

PROACTIVE

寶訊科技控股有限公司

Proactive Technology Holdings Limited

FIRST QUARTERLY REPORT

2005

第一季度報告

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 trade on the Main Board and no assurance is given that there will be a liquid market in the securities trade 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 gazette 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.

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This report, for which the directors (the “Directors”) of Proactive Technology Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to Proactive Technology 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 HIGHLIGHTS

	2005	2004	2004
	1st Quarter	4th Quarter	1st Quarter
	HK\$'000	HK\$'000	HK\$'000
Turnover:			
Telecommunications	3,279	1,727	1,980
Computer telephony	2,794	3,454	2,310
Total turnover	<u>6,073</u>	<u>5,181</u>	<u>4,290</u>
Gross profit	3,554	1,915	2,674
Gross profit margin	59%	37%	62%
Distribution, selling, general and administrative expenses	3,550	5,084	3,877
Net loss	(18)	(2,751)	(1,354)
Net assets value	10,383	10,402	16,297
Cash on hand	9,704	9,763	10,620
Debt-equity ratio	0.58 times	0.71 times	0.37 times
•	The total unaudited consolidated turnover for the three months ended 31 March 2005 (“First Quarter”) was HK\$6,073,000, representing an increase of 42% and 17% as compared with the last corresponding period ended 31 March 2004 (“Last Corresponding Period”), and last quarter ended 31 December 2004 (“Last Quarter”), respectively.		
•	The gross profit for the First Quarter amounted to approximately HK\$3,554,000 while the gross profit margin was 59%.		
•	Operating expenditures decreased by 8% to HK\$3,550,000 as compared with Last Corresponding Period.		
•	The net loss narrowed to approximately HK\$18,000.		

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” or “Proactive”) for three months (“First Quarter”) ended 31 March 2005, together with the comparative unaudited figures for the last corresponding period (“Last Corresponding Period”) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		Three months ended	
		31 March	
		2005	2004
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	6,073	4,290
Cost of sales		(2,519)	(1,616)
Gross profit		3,554	2,674
Distribution and selling expenses		(5)	(4)
General and administrative expenses		(3,545)	(3,873)
Profit (loss) from operations		4	(1,203)
Interest income		12	2
Interest expenses		(11)	(9)
Share of loss of an associate		(23)	(122)
Loss before taxation	4	(18)	(1,332)
Taxation	5	–	(22)
Loss attributable to shareholders		(18)	(1,354)
Dividends	6	–	–
Loss per share – Basic	7	HK(0.01cents)	HK(0.58cents)

NOTES:

1. Company information

The Company was incorporated in Bermuda on 25 February 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Its shares have been listed on the GEM of the Stock Exchange since 18 May 2000.

2. Basis of preparation

The unaudited financial statement have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The unaudited financial statement have been reviewed by the audit committee in accordance with rule 5.30 of the GEM Listing Rules.

3. Turnover and revenue

Turnover represents (i) net invoiced value for the supply, development and integration of telecommunications, computer telephony systems and other computer products, after allowances for return and discounts; (ii) rental income from leasing telecommunications and computer telephony equipment; and (iii) fees for consulting and maintenance services. Turnover and revenue by business segments is as follows:

	(Unaudited)	
	Three months ended 31 March	
	2005 HK\$'000	2004 HK\$'000
Telecommunications	3,279	1,980
Computer telephony	2,794	2,310
Total turnover	6,073	4,290
Interest income from bank deposits	12	2
Total revenue	<u>6,085</u>	<u>4,292</u>

4. Loss before taxation

Loss before taxation was determined after charging and crediting the following items:

	(Unaudited)	
	Three months ended	
	31 March	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
After charging:-		
Staff costs (including directors' emoluments)		
– Salaries and allowances	1,746	2,473
– Retirement benefits scheme costs	56	110
– Less: amount included in research and development expenditures	–	(306)
	<u>1,802</u>	<u>2,277</u>
Research and development expenditures	–	371
Write-off of development expenditures	–	65
Cost of inventories	2,336	1,164
Operating lease rentals of premises	277	360
Interest expenses		
– bank borrowings wholly repayable within five years	11	9
Provision for and write-off of obsolete and slow-moving inventories	658	–
Depreciation of machinery and equipment	230	450
Net exchange loss	<u>2</u>	<u>10</u>
After crediting:-		
Rental income		
– leasing of telecommunications and computer telephony equipment	388	1,098
Interest income		
– bank deposits	<u>12</u>	<u>2</u>

