

乾坤燭® PROSTICKS®

ProSticks International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8055

Interim Report 2007

ProSticks

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 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.

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 (the “Company”) 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 for the purpose of giving information with regard to the Company. 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.

Interim Results

The board (the “Board”) of directors (“Directors”) of ProSticks International Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months and three months ended 30 June 2007, together with the comparative unaudited figures of the corresponding periods in 2006, as follows:

Condensed Consolidated Income Statement

	Notes	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
		2007	2006	2007	2006
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing Operations					
Revenue	2	2,077	2,835	602	1,566
Cost of sales		(1,869)	(491)	(542)	(203)
Gross profit		208	2,344	60	1,363
Other income	2	16	257	14	246
Advertising & promotion expenses		—	(3)	—	(2)
Administrative expenses		(1,600)	(3,943)	(773)	(1,890)
Loss from operations		(1,376)	(1,345)	(699)	(283)
Finance costs		—	(394)	—	(163)
Gain on novation of loan	3	—	3,000	—	3,000
(Loss)/profit before taxation	6	(1,376)	1,261	(699)	2,554
Taxation	7	—	—	—	—

	Notes	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
		2007	2006	2007	2006
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/profit for the period from continuing operations		(1,376)	1,261	(699)	2,554
Discontinued Operation Profit for the period from discontinued operation		—	322	—	796
(Loss)/profit for the period attributable to shareholders		(1,376)	1,583	(699)	3,350
Dividend	8	—	—	—	—
Basic (loss)/earnings per share	9				
— from continuing operations		(0.91) cents	0.24 cents	(0.45) cents	0.65 cents
— from discontinued operation		—	0.06 cents	—	0.20 cents
		(0.91) cents	0.30 cents	(0.45) cents	0.85 cents
Diluted (loss)/earnings per share	9				
— from continuing operations		N/A	0.17 cents	N/A	0.47 cents
— from discontinued operation		N/A	0.04 cents	N/A	0.15 cents
		N/A	0.21 cents	N/A	0.62 cents

Condensed Consolidated Balance Sheet

		(Unaudited) 30 June 2007 HK\$'000	(Audited) 31 December 2006 HK\$'000
	Notes		
Non-current assets			
Plant and equipment		56	66
		56	66
Current assets			
Trade and other receivables	10	224	669
Cash and bank balances		8,722	239
		8,946	908
Current liabilities			
Trade and other payables	11	(475)	(1,158)
Amounts due to directors		—	(1,076)
		(475)	(2,234)
Net current assets/(liabilities)		8,471	(1,326)
NET ASSETS/(LIABILITIES)		8,527	(1,260)
CAPITAL AND RESERVE			
Share capital		18,092	14,677
Reserves		(9,565)	(15,937)
TOTAL EQUITY		8,527	(1,260)

Condensed Consolidated Cash Flow Statements

	(Unaudited) For the six months ended 30 June 2007 HK\$'000	(Unaudited) 2006 HK\$'000
Net cash outflow from operating activities of:		
— continuing operations	(1,618)	(1,540)
— discontinued operation	—	(828)
Net cash outflow from operating activities	(1,618)	(2,368)
Net cash inflow/(outflow) from investing activities of:		
— continuing operations	14	(391)
— discontinued operation	—	1
Net cash inflow/(outflow) from investing activities	14	(390)
Net cash inflow from financing activities	10,087	7,529
Increase in cash and cash equivalents	8,483	4,771
Cash and cash equivalents at the beginning of period	239	1,319
Effect of exchange rate changes	—	(225)
Cash and cash equivalents at the end of period	8,722	5,865
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	8,722	5,865

Condensed Consolidated Statement of Changes in Equity

	Share capital	Share premium	Share-based payment reserve	Unaudited Capital reserve	Convertible bonds — equity component	Exchange reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As of 1 January 2006	6,517	26,798	530	24,415	399	(473)	(67,657)	(9,471)
Net profit for the period	—	—	—	—	—	—	1,583	1,583
Issue of new shares	8,000	—	—	—	—	—	—	8,000
Redemption of convertible bonds	—	—	—	—	(82)	—	—	(82)
Exchange differences on translation of the financial statements of an overseas subsidiary	—	—	—	—	—	(225)	—	(225)
As of 30 June 2006	14,517	26,798	530	24,415	317	(698)	(66,074)	(195)
As of 1 January 2007	14,677	26,831	292	24,415	—	—	(67,475)	(1,260)
Loss for the period	—	—	—	—	—	—	(1,376)	(1,376)
Issue of new shares	2,958	7,544	—	—	—	—	—	10,502
Share issue expenses	—	(301)	—	—	—	—	—	(301)
Shares issued under share option scheme	457	731	(226)	—	—	—	—	962
Forfeited share options expensed off to accumulated loss	—	—	(5)	—	—	—	5	—
As of 30 June 2007	18,092	34,805	61	24,415	—	—	(68,846)	8,527

Notes to Condensed Consolidated Interim Financial Statements

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and complied with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”). The unaudited condensed consolidated interim financial statements have not been audited by external auditors, but have been reviewed by the Company’s audit committee.

