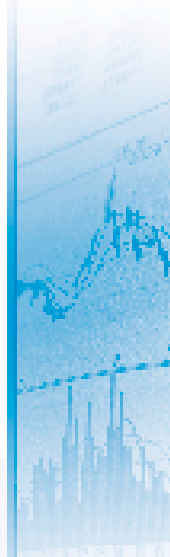


乾坤燭[®] PROSTICKS[®]

ProSticks International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)



2006
1st Quarterly Report



(Stock code : 8055)

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 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 this 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 three months ended 31 March 2006 amounted to approximately HK\$1,992,000, representing a decrease of approximately 44% when compared with the previous corresponding period.
- Net loss attributable to shareholders increased to approximately HK\$1,767,000.
- The Directors do not recommend payment of any dividend for the three months ended 31 March 2006.

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 three months ended 31 March 2006, together with the comparative unaudited figures of the corresponding period in 2005, as follows:

		For the three months ended 31 March	
	<i>Note</i>	2006 HK\$'000	2005 HK\$'000
Turnover	2	1,992	3,554
Cost of sales		(690)	(803)
Gross profit		1,302	2,751
Other revenue	2	13	1
Advertising & promotion expenses		(45)	(17)
Administrative expenses		(2,806)	(3,273)
Loss from operations		(1,536)	(538)
Finance costs		(231)	(94)
Loss from ordinary activities before taxation		(1,767)	(632)
Taxation	3	—	—
Net loss attributable to shareholders		(1,767)	(632)
Loss per share			
— Basic	4	(0.27 cents)	(0.10 cents)
Dividends	5	—	—

NOTES

1. BASIS OF PREPARATION

The accounts have been prepared in accordance with the accounting principles generally accepted in Hong Kong and complied with the accounting standards issued by Hong Kong Institute of Certified Public Accountants.

The basis of preparation and accounting policies adopted in the preparation of the quarterly accounts are consistent with those followed in the Company's annual financial statements for the year ended 31 December 2005.

The unaudited condensed consolidated financial statements for the three months ended 31 March 2006 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.

	For the three months ended 31 March	
	2006	2005
	HK\$'000	HK\$'000
Turnover		
Membership subscription fee	439	402
System services and maintenance income	1,553	3,152
	1,992	3,554
Other Revenue		
Interest income	1	—
Exchange loss	(2)	(3)
Others	14	4
	13	1

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 had no assessable profit for the period under review (2005: nil).

4. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2006 is based on the unaudited consolidated loss attributable to shareholders of approximately HK\$1,767,000 (2005: HK\$632,000) and the weighted average of 651,700,000 ordinary shares (2005: 651,700,000) in issue during the period.

The diluted loss per share is not presented because the Pre-IPO share options, share options and convertible bonds outstanding during the three months ended 31 March 2006 had an anti-dilutive effect on the basic loss per share for the period.

5. DIVIDEND

The Directors do not recommend payment of any dividend for the three months ended 31 March 2006 (2005: nil).

6. MOVEMENTS OF RESERVES

	Share premium	Share- based payment reserve	Capital reserve	Convertible bonds — equity component	Exchange reserve	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2005 (restated)	26,798	873	24,415	481	(359)	(64,107)	(11,899)
Exchange differences on translation of financial statements of an overseas subsidiary	—	—	—	—	2	—	2
Net loss for the period	—	—	—	—	—	(632)	(632)
At 31 March 2005 (restated)	26,798	873	24,415	481	(357)	(64,739)	(12,529)
At 1 January 2006	26,798	530	24,415	399	(473)	(67,657)	(15,988)
Exchange differences on translation of financial statements of an overseas subsidiary	—	—	—	—	2	—	2
Net loss for the period	—	—	—	—	—	(1,767)	(1,767)
At 31 March 2006	26,798	530	24,415	399	(471)	(69,424)	(17,753)

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the three months ended 31 March 2006, the Group had a total turnover of approximately HK\$1,992,000, which represents a decrease of approximately 44% over the previous corresponding period. When compared with last year, revenue from financial instrument analysis software products had a slight increase of approximately 9% while revenue from operational application software products decreased substantially by approximately 51% to approximately HK\$1.6 million.

