PROACTIVE

Proactive Technology Holdings Limited

2000
Interim Report

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

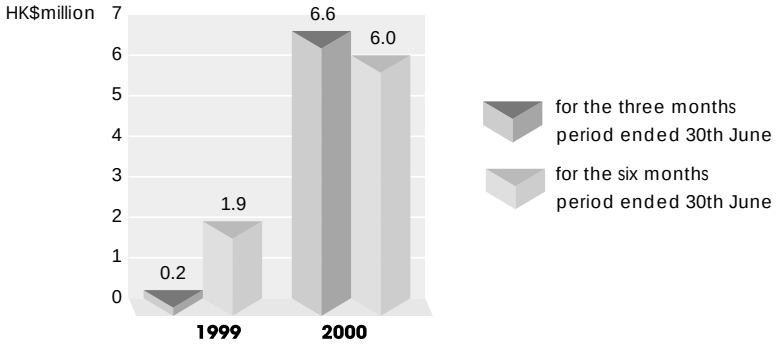
GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out 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 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.

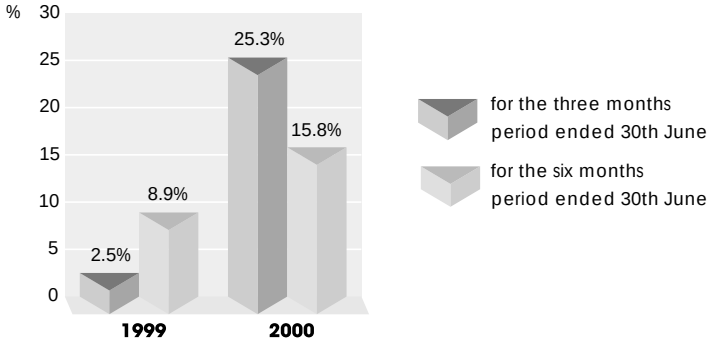
HIGHLIGHTS FOR THE HALF-YEARLY PERIOD

- Achieved a profit before taxation of HK$6,033,000 which is 19.8% of the turnover.
- Earnings per share rose by 218%, generating further returns to our shareholders.
- Successfully listed on GEM.

Net Profit Before Taxation
(for the three months and six months periods ended 30th June)



Net Profit Margin
(for the three months and six months periods ended 30th June)



INTERIM RESULTS

On behalf of the board of directors (the "Directors") of Proactive Technology Holdings Limited (the "Company"), I am pleased to present the operating results of the Company and its subsidiaries, (collectively the "Group") for the six months (the "Half-Yearly Period") and the three months (the "Quarterly Period") ended 30th June 2000.

Half-Yearly Period

The unaudited consolidated profit attributable to shareholders of the Group for the Half-Yearly Period was approximately HK$4,816,000, representing an increase of approximately 237% as compared to the unaudited consolidated profit attributable to shareholders of the Group of approximately HK$1,427,000 for the corresponding half-yearly period in 1999. Unaudited consolidated turnover of the Group for the Half-Yearly Period was about HK$30,438,000, representing a growth of about 91% over the unaudited consolidated turnover of the Group of HK$15,960,000 for the corresponding half-yearly period in 1999.

The unaudited net profit margin of the Group was approximately 15.8% for the Half-Yearly Period which was about 78% higher than the unaudited net profit margin of the Group of approximately 8.9% for the corresponding half-yearly period in 1999. The unaudited earnings per share was about HK2.45 cents for the Half-Yearly Period, representing an increase of about 218% as compared to the unaudited earnings per share of about HK0.77 cents for the corresponding half-yearly period in 1999.

Quarterly Period

The unaudited consolidated profit attributable to shareholders of the Group for the Quarterly Period was approximately HK$5,367,000, representing an increase of approximately 2,915% as compared to the unaudited consolidated profit attributable to shareholders of the Group of approximately HK$178,000 for the corresponding quarterly period in 1999. Unaudited consolidated turnover of the Group for the Quarterly Period was about HK$21,216,000, representing a growth of about 198% over the unaudited consolidated turnover of the Group of HK$7,114,000 for the corresponding quarterly period in 1999.

The unaudited net profit margin of the Group was approximately 25.3% for the Quarterly Period which was about 912% higher than the unaudited net profit margin of the Group of approximately 2.5% for the corresponding quarterly period in 1999. The unaudited earnings per share was about HK2.58 cents for the Quarterly Period, representing an increase of about 2,480% as compared to the unaudited earnings per share of about HK0.10 cents for the corresponding quarterly period in 1999.