The financial statements are prepared under the historical cost convention. The accounting principles used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2006.

2. REVENUE AND OTHER INCOME

The Group is principally engaged in the development, production and distribution of operational software application products. Revenue and other income of the continuing operations recognized by category are as follows:

	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Revenue				
Membership subscription fees	—	51	—	23
System services and maintenance income	2,077	2,784	602	1,543
	2,077	2,835	602	1,566
Other income				
Interest income	14	20	13	19
Exchange gain	2	224	1	226
Others	—	13	—	1
	16	257	14	246

3. GAIN ON NOVATION OF LOAN

Last year's amount represented the gain arising from the novation of an unsecured loan of HK\$3,000,000 owed by the Company.

4. SEGMENT INFORMATION

(a) Primary reporting format — business segments

The Group was principally divided into two business operating divisions — financial instruments analysis software and operational software application products. These divisions are the basis on which the Group reports its primary segment information.

In May 2006, the Group disposed of one of its major subsidiaries, which was mainly engaged in the development, production and distribution of financial instruments analysis software products, to a third party independent of the Group. The operation of such subsidiary was discontinued by the Group on 1 June 2006 (see note 5).

The segment information about the continuing businesses is presented below:

	Financial instruments analysis software products For the six months ended 30 June		Operational software application products For the six months ended 30 June		Total for continuing operations For the six months ended 30 June	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue						
Segment revenue	—	51	2,077	2,784	2,077	2,835
Result						
Segment result	—	(219)	195	953	195	734
Unallocated operating income and expenses					(1,571)	(2,079)
Loss from operations					(1,376)	(1,345)
Finance costs					—	(394)
Gain on novation of loan					—	3,000
(Loss)/profit before taxation					(1,376)	1,261
Taxation					—	—
Net (loss)/profit attributable to shareholders					(1,376)	1,261

(b) Secondary reporting format — geographical segments

The Group's operations are principally located in Hong Kong throughout the period. Therefore, no analyses by geographical segments are provided.

5. DISCONTINUED OPERATION

On 27 March 2006, the Group entered into a sale and purchase agreement to dispose of a subsidiary, ProSticks.com Limited, which carried out a substantial part of the Group's operation of financial instruments analysis software products. The subsidiary has sustained net losses in the past consecutive years and the disposal was effected in order to relieve the Group from continuous losses and cash outflow. The disposal was completed on 31 May 2006, on which date control of ProSticks.com Limited passed to the purchaser.

The profit for the six months ended 30 June 2006 from the discontinued operation is analyzed as follows:

	2006 HK\$'000
Loss of operation for the period	(832)
Gain on disposal of a subsidiary	<u>1,154</u>
	<u>322</u>

The results of the discontinued operation for the periods from 1 January 2006 to 31 May 2006 which have been included in the consolidated income statement, were as follows:

	2006 HK\$'000
Revenue	1,155
Cost of sales	(642)
Other income	4
Advertising & promotion expenses	(62)
Administrative expenses	<u>(1,287)</u>
Loss before tax	(832)
Taxation	<u>—</u>
Loss for the period	<u>(832)</u>

The net assets of ProSticks.com Limited at the date of disposal were as follows:

	As at 31 May 2006
	HK\$'000
Plant and equipment	324
Trade and other receivables	629
Cash and cash equivalents	410
Other payables	(517)
	<hr/>
Net assets	846
	<hr/>
Net assets disposed of	(846)
Total consideration	2,000
	<hr/>
Gain on disposal of the subsidiary	1,154
	<hr/>

During the six months ended 30 June 2006, ProSticks.com Limited contributed net cash outflow of approximately HK\$828,000 in respect of operating activities and net cash inflow of approximately HK\$1,000 in respect of investing activities.

