

On behalf of the Board of Directors, I am pleased to present the annual results of Central China Enterprises Limited and its subsidiaries (the "Group") for the financial year ended 31st December, 2001.

In 2001, the general economy continued to present all the challenge of an extremely competitive market. However, well-defined business strategies have enabled the Group to progress steadily, with ongoing corporate repositioning resulting in enhanced asset quality and an improved financial position.

Turnover for the year under review was recorded at HK\$126,817,000, 11% lower than the previous year. This was mainly attributable to the reduced level of business activities following disposal of certain investment projects. Operations of the coking plant project and the automobile repair and maintenance business were discontinued and were eventually disposed of during the year. Therefore, the two projects contributed less revenue to the Group. Net loss attributable to shareholders narrowed substantially from HK\$425,420,000 to HK\$76,302,000, representing a general turnaround in overall performance. This was a result of the effectively controlled administrative expenses which decreased by 36% as compared to the previous year, and the absence of substantial impairment losses as required in the previous year.

Portfolio re-organization remained an important focus during the year, as the management implemented a number of asset disposals whilst also seizing opportunities to acquire quality investments to build a sound portfolio. The management is pleased to report that the Group's financial strengths and liquidity position have improved significantly as reflected by strengthened quick and current ratios. As at 31st December, 2001, the Group only had one outstanding bank loan of HK\$34,830,000. It is anticipated that this loan will be fully settled in the coming year.

In March this year, the Group acquired the remaining interest in Sharpo Holdings Limited, an innovative software applications provider in the PRC. With its unique products and services, Sharpo is well-positioned to capture various market opportunities arising from the great demand for mobile retail management systems in the PRC. We have confidence that Sharpo will generate positive contribution to the Group.

After a period of adjustment, the Group is now on the verge of a fresh drive for progress. Telecommunications infrastructure and hi-tech related projects will remain as core focus. In view of the sustained rapid growth in the PRC market, the Group will actively seek to further capitalize on rising opportunities.

Finally, I would like to extend my gratitude to 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, 2002