The unaudited consolidated results of the Group for the Half-Yearly Period and the Quarterly Period together with the unaudited comparative figures for the corresponding periods in 1999 are as follows:

		Six months ended 30th June		**Three months ended 30th June**	
		2000	1999	**2000**	1999
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	2	**30,438**	15,960	**21,216**	7,114
Cost of sales		**(10,858)**	(6,780)	**(6,211)**	(2,872)
Gross profit		**19,580**	9,180	**15,005**	4,242
Other revenue		**102**	69	**23**	46
Distribution costs		**(81)**	(139)	**(66)**	(36)
Administrative expenses		**(13,646)**	(6,449)	**(8,634)**	(4,063)
Profits from operations		**5,955**	2,661	**6,328**	189
Interest income		**551**	71	**509**	62
Interest expense		**(473)**	(44)	**(253)**	(23)
Profit before share of loss of associated companies		**6,033**	2,688	**6,584**	228
Share of loss of associated companies		**—**	(761)	**—**	—
Profit before taxation		**6,033**	1,927	**6,584**	228
Taxation	3	**(1,217)**	(500)	**(1,217)**	(50)
Profit attributable to shareholders		**4,816**	1,427	**5,367**	178
Dividends		**—**	—	**—**	—
Earnings per Share — Basic	4	**HK¢2.45**	HK¢0.77	**HK¢2.58**	HK¢0.10

Notes:

1. Basis of presentation

The Company was incorporated in Bermuda under the Companies Act as an exempted company with limited liability on 25th February 2000. Its shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 18th May 2000.

On 3rd May 2000, the Company became the holding company of the other companies comprising the Group pursuant to a group reorganisation scheme (the "Reorganisation") in preparation for the listing of the Company's Shares on GEM. Details of the Reorganisation are set out in the Prospectus of the Company dated 10th May 2000. The Company and its subsidiaries resulting from the Reorganisation have been regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared on the basis that the Company had always been the holding company of the Group.

2. Turnover

Turnover represents (i) net invoiced value for the supply, development and integration of telecommunications and computer telephony products and solutions after allowances for returns and discounts; (ii) rental income for leasing telecommunications and computer telephony equipment; and (iii) fees for consulting and maintenance services.

3. Taxation

	Six months ended 30th June		**Three months ended 30th June**	
	2000	1999	**2000**	1999
	HK$'000	*HK$'000*	**HK$'000**	*HK$'000*
Current taxation				
— Hong Kong profits tax	**1,200**	508	**1,200**	50
— Overseas tax	**17**	—	**17**	—
— Special rebate by the Government of Hong Kong Special Administrative Region	**—**	(8)	**—**	—
	1,217	500	**1,217**	50

Hong Kong profits tax was provided at the rate of 16% for Half-Yearly Period (1999: 16%) on estimated assessable profit arising in or derived from Hong Kong. Overseas taxation was provided by subsidiaries based on their estimated assessable profits at the rates of taxation applicable in the respective jurisdictions in which subsidiaries operated. Overseas taxation for the Half-Yearly Period mainly consisted of Mainland China enterprises income tax provided at the rate of 33% (1999: 33%) of the deemed profit in Mainland China.

On 3rd March 1999, the Government of Hong Kong Special Administrative Region announced a special profits tax rebate of 10% on the profits tax charged and paid for the year of assessment 1997/98 (year ended 31st December 1997). In this connection, the tax rebate received amounting to approximately $8,000 was recognised in the consolidated results of the Group for the corresponding period ended 30th June 1999.

There was no share of tax of associated companies because the associated companies have no assessable profit arising in or derived from Hong Kong for the Half-Yearly Period and the corresponding period ended 30th June 1999.

4. Earnings per share

The calculation of the basic earnings per share is based on the unaudited profit attributable to shareholders for the Quarterly Period and Half-Yearly Period of approximately HK$5,367,000 and HK$4,816,000 (1999: HK$178,000 and HK$1,427,000) and the weighted average number of 208,035,165 and 196,817,582 (1999: 185,600,000 and 185,600,000) ordinary shares outstanding, respectively. The 185,600,000 ordinary shares outstanding as a result of the Group's Reorganisation prior to its placing of its shares in May 2000, are included in the calculation of the weighted number of shares assuming these shares had been in issue throughout the periods. The exercise of the share options granted by the Company would have anti-dilutive effect on the earnings per share of the Quarterly Period and Half-Yearly Period. There were no dilutive potential ordinary shares in existence during corresponding quarterly period and half-yearly period in 1999, therefore, no diluted earnings per share has been presented.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the Half-Yearly Period (1999: Nil).