6. (LOSS)/PROFIT BEFORE TAXATION

	Continuing Operations		Discontinued Operation		Continuing Operations		Discontinued Operation	
	For the six months ended 30 June				For the three months ended 30 June			
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
This is stated after charging:								
(a) Finance costs								
Interest on convertible bonds and unsecured loan	—	394	—	—	—	163	—	—
(b) Other items								
Staff costs, including directors' emoluments	1,179	3,265	—	773	487	1,513	—	275
Auditors' remuneration	142	120	—	—	91	60	—	—
Depreciation of plant and equipment	10	11	—	60	5	6	—	20
Operating lease for premises	—	—	—	199	—	—	—	98
Operating lease for plant and equipment	—	—	—	79	—	—	—	32
Research and development expenditure (included in staff costs)	—	1,338	—	346	—	489	—	145

7. TAXATION

Hong Kong Profits Tax has not been provided as the Group has no assessable profit for the period (2006: nil).

8. DIVIDEND

The Directors do not recommend payment of interim dividend for the six months ended 30 June 2007 (2006: nil).

9. (LOSS)/EARNINGS PER SHARE

(a) From continuing operations

The calculation of the basic and diluted (loss)/earnings per share from continuing operations attributable to equity holders of the Company is based on the following data:

	For the six months ended 30 June		For the three months ended 30 June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
(Loss)/profit for the period attributable to equity holders of the Company	(1,376)	1,583	(699)	3,350
Less: Profit for the period from discontinued operation	—	322	—	796
(Loss)/profit from continuing operations for the purposes of basic and diluted (loss)/earnings per share	(1,376)	1,261	(699)	2,554
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	150,666,149	521,789,227	154,519,484	393,306,044
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	N/A	729,362,510	N/A	539,120,722

Diluted loss per share from continuing operations for the six months and three months ended 30 June 2007 are not presented because the exercise of the Company's outstanding options would have an anti-dilutive impact.

(b) From discontinued operation

The calculation of the basic and diluted earnings per share from discontinued operation attributable to equity holders of the Company is based on the following data:

	For the six months ended 30 June		For the three months ended 30 June	
	2007 (HK\$'000)	2006 (HK\$'000)	2007 (HK\$'000)	2006 (HK\$'000)
Profit for the period from discontinued operation for the purposes of basic and diluted earnings per share	—	322	—	796
Weighted average number of ordinary shares for the purpose of basic earnings per share	150,666,149	521,789,227	154,519,484	393,306,044
Weighted average number of ordinary shares for the purpose of diluted earnings per share	N/A	729,362,510	N/A	539,120,722

Diluted earnings per share from discontinued operation for the six months and three months ended 30 June 2007 are not presented because the exercise of the Company's outstanding options would have an anti-dilutive impact.

10. TRADE AND OTHER RECEIVABLES

	(Unaudited) 30 June 2007 HK\$'000	(Audited) 31 December 2006 HK\$'000
Trade receivables	155	555
Other receivables		
Deposits, prepayments and other debtors	69	114
	224	669

The aging analysis of trade receivables of the Group as at 30 June 2007 is shown as follows:

	(Unaudited) 30 June 2007 HK\$'000	(Audited) 31 December 2006 HK\$'000
Within 30 days	8	255
Between 31 days and 60 days	—	81
Between 61 days and 90 days	87	—
Over 90 days	60	219
	155	555

The general credit terms that the Group offers to customers are 30 days from billing. The carrying amounts of the trade and other receivables approximate their fair values.

11. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June 2007 HK\$'000	(Audited) 31 December 2006 HK\$'000
Trade payable	—	503
Other payables		
Receipts in advance		
— system services and maintenance income	189	177
— trade deposit received	145	195
Accrued charges and other creditors	141	283
	475	1,158

The aging analysis of trade payable of the Group as at 30 June 2007 is shown as follows:

	(Unaudited) 30 June 2007 HK\$'000	(Audited) 31 December 2006 HK\$'000
Within 30 days	—	252
Between 31 days and 60 days	—	251
	—	503

All of the trade and other payables are expected to be settled within one year. The carrying amounts of the trade and other payables approximate their fair values.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

Management's Discussion and Analysis

FINANCIAL REVIEW

For the six months ended 30 June 2007, the Group's total revenue decreased by approximately 27% to approximately HK\$2,077,000 (2006: HK\$2,835,000). All of the revenue of the Group is generated from operational software application products business.

The disposal of the discontinued operation was completed on 31 May 2006 and thus no results from discontinued operation were recorded for the period under review.

