

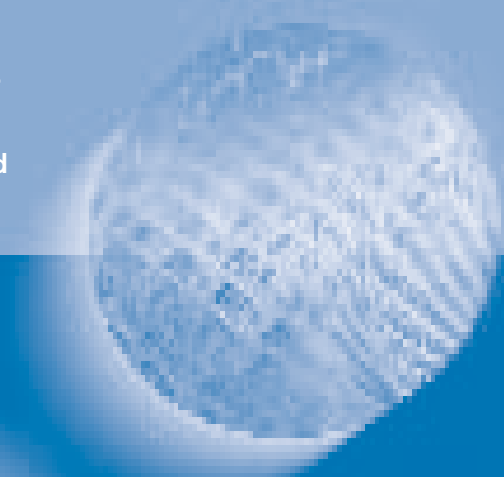
# 3rd Quarterly Report 2003

乾坤燭<sup>®</sup> PROSTICKS<sup>®</sup>

ProSticks International Holdings Limited

乾坤燭國際控股有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*



## **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. GEM-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 at “[www.hkgem.com](http://www.hkgem.com)” in order to obtain up-to-date information on GEM-listed issuers.**

*The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of its report.*

*This report, for which the directors of ProSticks International Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to ProSticks International Holdings 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.*

**HIGHLIGHTS**

- Turnover for the nine months ended 30 September 2003 increased by approximately 27% over the previous corresponding period.
- Net loss attributable to shareholders decreased by approximately 32% for the nine months ended 30 September 2003 as compared with the previous corresponding period.
- The Group has entered into distribution agreement and co-operation arrangement with two reputed entities respectively to market and promote products and services of the Group during the third quarter of 2003.

## RESULTS (UNAUDITED)

The board (the "Board") of directors (the "Directors") of ProSticks International Holdings Limited (the "Company") presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the nine months and three months ended 30 September 2003, together with the comparative unaudited figures of the corresponding periods in 2002, as follows:

	Note	(Unaudited) For the nine months ended 30 September		(Unaudited) For the three months ended 30 September	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
<b>Turnover</b>	2	<b>3,841</b>	3,035	<b>1,160</b>	1,007
Cost of sales		<b>(2,193)</b>	(2,496)	<b>(744)</b>	(961)
Gross profit		<b>1,648</b>	539	<b>416</b>	46
Other revenue	2	<b>15</b>	193	<b>2</b>	49
Other income		<b>152</b>	41	<b>2</b>	34
Advertising & promotion expenses		<b>(131)</b>	(768)	<b>(68)</b>	(51)
Administrative expenses		<b>(9,472)</b>	(11,529)	<b>(2,475)</b>	(3,379)
<b>Loss from operations</b>		<b>(7,788)</b>	(11,524)	<b>(2,123)</b>	(3,301)
Finance costs		<b>(75)</b>	(28)	<b>(37)</b>	—
<b>Loss from ordinary activities before taxation</b>		<b>(7,863)</b>	(11,552)	<b>(2,160)</b>	(3,301)
Taxation	3	<b>—</b>	—	<b>—</b>	—
<b>Net loss attributable to shareholders</b>	4	<b>(7,863)</b>	(11,552)	<b>(2,160)</b>	(3,301)
<b>Dividends</b>	5	<b>—</b>	—	<b>—</b>	—
<b>Loss per share</b>					
— Basic	4	<b>(1.87 cents)</b>	(2.89 cents)	<b>(0.51 cents)</b>	(0.83 cents)

Notes:

## 1. Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by Hong Kong Society of Accountants. They have been prepared under historical cost convention.

The basis of preparation and accounting policies adopted in preparation of quarterly accounts are consistent with those followed in the Company's annual financial statements for the year ended 31 December 2002.

The unaudited condensed consolidated financial statements for the nine months and three months ended 30 September 2003 have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

## 2. Turnover

The Group is principally engaged in the development, production and distribution of financial software products.

