

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the annual report of Central China Enterprises Limited and its subsidiaries (the "Group") for the financial year ended 31st December, 2000.

During the year under review, the Group reported a net loss of HK\$425,420,000, mostly as a result of exceptional provisions against the Group's investments in the past. However, the management regards this loss as circumstantial and the provisions set aside were essential to establish a solid basis for further business growth. For the period, the Group has experienced difficulties in realizing guaranteed profit from certain investments. Notwithstanding this, the management is determined to recover these outstanding incomes through necessary legal actions.

The Group also incurred significantly increased administrative expenses for the period. These were largely resulted from the inevitable costs associated with directors' change of office. These costs are of a non-recurrent nature and therefore pose no significant concerns to the Group's long term profitability.

The overall financial performance reflects our determination to institute structural reform to our existing business. The new management has primarily been focusing on transforming the Group from an industrial-based enterprise to a hi-tech enterprise with due emphasis in developing telecommunications infrastructure projects. With the anticipated increasing demand for high speed data transmission through optic fibre and satellite networks, the Group will continue to develop the existing cable network in Henan Province with an ultimate ambition to cover other provinces in the PRC. The new management is currently under active negotiation with various parties in the PRC and is expected to conclude several major projects in the near future.

The new management consisting of industry professionals with many years of solid experience in financial management, business restructuring, project management and direct investment, is committed to contribute their strong expertise to the benefit of the Group's future development, and has determined to bring new initiatives to strengthen foundations in order to provide sustainable earnings growth.

Finally, I would like to take this opportunity to extend my sincere thanks to all of our business partners, shareholders, directors and staff for their support and contribution to the Group during the past year.

Chan Chi Keung, Victor

Chairman

Hong Kong

26th April, 2001