

On behalf of the Board of Directors (the "Board"), I have the pleasure to present the annual results of Central China Enterprises Limited and its subsidiaries (the "Group") for the financial year ended 31 December 2002.

It is obvious that 2002 has been a difficult year. The overall economy remained uncertain and sluggish in the aftermath of September 11 which further worsened the market conditions. As a result of these poor macroeconomic conditions, the Group has taken a conservative approach towards new corporate ventures on one hand and continued to consolidate its businesses in accordance with its corporate strategies with a view to enhancing the assets quality on the other hand.

Owing to the reduced level of business activities following the conclusion of disposals of certain non-performing assets and the poor market sentiment, the Group's turnover for the year under review recorded approximately HK\$1.6 million, which was mainly contributed by the Group's main operating arm, Sharpo Group ("Sharpo"), a web-based retail management solutions provider in the People's Republic of China ("PRC"). Loss from operations was approximately HK\$67.9 million, representing 37% increase when compared with the corresponding operating loss of approximately HK\$49.4 million last year. In addition, due to the written down of carrying values and exceptional provisions of impairment losses for certain investments amounting to approximately HK\$80 million, the Group reported a net loss of approximately HK\$148 million, loss per share was 5.56 cents.

Following the completion of most of the industrial assets disposals, telecommunication infrastructure and hi-technology projects became the core activities of the Group. Although Sharpo's business is still in its development stage, the management believed that with the growing demand of retail management solutions software in the PRC and the unique services and products of Sharpo, Sharpo will be able to grasp the niche market in the PRC when the market conditions have been improved. The Group will strategically divest its resources to pursue the establishment of Sharpo as its flagship in the telecommunication and technology industry.

The Group's financial position and liquidity position remained healthy. As at 31 December 2002, the only outstanding bank loan balance of the Group was US\$2.4 million (equivalent to approximately HK\$18.7 million) which is scheduled to be repayable in full in the second half of this year.

Notwithstanding the stringent investment conditions, the management will continue to seek investment opportunities in telecommunication infrastructures and hi-tech related projects with earning potentials which will enhance the Group's portfolio base and generate positive returns.

Taking this opportunity, I, on behalf of the Board, would like to express our sincere appreciation to Mr. Chan Chi Keung, Victor, the former Chairman of the Board for his devoted effort and contributions to the Group during his tenure and welcome Mr. Kwong Jimmy Cheung Tim to join our Board as a non-executive director. With Mr. Kwong's wealth of experience and expertise, he will undoubtedly bring in new ideas in charting the strategic directions of the Group.



## Deputy Chairman's Statement

Finally, I wish to thank all our business partners, shareholders, directors and staff for their support and dedicated efforts to the Group during the past year and look forward to their continued support in the coming year.

**Chung Chi Shing**

*Deputy Chairman*

Hong Kong, 28 April 2003