	Unaudited For the nine months ended 30 September 2003		Unaudited For the three months ended 30 September 2003	
	HK\$'000	2002 HK\$'000	HK\$'000	2002 HK\$'000
Membership subscription fee	799	809	286	281
System services and maintenance income	3,042	2,226	874	726
<b>Turnover</b>	<b>3,841</b>	3,035	<b>1,160</b>	1,007
Interest income	15	193	2	49
<b>Other revenue</b>	<b>15</b>	193	<b>2</b>	49
<b>Revenue</b>	<b>3,856</b>	3,228	<b>1,162</b>	1,056

Interest income is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

## 3. Taxation

Hong Kong Profits Tax has not been provided as the Group has no assessable profit for the period (2002: nil).

## 4. Loss per share

The calculation of basic loss per share for the nine months and three months ended 30 September 2003 is based on the unaudited consolidated loss attributable to shareholders of approximately HK\$7,863,000 and HK\$2,160,000 respectively (nine months and three months ended 30 September 2002: unaudited consolidated loss attributable to shareholders of approximately HK\$11,552,000

and HK\$3,301,000 respectively) and the weighted average of 421,371,429 ordinary shares and 424,069,565 ordinary shares respectively (nine months and three months ended 30 September 2002: 400,000,000 shares) in issue during the nine months and three months ended 30 September 2003.

No amount has been presented for the diluted loss per share because the Pre-IPO share options, share options and convertible note outstanding during the nine months and three months ended 30 September 2003 had an anti-dilutive effect on the basic loss per share for the period.

## 5. Dividend

The Directors do not recommend the payment of a dividend for the nine months and three months ended 30 September 2003 (2002: nil).

## 6. Movements of reserves

	Share premium	Capital reserve	Exchange reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2002	20,998	24,415	—	(21,473)	23,940
Net loss for the period	—	—	—	(11,552)	(11,552)
At 30 September 2002	20,998	24,415	—	(33,025)	12,388
At 1 January 2003	22,598	24,415	—	(41,765)	5,248
Issue of shares	515	—	—	—	515
Exchange differences on translation of:					
— financial statements of overseas subsidiary	—	—	(77)	—	(77)
Net loss for the period	—	—	—	(7,863)	(7,863)
<b>At 30 September 2003</b>	<b>23,113</b>	<b>24,415</b>	<b>(77)</b>	<b>(49,628)</b>	<b>(2,177)</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Review

For the nine months ended 30 September 2003, the Group's turnover was approximately HK\$3,841,000 which represented an increase of approximately 27% over the previous corresponding period. Revenue from membership subscription slightly decreased by approximately 1% while revenue from operational software applications products significantly increased by approximately 37%. Revenue from membership and operational software applications products accounted for approximately 21% and 79% respectively of the Group's total turnover for the nine months ended 30 September 2003 (nine months ended 30 September 2002: 27% and 73%).

Cost of sales for the nine months ended 30 September 2003 reduced by approximately 12% as compared with the previous corresponding period mainly due to restructuring of data supply during the period under review. Administrative expenses for the nine months period ended 30 September 2003 decreased by approximately 18% as compared with the previous corresponding period in 2002 mainly due to decrease in staff salaries and professional expenses as well as lowering of general office expenses as a result of continuing implementation of cost control measures.

Advertising and promotion expenses for the nine months period of 2003 have been reduced by approximately 83% mainly because the Group has relied on its business partners or distributors to market and promote its product.

### Financial Position

As at 30 September 2003, the Group maintained a positive liquidity position. All of the transactions of the Group are denominated in Hong Kong dollars, United States dollars, Canadian dollars, Chinese RMB and Great Britain Pounds. As the exchange rates of these currencies were considered stable during the period under review, no hedging or other alternatives had been implemented. It is considered that there was no significant currency exposure of the Group. Finance cost of approximately HK\$75,000 for the nine months ended 30 September 2003 represented interest expenses incurred for the HK\$3 million convertible bond issued in April 2003.

