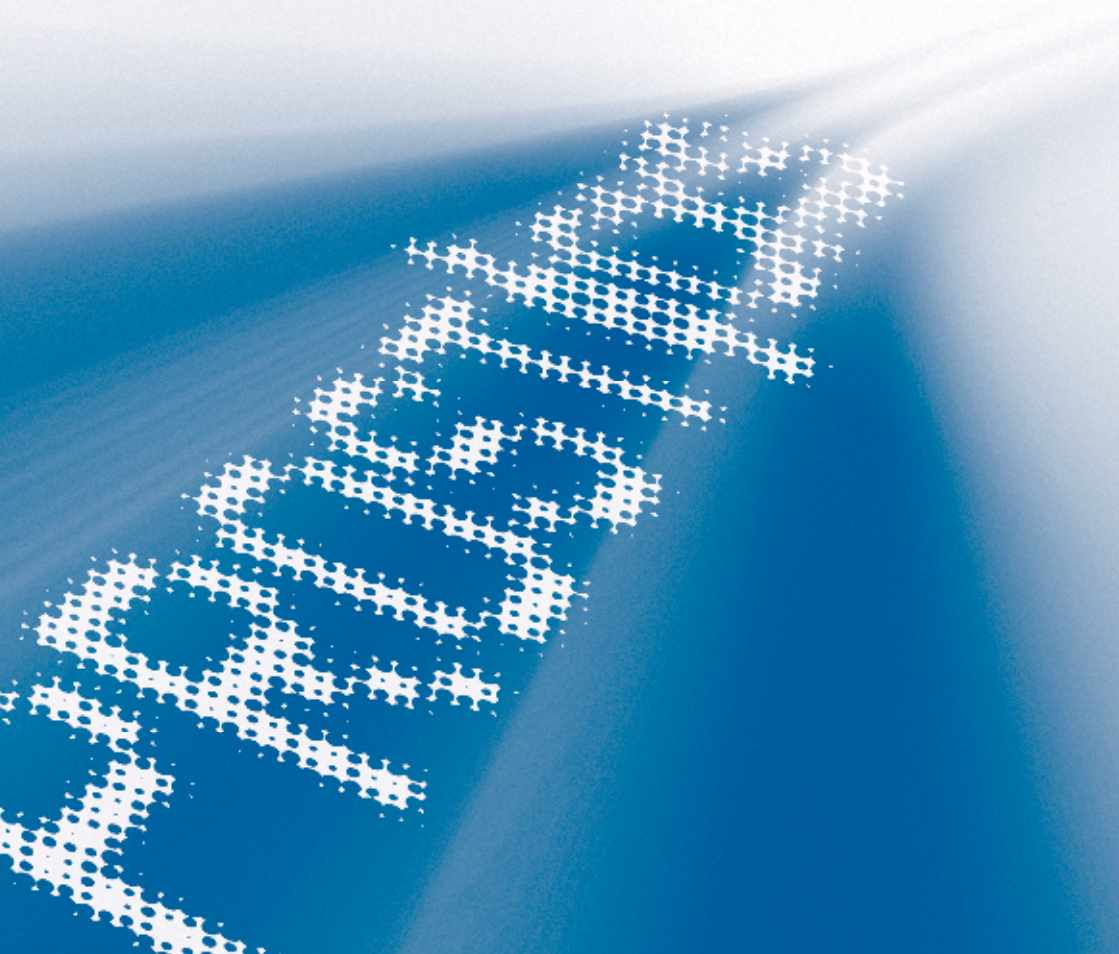


乾坤燭® PROSTICKS®

ProSticks International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8055

1st Quarterly Report 07 |



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 GEM of the Stock Exchange 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.

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 2007, together with the comparative unaudited figures of the corresponding period in 2006, as follows:

		For the three months ended 31 March	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
	<i>Notes</i>		
Continuing operation			
Revenue	2	1,475	1,241
Cost of sales		(1,327)	(150)
Gross profit		148	1,091
Other income		3	8
Administrative expenses		(827)	(2,055)
Loss from operations		(676)	(956)
Finance costs		—	(231)
Loss before taxation		(676)	(1,187)
Taxation	3	—	—
Loss for the period from continuing operation		(676)	(1,187)
Discontinued operations			
Loss for the period from discontinued operations	4	—	(580)
Net loss for the period		(676)	(1,767)
Loss per share			
From continuing and discontinued operations — Basic	5	(0.46 cents)	(0.27 cents)
From continuing operation — Basic		(0.46 cents)	(0.18 cents)
Dividend	6	—	—

NOTES:

1. Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all applicable Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the accounting principles generally accepted in Hong Kong.

The basis of preparation and accounting policies adopted in the preparation of the quarterly financial statements are consistent with those followed in the Company's annual financial statements for the year ended 31 December 2006.