5. Taxation

Taxation consists of:

	(Unaudited)	
	Three months ended 31 March	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation		
– Overseas income tax	–	22
	–	22

The Company is not subject to taxation in Bermuda on its profit or capital gains until March 2016. No Hong Kong profits tax has been provided, as the Group had no assessable profit arising in or derived from Hong Kong. Overseas income tax has been provided by subsidiaries, branches or representative offices based on their estimated taxable profits at the rates of taxation applicable in the respective jurisdictions in which they operate.

6. Dividends

The directors do not recommend the payment of interim dividends for the First Quarter (2004: Nil).

7. Loss per share

The calculation of the basic loss per share for the First Quarter is based on the unaudited consolidated loss attributable to shareholders of approximately HK\$18,000 (2004: HK\$1,354,000) and on the weighted average number of 232,000,000 (2004: 232,000,000) shares.

Diluted loss per share is not presented because the effect is anti-dilutive.

8. Reserves

Movements of reserves during the First Quarter were:

	(Unaudited) Share premium <i>HK\$'000</i>	(Unaudited) Capital reserve <i>HK\$'000</i>	(Unaudited) Cumulative translation adjustment <i>HK\$'000</i>	(Unaudited) Accumulated deficits <i>HK\$'000</i>	(Unaudited) Total <i>HK\$'000</i>
As at 1 January 2004	29,135	3,530	(37)	(38,191)	(5,563)
Loss attributable to shareholders	-	-	-	(1,354)	(1,354)
Translation adjustments	-	-	14	-	14
As at 31 March 2004	<u>29,135</u>	<u>3,530</u>	<u>(23)</u>	<u>(39,545)</u>	<u>(6,903)</u>
As at 1 January 2005	29,135	3,530	(24)	(45,439)	(12,798)
Loss attributable to shareholders	-	-	-	(18)	(18)
Translation adjustments	-	-	(1)	-	(1)
As at 31 March 2005	<u>29,135</u>	<u>3,530</u>	<u>(25)</u>	<u>(45,457)</u>	<u>(12,817)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

The Group recorded a turnover of approximately HK\$6,073,000 in the First Quarter of 2005, representing an increase of 42% from HK\$4,290,000 of last corresponding period in 2004.

The gross profit and gross profit margin for the First Quarter was HK\$3,554,000 and 59% respectively.

The unaudited consolidated loss attributable to shareholders for the First Quarter amounted to HK\$18,000.

BUSINESS REVIEW AND OUTLOOK

The recovery progress of the telecom and IT market is still in a slow pace. The demand of the current market is still sluggish without sufficient momentum to turn the market into a positive perspective.

In spite of the adverse market situation, during these years, the Group keeps on scrutinizing the cost structure of the operation and exercising effective management on controlling the company. After the continuing endeavor, the Group was reported to achieve a breakeven financial status in this quarter.

Our Joint Venture entity in Beijing is implementing the Phase III call center project of Beijing Labor and Social Security Bureau, which is scheduled for completion in middle of 2005. The company is also working on the automatic fare collection (AFC) system for the tourist spot, the Great Wall Park. Various AFC systems will be fully installed in some other tourist spots including Palace, Summer Palace, etc. This is classified as the government project for Olympics Games Beijing.

The business outlook is moderate in terms of the growth of demand and speed of recovery. The Group will keep on endeavoring to capture business opportunities and effectively controlling the operation.

