

## **PROSPECT FOR THE SECOND HALF OF THE YEAR**

Year 2001 is the first year in the new century for the implementation of the tenth "Five-year" plan of the PRC. The imminent accession to the World Trade Organization ("WTO") of the PRC and the gradual implementation of the State's strategic development plan of the western region have positive impact on the telecommunications industry. The Company will firmly grasp this unprecedented opportunity and continue to reinforce its management, technological innovation, new products development and expansion of business scale. In addition, the Company will make efforts in enlarging its market share and will endeavour to resolve any unfavourable factors so as to strive to achieve the operating targets of the Company. The Company will implement the following measures:

1. Strengthening sales force, endeavouring to develop the markets for both existing and new products, expanding the market share of new products; speeding up the recovery of accounts receivable; implementing better cost control measures in order to solve the problem of high production costs.
2. Implementing the final stages of the capacity expansion projects in respect of new products such as nylon telecommunications cables and No. 5 cables in order to satisfy the increasing demand of customers. The Company will make further adjustment to the product mix of copper cables, gradually eliminate the production scale of products which are non-profitable or of low profit margin and expand the production scale of new marketable products in anticipation for further improving the profitability of the Company.
3. Making further efforts in the construction and management of the technological centre. The Company will expedite the progress of developing the markets for new products which have good prospects by means of explorations, introduction and co-operation so as to create new sources of income for the Company.
4. Firmly grasping the precious opportunity of the speedy development of optical fibres and optical fibre cables, and making full use of the Company's competitive edge in order to further expand the production scale of optical fibres and optical fibre cables. The Company will enhance their market competitiveness in order to consolidate their leading position in industry and to further strengthen and support the development of the Company.
5. Continuing to implement in-depth internal reformation and increase the vitality of the Company. The Company will optimise its allocation of resources, further develop the capital market and strengthen the utilisation of capital resources in an attempt to enhance the competitiveness of the Company.