The Group's gross profit margin for the three months ended 31 March 2006 deteriorated to approximately HK\$1,302,000 from approximately HK\$2,751,000 in the corresponding period in 2005 while the net loss attributable to shareholders increased to approximately HK\$1,767,000 which represents an increase of approximately 180%.

For the period under review, the advertising and promotional expenses increased by approximately 165% to approximately HK\$45,000 as a result of the launching of the promotion campaign for financial instrument analysis software products in China. With the implementation of more stringent cost control measures, the total administrative expenses further decreased by 14% to approximately HK\$2,806,000 which was mainly attributable to the savings in web and product design and development fees, traveling and hotel accommodation expenses and entertainment expenses. As a result of the decrease in headcount, the total staff costs of the Group also decreased by approximately 8%.

The finance cost of the Group for the three months ended 31 March 2006 increased by approximately 146% and such increase was due to the issuance of a new convertible bond of principal amount of HK\$2.0 million in August 2005 and an unsecured term loan of HK\$3.0 million in March 2005. As at 31 March 2006, the total outstanding principal of interest-bearing loans of the Group amounted to approximately HK\$10.0 million.

On 27 March 2006, the Company entered into a subscription agreement with Boyce Limited and Magic Key International Holdings Limited (the “Subscribers”), whereby the Subscribers agreed to subscribe in cash of HK\$8.0 million for a total of 80,000,000 Consolidated Shares (shares of HK\$0.10 each in the share capital of the Company after the proposed share consolidation, on the basis of every ten shares of HK\$0.01 each consolidated into one consolidated share, becoming effective) at a price of HK\$0.10 per Consolidated Share. The net proceeds from the share subscription was estimated to be approximately HK\$7.5 million. The Group intended to use approximately HK\$5.0 million for settlement of the outstanding convertible bonds while the remaining balance would be applied for general working capital purposes.

Business Review

Financial Instruments Analysis Software Products

The business segment of financial instruments analysis software products recorded a growth of approximately 9% in revenue for the period under review. The growth was mainly attributable to the membership fees charged to institutional clients which provided bundled services to their customers. During the first quarter of 2006, the membership of the Group’s website remained stable and there were no significant fluctuations in number of subscribers.

Meanwhile, the Group continued its efforts in developing the PRC market for the financial instruments analysis software products. In order to increase the Group’s publicity in the PRC, seminars and discussion forums were held in various prime cities in the PRC. New subscribers were recruited in the promotion campaign. However, the revenue from the PRC market was minimal at this initial stage of market development.

Operational Application Software Products

During the period under review, revenue from operational application software products decreased substantially by approximately 51% as many new contracts were under software development stage and had not been completed yet. As a result, the revenue of such contracts was deferred to subsequent financial periods.

To cope with the increasing demand of system enhancement services from existing clients and expected new contracts, the Group has taken active pursuit in expanding its technical team.

Material acquisitions or disposals of subsidiaries

On 27 March 2006, ProSticks (B.V.I.) Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party (the "Purchaser") whereby ProSticks (B.V.I.) Limited agreed to dispose of its entire equity interest in ProSticks.com Limited, a wholly-owned subsidiary of the Company and the Group's core operating company for the business of financial instruments analysis software products, at a consideration of HK\$2.0 million, to be settled by canceling the convertible bond issued by the Company and subscribed by the Purchaser in accordance with the subscription agreement dated 1 August 2005. Completion of the disposal is conditional upon the passing by the shareholders of the Company an ordinary resolution at the extraordinary general meeting approving the sale and purchase agreement and the transactions contemplated thereunder. In the event that the condition precedent is not fulfilled by 30 June 2006 or a later date to be agreed mutually by the contracting parties, then the sale and purchase agreement shall cease to be of any effect.

