



PROACTIVE

寶訊科技控股有限公司

Proactive Technology Holdings Limited

FIRST QUARTERLY REPORT

第一季度報告

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2006

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.

The Stock Exchange of Hong Kong Limited 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 (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

	2006 1st Quarter <i>HK\$'000</i>	2005 4th Quarter <i>HK\$'000</i>	2005 1st Quarter <i>HK\$'000</i>
Turnover:			
– Telecommunications	895	1,456	3,279
– Computer telephony	2,183	3,086	2,794
Total turnover	3,078	4,542	6,073
Gross profit	1,769	2,340	3,554
Gross profit margin	57%	52%	59%
Distribution, selling, general and administrative expenses	2,253	3,170	3,550
Net loss	(480)	(212)	(18)
Net assets value	8,268	8,735	10,383
Cash on hand	7,428	8,549	9,704
Debt-equity ratio	0.52 times	0.53 times	0.58 times
<ul style="list-style-type: none"> • The total unaudited consolidated turnover for the three months ended 31 March 2006 (“First Quarter”) was HK\$3,078,000, representing an decrease of 49% and 32% as compared with the last corresponding period ended 31 March 2005 (“Last Corresponding Period”), and last quarter ended 31 December 2005 (“Last Quarter”), respectively. • The gross profit for the First Quarter amounted to approximately HK\$1,769,000 while the gross profit margin was 57%. • Operating expenditures decreased by 37% to HK\$2,253,000 as compared with Last Corresponding Period. • The net loss amounted to approximately HK\$480,000. 			

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 the three months (“First Quarter”) ended 31 March 2006, 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	
		2006	2005
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	3,078	6,073
Cost of sales		(1,309)	(2,519)
Gross profit		1,769	3,554
Distribution and selling expenses		(7)	(5)
General and administrative expenses		(2,246)	(3,545)
Profit (loss) from operations		(484)	4
Interest income		12	12
Interest expenses		(8)	(11)
Share of result from an associate		–	(23)
Loss before tax	3	(480)	(18)
Income tax expenses	4	–	–
Loss attributable to equity holders of the parent		(480)	(18)
Dividends	5	–	–
Loss per share – Basic	6	HK(0.21cents)	HK(0.01cents)

NOTES:

1. Basis of preparation and principal accounting policies

The Group's unaudited condensed consolidated results have been prepared in accordance with the new Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institute of Certified Public Accountants. The unaudited condensed consolidated results have been prepared on the historical cost basis. The accounting policies adopted in preparing the unaudited condensed consolidated results for the three months ended 31 March 2006 and the corresponding period in 2005 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005.

2. 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 are as follows:

	(Unaudited)	
	Three months ended	
	31 March	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Telecommunications	895	3,279
Computer telephony	2,183	2,794
Total turnover	3,078	6,073
Interest income from bank deposits	12	12
Total revenue	3,090	6,085

3. Loss before tax

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

	(Unaudited)	
	Three months ended	
	31 March	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
After charging:–		
Staff costs (including directors' emoluments)		
– Salaries and allowances	1,125	1,746
– Retirement benefits scheme costs	40	56
	<u>1,165</u>	<u>1,802</u>
Cost of inventories	1,194	2,336
Operating lease rentals of premises	242	277
Interest expenses		
– bank borrowings wholly repayable within five years	8	11
Provision for and write-off of obsolete and slow-moving inventories	–	658
Depreciation of machinery and equipment	94	230
Net exchange loss	4	2
	<u>4</u>	<u>2</u>
After crediting:–		
Rental income		
– leasing of telecommunications and computer telephony equipment	397	388
Interest income		
– bank deposits	12	12
	<u>12</u>	<u>12</u>

4. Income tax expenses

The Company is not subject to tax in Bermuda on its assessable profits or capital gains until March 2016. Hong Kong profits tax has not been provided for the three months ended 31 March 2006 and the corresponding periods in 2005 as the Group did not generate any assessable profits in Hong Kong during these periods. No provision for overseas income tax has been provided for the three months ended 31 March 2006 and the corresponding periods in 2005 as the Group did not generate any assessable profits in other jurisdictions during these periods.

As at 31 March 2006, there were no significant deferred tax liabilities for which a recognition or provision would have been required (2005: Nil).

5. Dividends

The directors do not recommend the payment of dividends for the First Quarter (2005: Nil).

6. Loss per share

The calculation of the basic loss per share for the First Quarter is based on the unaudited consolidated loss attributable to equity holders of the parent of approximately HK\$480,000 (2005: HK\$18,000) and on the weighted average number of 232,000,000 (2005: 232,000,000) shares.

