



EVI Education Asia Limited

(incorporated in the Cayman Islands with limited liability)
Stock Code: 8090

2007

First Quarterly Report

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (The “Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

This report, for which the directors of EVI Education Asia Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to EVI Education Asia Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Corporate Information

Board of Directors

Executive Directors

Ms. IP Kit Yee, Kitty

(Managing Director)

Mr. PONG Wai San, Wilson

(Chief Executive Officer)

Mr. LAU Wai Shu

Non-executive Director

Mr. TSANG Link Carl, Brian

Independent non-executive Directors

Mr. KOO Fook Sun, Louis

Mr. SHA Pau, Eric

Mr. YING Wing Cheung

Audit Committee

Mr. KOO Fook Sun, Louis *(committee chairman)*

Mr. SHA Pau, Eric

Mr. YING Wing Cheung

Remuneration Committee

Ms. IP Kit Yee, Kitty *(committee chairlady)*

Mr. LAU Wai Shu

Mr. KOO Fook Sun, Louis

Mr. SHA Pau, Eric

Mr. YING Wing Cheung

Nomination Committee

Ms. IP Kit Yee, Kitty *(committee chairlady)*

Mr. LAU Wai Shu

Mr. KOO Fook Sun, Louis

Mr. SHA Pau, Eric

Mr. YING Wing Cheung

Company Secretary

Mr. HUI Hin Sing

Compliance Officer

Mr. LAU Wai Shu

Authorised Representatives

Mr. LAU Wai Shu

Mr. HUI Hin Sing

Qualified Accountant

Mr. CHAN Kei, Jeffrey

Auditors

Grant Thornton

13th Floor, Gloucester Tower

The Landmark, 15 Queen's Road Central

Hong Kong

Principal Share Registrar and Transfer Office

Bank of Bermuda (Cayman) Limited

2nd Floor, Strathvale House

North Church Street

P.O. Box 513

Grand Cayman KY1-1106

Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tengis Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Hong Kong

Registered Office

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Head Office and Principal Place of Business

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Hong Kong

Website Address

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Stock Code

8090

Cayman Islands Legal Advisers

Conyers Dill & Pearnan, Cayman

Suite 2901, One Exchange Square

8 Connaught Place

Central, Hong Kong

First Quarterly Results for the Three Months Ended 31st March 2007

The board of directors (the "Board" or the "Directors") of EVI Education Asia Limited (the "Company") presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 31st March 2007 (the "Period") together with comparative figures for the corresponding period in 2006 as follows:

Consolidated Income Statement

For the three months ended 31st March 2007

		(Unaudited)	
		For the three months ended 31st March	
		2007	2006
	Note	HK\$'000	HK\$'000
Revenue/Turnover	(2)	4,883	5,742
Other income	(3)	1,212	1,074
Costs of merchandise		(1,701)	(1,829)
Costs of internet connectivity fee		(40)	(20)
Staff costs	(4)	(2,403)	(4,792)
Depreciation		(196)	(239)
Amortisation of intangible assets		-	(6)
General and administrative expenses		(1,385)	(1,897)
		<hr/>	<hr/>
Profit/(Loss) before income tax		370	(1,967)
Income tax	(5)	-	-
		<hr/>	<hr/>
Profit/(Loss) for the period		370	(1,967)
		<hr/>	<hr/>
Attributable to:			
Equity holders of the Company		432	(1,839)
Minority interest		(62)	(128)
		<hr/>	<hr/>
		370	(1,967)
		<hr/>	<hr/>
Earnings/(Loss) per share for profit/(loss) attributable to the equity holders of the Company during the period			
– Basic	(6)	HK0.005 cent	HK(0.022) cent
		<hr/>	<hr/>
– Diluted		HK0.005 cent	N/A
		<hr/>	<hr/>

Notes to Condensed Consolidated Financial Statements

(1) Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements for the Period have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements include the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Listing Rules").

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for financial assets held for trading or are designated by the Group as at fair value through profit or loss upon initial recognition. These financial assets have been measured at fair value. The principal accounting policies and methods of computations used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group's final financial statements for the year ended 31st December 2006.

The Group has adopted the following new and amended HKFRSs which are first effective on 1st January 2007 and relevant to the Group. The adoption of such HKFRSs did not have material effect on these financial statements.