The unaudited condensed consolidated financial statements for the three months ended 31 March 2007 have not been audited by the Company's auditor, but have been reviewed by the audit committee of the Company.

2. Revenue

The revenue of the Group for the period under review was wholly generated from the operation of development and provision of operational software application products.

3. Taxation

Hong Kong Profits Tax has not been provided as the Group had no assessable profit for the three months ended 31 March 2007 (2006: nil).

4. Discontinued operations

	For the three months ended 31 March	
	2007 HK\$'000	2006 HK\$'000
Revenue	—	751
Cost of sales	—	(540)
Other income	—	5
Advertising and promotion expenses	—	(45)
Administrative expenses	—	(751)
Loss before taxation	—	(580)
Taxation	—	—
Loss for the period	—	(580)

5. Loss per share

The calculation of basic loss per share for the three months ended 31 March 2007 and 31 March 2006 is based on the following data:

	For the three months ended 31 March			
	2007		2006	
	Continuing operation	Continuing and discontinued operations	Continuing operation	Continuing and discontinued operations
Loss for the period (HK\$'000)	676	676	1,187	1,767
Weighted average number of ordinary shares in issue during the period	146,770,000	146,770,000	651,700,000	651,700,000

The diluted loss per share for the three months ended 31 March 2007 and 31 March 2006 have not been disclosed as Pre-IPO share options and share options outstanding during the respective periods had an anti-dilutive effect on the basic loss per share for the said periods.

6. Dividend

The Directors do not recommend payment of any dividend for the three months ended 31 March 2007 (2006: nil).

7. Movement of reserves

	Share premium HK\$'000	Share-based payment reserve HK\$'000	Capital reserve HK\$'000	Convertible equity component HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
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)
At 1 January 2007	26,831	292	24,415	—	—	(67,475)	(15,937)
Net loss for the period	—	—	—	—	—	(676)	(676)
At 31 March 2007	26,831	292	24,415	—	—	(68,151)	(16,613)

Management Discussion and Analysis

Financial and Business Review

For the three months ended 31 March 2007, the total revenue from continuing operation of the Group, which was wholly generated from the business of operational application software products, amounted to approximately HK\$1,475,000, representing an increase of approximately 19% over the previous corresponding period.

The gross profit margin of the Group for the three months ended 31 March 2007 decreased substantially from approximately HK\$1,091,000 to HK\$148,000, representing a reduction of approximately 86%, as a result of the increase in subcontracting costs for software development and maintenance works. On the other hand, due to the great savings in staff costs, the administrative expenses for the three months ended 31 March 2007 dropped significantly by approximately HK\$1,228,000 to HK\$827,000, representing a decrease of approximately 60%.

Since the Group had no borrowings during the period under review, the finance cost for the three months ended 31 March 2007 decreased from approximately HK\$231,000 for the previous corresponding period to zero.

Benefited from the change in the Group's operational strategy, the Group's performance showed significant improvement and its loss from continuing operation for the three months ended 31 March 2007 decreased by approximately 43% to HK\$676,000 (2006: HK\$1,187,000).

No gain or loss from discontinued operation was recorded by the Group during the period under review and thus the Group's net loss for the three months ended 31 March 2007 amounted to approximately HK\$676,000 (2006: HK\$1,767,000), representing a decrease of approximately 62% when compared with that of the last corresponding period.

Outlook

It is expected that the fierce competition in the market of operational application software and the increasing operation costs will continue to post pressure to the Group's performance. In order to struggle with the challenges, the Group will concentrate its resources on the high value-added jobs to maximize the profitability of the Group. At the same time, the Group will continue to explore new business opportunities that are anticipated to provide growth to the Group and to increase the shareholders' value.

Directors' Interests in Securities

As at 31 March 2007, the interest and short position of the Directors and 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 (a) 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 (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "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 Director	Capacity	Number of shares or underlying shares held			Percentage of issued share capital
		Ordinary shares	Share options	Total	
Tsang Wing Yee	Interest of a controlled corporation	80,000,000 <i>(Note 1)</i>	—	80,000,000	54.51%
	Beneficial owner	—	145,000	145,000	0.10%
	Family interest	—	145,000 <i>(Note 2)</i>	145,000	0.10%
	Sub-total	80,000,000	290,000	80,290,000	54.71%
Chan Yat Leong	Interest of a controlled corporation	80,000,000 <i>(Note 1)</i>	—	80,000,000	54.51%
	Beneficial owner	—	145,000	145,000	0.10%
	Family interest	—	145,000 <i>(Note 3)</i>	145,000	0.10%
	Sub-total	80,000,000	290,000	80,290,000	54.71%

