

# **PROACTIVE**

**Proactive Technology Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**2 0 0 0**

**3rd Quarterly 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.**



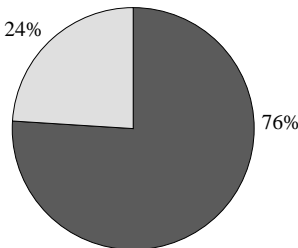
## RESULTS HIGHLIGHTS FOR NINE-MONTH PERIOD

- The Group's business continued to grow expeditiously. The unaudited turnover for the nine-month period ended 30th September, 2000 ("Nine-Month Period") achieved a record high of HK\$53,045,000, representing approximately 2.4 times of the turnover compared with the corresponding period in the previous financial year;
- Successfully launched the Mobile Internet Access and Application ("MIAA") Services;
- Gross profit margin was 58.7% as compared to 60.4% for the corresponding nine-month period in 1999;
- Due to rapid business expansion, administrative expenses increased by approximately 2.9 times, which is in line with the growth of the turnover;
- Profit before taxation for Nine-Month Period was HK\$2,554,000.

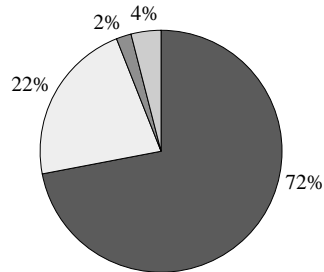
### Turnover

(For the Nine-Month Period)

**Turnover by Product**



**Turnover by Geographical Location**



■ Telecommunications  
■ Computer Telephony

■ Hong Kong    ■ Singapore  
■ Taiwan        ■ Australia



## **THIRD QUARTERLY RESULTS**

The Board of Directors (the "Directors") of Proactive Technology Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries, (collectively the "Group") for the Nine-Month Period and three months ("Third Quarter") ended 30th September, 2000.

The Group has recorded continuous growth in sales in the Third Quarter, with an increase in sales for both telecommunications products and computer telephony products. Turnover for the Third Quarter was HK\$22,607,000, representing an increase of 6.6% as compared to the last quarter and an increase of 258% as compared to the corresponding quarter in 1999, resulting in a total turnover of the Group of HK\$53,045,000 for the Nine-Month Period, which is more than double as compared with the corresponding period in 1999. As the portion of sales of high valued telecommunication products, which have relatively lower margin, increased in the Third Quarter, the gross profit margin of the Group in the Third Quarter decreased to approximately 51.16%.

In order to capitalize the fast-growing telecommunications market in Asia and to maintain our leading position in tele-commerce technology, the Group has been proactively expanding its business locally and across Asia Pacific Region. Vast capital expenditures, such as purchase of equipment, office expansion, research and development, and marketing, had been invested and certain amounts of these expenses were one-off expenditures or foundation costs. Therefore, the administrative expenditures had substantially increased and as a result, the Group recorded a loss of HK\$3.3 million in the Third Quarter.



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

	Notes	Nine months ended		Three months ended	
		30th September 2000	1999	30th September 2000	1999
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	<b>53,045</b>	22,271	<b>22,607</b>	6,311
Cost of sales		<b>(21,899)</b>	(8,813)	<b>(11,041)</b>	(2,033)
Gross profit		<b>31,146</b>	13,458	<b>11,566</b>	4,278
Other revenue		<b>102</b>	103	<b>—</b>	34
Distribution costs		<b>(159)</b>	(183)	<b>(78)</b>	(44)
Administrative expenses		<b>(28,880)</b>	(9,861)	<b>(15,234)</b>	(3,412)
Profits (loss) from operations		<b>2,209</b>	3,517	<b>(3,746)</b>	856
Interest income		<b>1,063</b>	97	<b>512</b>	26
Interest expense		<b>(718)</b>	(49)	<b>(245)</b>	(5)
Profit (loss) before share of loss of associated companies		<b>2,554</b>	3,565	<b>(3,479)</b>	877
Share of loss of associated companies		<b>—</b>	(761)	<b>—</b>	—
Profit (loss) before taxation		<b>2,554</b>	2,804	<b>(3,479)</b>	877
Taxation	3	<b>(1,037)</b>	(640)	<b>180</b>	(140)
Profit attributable to shareholders		<b>1,517</b>	2,164	<b>(3,299)</b>	737
Dividends		<b>—</b>	—	<b>—</b>	—
Earnings (loss) per Share					
— Basic	4	<b>HK0.7 cents</b>	HK1.2 cents	<b>HK(1.4 cents)</b>	HK0.4 cents



