MR. KUO AICHING
Deputy Managing Director and General Manager of the Company

(1) ANALYSIS OF THE RESULTS

During the Year, the Group mainly produced the following products: plastic urban telephone cables, program-controlled telephone exchange system cables, television cables, cable-joining sleeves, optical fibres, optical cables and mobile telecommunication cables, etc.

During the Year, the weak demand as a result of the subsequent impact brought about by the burst of the global network bubble led to an oversupply of network bandwidths and resources by telecommunication operators, a decrease of investment in telecommunication construction, a slow growth in the telecommunication industry and a substantial decline in the scale of fixed investments. Although the PRC's domestic telecommunication market maintained a certain growth due to an unprecedented reform in the PRC's telecommunication industry, telecommunication operators are at the stage of adjusting their internal structure. The telecommunication operators adjusted their investment structure and scale in line with the needs of the market, leading to a 20% decrease in the scale of fixed investments in the telecommunication industry as compared with 2001. Due to the structural adjustment of fixed-line telephones caused by the impact of mobile telephones and Xiaolingtong (personal access system), the telecommunication manufacturing market became over-competitive which in turn led to a substantial decline in the Company's business volume and a slide in profit.

During the Year, the turnover of copper cables was RMB218,290,000, representing a decrease of 13.1% over the same period last year, of which plastic urban telephone cables accounted for RMB160,308,000, representing a decrease of 29.6% over the same period last year; program-controlled telephone exchange system cables accounted for RMB29,020,000, representing a decrease of 28.9% over the same period last year; television cables accounted for RMB10,030,000, representing a decrease of 32.1% over the same period last year; and cable-joining sleeves accounted for RMB61,190,000, representing a decrease of 10.5% over the same period last year.

During the Year, Chengdu CCS Optical Fibre Cable Co., Ltd. ("CCS"), a company in which the Company owns 50% equity interest, recorded a turnover of RMB213,424,000 and a loss of RMB77,614,000. During the Year, Chengdu SEI Optical Fibre Co., Ltd. ("SEI"), a company in which the Company owns 60% equity interest, recorded a turnover of RMB81,894,000 and a loss of RMB20,143,000. During the Year, Dongguan CDC Cable Factory, a company in which the Company owns 75% equity interest recorded a turnover of RMB42,258,000 and a loss of RMB5,632,000. Net profit attributable from Shuangliu Heat Shrinkable Products Sub-Plant for the Year was RMB6,641,000.

Main Reasons for the Decline in Turnover and Loss Attributable to Shareholders

1. The internal restructuring of telecommunication operators and the substantial decline in the scale of fixed investments as compared with last year led to a slowdown in the construction of the telecommunication infrastructure. Such a decline further intensified competition among competitors, leading to the Company's insufficient orders for products which in turn affected the Company's sales revenue and profitability.

2. In view of the global economic development slowdown, the newly constructed optical fibre telecommunication networks that came into operation were far less than expected, affecting the enthusiasm of investors and operators to make further investment. The progress in the construction of the telecommunication network was also delayed by the further restructuring of domestic telecommunication companies, which further emphasised the over-supply of state-of-the-art optical fibres and cables. In addition, foreign manufacturers consider the PRC as their sales target. In particular, foreign manufacturers' low price drives have forced down the prices of optical fibres and cables in the PRC market, directly affecting the business operations and the operating profits of CCS and SEI, a subsidiary and an associate of the Company specialising in the production of optical fibres and cables, respectively, hence leading to an increase in the Company's share in loss.

(2) REVIEW OF PRINCIPAL BUSINESSES

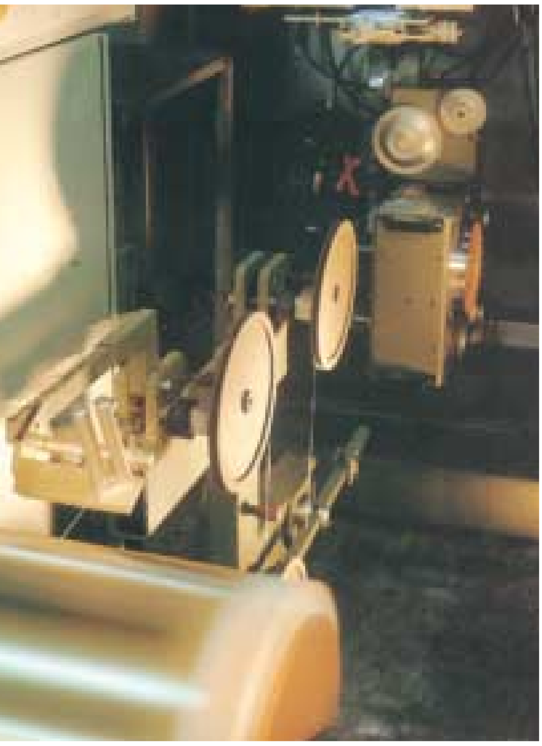
Given the difficulties arising from the rapid changes in the telecommunication market, the Company operated under severe conditions. By focusing on the strategic target of "adjustment and development", the Board of Directors and operations management were able to overcome these difficulties and carried out every tasks in full, thereby laid a firm foundation for future development. The Group's principal business activities during the Year are summarised as follows:

1. The corporate operation mechanism and management method were changed to adapt to the needs of the market economy as well as the establishment of modern entrepreneurship. During the Year, experts and scholars were appointed to provide consultation and analysis of the Company's development strategies and management. They identified existing problems and weaknesses, clarified the direction and mindset for future development and proposed recommendations and measures for restructuring.

2. During the Year, the Company increased exploration of emerging markets (e.g. Tibet) and emerging operators (e.g. China Railways Communication) and achieved satisfactory results. More efforts were made to seek more users of program-controlled telephone exchange system cables such that sales volume of program-controlled telephone exchange system cables increased by 5.9% as compared with last year. At the same time, more efforts were made to improve the recovery of receivables and to sell the cables accumulated in stock. This, to a certain extent, reduced the stock-up of inventories and the Company's actual achievement surpassed the Company's annual plan.

3. To step up technological innovation and speed up the progress in technological development, the Company set up an application promotion division in the technology centre, commenced the construction of a test base, the debugging of equipment and focused on the development of products, which included super category 5 cables, fluoride plastic insulation coaxial cables, sleeve optical cables, broadband urban telephone cables, program-controlled telephone exchange system cables and soft cables of category 5 with stranded conductor structure, A7 and C118 bubble pixing stranded program-controlled telephone exchange system cables and category 6 cables. Fire-resistant nylon cables for Ericsson, program-controlled telephone exchange system cables of various models and specifications for Zhongxing Communication and terminal fire-resistant cables for Beijing Telecom are now in mass production as a result of the Company's success in the research and development of these products. During the trial testing period in the use of domestic raw materials, the Company used domestic raw materials instead of importing raw materials in PVC protection covers, thereby lowering the procurement costs.

4. In order to adapt to the modern corporate system and improve the corporate management standard, the Company carried out a full-scale budget management during the Year by establishing a budget management system and formulating precise regulations for the organisational structure and for the budget preparation, assurance and assessment systems. The Company also carried out computerised financial management which provided an essential basis for the management of the Company for making timely and accurate decisions and to ascertain more effective control over despatched goods. The Company provided accounting and computer trainings to its staff to enable them to acquire the knowledge and skills in operating the computerised accounting systems.



5. In order to enhance the capability of the Company, to maximise the utilisation of the Company's assets and resources in a flexible way and to reduce cost and enhance effectiveness, the Company strived to implement internal reforms and strengthened internal management by facilitating gradual transformation of the operating mechanism and management system within the Company. During the Year, the Company stepped up efforts in the segregation of the ancillary production units and supporting service departments. The staff service company and hospital had been separated from the Group by subcontracting to outsiders with independent operating authorities, separate accounting system and self-financing. Special subcontracting arrangements were also implemented for certain business of the copper materials factory. All employees of the Company have joined the basic medical insurance scheme of Chengdu, thus reducing the Company's medical expenditures spent on staff.

6. The Company strengthened its supervision and management of joint ventures. It has completed the increase in share capital and shareholding restructuring of CCS and SEI, the change in shareholders and shareholding percentage of Chengdu Bada Connector Co., Ltd. ("Bada Company") and the acquisition of shares in Chengdu Gaoxin Cable Co., Ltd. ("Gaoxin"), and so on. The Company also actively sought for new projects. It carried out debugging, research, demonstration and negotiations in respect of optically prepared rods, optical modems and other products, and laid a sound foundation for the integration of product and capital operations and for new profit increase.

(3) FINANCIAL ANALYSIS

Analysis Highlights

As at 31 December 2002, the Group's total asset was RMB1,121,938,000, representing a decrease of 12.8% over the previous year's RMB1,287,135,000, of which current asset amounted to RMB569,866,000, accounting for 50.8% of the total asset and representing a decrease of 12.6% over the previous year's RMB652,089,000. The decrease was mainly due to a fall in sales income. Fixed assets amounted to RMB295,485,000, accounting for 26.3% of the total assets, representing a decrease of 5.7% over the previous year's RMB313,199,000. The decrease was mainly due to depreciation charge of fixed assets.

