

## MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the principal products of the Group were still plastic telephone cables, telephone exchange system cables, television cables, cable joining sleeves, optical fibres, optical fibre cables, mobile cables, etc.. For the six months ended 30 June 2001, the Group recorded a total turnover of RMB278,034,000, representing a 30.38% increase over RMB213,247,000 when compared with the same period of last year.

There was a significant increase in turnover during the Period when compared with the same period of last year due to the continuous efforts of the State in developing telecommunications industry and the gradual implementation of the policy in strengthening the western region development. The endeavour of the Company in adjusting its product mix has also brought about preliminary effects. As a result, the sales of optical fibres, mobile telecommunications cables and telephone exchange system cables increased significantly.

In short term, the growth in investments by the Company in plastic telephone cables, television cables and cable joining sleeves was affected due to the in-depth system reform in telecommunications, broadcasting and television systems in the PRC. However, the Group was still able to maintain its existing market share due to the stable quality of the Group's products and comprehensive services provided by the Group.

During the Period, profit attributable to shareholders of the Group amounted to RMB54,982,000 whereas a loss of RMB8,614,000 was recorded for the same period of last year. The Group has turnaround its results from loss to profit.

Notwithstanding changes of market conditions and fierce competition in the industry causing the total revenue generated from the sale of products including plastic telephone cables, television cables, cable joining sleeves, etc, decreased 14.75% as compared to the same period of last year and subsequently affect the profitability of the Company, the accession of new products such as telephone exchange system cables, mobile cables, etc, to the market improved the results of the Company. In particular, the increase in production of optical fibres, sales volume and prices had made apparent contributions to the profitability of the Company.

After the completion of the assignment of equity interest in Chengdu CCS Optical Fiber Cable Co., Ltd. ("CCS"), in which 50% equity interest is owned by the Company, by Siemens Aktiengesellschaft of Germany, the production and operation of CCS were remarkable and achieved drastic growth in profit. The return from the investment in such company calculated according to the proportionate share of interest had increased significantly and amounted to RMB66,243,000. This contributed to the improvement in the profitability of the Company significantly.