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**

	<b>Nine months ended</b>		<b>Three months ended</b>	
	<b>30th September</b>		<b>30th September</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Current taxation				
— Hong Kong profits tax	<b>1,000</b>	648	<b>(200)</b>	140
— Overseas tax	<b>37</b>	—	<b>20</b>	—
— Special rebate by the Government of Hong Kong Special Administrative Region	—	(8)	—	—
	<b>1,037</b>	640	<b>(180)</b>	140



Hong Kong profits tax was provided at the rate of 16% for Nine-month 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.

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 September, 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 Nine-Month Period and the corresponding period ended 30th September, 1999.

#### **4. Earnings per share**

The calculation of the basic earnings (loss) per share is based on the unaudited profit (loss) attributable to shareholders for the Nine-Month Period and the Third Quarter of approximately HK\$1,517,000 and (HK\$3,299,000) (1999: HK\$2,164,000 and HK\$737,000) and the weighted average number of 208,630,657 and 232,000,000 (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 Nine-Month Period and the Third Quarter. There were no dilutive potential ordinary shares in existence during corresponding half-yearly period and quarterly period in 1999, therefore, no diluted earnings (loss) per share has been presented.

### **INTERIM DIVIDEND**

The Board of Directors does not recommend the payment of an interim dividend for the nine months ended 30th September, 2000 (1999: Nil)

### **BUSINESS REVIEW AND FUTURE DEVELOPMENT**

Demand in value-added telecommunications and computer telephony solutions in Hong Kong and Asia is growing continuously. In view of the liberalization trend in the telecommunications industry in the Asia Pacific Region and the growing acceptance of computer telephony and other tele-commerce technologies, the Group has confidence in the future prospects of the tele-commerce market and has taken the position to commit and focus on the development of tele-commerce solutions.



Maintaining our leading position in Hong Kong and expanding our market penetration in the Asia Pacific Region, vast capital has been invested in product development, regional marketing and business expansion.

### **Review of Operations**

In line with the upward momentum in the Hong Kong telecommunications market, the Group has continued to maintain a healthy growth in sales in the Hong Kong market. Our regional businesses in Taiwan, Australia and Singapore are growing satisfactorily and contributed approximately 27.6% of the Group's total turnover for the Nine-Month Period.

#### ***Telecommunications***

The Group's telecommunications division has made record achievements during the Third Quarter. We have gained several prominent new customers and strengthened our sales and customer base. During the Third Quarter, we have also completed the first phase development of the GlobalCall IN Service Creation Environment ("SCE") tools, which is ahead of the schedule as stated in the prospectus dated 10th May, 2000. With introduction of the new GlobalCall IN SCE tools, the Group is expecting to expand the customer base.

#### ***Computer Telephony***

Sales performance of our computer telephony division was also encouraging. During the Third Quarter, the Group had successfully obtained distributorship of Rockwell Electronic Commerce call centre solutions and its products in the PRC. We have also launched the speech recognition stock quote and trading system, a total solution system targeted for brokerage houses.

#### ***Mobile Internet Access and Application Services (MIAA)***

The Group had launched its first MIAA product in the Third Quarter catering for the insurance sector. At the same time, the Group is developing a new MIAA product for the financial sector and plans to launch it in the fourth quarter of year 2000. Such solution enables the display of financial information on a PDA (Personal Digital Assistant) device through mobile Internet.