BUSINESS REVIEW AND PROSPECTS

Half-Yearly Review

The Half-Yearly report reflects healthy progress with high profit return and vibrant growth attributed to the Group's continual enhancement in pioneering new products and business development. In view of the technological advances in the telecommunications in Asia, the demands for these products in different industries increased tremendously during the past six months.

Maintaining its competitive edge, the Group's continual development of new products has successfully broadened and contributed to the Group's overall success.

The Group was listed on the GEM and became a publicly listed company in May 2000. This achievement favourably positions the Group with added financial strength, widening opportunities for growth and expansion. Leveraging on this new solid foundation, the Group will seek further business opportunities to engage in a higher level of business development and ensure that potential growth be sustained.

FUTURE PROSPECTS AND EXPANSION

The Asia telecommunications industry has undergone a progressive period of deregulation and technology adjustments. In Taiwan, several fixed telephone network licenses were granted in the second quarter of year 2000, and Singapore, further liberalised its market in the same quarter. With a competitive market environment generating ample opportunities, the Group is well positioned to capture the future.

In light of the market opportunities, the Group's computer telephony business will continue to focus on its core market, Hong Kong. With expansion plans underway, the Group will be engaged in the regional expansion of its Mobile Internet Access and Application Services (the "MIAA Services") business, concentrating on the Taiwan market in the short term. In particular, the Group anticipates a favourable operating environment in Taiwan, especially for its telecommunications and the MIAA Services businesses.

In order to streamline its technological development, the Group will also set up a research and development center in Sydney, Australia by the end of year 2000. With relatively stable staffing costs and a stream of technical expertise, this new research and development operation will primarily focus on the development of telecommunications and MIAA Services products, and is positioned to contribute significantly to the Group. With a view to enhancing its operations in Hong Kong, the Group will not only expand its research and development facilities, but will also establish solid academic and research relationships with institutions, in collaborative efforts to develop computer telephony products.

The Group will continue to seek out potential partners both overseas and locally, to form partnerships, where beneficial, enabling the Group's further strategic growth. Regional plans currently under discussion include Malaysia and Thailand. In addition, the Group will also launch promotional campaigns in Singapore and Taiwan, through participation in trade exhibitions.

BUSINESS OBJECTIVES COMPARISON

Scheduled achievements for the period ended 30th June 2000 as stated in the Prospectus	Actual business progress/change in business objective (if any), during the period ended 30th June 2000
Telecommunications product development and enhancement	
• Commence developing a VoIP gateway product	• Commenced the development of a VoIP gateway product according to the H.323 international standard.
Computer telephony product development and enhancement	
• Launch an enhanced version of the unified messaging product	• An enhanced version of the unified messaging product was launched during the 2nd quarter of 2000.
• Launch a speech recognition stock quote and trading system	• A stock quote and trading system installed at two stock brokerage houses and are currently under testing and service trial.
MIAA Services development and enhancement	
• Continue the development and enhancement of the MIAA Services Platform for mobile commerce access service	• The development and installation of the MIAA Services platform have been substantially completed. Trial testing of the mobile security platform is currently in progress.
Market penetration	
• Continue marketing activities in Hong Kong organizing workshops and participating in trade exhibitions	• The Group attended 6 industry exhibitions and seminars in Hong Kong, Shanghai and Singapore covering a range of applications and products, including e-commerce and software, as well as unified messaging solutions and speech recognition.

Resources employment

• Relocate Hong Kong office premises	• The office premises in Hong Kong have been relocated. The Directors consider that the relocation to the new office premises occupying a gross floor area of approximately 15,000 sq.ft will facilitate the future growth and expansion of the Group.

Use of proceeds

The Company raised approximately HK$64 million through the placing of shares upon the listing of the Company. After deducting related expenses, net proceeds were approximately HK$52 million.

• Allocate approximately HK$5 million of the net proceeds for the scheduled events, of which approximately HK$1 million for research and development, HK$2 million for establishment and expansion of offices and HK$1 million for sales and marketing, with the balance of HK$1 million for additional general working capital	• Approximately HK$6 million of the net proceeds was incurred for the scheduled events, of which approximately HK$1 million for research and development, HK$2 million for the establishment and expansion of offices and HK$1 million for sales and marketing, with the balance of HK$2 million used for additional general working capital

The remaining net proceeds have been placed on short term deposits with licensed banks in Hong Kong.

As at 30th June 2000, the Group has over HK$46 million cash and bank deposits. The Board of Directors believes that the Group has sufficient funds to satisfy the future business objectives as set out in the Company's prospectus dated 10th May 2000.

PRODUCT DEVELOPMENT

Driven by a high demand of telecommunications requirements, the Group committed to enhance its research and development efforts on the telecommunications, computer telephony as well as MIAA Services products, which are necessary to support the Group's continuous growth.

