

# CHAIRMAN'S STATEMENT

**MR. XU MINGWEN**  
Chairman of the Company



To Shareholders:

I am pleased to present the report of the Company for the year ended 31 December 2002 (the "Year") and would like to express our kind regards to all shareholders on behalf of the board of directors of the Company (the "Board of Directors") and all members of staff.

2002 was a very difficult year for the Company. As an upstream industry in the telecommunication sector, the development of the Company relies very much on the prospects of the telecommunication industry and its scale of fixed investments. The slowdown in the global economic growth, the tremendous difficulty brought to the global telecommunication industry by the bursting of the network bubble and the adjustment of strategies by PRC telecommunication operators led to substantial reduction in the scale of fixed investments of the domestic telecommunication industry, thus brought about a standstill to the telecommunication manufacturing industry. With respect to the domestic cables industry, the number of telecommunication cables manufacturers is increasing, the supply of products is far exceeding demand, competition in the industry is fierce and the market is in a severe situation. Although the domestic telecommunication information market continues to maintain certain growth, telecommunication operators like China Telecom have been cautious about their investment activities due to mounting pressure from market operations leading to an over-competition in the telecommunication manufacturing market. The Company's business volume declined substantially due to the impact of the industry's environment, adjustment of the investment scale by the telecommunication industry and shrinkage of the telecommunication market. Extensive fluctuations in the operating results of the principal joint ventures and a substantial decline in investment proceeds have led to a slide in the Company's overall profits.

## CHAIRMAN'S STATEMENT (CONTINUED)



During the difficult year of 2002, the Company focused on telecommunication products as its principal business and overcame various difficulties and pressure with the efforts of the management and all members of staff of the Company. The Company continued to step up market development, technological innovation and cost control amid intensifying competition from its competitors which also posed a direct threat to the key products of the Company, and has been able to minimise the adverse effect of the industry's downturn thereby allowing the Company's production, operations and other tasks to proceed smoothly. Although every step was difficult, the Company has been able to proceed through the year in a steady manner and has laid down a foundation for the future development of the Company.

In 2003, the Company will still be faced with difficulties and burdens. Under intensifying competition from the market, the Company will externally focus on a market-led policy, strive to optimise product structure, increase the market share of optical communication cables and program-controlled cables, improve the sales system, strengthen marketing management and strive to improve before- and after-sales services. The Company will internally push for reform of the Company, gradually improve the corporate operation mechanism in response to market competition, strengthen cost control and budget management during the whole production and operation process, and push for the development of the Company's principal business for achieving the business targets for 2003. The Company will also strive to improve the overall operating benefits for generating new results for our shareholders.

I would like to take this opportunity to express my gratitude on behalf of the Board of Directors to all shareholders and members of staff of the Group for their support and trust offered to the Company throughout the Year.

**Xu Mingwen**  
*Chairman*

17 April 2003