from 1st October 2004 to 31st December 2005.

For the period from 1st October 2004 to 31st December 2005

26. RESERVES

Group

	Share premium HK$'000	Capital reserve(a) HK$'000	Exchange translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st October 2003	22,372	14,918	–	(54,296)	(17,006)
Loss for the year	–	–	–	(4,205)	(4,205)
Exchange translation difference	–	–	72	–	72
At 30th September 2004	22,372	14,918	72	(58,501)	(21,139)
At 1st October 2004	22,372	14,918	72	(58,501)	(21,139)
Issue of new shares	64,500	–	–	–	64,500
Share issue expenses	(1,056)	–	–	–	(1,056)
Loss for the period	–	–	–	(1,007)	(1,007)
Exchange translation difference	–	–	63	–	63
At 31st December 2005	**85,816**	**14,918**	**135**	**(59,508)**	**41,361**

Company

	Share premium HK$'000	Contributed surplus(b) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st October 2003	22,372	2,509	(41,801)	(16,920)
Loss for the year	–	–	(4,224)	(4,224)
At 30th September 2004	22,372	2,509	(46,025)	(21,144)
At 1st October 2004	22,372	2,509	(46,025)	(21,144)
Issue of new shares	64,500	–	–	64,500
Share issue expenses	(1,056)	–	–	(1,056)
Loss for the period	–	–	(1)	(1)
At 31st December 2005	**85,816**	**2,509**	**(46,026)**	**42,299**

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 group reorganisation on 28th February 2001.

(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 group reorganisation on 28th February 2001.

For the period from 1st October 2004 to 31st December 2005

26. 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 it is, or would after the payment be, unable to pay its liabilities as they become due.

As at 31st December 2005, the Company had reserves available for distribution to shareholders amounted to HK$42,299,000 (30th September 2004: Nil).

27. MINORITY INTEREST

	As at 31st December 2005 *HK$'000*	As at 30th September 2004 *HK$'000*
Balance at beginning of the period/ year	**2,225**	91
Loss for the period/ year	**(882)**	(316)
Establishment of a subsidiary	**–**	2,450
Adjustment of goodwill	**(636)**	–
Exchange translation difference	**2**	–
Balance at the end of the period/ year	**709**	2,225

28. OPERATING LEASE COMMITMENTS

Group

At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	As at 31st December 2005		As at 30th September 2004	
	Premises *HK$'000*	**Other assets** *HK$'000*	Premises *HK$'000*	Other assets *HK$'000*
Within one year	**2,597**	**131**	556	194
In the second to fifth years	**2,695**	**–**	1,205	–
	5,292	**131**	1,761	194

The Group leases premises and computer servers under operating leases. The leases run for an initial period of three months to two years, with an option to renew the lease terms at the expiry dates or at dates as mutually agreed between the Group and respective landlords/lessors.

The above lease commitments only include commitments for basic rentals, and do not include commitments for additional rental payable on certain premises, if any, as it is not possible to determine in advance the amount of such additional rentals. The additional rental payable is determined by applying pre-determined percentages to that part of gross revenue of the retail shops which exceeds the basic rentals of the respective leases.

Company

The Company did not have any significant operating lease commitments at 31st December 2005 and at 30th September 2004.

For the period from 1st October 2004 to 31st December 2005

29. RETIREMENT PLANS

The employees of the Group in Hong Kong 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 HK$1,000 per month and thereafter contributions are voluntary.

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by the relevant authorities for its PRC employees. The Group is required to make contributions to the retirement plans which are calculated based on certain prescribed rates and the salaries, bonuses and certain allowances of its PRC employees.

The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

There are no forfeited contributions available under the schemes.

During the period, the aggregate contributions made by the Group to the retirement schemes amount to approximately HK$602,000 (year ended 30th September 2004: HK$696,000).

30. RELATED PARTY TRANSACTION

30.1 The ultimate holding company of the Group is Midland.

30.2 Except as disclosed elsewhere in these financial statements, the following transaction was carried out with related party:

	Note	**1st October 2004 to 31st December 2005** ***HK$'000***	1st October 2003 to 30th September 2004 *HK$'000*
Decoration expenses paid to a related company	*(a)*	**480**	–

Note:

(a) Decoration expenses paid to a related company were made in the normal course of business and according to the prices and terms agreed between the Group and the related company. The related company is controlled by Mr. Pong Wai Yan, who is a close family member of a director of the Company, Mr. Pong Wai San, Wilson.

For the period from 1st October 2004 to 31st December 2005

31. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated at its headquarters, in close co-operation with the board of directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

31.1 Foreign currency risk

Most of the Group's working capital and funds were placed in Hong Kong dollar short-term interest bearing deposits with banks in Hong Kong. Amongst the funds, the Group placed approximately HK$4,762,000 in Australian dollar short-term interest bearing deposits with banks in Hong Kong, approximately HK$1,582,000 in Renminbi saving accounts with banks in the PRC. In addition, approximately HK$5,040,000 was placed in US dollar Callable Range Accrual Note. The directors believed that the foreign exchange exposure to Australian dollars, Renminbi and US dollars is not material.

The revenues of the Group are mainly denominated in Hong Kong dollars and the Group has adequate recurring cash flows to meet the working capital requirements. Hence, the Group's exposure to fluctuations in the exchange rates is considered to be minimal and there is no need to make use of financial instruments for hedging purposes.

31.2 Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet. Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers and most of them are schools or education bodies. Hence, the directors considered that the credit risk is low.

31.3 Cash flow and fair value interest rate risks

The Group has no significant interest bearing assets apart from cash and bank deposits. The Group currently has no financial liabilities with floating interest rates.

	Year Ended 30th September				**Fifteen Month Period Ended 31st December**
	2001	2002	2003	2004	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	1,050	10,469	19,959	20,206	**31,258**
Other income	1,227	525	247	235	**3,062**
Operating loss	(17,895)	(17,784)	(9,359)	(4,505)	**(1,891)**
Loss attributable to equity holders of the Company	(17,895)	(17,824)	(9,476)	(4,205)	**(1,007)**
Loss per share	HK0.494 cent	HK0.447 cent	HK0.237 cent	HK0.105 cent	**HK0.015 cent**

	As at 30th September				**As at 31st December**
	2001	2002	2003	2004	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
TOTAL ASSETS	54,850	38,983	30,299	26,961	**130,171**
TOTAL LIABILITIES	(4,503)	(6,463)	(7,214)	(5,875)	**(5,101)**
MINORITY INTEREST	–	(50)	(91)	(2,225)	**(709)**
Equity attributable to the Company's equity holders	50,347	32,470	22,994	18,861	**124,361**

Note:

The Company has changed its financial year end from 30th September to 31st December according to an announcement dated 19th May 2005.

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