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PROACTIVE

PROACTIVE TECHNOLOGY HOLDINGS LIMITED

寶訊科技控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8089)

**MEMORANDUM OF UNDERSTANDING
IN RESPECT OF THE POSSIBLE ACQUISITION**

This announcement is made pursuant to Rule 17.10 of the GEM Listing Rules.

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION

The Board announces that on 5 December 2006, Dragon Billion, a wholly owned subsidiary of the Company, entered into the non-legally binding MOU with Shellybeach in relation to the Possible Acquisition. A refundable deposit of HK\$6,000,000 was paid by Dragon Billion on 5 December 2006 pursuant to the MOU. As the Deposit exceeds 8% under the assets ratio (as defined under Rule 19.07(1) of the GEM Listing Rules), pursuant to Rule 17.15 of the GEM Listing Rules, a general disclosure obligation in respect of the Deposit arise.

The Target is incorporated in the British Virgin Islands and is principally an investment holding company. It is intended that the Target will form a joint venture company with China Railway Television Media (Hong Kong) Limited (中鐵視媒體(香港)有限公司), a company incorporated in Hong Kong, and that such joint venture company will form another joint venture company (namely 中鐵視自備列物流運輸有限公司(China Railway Television Freight and Logistics Transport Co., Ltd**)) with 廣東中鐵視媒體有限公司(Guangdong China Railway Television Media Limited**), a company incorporated in PRC, to participate in a project which involves purchase of cargoes trains, and management and operation of railway transportation and logistics business in the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, China Railway Television Media (Hong Kong) Limited (中鐵視媒體(香港)有限公司) is held by 廣東中鐵視媒體有限公司(Guangdong China Railway Television Media Limited**).

The Board wishes to emphasise that no binding agreement in relation to the Possible Acquisition has been entered into as at the date of this announcement. As such, the Possible Acquisition may or may not proceed. If the Possible Acquisition is materialised, it will constitute a notifiable transaction on the part of the Company. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Acquisition will be made by the Company in the event any Formal Agreement has been signed.

* For identification purpose only

** Unofficial English translation of the official name in Chinese

This announcement is made pursuant to Rule 17.10 of the GEM Listing Rules.

The Board announces that Dragon Billion entered into the non-legally binding MOU with Shellybeach in relation to the Possible Acquisition on 5 December 2006. A refundable deposit of HK\$6,000,000 was paid by Dragon Billion on 5 December 2006 pursuant to the MOU. As the Deposit exceeds 8% under the assets ratio (as defined under Rule 19.07(1) of the GEM Listing Rules), pursuant to Rule 17.15 of the GEM Listing Rules, a general disclosure obligation in respect of the Deposit arise.

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION

Date: 5 December 2006

Parties: (i) Dragon Billion, a wholly-owned subsidiary of the Company; and

(ii) Shellybeach, the legal and beneficial owner of the entire issued share capital of the Target. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shellybeach is an Independent Third Party.

Major terms of the MOU

- It is proposed that Dragon Billion, a wholly-owned subsidiary of the Company, will acquire not less than 51% of the issued share capital of the Target. The exact number of the issued shares of the Target to be purchased will be subject to further negotiation between the parties to the MOU.
- The Target is incorporated in the British Virgin Islands and is principally an investment holding company. It is intended that the Target will form a joint venture company with China Railway Television Media (Hong Kong) Limited (中鐵視媒體(香港)有限公司), a company incorporated in Hong Kong, and that such joint venture company will form another joint venture company (namely 中鐵視自備列物流運輸有限公司(China Railway Television Freight and Logistics Transport Co., Ltd.**)) with 廣東中鐵視媒體有限公司(Guangdong China Railway Television Media Limited**), a company incorporated in PRC, to participate in a project which involves purchase of cargoes trains, and management and operation of railway transportation and logistics business in the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, China Railway Television Media (Hong Kong) Limited (中鐵視媒體(香港)有限公司) is held by 廣東中鐵視媒體有限公司(Guangdong China Railway Television Media Limited**).
- Under the MOU, both Dragon Billion and Shellybeach will proceed to enter into a legally-binding Formal Agreement within 120 days from the date of the MOU (or on or before such later date to be agreed by the parties thereto). In consideration of the Deposit, Shellybeach will not, within 120 days from the date of the MOU, negotiate with any party for the Possible Acquisition.

** *Unofficial English translation of the official name in Chinese*

- The Deposit shall be paid by Dragon Billion to Shellybeach within 3 days from the date of the MOU (which was paid on 5 December 2006) pursuant to the MOU. If no Formal Agreement has been entered into within 120 days from the date of the MOU (or on or before such later date to be agreed by the parties thereto), the Deposit will be refunded to the Group in full.
- The MOU does not constitute legally-binding commitment in respect of the Possible Acquisition. The Possible Acquisition will be subject to the final due diligence on the documents, and the execution and completion of the Formal Agreement which is still subject to negotiation between the parties to the MOU.

Reasons for the Possible Acquisition

The Group's principal business is the design, development and sale of value-added telecommunications products and computer telephony products with a focus on business application. The Group's telecommunications products are targeted at telecommunications carriers and service providers while its computer telephony products are marketed mostly to corporate customers of different industries.

In view of the increasing competition in the market of telecommunications products and computer telephony products, the Company considers that diversifying its business into new emerging industries with business opportunities will broaden its revenue sources and diversify its business risks. With availability of an investment target and cash resources for the Deposit, the Company is well poised to seize new business opportunities in the Possible Acquisition.

General

The Board wishes to emphasize that no binding agreement in relation to the Possible Acquisition has been entered into as at the date of this announcement. As such, the Possible Acquisition may or may not proceed. If the Possible Acquisition is materialized, it will constitute a notifiable transaction on the part of the Company. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Acquisition will be made by the Company in the event any Formal Agreement has been signed.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

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| “Board” | the board of Directors |
| “Company” | Proactive Technology Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the GEM |
| “connected persons” | has the meaning ascribed thereto in the GEM Listing Rules |

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| “Deposit” | HK\$6,000,000 being the refundable deposit paid by Dragon Billion under the MOU for the Possible Acquisition |
| “Director(s)” | the director(s) of the Company |
| “Dragon Billion” | Dragon Billion Limited, a wholly-owned subsidiary of the Company |
| “Formal Agreement” | the formal sale and purchase agreement which may or may not be entered into in relation to the Possible Acquisition |
| “GEM” | the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on the GEM |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with any director, chief executive or substantial shareholders of the Company and its subsidiaries or any of their respective associate |
| “MOU” | the non-legally binding memorandum of understanding dated 5 December 2006 entered into between Dragon Billion and Shellybeach setting out the preliminary understanding in relation to the Possible Acquisition |
| “Possible Acquisition” | the possible acquisition by the Dragon Billion from Shellybeach of not less than 51% of the issued share capital of the Target as contemplated in the MOU |
| “PRC” | the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan |
| “Shareholder(s)” | shareholders of the Company |
| “Shellybeach” | Shellybeach Investments Limited, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is an Independent Third Party |

“Target”

Eternity Profit Investments Limited which is a company incorporated in the British Virgin Islands with limited liability

By order of the Board of
Proactive Technology Holdings Limited
Tsang Chi Hin
Chairman

Hong Kong, 6 December 2006

As at the date of this announcement, the executive Directors are Mr. Tsang Chi Hin, , Mr. Zeng Bangjian, Mr. Ng Kam Wing and Mr. Li Siu Ming, and the independent non-executive Directors are Mr. Leung Lok Ming, Mr. Chan Ho Wah, Terence and Mr. Chong Cha Hwa.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the issuer. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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