Amendment to HKAS 1	"Presentation of Financial Statements" – Capital Disclosures ¹
HKFRS 7	"Financial Instruments: Disclosures" ¹
HK(IFRIC) Interpretation 8	"Scope of HKFRS 2" ²
HK(IFRIC) Interpretation 9	"Reassessment of Embedded Derivatives" ³
HK(IFRIC) Interpretation 10	"Interim Financial Reporting and Impairment" ⁴

¹ Effective for accounting periods beginning on or after 1st January 2007

² Effective for accounting periods beginning on or after 1st May 2006

³ Effective for accounting periods beginning on or after 1st June 2006

⁴ Effective for accounting periods beginning on or after 1st November 2006

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.

HKFRS 8	"Operating Segments"
HK(IFRIC) Interpretation 11	"Group and Treasury Share Transactions"
HK(IFRIC) Interpretation 12	"Service Concession Arrangements"

Notes to Condensed Consolidated Financial Statements (continued)

(2) Revenue/Turnover

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, (iv) provision of computer training services and (v) sales of health and personal care products. The Group's turnover recognized during the Period represents revenue from:

	(Unaudited) For the three months ended 31st March	
	2007	2006
	HK\$'000	HK\$'000
Internet education services	1,933	2,245
Sales and installation of computer hardware and software	1,778	1,951
Website development and commercial projects	110	408
Computer training services	902	741
Sales of health and personal care products	120	356
Others	40	41
	<hr/>	<hr/>
	4,883	5,742

(3) Other income

Other income represents mainly interest income generated from bank deposits.

(4) Staff costs

	(Unaudited) For the three months ended 31st March	
	2007	2006
	HK\$'000	HK\$'000
Staff costs (including directors' emoluments) represent:		
Salaries and allowances	2,285	3,370
Pension costs	118	145
Share option expense	-	1,277
	<hr/>	<hr/>
	2,403	4,792

Notes to Condensed Consolidated Financial Statements (continued)

(5) Taxation

No Hong Kong profits tax has been provided in the financial statements as the companies within the Group either did not derive any assessable profit for the Period or had tax losses brought forward from previous years to offset against the Period's assessable profit.

The Company was incorporated in the Cayman Islands and is exempt from the taxation in the Cayman Islands until 2021. Those subsidiaries of the Company which were incorporated in the British Virgin Islands under the International Business Companies Acts of the British Virgin Islands are exempt from payment of the British Virgin Islands income taxes. No provision for The People's Republic of China ("PRC") tax has been made as there was no assessable profit for those subsidiaries of the Company which were incorporated in PRC for the Period.

During the Period, the tax effect of temporary differences for deferred tax assets was not recognised in the financial statements due to the unpredictability of future profit streams against which the assets can be utilized. The tax loss of the Group is subject to the agreement of the Hong Kong Inland Revenue Department and can be carried forward indefinitely.

(6) Earnings/(Loss) per share

The calculation of basic earnings per share for the Period is based on the unaudited profit attributable to equity holders of the Company of HK\$432,000 (2006: loss HK\$1,839,000) and on the 8,300,000,000 ordinary shares in issue throughout the Period.

The calculation of diluted earnings per share for the Period is based on the unaudited profit attributable to equity holders of the Company for the Period of HK\$432,000 and 8,334,319,648 ordinary shares outstanding during the Period, adjusted for the effects of all dilutive potential shares.

The number of ordinary shares used in the calculation of diluted earnings per share is calculated based on 8,300,000,000 ordinary shares in issue during the Period plus 34,319,648 ordinary shares deemed to be issued at no consideration as if all the Company's share options have been exercised.

No diluted loss per share was presented for the three months ended 31st March 2006 as the conversion of the share option was anti-dilutive.

Notes to Condensed Consolidated Financial Statements (continued)

(7) Movement of reserves

	(Unaudited)					Total HK\$'000
	Share premium HK\$'000	Capital reserve HK\$'000	Exchange translation reserve HK\$'000	Employee share-based benefits reserve HK\$'000	Accumulated losses HK\$'000	
At 1st January 2006	85,816	14,918	135	-	[59,508]	41,361
Loss for the period	-	-	-	-	(1,839)	(1,839)
Exchange translation difference	-	-	11	-	-	11
Employee share-based benefits	-	-	-	1,277	-	1,277
At 31st March 2006	85,816	14,918	146	1,277	[61,347]	40,810
At 1st January 2007	85,816	14,918	188	1,652	[60,428]	42,146
Profit for the period	-	-	-	-	432	432
Exchange translation difference	-	-	24	-	-	24
At 31st March 2007	85,816	14,918	212	1,652	[59,996]	42,602

Dividend

The Board does not recommend the payment of any dividend for the Period (2006: Nil).