As at 31 December 2002, the Group's liability totalled RMB321,501,000; the liability-to-asset ratio was 28.7%; short term bank loan was RMB169,230,000, representing a decrease of 16.2% over the previous year's RMB201,861,000. During the Year, the Group did not arrange for other fund raising activities.

As at 31 December 2002, the Group's bank deposit and cash totalled RMB223,613,000, representing a decrease of 11.5% over the previous year's RMB252,669,000.

During the Year, the Group's distribution costs, administrative and other operation costs, and finance expenses amounted to RMB32,462,000, RMB74,574,000 and RMB12,525,000, respectively, representing a decrease of 20.2%, 26.4% and 2.6% over the previous year's RMB40,656,000, RMB101,353,000 and RMB12,854,000, respectively. The increase in distribution costs was due to decline in turnover.

At the end of the Year, the Group's trade receivables and inventories amounted to RMB202,823,000 and RMB134,276,000, respectively, representing an increase of 0.4% and a decrease of 20.5% over the previous year's RMB201,963,000 and RMB168,976,000, respectively. The increase in trade receivables was mainly due to the adjustment and strategic reorganisation of the PRC's telecommunication industry in both major and ancilliary areas, which had an impact on the repayment of loans and delayed the implementation of sales contracts.

Analysis of capital liquidity

As at 31 December 2002, the Group's current asset amounted to RMB569,866,000 (2001: RMB652,089,000), current liabilities were RMB306,528,000 (2001: RMB364,935,000), annual receivables turnover period was 197 days and annual inventories turnover period was 164 days. The above data suggested that the Group's capital flow was ideal but there is still room for improvement. The ability of liquidity and repayment is satisfactory.

Analysis of financial resources

As at 31 December 2002, the Group's short-term bank loan was RMB169,230,000. This loan shall be repaid by instalments. The Group does not have short term repayment risk. Bank balances and cash was comparatively sufficient with amount of RMB223,613,000.

Non-current liabilities or loan

As at 31 December 2002, the outstanding amount of the Group's long-term loan incurred as a result of the purchase of a French accelerator was approximately RMB16,103,000 (equivalent to EUR1,864,000), of which banking credit facility amounted to approximately RMB6,782,000 (equivalent to EUR785,000) at the interest rate of 7.35% per annum, and French government secured bank loan amounted to approximately RMB9,321,000 (equivalent to EUR1,079,000) at the interest rate of 0.5% per annum. The said loans in euros are subject to certain risks due to fluctuations of the exchange rate of US dollars in the international foreign exchange market. These two loans are instalment loans of which the maximum repayment period is 36 years. As the outstanding amount of the long-term loan is not substantial, there will be no adverse effect on the operation of the Group.

Capital structure of the Group

The Group's capital is derived from bank loans, proceeds from issuance of shares in the Company (the "Proceeds") and corporate profit. The use of Proceeds strictly complied with legal requirements. In order to ensure proper utilisation of capital, the Group has gradually established a stringent financial management system. The Group also paid attention to avoid risks and to improve return on investments. During the Year, loans which were due were repaid and obligations were performed in accordance with the contractual terms.

Cash and Source of Funds

The Group's net cash inflow from operating activities amounted to RMB27,143,000 during the Year (2001: RMB79,534,000).

During the Year, the Group spent a total of RMB2,692,000 (2001: RMB4,607,000) and RMB35,770,000 (2001: RMB21,560,000), respectively, on the purchase of property, plant, and equipment and on construction in progress.

As at 31 December 2002, the Group's total liabilities and minority interests amounted to RMB438,427,000 (2001: RMB489,919,000). The Group made interest payments of RMB12,525,000 (2001: RMB13,578,000) during the Year.

Contingent Liabilities

The contingent liabilities of the Group as at 31 December 2002 was RMB140,000,000 (2001: RMB150,000,000).

(4) BUSINESS OUTLOOK

In 2003, the global economy will recover gradually and the PRC's economy will maintain rapid growth. In particular, after the meeting of the 16th National Congress of the Chinese Communist Party and the National People's Congress, strategic arrangements have been made for the PRC's full advancement of reforms and of the open-door policy, and the establishment of a moderately well-off society. The development of the Western region of the PRC has entered into the implementation stage which will promote the development of regional economy and will offer good opportunities for the development of the telecommunication industry. The Group will seize these opportunities and will implement the following measures:

1. Seize the opportunity to push for reform by taking advantage of the reform of state-owned enterprises. Focus on people management, further increase the importance of staffing, income distribution and appraisal system. Improve the incentive and regulatory mechanism to stimulate the initiative and creativity of staff in production and operation so as to increase the Company's growth motivation. Consistently focus on technological advancement as well as product quality, energy saving, wear and tear reduction and cost reduction; improve the management system and systematic management, and promote the regulation of the Company's management.