Committed to a continuous process of growth, the Group has successfully installed and completed the development of its MIAA Services platform. Currently in its testing phase, the MIAA Services is scheduled to launch in Hong Kong by the third quarter of this year. The Group has also entered into a co-operative agreement with a Hong Kong mobile telephone operator, which will provide stock information as part of its value-added service. Dedicated to maximising global market opportunities, the Group plans to launch its MIAA Services platform in other regions in the future.

In addition, the Group's commitment to enhancing product features can be demonstrated through the development and trial testing of the mobile security technology, which will run on the MIAA Services platform. The Group has already employed a data center to house its equipment for such MIAA Services platform's future expansion.

In relation to the Group's computer telephony products development, the Group has launched an enhanced version of the unified messaging products during the second quarter of this year. The development of a stock quote and trading system is still in its initial stage. The Group's sales strategy will first target larger brokerage firm to launch its stock quote and trading system, given the Group's belief that larger firms would be most receptive to the product. Once the product receives market acceptance with large brokerage houses, the Group aims to target towards brokerage houses of all sizes. The Group anticipates that this product will attract a market niche, while competition is expected to remain moderate in this area.

DIRECTORS' INTEREST IN SHARES

As at 30th June 2000, the interest of Director and their associates in the share capital of the Company which were required to be notified to the Company and the Exchange pursuant to Section 28 of Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") (including interest which they were deemed or taken to have under Section 31 of or Part I of the Schedule to the SDI Ordinance) or which were required pursuant to Section 29 of the SDI Ordinance to be required, pursuant to the Model Code from Securities Transaction by Directors of Listed companies in the Listing Rules, to be notified to the Company and the Exchange were as follows:

	Number of Shares of the Company				
Name of Directors	**Personal Interest**	**Family Interest**	**Corporate Interest**	**Other Interest**	**Total**
Mr. Tsang Chi Hin	52,415,466	—	—	—	52,415,466
Mr. Lam Kim Chau	52,415,466	—	—	—	52,415,466
Mr. Lau Kai Shun, Barry	37,382,664	—	—	—	37,382,664
Mr. Wong Wai Ho	10,210,688	—	—	—	10,210,688

Other than the disclosed above, as at 30th June 2000, neither the directors nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and neither the directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the Half-Yearly Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

The Company has adopted a share option scheme on 3rd May 2000 (''Share Option Scheme''), under which it may grant options to employees (including executive directors) of the Group to subscribe for shares in the Company. Pursuant to the Share Option Scheme, options were granted on 30th June 2000 to the executive Directors and other employees of the Group to subscribe for an aggregate of 19,420,000 shares in the Company at a price of HK$1.30 per share, during the option period from 1st July 2003 to 30th June 2010.

Name of Directors	Number of shares options
Mr. Tsang Chi Hin	1,000,000
Mr. Lam Kim Chau	1,000,000
Mr. Lau Kai Shun, Barry	1,000,000
Mr. Wong Wai Ho	1,000,000

Saved as disclosed above, at no time during the Half-Yearly Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30th June 2000, in additional to those interests as disclosed above in respect of the Directors, according to the register of substantial shareholders required to be maintained under Sections 16(1) of the SDI Ordinance, the Company has been notified of the following interests, being 10% or more in the issued capital of the Company.

Name of shareholder	Number of shares
Mr. Tsang Chi Hin	52,415,466
Mr. Lam Kim Chau	52,415,466
Mr. Lau Kai Shun, Barry	37,382,664

COMPETING INTEREST

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

SPONSOR'S INTERESTS

Pursuant to the agreement dated 8th May 2000 entered into between the Company and Pacific Challenge Capital Limited ("Pacific Challenge"), Pacific Challenge has received and will receive a fee for acting as the Company's retained sponsor for the period from 18th May 2000 to 31st December 2002.

As at 30th June 2000, none of the directors, employees nor associates of Pacific Challenge had any interest in any securities of the Company or any of its associated corporations.

YEAR 2000 COMPLIANCE

The Board is pleased to announce that all accounting and financial applications in the Group were fully compliant and therefore, the Year 2000 problem did not create any material adverse impact on the business operations in all functional areas.

AUDIT COMMITTEE

The Company has established an audit committee on 3rd May 2000 with written terms of reference in compliance with the requirements as set out in Rules 5.23, 5.24, 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee comprises two independent non-executive Directors, who are Wong Yick Man, Francis and Wu Suk Ching, Annie.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the Half-Yearly Period.

By order of the Board
Tsang Chi Hin
Chairman

Hong Kong, 10th August 2000.