Name of Director	Capacity	Number of shares or underlying shares held			Percentage of issued share capital
		Ordinary shares	Share options	Total	
Yuen Sun Chak	Beneficial owner	—	500,000	500,000	0.34%
Law Tin Fan Arthur	Beneficial owner	—	500,000	500,000	0.34%
Lin Chinlon	Beneficial owner	—	145,000	145,000	0.10%
Lau Wing	Beneficial owner	—	145,000	145,000	0.10%
Ho Ho Yee Alexendra	Beneficial owner	—	145,000	145,000	0.10%

Notes:

- 43,551,000 shares and 36,449,000 shares of the Company were held by Magic Key International Holdings Limited and Boyce Limited respectively. Each of Magic Key International Holdings Limited and Boyce Limited is owned as to 46.50% by Ms. Tsang Wing Yee, 32.55% by Mr. Chan Yat Leong, 13.95% by Mr. Yuen Sun Chak and 7.00% by Mr. Law Tin Fan Arthur.
- Ms. Tsang Wing Yee is the spouse of Mr. Chan Yat Leong and thus Ms. Tsang Wing Yee was deemed to be interested in the share options held by Mr. Chan Yat Leong.
- Mr. Chan Yat Leong is the spouse of Ms. Tsang Wing Yee and thus Mr. Chan Yat Leong was deemed to be interested in the share options held by Ms. Tsang Wing Yee.

Save as disclosed above, as at 31 March 2007, none of the Directors or chief executive of the Company had any interest or short position in shares, underlying shares or debentures of the Company and its associated corporations which (a) 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 (b) was required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or (c) was required, pursuant to Rules 5.46 to 5.67 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 2007, so far as is known to any Director or chief executive of the Company, the persons (other than a Director 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 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, or who were, directly or indirectly, interested in 10 per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, and the amount of each of such person's interest in such securities were as follows:

Long position in shares of the Company

Name of Shareholder	Capacity	Number of shares or underlying shares held			Percentage of issued share capital
		Ordinary shares	Share options	Total	
Magic Key International Holdings Limited	Beneficial owner	43,551,000	—	43,551,000	29.67%
Boyce Limited	Beneficial owner	36,449,000	—	36,449,000	24.83%
Investec Bank (UK) Limited	Beneficial owner	18,340,000	—	18,340,000	12.50%
Great Power Associates Limited (<i>Note 1</i>)	Beneficial owner	9,047,924	—	9,047,924	6.16%
Li Ching Ping Vincent (<i>Note 1</i>)	Interest of a controlled corporation	9,047,924	—	9,047,924	6.16%
	Beneficial owner	—	2,400,000	2,400,000	1.64%
	Sub-total	9,047,924	2,400,000	11,447,924	7.80%
Frankie Dominion International Limited (<i>Note 2</i>)	Beneficial owner	7,526,098	—	7,526,098	5.13%
Lam Po Kwai (<i>Note 2</i>)	Interest of a controlled corporation	7,526,098	—	7,526,098	5.13%

Notes:

1. Great Power Associates Limited is wholly owned by Mr. Li Ching Ping Vincent. Accordingly, Mr. Li Ching Ping Vincent was deemed to be interested in the shares held by Great Power Associates Limited.
2. Frankie Dominion International Limited is beneficially owned as to 44.2% by Mr. Lam Po Kwai. Accordingly, Mr. Lam Po Kwai was deemed to be interested in the shares held by Frankie Dominion International Limited.

Save as disclosed above, as at 31 March 2007, the Directors were not aware of any person (other than a Director 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 to the Company 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, or who was, directly or indirectly, interested in 10 per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

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 2007.

Corporate Governance

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules during the period under review.

Competing Interests

During the period under review, none of the Directors, substantial shareholders of the Company and their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

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. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the code of conduct regarding securities transactions by Directors throughout the period under review.

Audit Committee

The Company has established an audit committee since 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 committee comprises three independent non-executive Directors, namely Mr. Lau Wing (the chairman of the committee), Professor Lin Chinlon and Mr. Ho Ho Yee Alexandra.

The Group's condensed consolidated financial statements for the three months ended 31 March 2007 have been reviewed by the audit committee, which was of the opinion that such statements have complied with the applicable accounting standards and that adequate disclosures have been made.

By order of the Board
ProSticks International Holdings Limited
Tsang Wing Yee
Chairman

Hong Kong, 11 May 2007

The Board as of the date of this report comprises Ms. Tsang Wing Yee, Mr. Yuen Sun Chak, Mr. Chan Yat Leong and Mr. Law Tin Fan Arthur as executive Directors, and Professor Lin Chinlon, Mr. Lau Wing and Mr. Ho Ho Yee Alexandra as independent non-executive Directors.