

To Shareholders:

I am pleased to present the report of the Company for the year ended 31 December 2003 (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 of the Company.

During the Year, the Board of Directors underwent re-election while the annual general meeting was being held. As a result, members of the fourth Board of directors were elected. At the first meeting of the fourth Board of Directors, I were re-elected as the Chairman of the Company (the "Chairman") by all the directors of the Company (the "Directors"). I would like to take this opportunity to thank the Directors for their trust on me and the Directors of the third Board of Directors on behalf of the fourth Board of Directors for their efforts and achievement in developing the Company and safeguarding the interests of the Company's shareholders (the "Shareholders").

To the Group, 2003 was still a rather difficult year. There is a slowdown in the growth of the global communications industry and the IT industry. Though domestic communications market maintained a steady development, cable market still experience sustained sluggish performance. The upsurge in prices of copper rod - the raw materials of copper cable, low prices of optical fibres and cables, together with relatively low prices of major products and intensifying market competition, accompanying the impact of adverse industrial environment, the Company's income from investment is less satisfactory, which led to an overall loss, despite of the fact that the business volume for the year recorded an increase as compared with previous year.

During the year, the Company took various management measures and initiatives in response to the difficulties in production and operation. A number of achievements have been made, including expansion of market and sales, improvement in corporate governance, adjustment to product structure, reduction in production cost and enhancement of quality control. Moreover, the Company also made satisfactory progress in development of new business, aiming to build a new base for growth. New projects are in smooth progress, and the sales volume of program-controlled telephone exchange system cables ("program-controlled cables") exceeded the expected results with a significant increase. Although the Group still recorded a loss in profit, the loss decreased significantly from the previous year.

In 2004, the global economic recovery is accelerating. China is also in a vital opportunistic strategic developmental stage and national economy is expected to continue to grow fast. This has created favourable conditions for the Company to speed up its development. Despite favourable macro conditions, we also aware that the excessive supply over demand in the cables industry is still intensifying. The continuous rise of the price of raw materials lead to a general decline in the profit margin of products resulting in further intensified market competition.

Facing this severe situation, we will step up the technological renovation of the Company's production system, increase the Company's overall competitiveness in a fast manner and enhance the ability to effectively defend against and eliminate risks by strengthening crisis awareness and focusing on development with innovation as the driving force. The Company will persist in the market-oriented direction of development, proactively improve product structure and develop new products, and aim at a larger market share of program-controlled cables, improve the sales system, strengthen marketing management and strive to improve before-and after-sales services. The Company will actively promote its internal reform to gradually build and perfect a healthy corporate operating mechanism suitable for market competitions, meanwhile leverage each opportunity to seek expansion at a low cost, so as to further enhance the Company's operating advantages. Tapping beneficial reorganization modes for a sustainable development and with a close eye to opportunities in capital market and from the industry restructure, the Company will introduce strategic investors on a timely basis to carry out strategic adjustment to its business structure and to expand its business and increase profitability, targeting a shift in its business and an enhanced capability for its sustainable development.

After reviewing and analyzing the difficulties in its production and operation with diligence, the new Board of Directors of believes that the Company will capitalize on the vital opportunistic period in the development of communications industry and continuous advancement in the PRC communication industry. Based on effective corporate governance and a definite development guideline, the Company will proactively and prudently develop its existing core business. The new Board of Directors believe, with expansion in business coverage, progress in capital operation, reform of operating mechanism and full use of its own advantages, the Company is able to bring a better return to 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 Company for their support and trust offered to the Company throughout the Year.



Xu Mingwen
Chairman

15 April 2004



Mr. XU MINGWEN
Chairman of the company