Financial Performance

During the Period, the Group recorded a profit attributable to equity holders of HK\$432,000, revealing a significant improvement when compared to the loss of HK\$1,839,000 in the corresponding period last year. Excluding the one-off share option expense of HK\$1,277,000 in the same period last year, the improvement was derived from the disposal of I-Cube Education Limited ("I-Cube") and the improvement in the sales of health and personal products segment which loss narrowed by 70% after an operation re-engineering exercise and reduction in staff costs and general and administrative expenses.

There was a decrease of approximately 15% in the revenue to HK\$4,883,000 when compared with the corresponding period last year. In terms of segmental performance, the Group's revenue from the internet education services for the Period decreased by 14% to approximately HK\$1,933,000, representing about 40% of total revenue. The decrease was mainly due to the disposal of I-Cube. Revenue from sales and installation of computer hardware and software decreased by 9% to HK\$1,778,000, accounting for 36% of total revenue. Benefited by the increase in sales of teaching books in the second half of last school academic year, revenue from computer training services increased by 22% to HK\$902,000, contributing about 19% to total revenue. Website development and other commercial projects yielded approximately 2% of total revenue and sales of health and personal care products yielded approximately 2% as well. Interest income increased by approximately 13% to HK\$1,212,000 resulting from the rise in interest rate, and increase in principal of approximately HK\$5 million from redemption of US dollar Callable Range Accrual Note.

Business Review

New Development

In view of the growth trend of local property market, the Company has been preparing to, by leveraging on the expertise and experience of Midland Holdings Limited ("Midland"), commence property agency business. The Company entered into the sale and purchase agreement with Midland on 26th March 2007 (the "S&P Agreement"), in which Midland conditionally agreed to sell the whole interest in Ketanfall Group Limited ("Ketanfall") to the Company at the total consideration of HK\$640 million. Ketanfall is the holding company of a group of companies principally engaged in the business of industrial and commercial (office and shops) property broking in Hong Kong. Upon completion of the S&P Agreement (the "Completion"), industrial and commercial (office and shops) property broking will become the core business of the Group. The Directors proposed that, to reflect the nature of the business of the Group after Completion, the name of the Company be changed to Midland IC&I Limited (Chinese translation being 美聯工商舖有限公司, for identification purpose only) subject to the approval by the Company's shareholders at the extraordinary general meeting to be held on 31st May 2007.

Online Education

The Group had in this quarter reinforced its resources and effort to organize promotional campaigns to boost online education revenue for coming new academic year. To take full advantage of the implementation by the HKSAR Government of "One-off School Development Grant" to all kindergartens for acquiring computers and other teaching aids, the Group co-operated with commercial partners, Lenovo, Synnex, Kaspersky and others to launch "I.T. Education Exhibition for Children" targeting kindergartens. More than a hundred of kindergartens have participated this activity and most of them have shown interest in our online education services. Having successfully entered in the teaching book market in the last school academic year and built its brand name, our innovative web-based teaching book series, "Dr. PC family", continue to receive recognition from schools. With a view to stimulate the market share of these book series, the Group organized a seminar for illustrating and promoting the unique characteristics of the series. Over a hundred of primary schools attended the seminar, the contents of which successfully attract those attendees who may probably apply the book series in the coming school academic year.

During the reporting period, the Group had, in cooperation with Education Resources Centre, a division of the Education and Youth Affairs Bureau of Macau, organized a promotional seminar to introduce and demonstrate our online education services, school administration system and web-based teaching books. Through the seminar, the Group has established a contact network with over forty primary schools and kindergartens in Macau for further development in future.