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

7. 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 2005	29,135	3,530	(24)	(45,439)	(12,798)
Loss attributable to equity holders of the parent	-	-	-	(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>
As at 1 January 2006	29,135	-	51	(43,651)	(14,465)
Loss attributable to equity holders of the parent	-	-	-	(480)	(480)
Translation adjustments	-	-	13	-	13
As at 31 March 2006	<u>29,135</u>	<u>-</u>	<u>64</u>	<u>(44,131)</u>	<u>(14,932)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

The Group recorded a turnover of approximately HK\$3,078,000 in the First Quarter of 2006, representing a decrease of 49% from HK\$6,073,000 of last corresponding period in 2005.

The gross profit and gross profit margin for the First Quarter was HK\$1,769,000 and 57% respectively.

The unaudited consolidated loss attributable to equity holders of the parent for the First Quarter amounted to HK\$480,000.

BUSINESS REVIEW AND OUTLOOK

The Group still keep on controlling the costs and expenses in operation due to the relatively weak local market demand on IT and Telecom products.

Our Joint Venture entity in Beijing has just completed the Call Center Project for Environmental Protection Bureau which comprises 20 seats and advanced multi-media call center features. During these years, our technical solution was proven to be successfully installed in Labor Bureau, Police and Transport One card System and Environmental Protection Bureau. These projects are deemed to be the showcase project in the field and generate much attention in the government sectors.

For the business outlook, the Group will keep on scrutinizing cost control in the operation and adjust ourselves promptly to capture more business opportunities.

DIRECTORS' INTEREST IN SHARES

As at 31 March 2006, the interests and short positions of the Directors and their respective associates in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") adopted by the Company, or to be notified to the Company and the Stock Exchange, 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	42,415,446	Beneficial owner	Personal	18.283%
Mr. Wong Wai Ho	10,210,688	Beneficial owner	Personal	4.401%
Mr. Li Siu Ming	657,119	Beneficial owner	Personal	0.283%

Save as disclosed above, as at 31 March 2006, none of the directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) had any interests or short positions in the shares and underlying shares of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under 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, 15,760,000 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 2006, 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 2006, 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. Wong Wai Ho	30 June 2000	HK\$ 1.30	1,000,000
			3,000,000

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 2006, persons who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group 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	42,415,446	Beneficial owner	Personal	18.283%
Mr. Wu Wai Leung	27,000,000	Beneficial owner	Held by controlled corporation (<i>Note</i>)	11.638%
Pacific Technology Partners L.P.	20,735,232	Investment manager	Corporate	8.938%

Note: 27,000,000 shares are owned by Century Dragon Development Limited ("Century Dragon"). Century Dragon is a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Wu Wai Leung. By virtue of SFO, Mr. Wu Wai Leung was deemed to be interest in these shares.

Save as disclosed above, no other shareholders or other persons had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or was directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group as at 31 March 2006.

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 OF THE GEM LISTING RULES

The Company has complied with the board practice and procedures as set out in rule 5.34 of the GEM Listing Rules throughout the first quarter ended 31 March 2006.

SECURITIES TRANSACTION BY DIRECTORS

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-month Period. Having made specific enquiry of all Directors, the Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions throughout the Three-month Period.

AUDIT COMMITTEE

The Company has established an audit committee on 3 May 2000. The previous terms of reference of the audit committee were established with reference to Rule 5.29 of the GEM Listing Rules. New written terms of reference were adopted on 12 August 2005 in compliance with code provision C.3.3 of the CG Code. The primary duties of the audit committee are to review the Company's annual report and financial statements, half-yearly and quarterly reports and to provide advice and comments with respect to internal control to the Board.

The members of the audit committee, all being independent non-executive directors, are Mr. Leung Lok Ming, Mr. Szeto Yat Kong and Mr. Chan Ho Wah, Terence. The audit committee has reviewed the quarterly results for the three months ended 31 March 2006 of the Group.

OTHER BOARD COMMITTEES

In addition to the audit committee, the Company has established a remuneration committee and a nomination committee on 12 August 2005.

These board committees were formed to ensure maintenance of high corporate governance standards.

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 2006

As at the date hereof, the Company's executive directors are Mr. Tsang Chi Hin and Mr. Li Siu Ming, and the Company's independent non-executive directors are Mr. Leung Lok Ming, Mr. Szeto Yat Kong and Mr. Chan Ho Wah, Terence.