## **Research & Development**

Reinforcing the Group's technologies and product developments, our research and development team has grown from 12 to 21 professional engineers in the Third Quarter and the Group has appointed Mr. Pong Kam Wah, who has over 18 years of telecommunications experience in various leading telecommunications corporations, as Chief Software Architect and executive director of the Company to lead the Group's research and development department. We plan to expand our research team to 31 members by end of 2000. During the Third Quarter, we have spent over HK\$3 million in research and product development.

The Group is establishing a research and development centre ("R&D Centre") and regional headquarters in Australia and had obtained the Regional Headquarters Status from the Australian government in September 2000. It is planned that the Australian R&D Centre will support the South Asia Pacific region and will be focusing on the development of telecommunications and MIAA services products. To be in line with our expansion plans in the Mainland China market, the Group is planning to set up a third R&D centre in the Mainland China in 2001. To strengthen our technology and our research and development, the Group is actively seeking potential technological alliances with local and overseas academic institutions.

## **Marketing**

In order to expand our market share in Hong Kong and speed up our market penetration in the Asian Pacific region, the Group has an aggressive marketing program for our new products. During the Third Quarter, we have organized several seminars and participated in trade exhibitions in Hong Kong and Bangkok, receiving encouraging responses from both markets. In the next quarter, the Group plans to launch promotional campaigns in Hong Kong, Shanghai, Beijing and Kuala Lumpur, through product seminars and participation in several major trade exhibitions.

## **Business Development**

Our associated company, Proactive Cyberspace Company Limited, had obtained the operating license in Shanghai in September 2000 and will commence business operations in the fourth quarter of year 2000. Capitalizing on the upcoming business opportunities from the PRC's entry into the World Trade Organization (WTO), the Group plans to set up a representative office in Beijing which is expected to be opened in November 2000.



In Asia, the Group has started to look for opportunities for business expansion in Malaysia and Thailand; several business cooperation plans are currently under discussion. With major focus in Asia Pacific, the Group is also exploring various telecommunications related business opportunities in other countries. In October 2000, the Group had appointed a reselling agent in Los Angeles to market our telecommunications solutions in California.

## LOOKING FORWARD

To capture the upsurge in growth of the telecommunications market, the Group is actively and continuously looking for more business opportunities and potential partnership in both local and overseas markets. In October 2000, Office of Telecommunications Authority of Hong Kong Government announced a set of 3G license requirements and specified the "Open Network" policy, which will open a percentage of network capacity to "Virtual Mobile Network Operators (VMNO)" or "resellers". The Directors anticipate the Open Network policy will have further positive impact to Hong Kong's telecommunication market and are actively looking into opportunities in participating in VMNO business.

## DIRECTORS' INTEREST IN SHARES

As at 30th September, 2000, the interests of the directors and their respective associates in the Company and its associated corporations as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") of the Company or which required, pursuant to Rules 5.40 to 5.59 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Name of Directors	Number of Shares of the Company				Total
	Personal Interest	Family Interest	Corporate Interest	Other Interest	
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 disclosed above, as at 30th September, 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 Nine-Month Period.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

The Company has adopted a share option scheme on 3rd May, 2000 ("Share Option Scheme"), pursuant to 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. During the Third Quarter, as a result of the cessation of employment of 6 grantees, 1,800,000 Share options granted to them on 30th June, 2000 has lapsed.

<b>Name of Directors</b>	<b>Number of shares options</b>
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 Nine-Month Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and other employees of the Group 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 September, 2000, in addition 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.

<b>Name of shareholder</b>	<b>Number of shares</b>
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 September, 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. With effect from 13th October, 2000 Wong Yick Man, Francis was resigned as a member of audit committee and Yang Zhenhan was appointed as a member and the chairman of the audit committee. The audit committee now comprises two independent non-executive Directors, who are Wu Suk Ching, Annie and Yang Zhenhan.

## **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 Nine-Month Period.

By order of the Board  
**Tsang Chi Hin**  
*Chairman*

Hong Kong, 10th November, 2000.