Since the Group outsourced its software development and maintenance services to a third party in June 2006, the staff costs (including directors' remuneration) and research and development expenditure decreased significantly by 64% and 100% respectively as compared to the previous corresponding period. As a result, the total administrative expenses of the Group's continuing operations decreased by approximately 59% to HK\$1,600,000.

During the period under review, the finance costs decreased substantially by 100% as the outstanding loan and convertible bonds in previous period were either repaid or cancelled. The Group recorded a net loss for the period of approximately HK\$1,376,000 (2006: profit of approximately HK\$1,583,000). The profit recorded in the prior period was mainly attributable to the gain arising from the novation of a loan of HK\$3,000,000 from the Company to an ex-director and the gain on disposal of a subsidiary of approximately HK\$1,154,000. Such gains were of a non-recurring nature and no such transactions took place in the current period under review.

Liquidity and financial resources

During the period under review, net proceeds of approximately HK\$11,163,000 was received by the Group by issuance of new shares. As a result, the Group's financial position was significantly improved and net assets of approximately HK\$8,527,000 was recorded at 30 June 2007 as compared to net liabilities of approximately HK\$1,260,000 in the previous period.

The Group keeps its cash in Hong Kong dollar and places most of them as short-term deposits in banks for interests. As at 30 June 2007, the Group had current assets of approximately HK\$8,946,000 including cash and bank balances of approximately HK\$8,722,000.

As at 30 June 2007, the Group did not have any borrowing.

Share capital

During the period under review, the share capital had the following changes:

Ordinary shares of HK\$0.10 each in the capital of the Company were issued for the exercise of share option as follows:

Date of issue	No. of shares issued
14 April 2007	1,160,000
7 May 2007	1,005,000
6 June 2007	2,400,000
	<hr/>
	4,565,000
	<hr/>

On 14 June 2007, 29,584,000 ordinary shares of HK\$0.10 each in the capital of the Company were issued pursuant to a top-up placing.

Following the issue of new shares as described above, as at 30 June 2007, the issued share capital of the Company was approximately HK\$18,092,000 divided into 180,919,000 shares of HK\$0.10 each.

Foreign exchange exposure

Most of the sales and expenditures of the Group were denominated in Hong Kong dollar and United States dollar. As Hong Kong dollar is closely linked with United States dollar and the exchange rates for other currencies used by the Group are relatively stable, the management considers that the Group has no significant foreign exchange exposures. The Company had no borrowings and no hedging has been implemented during the period.

Charges on the Group's assets

There were no material charges on the Group's assets as at 30 June 2007.

Contingent liabilities

As at 30 June 2007, the Group had no material contingent liabilities.

OPERATIONAL REVIEW

Operational software application products

The segment revenue of operational software application products for the six months ended 30 June 2007 decreased from HK\$2,784,000 to HK\$2,077,000, representing a reduction of approximately 25% when compared with that of the previous corresponding period. The segment profit for the six months ended 30 June 2007 also decreased substantially to approximately HK\$195,000 from approximately HK\$953,000 in the corresponding period in 2006. Reduction in segment revenue and profit were recorded as the Group mainly focused on completing the contracts on hand and less effort was placed on soliciting new contracts during the period under review.

Employees information

As at 30 June 2007, the Group had a total of 5 employees (including executive directors). During the period under review, the total staff costs amounted to approximately HK\$1,179,000 (2006: HK\$3,265,000), representing a decrease of approximately 64% as compared to the prior period. The decrease is mainly attributable to the outsourcing of the software development and maintenance services to a third party in 2006.

The salaries and benefits of the Group's employees were kept at a market level and employees were rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. Staff benefits include contribution to mandatory provident fund and share options. During the six months ended 30 June 2007, no share options were granted to employees of the Group.

Significant Investments and Capital Assets

No significant investments were made during the six months ended 30 June 2007. As at 30 June 2007, the Group did not have any detailed plan for material investments or acquisition of capital assets.

Subsequent Event

On 1 August 2007, the Company issued 72,367,600 shares by way of open offer (the “Open Offer Shares”) on the basis of 2 Open Offer Shares for every five existing shares at HK\$0.20 per Open Offer Share.

Prospects

Following the issuance of shares in relation to placing of existing share and subscription for new shares of the Company, the Group’s financial position has been improved significantly and resumed to a more healthy state.

While maintaining the existing core business, the Board is actively exploring new business opportunities for the Group to further increase the shareholders’ value of the Company and to reduce the business risk of the Group by business diversification.

