

**PROACTIVE TECHNOLOGY HOLDINGS LTD :  
FORGET THIS COMPANY**

The entire company is worth a little less than \$HK10 million, in terms of Net Worth, and it is raising \$HK64 million, gross, by way of a Placement of 46.40 million, 10 cents shares, at a Premium of \$HK1.28 per share.

The company, about which TARGET is referring, is Proactive Technology Holdings Ltd, soon to be known as Code 8089 on The Growth Enterprise Market of The Stock Exchange of Hongkong Ltd.

The first paragraph of this TARGET report may be considered a little misleading because, in truth, Proactive Technology has been making profits, over the past few years, at least.

According to the Prospectus of the Company, the Profits Attributable to Shareholders for the 1999 Financial Year, ended December 31, 1999, was about \$HK4.35 million, an increase of about 157 percent over the \$HK1.69-million Profit, logged in for the 1998 Year.

Proactive Technology is in the business of being, according to the Directors: ‘... *one of the leading providers of value-added telecommunications solutions in Asia and computer telephony solutions in Hong Kong. Its principal business is the design, development and sale of value-added telecommunications products and computer telephony products with a focus on business application ...*’. (Page One of the Prospectus)

The Group of Companies, which now comprises Proactive Technology, can trace its business back to January 1992, the Prospectus claims, when Mr Tsang Chi Hing and Mr Lam Kim Chau, together, hired 3, full-time staff members ‘*to engage in the provision of telecommunication and computer telephony solutions ...*’. (Page 39)

In view of this Prospectus’s statement, it would appear that the track record of these gentlemen has not, exactly, been one, which was filled with successes.

If that were not the case, then there would have been more than 2 Financial Years of Profits, adorning the pages of the Prospectus.

Proactive Technology expects to raise \$HK53 million, net, that money intended to be used:

1. \$HK11 million to establish and expand the Company’s overseas offices;
2. \$HK15 million to be used for marketing activities;
3. \$HK7 million to establish a research centre in Australia;
4. \$HK10 million to expand a research centre in the Hongkong Special Administrative Region (HKSAR) of the People’s Republic of China (PRC); and,
5. \$HK10 million to be tipped into the General Capital Working Account.

It is expected that it will take 2 years or more before the Directors can implement their wish list and so, in the interim, a large part of the \$HK53 million will be sitting in bank, earning interest for the Company.

That being the case, at 7 percent interest per annum, one may expect, over the next few years, somewhere in the region of interest income of \$HK3 million, over and above that which is now being logged in.

But, Page 117 of the Prospectus indicates that, even before the Company has obtained its fresh ‘*bread*’ from the investing public, it has spent \$HK3.30 million of it in acquiring a 33.33-percent interest in a newly established company: Proactive Cyberspace Company Ltd.

According to Appendix I, Paragraph 7 a.: *'On 7<sup>th</sup> March, 2000, Proactive Technology Ltd, a wholly owned subsidiary, entered into an agreement to invest a 33.33% interest in a newly establish company, Proactive Cyberspace Company Limited, which will be engaged in the development of telecommunications and computer telephony business in the Mainland China. Proactive Technology Limited is committed to contribute cash of HK\$3,300,000 as its share of the total investment in this new company over the period from March 2000 to December 2001. The remaining 66.67% interest is held in equal shares by two unrelated companies.'*

Whether or not this is good news, TARGET has no idea, but what TARGET was wondering was this:

1. Who or what are the partners in this new venture?
2. Is not a Prospectus a *'hand-on-the-heart'* declaration and, as such, a full and comprehensive declaration should be made, not one that omits salient facts?

### **The Financials**

As TARGET stated in Paragraph 4, this Company has had a history, over the past 2 Financial Years, at least, of making profits.

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