DIRECTORS' INTEREST IN SHARES

As at 31 March 2005, the interests or short positions of the directors or the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 of the GEM Listing Rules were as follows:

Long position in shares

Name of director	Number of shares	Capacity	Type of interests	Percentage of interests
Mr. Tsang Chi Hin	52,415,466	Beneficial owner	Personal	22.593%
Mr. Lam Kim Chau	52,415,466	Beneficial owner	Personal	22.593%
Mr. Lau Kai Shun Barry	30,182,664	Beneficial owner	Personal	13.010%
Mr. Wong Wai Ho	10,210,688	Beneficial owner	Personal	4.401%
Mr. Pong Kam Wah	5,000,000	Beneficial owner	Personal	2.155%

Save as disclosed above, as at 31 March 2005, none of the directors or the chief executives had interests or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations which are required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

The Company has adopted a share option scheme on 3 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 30 June 2000 to 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 \$1.30 per share, during the exercise period from 1 July 2003 to 30 June 2010. As a result of the cessation of employment of certain grantees, 8,860,000 share options granted to them on 30 June 2000 have lapsed since date of grant.

Pursuant to resolutions at a special general meeting of the shareholders held on 13 November 2002, the Company terminated the Share Option Scheme and adopted a new share option scheme (“New Share Option Scheme”) in order to comply with the new requirements of Chapter 23 of the GEM Listing Rules effected on 1 October 2001. As at 31 March 2005, no share option has been granted under the New Share Option Scheme. The options already granted under the Share Option Scheme are unaffected.

As at 31 March 2005, the share options granted to and held by the directors of the Company are as follows:

Name of directors	Date of grant	Subscription price Per share	Number of share options at beginning and end of period
Mr. Tsang Chi Hin	30 June 2000	HK\$ 1.30	1,000,000
Mr. Lam Kim Chau	30 June 2000	HK\$ 1.30	1,000,000
Mr. Lau Kai Shun, Barry	30 June 2000	HK\$ 1.30	1,000,000
Mr. Wong Wai Ho	30 June 2000	HK\$ 1.30	1,000,000
Mr. Pong Kam Wah	30 June 2000	HK\$ 1.30	5,800,000
			9,800,000

Save as disclosed above, at no time during the First Quarter was the Company or any of its subsidiaries or holding companies a party to any arrangements to enable any of the Company’s directors or members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the directors, their spouse or their children under the age 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS’ INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group’s business to which the Company or any of its subsidiaries was a party and in which any of the Company’s directors or members of its management had a material interests, whether directly or indirectly, subsisted at the end of year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2005, persons who have an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long position in shares

Name	Number of shares	Capacity	Type of interests	Percentage of interests
Mr. Tsang Chi Hin	52,415,466	Beneficial owner	Personal	22.593%
Mr. Lam Kim Chau	52,415,466	Beneficial owner	Personal	22.593%
Mr. Lau Kai Shun Barry	30,182,664	Beneficial owner	Personal	13.010%
Pacific Technology Partners L.P.	20,735,232	Investment manager	Corporate	8.938%

Save as disclosed above at 31 March 2005, no other shareholders or other persons have an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

COMPETING INTERESTS

Mr. Tsang Chi Hin is the chairman of the Company and a director of Beijing Teletron Systems Integration Company Limited which is also engaged in the provision of telecommunications and computer telephony solutions. The Directors believe that there is a risk that such business may compete with those of the Group. However, the Directors are also of the view that the invaluable experience of Mr. Tsang in the telecommunications and computer telephony industry will complement the development of the Group's business.

Save as disclosed above, none of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) or any of their respective associates had an interest in business which competes or may compete with the business of the Group or has any other conflict of interest which any such person has or may have with the Group.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the First Quarter.

COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES

The Company has complied with the board practice and procedures as set out in rules 5.34 to 5.45 of the GEM Listing Rules throughout the year ended 31 March 2005.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the three months ended 31 March 2005. Having made specific enquiry of all directors, the Company's directors have complied with the required standard of dealings and its code of conduct regarding securities transactions by directors.

AUDIT COMMITTEE

The Company has established an audit committee on 3 May 2000 and has formulated its written terms of reference in compliance with Rules 5.28 to 5.33 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 members of the audit committee, all being independent non-executive directors, during the First Quarter are Mr. Yang Zhenhan, Mr. Leung Lok Ming and Mr. Lo Wa Kei, Roy.

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 First Quarter.

By order of the Board
TSANG CHI HIN
Chairman

Hong Kong, 12 May 2005

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