

PROACTIVE

PROACTIVE TECHNOLOGY HOLDINGS LIMITED

寶訊科技控股有限公司

Stock code 股份代號 : 8089

2007

FIRST QUARTERLY REPORT

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.

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 ended 31 March 2007 (“First Quarter”), 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	
		2007	2006
	Notes	HK\$'000	HK\$'000
Turnover	2	2,658	3,078
Cost of sales		<u>(1,197)</u>	<u>(1,309)</u>
Gross profit		1,461	1,769
Other operating income		595	12
Distribution and selling expenses		(6)	(7)
General and administrative expenses		(21,133)	(2,246)
Finance costs		<u>–</u>	<u>(8)</u>
Loss before income tax	3	<u>(19,083)</u>	<u>(480)</u>
Income tax expenses	4	<u>–</u>	<u>–</u>
Loss for the period attributable to equity holders of the parent		<u>(19,083)</u>	<u>(480)</u>
Loss per share	6		
– basis		<u>HK(6.78 cents)</u>	<u>HK(0.21 cents)</u>
– diluted		<u>HK(6.78 cents)</u>	<u>N/A</u>

NOTES:

1. Basis of preparation and principal accounting policies

The Group's unaudited condensed consolidated results for the three months ended 31 March 2007 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 for the three months ended 31 March 2007 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 2007 and the corresponding period in 2006 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

2. Turnover

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	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
– Telecommunications	859	895
– Computer telephony	1,799	2,183
	<u>2,658</u>	<u>3,078</u>

3. Loss before tax

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

	(Unaudited)	
	Three months ended	
	31 March	
	2007	2006
	HK\$'000	HK\$'000
After charging:		
Staff costs (including directors' emoluments)		
– Salaries and allowances	3,882	1,125
– Retirement benefits scheme costs	62	40
	<u>3,944</u>	<u>1,165</u>
Cost of inventories	1,135	1,194
Operating lease rentals of premises	471	242
Interest expenses	–	8
Depreciation of machinery and equipment	92	94
Net exchange loss	1	4
	<u>1</u>	<u>4</u>
After crediting:		
Rental income		
– leasing of telecommunications and computer telephony equipment	509	397
Interest income	129	12
	<u>129</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 2007 and the corresponding periods in 2006 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 2007 and the corresponding periods in 2006 as the Group did not generate any assessable profits in other jurisdictions during these periods.

As at 31 March 2007, there were no significant deferred tax liabilities for which a recognition or provision would have been required (2006: Nil).

5. Dividends

The Directors do not recommend the payment of dividends for the First Quarter (2006: Nil).

6. Loss per share

The calculation of the basic earnings per share is based on the following:

	(Unaudited) Three months ended 31 March	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net loss for the period for the purpose of calculating basic and diluted loss per share	<u>(19,083)</u>	<u>(480)</u>
	(Unaudited) Three months ended 31 March	
	2007	2006
Number of shares:		
Number of shares for the purpose of basic earnings per share	281,455,556	232,000,000
Effect of dilutive potential shares:		
Share options	<u>—</u>	<u>N/A</u>
Weighted average number of share for the purpose of diluted earnings per share	<u>281,455,556</u>	<u>N/A</u>

Diluted loss per share is not presented for last corresponding period 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 2006	29,135	3,530	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>3,530</u>	<u>64</u>	<u>(44,131)</u>	<u>(14,932)</u>
As at 1 January 2007	10,719	7,914	146	(3,074)	15,705
Issue of share capital	390,994	-	-	-	390,994
Loss attributable to equity holders of the parent	-	-	-	(19,083)	(19,083)
Translation adjustments	-	-	55	-	55
As at 31 March 2007	<u>401,713</u>	<u>7,914</u>	<u>201</u>	<u>(22,157)</u>	<u>387,671</u>

MANAGEMENT DISCUSSION AND ANALYSIS**FINANCIAL REVIEW**

Turnover of the Group for the First Quarter was approximately HK\$2,658,000 (2006: HK\$3,078,000), representing a decrease of approximately 14% when compared with the same period in the previous financial year.

Turnover from the telecommunications business for the First Quarter was decreased by approximately 4% to approximately HK\$859,000 (2006: HK\$895,000), representing approximately 32% (2006: 29%) of the Group's total turnover. Turnover attributable to our computer telephony business for the First Quarter was decreased by approximately 18% to approximately HK\$1,799,000 (2006: HK\$2,183,000), accounting for about 68% (2006: 71%) of the Group's total turnover.

The gross profit for the First Quarter under review was approximately HK\$1,461,000 which decreased by approximately 17% when compared with the same period last year (2006: HK\$1,769,000), while the gross profit margin had decreased to approximately 55% (2006: 57%).

The unaudited consolidated loss attributable to equity holders of the parent for the First Quarter was approximately HK\$19,083,000 (2006: HK\$480,000).

BUSINESS REVIEW

In view of the ongoing reforms and consolidation in the IT and telecom industry, the Company decided to gradually exit the market to focus on the existing opportunities in the field of logistics transportation.

FUTURE PROSPECTS

The Company intends to enter into a business that involves the purchase cargo trains, and management and operation of a railway transportation and related logistics business in the PRC.

DIRECTORS' INTEREST IN SHARES

As at 31 March 2007, there is no interests and short positions of the directors and the chief executive officer 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 pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

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 First Quarter.

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 31 March 2007 or at any time during the First Quarter.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2007, 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
Well Support Limited <i>(Note 1)</i>	52,415,466	Beneficial owner	Corporation	15.72%
Century Dragon Development Limited <i>(Note 2)</i>	27,000,000	Beneficial owner	Corporation	8.10%
Gandhara Master Fund Limited	22,000,000	Investment Manager	Corporation	6.60%
Indus Capital Partners, LLC <i>(Note 3)</i>	22,000,000	Investment Manager	Corporation	6.60%
UBS AG	22,000,000	Person having a security interest in shares	Corporation	6.60%
Gorgeous Overseas Limited <i>(Note 4)</i>	18,184,000	Beneficial owner	Corporation	5.45%

Notes:

1. Well Support Limited is beneficially owned by Liu Yi Dong Family Trust and the beneficiaries of which are Mr. Liu Yi Dong and his family members.
2. Century Dragon Development Limited is wholly-owned by Mr. Wu Wai Leung.
3. By virtue of the SFO, Kasowitz, Sheldon Fenton and Kowitz, David Nathan are deemed to be interested in these 22,000,000 shares as to each of them has 35.30% interests in Indus Capital Partners, LLC respectively.
4. Gorgeous Overseas Limited is wholly-owned by Mr. Yang Yongxia.

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 2007.

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.

As at 31 March 2007, 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.

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 First Quarter.

AUDIT COMMITTEE

The Company has established an audit committee on 3 May 2000 with terms of reference. The primary duties of the audit committee are to review the Group's financial reporting 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. Chan Ho Wah, Terence, Mr. Chong Cha Hwa and Mr. Lok Shing Kwan, Sunny. The audit committee has reviewed the quarterly results for the three months ended 31 March 2007 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, 7 May 2007

As at the date hereof, the Company's executive directors are Mr. Tsang Chi Hin, Mr. Zeng Bangjian, Mr. Ng Kam Wing, Mr. Koh Tat Lee, Michael and Mr. Lim Kwok Choi, and the Company's independent non-executive directors are Mr. Leung Lok Ming, Mr. Chan Ho Wah, Terence, Mr. Chong Cha Hwa, Dr. James Wing Ho Wong and Mr. Lok Shing Kwan, Sunny.