With the improved financial position of the Group, the Board is optimistic about the development of the Group in the foreseeable future.

Directors’ Interests in Shares

As at 30 June 2007, the interests and short positions 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 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 GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Directors	Capacity	Number of shares or underlying shares held and nature of interests			Percentage of issued share capital (Note 2)
		Shares	Share options	Total	
Tsang Wing Yee (Note 1)	Interest of controlled corporations	80,000,000	—	80,000,000	44.22%
	Beneficial owner	—	145,000	145,000	0.08%
	Sub-total	80,000,000	145,000	80,145,000	44.30%
Chan Yat Leong (Note 1)	Interest of controlled corporations	80,000,000	—	80,000,000	44.22%
	Beneficial owner	—	145,000	145,000	0.08%
	Sub-total	80,000,000	145,000	80,145,000	44.30%
Yuen Sun Chak	Beneficial owner	—	500,000	500,000	0.28%
Law Tin Fan Arthur	Beneficial owner	—	500,000	500,000	0.28%
Lau Wing	Beneficial owner	—	145,000	145,000	0.08%
Ho Ho Yee Alexandra	Beneficial owner	—	145,000	145,000	0.08%
Lin Chinlon	Beneficial owner	—	145,000	145,000	0.08%

Notes:

- 43,551,000 shares and 36,449,000 shares were held by Magic Key International Holdings Limited and Boyce Limited respectively. As at 30 June 2007, each of Magic Key International Holdings Limited and Boyce Limited was 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% by Mr. Law Tin Fan, Arthur respectively. Therefore, Ms. Tsang Wing Yee and Mr. Chan Yat Leong were deemed to be interested in the shares held by Magic Key International Holdings Limited and Boyce Limited.
- The percentage shareholding is calculated based on the existing issued share capital of the Company as at 30 June 2007.

SHORT POSITIONS IN SHARES OF THE COMPANY

Name of Directors	Capacity	Ordinary shares	Percentage of issued share capital (Note 2)
Tsang Wing Yee (Note 1)	Interest of controlled corporations	80,000,000	44.22%
Chan Yat Leong (Note 1)	Interest of controlled corporations	80,000,000	44.22%

Notes:

1. Magic Key International Holdings Limited and Boyce Limited, which were 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% by Mr. Law Tin Fan, Arthur as at 30 June 2007, have pledged the 80,000,000 shares to secure a loan. Therefore, Ms. Tsang Wing Yee and Mr. Chan Yat Leong were deemed to have a short position in such shares.
2. The percentage shareholding is calculated based on the existing issued share capital of the Company as at 30 June 2007.

Save as disclosed above, as at 30 June 2007, none of the Directors or chief executive of the Company had any interests 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 30 June 2007, so far as known to any Director or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had interests in the shares or short positions in the shares and underlying shares of the Company which would fall to be disclosed 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:

LONG POSITIONS IN SHARES OF THE COMPANY

Name	Capacity	Ordinary shares	Percentage of issued share capital (Note 5)
Magic Key International Holdings Limited (Note 1)	Beneficial owner	43,551,000	24.07%
Boyce Limited (Note 1)	Beneficial owner	36,449,000	20.15%
Investec Bank (UK) Limited (Note 2)	Beneficial owner	18,340,000	10.14%
Kingston Finance Limited (Note 3)	Security interest	80,000,000	44.22%
Chu Yuet Wah (Note 4)	Interest of a controlled corporation	80,000,000	44.22%
Ma Siu Fong (Note 4)	Interest of a controlled corporation	80,000,000	44.22%

Notes:

- As at 30 June 2007, each of Magic Key International Holdings Limited and Boyce Limited was 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% by Mr. Law Tin Fan, Arthur respectively.
- Save for being a substantial shareholder (as defined in the GEM Listing Rules), Investec Bank (UK) Limited is a third party independent of the Company and its connected person (as defined in the GEM Listing Rules).

3. Kingston Finance Limited had a security interest of an aggregate of 80,000,000 shares owned by Magic Key International Holdings Limited and Boyce Limited.
4. As at 30 June 2007, Ms. Chu Yuet Wah and Ms. Ma Siu Fong were the controlling shareholders of Kingston Finance Limited. Therefore, both Ms. Chu Yuet Wah and Ms. Ma Siu Fong were deemed to be interested in the underlying shares held by Kingston Finance Limited.
5. The percentage shareholding is calculated based on the existing issued share capital of the Company as at 30 June 2007.