## Business Review

During the period under review, the Group has continued the development of new functions or features to the financial instrument analysis software products and a new service named PRFX was developed. The Group has entered into a distribution agreement with a world-renowned financial data and information supplier in September 2003 to re-distribute their real time data/information through our PRFX service. It is expected that the PRFX service shall launch to the market in the fourth quarter of 2003. The Group was in the process of forming an agreement with an authority in Taiwan for marketing and re-distributing of PRFX in Taiwan. Management believes that by leveraging on local business partner who has an extensive client and people network in Taiwan will enable the Company to penetrate into the market of Taiwan.

In September 2003, a subsidiary of the Group has entered into a co-operation arrangement with a third party namely iMarkets Limited, a member of Cheong Kong (Holdings) Limited, to market and promote the operational applications software products. iMarkets Limited is led by a group of financial investment experts who have extensive experience and people network as well as in-depth knowledge of the banking and financial system of Hong Kong. The Directors believe that the added value brought through the co-operation will be of enormous benefit to the Group's software development business.

The Group was in the final stage of discussion with several bank clients for licensing bank operational applications software system. Management expects that the discussion with two banks will be finalized and bring in revenue to the Group by the end of this year.

## OUTLOOK

In light of continuous tightening of regulatory operation standard and reporting requirements of financial institutions in Hong Kong, the Directors envisage a growing demand for operational applications software and system support services from banks and other financial institutions in Hong Kong which will foster the business development of the Group. Management also considered this as a good opportunity for the Group to expand its software development



business. As such, the Company plans to expand and strengthen its research and development department by recruiting high caliber technical staff so as to capture rising business opportunities in the near future.

The Group will continue its discussion with potential clients and continue to seek co-operation opportunities with reputed entities for the purpose of expanding income sources and client base. The Directors have confidence that the operating results of the Company will be improved progressively under the current economic condition.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the nine months and three months ended 30 September 2003.

## **DIRECTORS' INTERESTS IN SHARES**

As at 30 September 2003, the interests and short positions of the directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to section 352, to be entered in the register referred therein; or (c) pursuant to Rule 5.40 to 5.49 of the GEM Listing Rules were as follows:

### **Long positions in shares**

<b>Name of directors</b>	<b>Number of shares held and nature of interests</b>			<b>Total</b>
	<b>Personal</b>	<b>Corporation</b>	<b>Total</b>	<b>percentage of shareholding</b>
Mr. Li Ching Ping Vincent "Mr. Li" (Note 1)	—	90,479,242	90,479,242	19.38
Mr. James Yip	15,000,000	—	15,000,000	3.21
Mr. Chan Chee Ming Harris	15,000,000	—	15,000,000	3.21

Notes:

1. These shares are held by Great Power Associates Limited, a company wholly owned by Mr. Li.
2. Nominee shares in subsidiaries were held by a Director in trust for the Group as at 30 September 2003.

Save as disclosed above, as at 30 September 2003, none of the directors or chief executive of the Company has any interests or short position in shares, debentures or underlying shares of the Company and its associated corporations which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to section 352, to be entered in the register referred therein; or (c) pursuant to Rule 5.40 to 5.49 of the GEM Listing Rules.

## INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 September 2003, the following persons (other than the directors or chief executive of the Company) had interests in the shares of the Company which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO, or who has interests in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

### Long positions in shares

Name	Capacity	Number of shares	Percentage of issued share capital
Great Power Associates Limited (Note 1)	Beneficial owner	90,479,242	19.38
Mr. Li (Note 1)	Interest of a controlled corporation	90,479,242	19.38
Ms. Li Yuen Sze Mak (Note 2)	Family interest	90,479,242	19.38
Frankie Dominion International Limited	Beneficial owner	75,260,986	16.12
Mr. Lam Po Kwai "Mr. Lam" (Note 3)	Interest of a controlled corporation	75,260,986	16.12
Ms. Lee Yuen Bing (Note 4)	Family interest	75,260,986	16.12
New Dragon Ventures Limited (Note 5)	Beneficial owner	28,571,982	6.12
Mr. Goh Gen Cheung "Mr. Goh"	Interest of a controlled corporation	28,571,982	6.12
Ms. Poon Ay Chuen (Note 5)	Family interest	28,571,982	6.12