In addition, ProSticks Publication Limited, ProSticks Multi-text Limited and ProSticks Technology Limited, which are dormant subsidiaries of the Company, were de-registered on 27 January 2006, 3 February 2006 and 10 March 2006 respectively. As at the date of this report, the de-registration process of Daily Vantage Investment Limited, another dormant subsidiary of the Company, was still in progress.

Save for the abovementioned, there were no material acquisitions or disposals of subsidiaries during the period under review.

OUTLOOK

After the disposal of ProSticks.com Limited, the Group shall focus on the development and licensing of operational software application products. In 2005, the Group attained several new contracts on system implementation and enhancements for operational software application products. Some contracts have been completed while others are still in progress, which shall contribute additional revenue to the Group in the financial year of 2006. Moreover, as the warranty period of many newly completed contracts shall expire in 2006 which shall then subject to maintenance charges, it is expected that the Group's revenue from maintenance service shall also increase in the coming years. The Group is also in negotiation with its existing and potential customers for licensing of new system and/or enhancements. Therefore, with the improved financial position of the Group after the share subscription and disposal of Prosticks.com Limited, the Directors are optimistic about the future development of the Group.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2006, the interest 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 were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or pursuant to section 352 of the SFO, to be recorded in the register referred therein; or pursuant to Rule 5.46 of the Rules Governing the Listing of Securities on Growth Enterprise Market of the Stock Exchange ("GEM Listing Rules") to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares of the Company

Name of Directors	Number of shares held in the capacity of		Total	Total
	Beneficial Owner	Interest in Corporation	number of shares held	percentage of shareholding
Mr. Li Ching Ping Vincent ("Mr. Li") (Note 1)	—	90,479,242	90,479,242	13.88

Notes:

1. These shares were 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.

Share options of the Company

Name of Directors	Date of grant	Number of share options			Exercise period	Exercise price per share HK\$
		At 1 January 2006	Granted/ Exercised/ Cancelled/ Lapsed during the period	At 31 March 2006		
Mr. Li	20/11/2003	24,000,000	—	24,000,000	20/11/2003- 19/11/2013	0.021

Save as disclosed above, as at 31 March 2006, none of the Directors or chief executive of the Company had any interest or short position in shares, debentures or underlying shares of the Company and its associated corporations which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or pursuant to section 352 of the SFO, to be recorded in the register referred therein; or pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 March 2006, so far as is known to any Director or chief executive of the Company, the persons (other than the Directors and chief executive of the Company) who had interests and/or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO are as follows:

Long position in shares of the Company

Name of shareholders	Number of shares held in the capacity of			Total number of shares held	Percentage of issued share capital of the Company
	Beneficial owner	Interest in corporation	Family interest		
Investec Bank (UK) Limited	183,400,000	—	—	183,400,000	28.14
Great Power Associates Limited (Note 1)	90,479,242	—	—	90,479,242	13.88
Ms. Li Yuen Sze Mak ("Mrs. Li") (Note 1)	—	—	90,479,242	90,479,242	13.88
Frankie Dominion International Limited	75,260,986	—	—	75,260,986	11.55
Mr. Lam Po Kwai ("Mr. Lam") (Note 2)	—	75,260,986	—	75,260,986	11.55
Ms. Lee Yuen Bing (Mrs. Lam") (Note 2)	—	—	75,260,986	75,260,986	11.55
4Bio Signs Corporation	33,000,000	—	—	33,000,000	5.06
Mr. Loh James ("Mr. Loh") (Note 3)	—	33,000,000	—	33,000,000	5.06
Ms. Loh Cheung Yuk Pok Natalie ("Mrs. Loh") (Note 3)	—	—	33,000,000	33,000,000	5.06

Notes:

1. Great Power Associates Limited is wholly owned by Mr. Li. Accordingly, each of Mr. Li and Mrs. Li, the spouse of Mr. Li, was deemed to be interested in 90,479,242 shares of the Company.
2. Frankie Dominion International Limited is beneficially owned as to 44.2% by Mr. Lam. Accordingly, each of Mr. Lam and Mrs. Lam, the spouse of Mr. Lam, was deemed to be interested in 75,260,986 shares of the Company.
3. 4Bio Signs Corporation is wholly owned by Mr. Loh. Accordingly, each of Mr. Loh and Mrs. Loh, the spouse of Mr. Loh, was deemed to be interested in 33,000,000 shares of the Company.