Sales and Installation of Computer Hardware and Software

The Group continued to develop this business segment targeting both schools and commercial organizations. During the reporting period, the Group entered into an agreement with Kowloon-Canton Railway Corporation to provide installation of pedestrian crossing bollard warning signs at several stations. The Directors believe that co-operation with famous and gigantic organizations can help establishing our brand name in the business sector while the invaluable experience gained from this cooperation can sharpen our advantage over competitors.

Outlook

The Directors believe that the acquisition of Ketanfall will represent a major milestone for the Group to venture into the industrial and commercial (office and shops) property broking business. They also consider that this business area will generate recurrent cash flow and also contribute positively to the Group's operating results in the future. In view of the continued economic growth in Hong Kong, it is generally perceived that the business will continue to maintain its momentum. The Directors will also look into further development opportunities of this business in the high-end property investment market in Hong Kong in order to capture the industry trend.

Considering the HKSAR Government's initiative in delivering quality education for children and its implementation of the "Pre-Primary Education Voucher Scheme" and "One-off School Development Grant for Kindergartens", the Directors are optimistic on the development of online education services for kindergartens in coming academic year. The Group will continue allocate resources and effort to consolidate its presence in the Macau and PRC markets. Following the promotional seminar held earlier in Macau, the Group continues its marketing efforts with a view to explore business opportunity with those school attendees. The Group has granted an agency licence to an education institute allowing it to sell our online education products in Shenzhen, PRC. The Directors believe the Group can leverage its networks in Shenzhen to accelerate our presence in the Shenzhen market.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31st March 2007, the interests and short positions of each of the Directors, chief executives of the Company in the shares, underlying shares or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required (i) to be recorded in the register to be kept under section 352 of the SFO, or (ii) to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the required standards of dealing by the Directors as referred to in Rules 5.46 of the GEM Listing Rules, were as follows:

Name of director	Number of shares of the Company				Total	Percentage of the issued share capital
	Personal Interests	Family interests	Corporate Interests	Equity Derivative (Share Option)		
Mr. PONG Wai San, Wilson ("Mr. PONG") (Note 1)	150,610,000	-	2,182,300,000	-	2,332,910,000	28.11%
Mr. TSANG Link Carl, Brian ("Mr. TSANG") (Note 2)	-	-	-	83,000,000	83,000,000	1.00%
Mr. LAU Wai Shu	3,000,000	-	-	-	3,000,000	0.04%

Directors' Interests in Shares, Underlying Shares and Debentures (continued)

Notes:

- As at 31st March 2007, 2,182,300,000 shares were registered in the name of and beneficially owned by Summerview Enterprises Limited ("Summerview") and 150,610,000 shares were registered in the name of Mr. PONG; the entire issued share capital of Summerview were registered in the name of and beneficially owned by Mr. PONG.
- On 16th January 2006, share options were granted under the Share Option Scheme to Mr. TSANG for subscription for 83,000,000 shares of the Company at the exercise price of HK\$0.06 each.

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

Save as disclosed above, as at 31st March 2007, none of the Directors, nor chief executive of the Company 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).

Substantial Shareholders' Interests in Shares, Underlying Shares and Debentures

As at 31st March 2007, the interests or short positions of every person, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in 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 of the issued share capital
Valuewit Assets Limited ("Valuewit")	4,300,000,000 <i>(Note 1)</i>	Corporation interest	51.81%
Midland	4,300,000,000 <i>(Note 1)</i>	Interest in controlled corporation	51.81%
Summerview	2,182,300,000 <i>(Note 2)</i>	Corporation Interest	26.29%

Notes:

- These shares represent the same block of shares. Valuewit is an indirect wholly-owned subsidiary of Midland.
- The interest of Summerview in the Company duplicates those of Mr. PONG in the Company.

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

Save as disclosed herein, as at 31st March 2007, 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 which would fall to be disclosed under 336 of the SFO.

Audit Committee

The Company's audit committee has reviewed the Group's unaudited condensed consolidated financial statements for the Period.

Competing Interests

None of the Directors nor the management shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competes and may compete with the business of the Group or has or may have any conflicts of interests with the Group.

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

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

Appreciation

Finally, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers and partners for their continuous support, to the management and staff for their hard work, support and dedication throughout the Period.

By Order of the Board
EVI Education Asia Limited
IP Kit Yee, Kitty
*Executive Director and
Managing Director*

Hong Kong, 8th May 2007.