## Notes:

1. Great Power Associates Limited is wholly owned by Mr. Li and the shareholding is duplicated in the directors' interests in shares disclosed above.
2. Ms. Li Yuen Sze Mak is the spouse of Mr. Li and is deemed to be interested in all 90,479,242 shares in which Mr. Li is interested under 316 of the SFO.
3. Frankie Dominion International Holdings Limited is beneficially owned as to 44.2% by Mr. Lam. Accordingly, Mr. Lam is deemed to be interested in 75,260,986 shares owned by Frankie Dominion International Limited.
4. Ms. Lee Yuen Bing is the spouse of Mr. Lam and is deemed to be interested in all 75,260,986 shares in which Mr. Lam is interested in.
5. New Dragon Ventures Limited is wholly owned by Mr. Goh. Ms Poon Ay Chuen is the spouse of Mr. Goh and is deemed to be interested in all 28,571,982 shares in which Mr. Goh is interested under section 316 of the SFO.

### Long positions in underlying shares

As at 30 September 2003, the following persons (other than the directors or chief executive of the Company) had interests in the underlying shares of equity derivatives (being convertible note) issued by the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity	Number of shares	Percentage of Issued share capital
Rapid Falcon Limited	Beneficial owner	60,000,000	12.85
King Fook Finance Company Limited	Interest of a controlled corporation	60,000,000	12.85
Mr. Chow Lork Sang	Interest of a controlled corporation	60,000,000	12.85

Note: The Company has issued a convertible note of HK\$3 million to Rapid Falcon Limited in April 2003. Rapid Falcon Limited is beneficially owned as to 61% by Mr. Chow Lork Sang and 39% by King Fook Finance Company Limited, a private corporation incorporated in Hong Kong. Accordingly, each of Mr. Chow Lork Sang and King Fook Finance Company Limited is deemed to be interested in the 60,000,000 underlying shares.

Save as disclosed above, as at 30 September 2003, the Directors were not aware of any other persons (other than the directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO, or who has interests in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

## **DIRECTORS' RIGHT TO ACQUIRE SHARE**

During the period under review, Mr. Chan Chee Ming Harris ("Mr. Chan") and Mr. James Yip ("Mr. Yip"), both being executive Directors, were granted options to subscribe at an exercise price of HK\$0.021 each share for 7,000,000 and 27,000,000 shares of the Company respectively. All options granted to Mr. Chan and Mr. Yip were fully exercised and the shares were disposed in September 2003. Saved as disclosed above, none of the Directors nor their spouses or children under the age of 18 had any right to acquire the shares in the Company or had exercised any such right during the period.

## **SPONSOR'S INTEREST**

As updated and notified by the Company's sponsor, REXCAPITAL (Hong Kong) Limited (the "Sponsor"), as at 30 September 2003, the Sponsor, its directors, employees or associates (as referred to Note 3 of Rules 6.35 of the GEM Listing Rules) did not have any interest in the securities of the Company and any members of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any members of the Group. Pursuant to the agreement dated 28 November 2001 entered into between the Company and the Sponsor, the sponsor received, and will receive, fees for acting as the Company's retainer Sponsor for the period from 28 November 2001 to 31 December 2003.

## **DIRECTORS' INTEREST IN COMPETING BUSINESS**

During the period under review, none of the Directors nor the management shareholders of the Company had any interest in any business that directly or indirectly competed with the business of the Group.

## AUDIT COMMITTEE

The Company has established an audit committee on 26 November 2001 with written terms of reference for the purpose of reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee comprises the two independent non-executive Directors, namely Mr. Ng Ge Bun and Mr. Wan Yiu Kwan Stephen.

The Group's unaudited consolidated results for the nine months and three months ended 30 September 2003 have been reviewed by the audit committee, who were of the opinion that such statements complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures had been made.

## COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with Board Practices and Procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules since the listing of its share on GEM of the Stock Exchange on 5 December 2001.

By order of the board  
**ProSticks International Holdings Limited**  
**Li Ching Ping Vincent**  
*Chairman*

Hong Kong, 7 November 2003