

MANAGEMENT COMMENTARY

The Board of Directors of Ecopro Hi-Tech Holdings Limited ("the Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, "the Group") for the six months ended 30 September 2001.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The unaudited net loss of the Group for the six months ended 30 September 2001 amounted to approximately HK\$28,847,000. Although there was a substantial increase in the Group's turnover, operating loss still remained significant as the Group incurred a loss on disposal of listed securities and recognized amortization charges in relation to goodwill on acquisition of new businesses in the current reporting period.

For the current reporting period ended 30 September 2001, the Group's turnover increased by approximately 6,416% to approximately HK\$16,094,000 as compared to that in the corresponding period. The significant increase in the Group's turnover is mainly attributable to the acquisition of additional businesses which engage in distribution and retailing of computers, computer-related products and wireless computer game controllers and accessories subsequent to the previous interim reporting period.

Future Business Prospects and Plans

Despite that the Group is still reporting a loss for the period, it is moving towards more favourable financial results. To further improve the Group's financial performances, the Group will be cautious on implementing appropriate cost control policy on internal spending. The Group will identify means to enhance the profitability of its various business operations, by discontinuing and/or disposing of unprofitable operations. The Group will also continue to assess opportunities for strategic acquisition of businesses that fulfill the Group's strategic needs and diversify its electronic based business, such as the distribution and retailing of computers and computer-related products.

During the interim reporting period, the Group has acquired an intellectual property right in development and marketing of wireless computer game accessories. The Group considers this acquisition will strengthen the Group's existing business of supply of computer games software products and manufacturing of electronic products, and will broaden the Group's array of business in the manufacture of computer games and accessories. The Group also considers that the acquisition is in line with the Group's business of making strategic investments as and when opportunities arise.

MANAGEMENT COMMENTARY *(continued)***MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)***Future Business Prospects and Plans** *(continued)*

The Group is currently in negotiation with a leading Japanese company to manufacture wireless joypads based on this new technology. It is expected that the acquisition will bring satisfactory financial return to the Group through sale of product and/or other products developed subsequently. Given the advanced technology subsisting in the associated products, the Group is optimistic about the future and will take concrete actions to maximize returns for shareholders.

In order to finance the acquisition of and/or investment in business which demonstrate potential growth value, the Group will, at the appropriate time, consider raising funds by suitable means if it is considered to be in the best interests of the Company and its shareholders to do so.

Liquidity, Financial Resources and Funding

The Group had retained cash of approximately HK\$640,000 as at the interim reporting date. As most of the retained cash was placed in Hong Kong Dollars short-term deposits with major banks in Hong Kong, exposure to exchange fluctuation is considered minimal. The Group's operating activities were mainly financed by its internally generated cashflows.

At the interim reporting date, the Group had net current assets of approximately HK\$8,309,000 and outstanding unsecured loans amounting to approximately HK\$1,980,000 which were repayable within one year. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 30 September 2001, is 0.26.

Significant Investments and Material Acquisition/Disposals

During the interim reporting period, the Group recorded a net loss on disposal of investments in listed securities of approximately HK\$10,239,000. Certain of the Group's investments in listed securities were disposed of so as to enable the Group to realise the investments and to finance its business acquisitions.

Material acquisitions made by the Group during the interim reporting period include obtaining a controlling interest in a former associate which engages in development of computer games software, and acquisition of a subsidiary which engages in development of wireless video and computer game controllers and accessories, as follows:

MANAGEMENT COMMENTARY *(continued)***MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)***Significant Investments and Material Acquisition/Disposals** *(continued)*

In May 2001, Profit Promise Enterprises Limited, a wholly owned subsidiary of the Company, increased its shareholding in Info-Mission Technology Inc. Limited to approximately 50.3%, as a result of taking up its rights to subscribe for 306,158 additional shares.

In August 2001, Ecopro Hi-Tech Limited, a wholly owned subsidiary of the Company, acquired 80% of the issued share capital of Bits Tech Inc., at a total consideration of HK\$18,300,000. The consideration for this acquisition was satisfied as to HK\$1,500,000 in cash and as to HK\$16,800,000 by the allotment and issuance of 1,200,000,000 new ordinary shares of the Company, at the value of HK\$0.014 per share, to Wise China Limited, which became a substantial shareholder of the Company as a result thereof.

Employees

The Group, including its subsidiaries but excluding associates, employed approximately 50 staff in Hong Kong and approximately 153 staff in the PRC at the interim reporting date. Total staff cost (excluding directors' emoluments) amounted to approximately HK\$4,958,000 for the period. The Group's remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on annual basis on performance appraisals and other relevant factors.