2. Strive to open up new markets. In addition to putting in more efforts in market development, the Group will adjust its sales strategies on a timely basis, strengthen market research and establishment of a marketing team, improve the quality of marketing staff, consolidate the existing sales networks, expand the sales channels and refine the subcontracting accountability system and incentive mechanism in marketing so that the marketing staff can be fully mobilised. Ensure the Company's continual growth by strengthening marketing management, increasing sales of the Company's products and the Company's ability to recover loans.

3. Carry out research on the prospects of the existing market for products and formulate development strategies. Step up technological development and marketing of products with competitive edge, consolidate and strengthen the market competitiveness and profitability of existing products by segregating producers of poor quality products so that the overall operating status of the Company can be improved.

4. Focus on market-oriented and profit-based operation concepts. Adjust product structure, enhance conventional product, unlock potential quality to increase benefits, adjust the existing products structure in a stable manner and strive to develop products of high added-value. Improve the technical process and lower the cost of products by pushing for technological advancement. Focus on pre-research on the use of optical cable modeling in optical communication, strive to develop optical communication, optical components and other new products. Develop broadband plastic urban telephone cables, new lead cables for program-controlled cables and other special types of cables on the basis of the Company's existing copper cables to achieve diversification, high technology and sophistication of existing cable products so as to improve the weakness in the single structure of the Company's industrial products and their capacity against risks.

5. Carry out market research in different areas and seize market opportunities. While consolidating and expanding its share in the product-dominant market, push for the development of new products with all efforts and in all directions, seek to identify new projects and profit centres and move into new areas actively and steadily. By taking full advantage of the established brand and the availability of funds, seek to identify new projects with competitive edge in terms of the industry, product, technology, management, positioning, etc.. Seize opportunies by bringing strategic partners into the Company by means of acquisitions, mergers, shareholding swap, etc.. Try diversifying operation and developing new business profit centres.

6. Raise internal management level, improve internal control management system, carry out budget management in full, establish a budget grading system governing the acts of all departments for budget. Through the implementation of a strict budget control, correct or adjust the differences on a timely basis. Ensure implementation of the operation targets of the Company across every production sector and strictly appraise the accountable staff and departments.

7. Improve investment management. Adjust and push for the development strategies of associates such as SEI and CCS in an active and stable manner in response to the dramatic changes in the domestic and overseas markets. By taking full advantage of the listing status of the Company, carry out capital operation, replace poor quality assets and strengthen the Company. Improve the consolidation and development of other joint ventures for reducing wear and tear and increasing benefits and sustained development.

Recent Economic Development and Impact of China's Entry into World Trade Organization ("WTO") on the Group

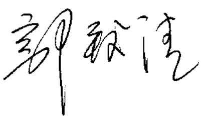
Although the domestic telecommunication market continued to grow steadily in 2002, telecommunication operators like China Telecom was cautious with their investment activities due to mounting pressure from market operations and substantial decline in the scale of fixed investments, hence leading to over-competition in the telecommunication manufacturing market. The market has shrunk and the Group's market and profit have been affected by the business environment, adjustment of the telecommunication investment scale and telecommunication restructuring.

In 2003, while the PRC's "Tenth Five-Year" plan and development strategies for the Western region are being implemented gradually and the plan for the telecommunication operation industry has been set, there will be new developments in the telecommunication industry, which will stimulate the growth of the Group.

2003 is the second year of the PRC's accession to the WTO. Market competition is expected to intensify as the market for telecommunication products is further deregulated, tariff decreases substantially and capital of foreign capital, high and new technology, products and enterprises move into the PRC. This will gradually produce a direct or indirect impact on the industry and on the Group, causing impact and pressure on the Company's business which in turn will affect the Company's operations and results.

The PRC's accession to the WTO also brought about development opportunities to the Company. The Company will increase the competitiveness of its products to maintain its leading position among competitors by taking full advantage of the decrease in the cost of imported raw materials, of technical equipment, production scale, marketing networks, operation and management of foreign companies, which in turn will benefit the export of the Company's products, offering more opportunities for the Company to learn about advanced foreign business concepts and mechanisms and to step up cooperation between international industrial capital and financial capital which will speed up the process of the Company's development and internationalisation.

The Board of Directors is optimistic about the future development of the Group. We will grasp every opportunity to progress in line with the latest market situation, expedite development, further re-align the Company's governance structure, enhance its management standard and strive to improve the operating environment of the Company, thereby bringing about more benefits for the shareholders.



Kuo Aiching
Deputy Managing Director,
General Manager

17 April 2003