Long positions in underlying shares of the Company

Name of shareholders	No. of underlying shares held in the capacity of				Total	Percentage of issued share capital
	Beneficial owner	Interest in corporation	Investment manager	Family interest	number of underlying Shares held	
Rapid Falcon Limited (Note 1)	95,238,095	—	—	—	95,238,095	14.61
Mr. Chow Lork Sang (Note 2)	—	95,238,095	—	—	95,238,095	14.61
Mr. Lai Kwok Ching (Note 2)	—	95,238,095	—	—	95,238,095	14.61
JL Strategic Fund (Note 3)	50,000,000	—	—	—	50,000,000	7.67
Swordfish Holdings Limited (Note 4)	50,000,000	—	—	—	50,000,000	7.67
JL Capital Pte. Ltd (Note 5)	—	—	100,000,000	—	100,000,000	15.34
Mr. Loh (Note 6)	—	100,000,000	—	—	100,000,000	15.34
Mrs. Loh (Note 6)	—	—	—	100,000,000	100,000,000	15.34

Notes:

1. The Company issued a convertible bond of HK\$2 million to Rapid Falcon Limited in August 2005. Upon full conversion of the convertible bond, Rapid Falcon Limited will be entitled to 95,238,095 shares of the Company.
2. Rapid Falcon Limited is beneficially owned as to 61% by Mr. Chow Lork Sang and 39% by Mr. Lai Kwok Ching. Accordingly, each of Mr. Chow Lork Sang and Mr. Lai Kwok Ching was deemed to be interested in the underlying shares of the Company held by Rapid Falcon Limited.
3. The Company issued a convertible bond of HK\$2.5 million to JL Strategic Fund in September 2004. Upon full conversion of the convertible bond, JL Strategic Fund will be entitled to 50,000,000 shares of the Company.
4. The Company issued a convertible bond of HK\$2.5 million to Swordfish Holdings Limited in September 2004. Upon full conversion of the convertible bond, Swordfish Holdings Limited will be entitled to 50,000,000 shares of the Company.

5. JL Capital Pte. Ltd is the investment manager of JL Strategic Fund and Swordfish Holdings Limited and was thus deemed to be interested in 100,000,000 underlying shares of the Company.
6. Mr. Loh holds 99% interest in JL Capital Pte. Ltd.. Therefore, each of Mr. Loh and Mrs. Loh, the spouse of Mr. Loh, was deemed to be interested in 100,000,000 underlying shares of the Company.

Save as disclosed above, as at 31 March 2006, 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 and underlying shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.

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 three months ended 31 March 2006.

INTEREST IN COMPETING BUSINESS

During the period under review, none of the Directors, substantial shareholders of the Company and their respective associates had any interest in any business that directly or indirectly competed with the business of the Group.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 in the GEM Listing Rules during the period under review.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the period under review.

AUDIT COMMITTEE

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

The audit committee has reviewed the financial statements of the Group for the three months ended 31 March 2006 pursuant to the relevant provisions contained in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules and was of the opinion that such statements complied with applicable accounting standards and that adequate disclosures have been made in respect thereof.

By order of the Board

ProSticks International Holdings Limited

Li Ching Ping Vincent

Chairman

The Board as of the date of this report comprises Mr. Li Ching Ping Vincent and Mr. Fung Yan Shun as executive Directors, Mr. Ng Ge Bun, Mr. Wan Yiu Kwan Stephen and Mr. Lee Kar Wai as independent non-executive Directors.

Hong Kong, 12 May 2006