SHORT POSITIONS IN SHARES OF THE COMPANY

Name	Capacity	Ordinary shares	Percentage of issued share capital (Note 2)
Magic Key International Holdings Limited (Note 1)	Beneficial owner	43,551,000	24.07%
Boyce Limited (Note 1)	Beneficial owner	36,449,000	20.15%

Notes:

1. Magic Key International Holdings Limited and Boyce Limited have pledged 43,551,000 shares and 36,449,000 shares of the Company respectively to secure a loan.
2. The percentage shareholding is calculated based on the existing issued share capital of the Company as at 30 June 2007.

Save as disclosed above, as at 30 June 2007, the Directors were not aware of any other persons (other than the Directors or chief executive of the Company) who had interests or short positions 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.

Share Option Scheme

(A) PRE-IPO SHARE OPTION SCHEME

No options were granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2007 and none of the options granted under the Pre-IPO Share Option Scheme were exercised, cancelled or lapsed during the period under review. An option to subscribe for 400,000 shares was outstanding as at 30 June 2007.

(B) SHARE OPTION SCHEME

The movements in the share options of the Company, granted under the Share Option Scheme, during the six months ended 30 June 2007 are shown in the following table:

Name/Category of participants	Date of grant and vesting	Exercise period	Exercise price per share HK\$	No. of share options				As at 30 June 2007
				As at 1 January 2007	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	
Director:								
Tsang Wing Yee	10/11/2006	10/11/2006 - 09/11/2016	0.2118	145,000	—	—	—	145,000
Yun Sun Chak	10/11/2006	10/11/2006 - 09/11/2016	0.2118	500,000	—	—	—	500,000
Chan Yat Leong	10/11/2006	10/11/2006 - 09/11/2016	0.2118	145,000	—	—	—	145,000
Law Tin Fan Arthur	10/11/2006	10/11/2006 - 09/11/2016	0.2118	500,000	—	—	—	500,000
Chan Lai Yin Simon	10/11/2006	10/11/2006 - 09/11/2016	0.2118	145,000	—	—	(145,000)	—
Lin Chinlon	10/11/2006	10/11/2006 - 09/11/2016	0.2118	145,000	—	—	—	145,000
Lau Wing	10/11/2006	10/11/2006 - 09/11/2016	0.2118	145,000	—	—	—	145,000
Ho Ho Yee Alexandra	10/11/2006	10/11/2006 - 09/11/2016	0.2118	145,000	—	—	—	145,000
				1,870,000	—	—	(145,000)	1,725,000
Participants with options granted in excess of the individual limit:								
Li Ching Ping Vincent	20/11/2003	20/11/2003 - 19/11/2013	0.21	2,400,000	—	(2,400,000)	—	—
				2,400,000	—	(2,400,000)	—	—
Others:								
In aggregate	16/07/2003	16/07/2003 - 04/07/2013	0.21	420,000	—	(420,000)	—	—
	10/11/2006	10/11/2006 - 09/11/2016	0.2118	1,745,000	—	(1,745,000)	—	—
				2,165,000	—	(2,165,000)	—	—
				6,435,000	—	(4,565,000)	(145,000)	1,725,000

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.

According to Rule 5.05 and 5.28 of the GEM Listing Rules, every board of directors of an issuer must include at least three independent non-executive directors and the audit committee must comprise a minimum of three members. However, following the resignation of Professor Lin Chinlon, Mr. Lau Wing and Mr. Ho Ho Yee Alexandra and the appointment of Dr. Wong Yun Kuen and Ms. Chan Hoi Ling in July 2007, the Board has only two independent non-executive Directors and audit committee comprises only two members. Therefore, the Company has been unable to strictly comply with the relevant requirements of the GEM Listing Rules since then. The Company will identify a suitable candidate for taking up the vacancy as soon as possible.

Directors' 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 or might compete with the business 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 six months ended 30 June 2007.

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. As at the date of this report, the committee comprised two independent non-executive Directors, namely Dr. Wong Yun Kuen and Ms. Chan Hoi Ling.

The audit committee has reviewed the financial statements of the Group for the six months ended 30 June 2007 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 the applicable accounting standards and that adequate disclosures have been made in respect thereof.

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

The board as of the date of this report comprises Ms. Tsang Wing Yee, Mr. Chan Chi Yuen and Ms. Chan Siu Mun as executive Directors, and Dr. Wong Yun Kuen and Ms. Chan Hoi Ling as independent non-executive Directors.

Hong Kong, 14 August 2007