

Report of the Supervisory Committee

To Shareholders:

During 2003, all members of the Supervisory Committee carried out the duties of Supervisory Committee with diligence in accordance with the relevant provisions of the Company Law of the PRC (the "Company Law"), the Listing Rules of the main board of the Hong Kong Stock Exchange ("the Listing Rules"), the Articles and the relevant laws and regulations with the principle of being accountable to the Company and its shareholders.

To better exercise the supervisory function of the Supervisory Committee, members of the Supervisory Committee attended all board meetings and general meetings, general manager's meetings and decision-making meetings of the Company so as to exercise effective surveillance over the work of the Board of Directors and operational decisions of the management and the execution of resolutions approved by general meetings by the Board of Directors, the performance of duties by the Company's senior management and the management system of the Company, provided opinions and recommendations, listened carefully to and analysed on the reporting by the financial manager regarding the financial position and operating results of the Company. The Supervisory Committee would like to render its independent opinion as follows:

1. LAWFUL OPERATION OF THE COMPANY

The Supervisory Committee is of the opinion that in 2003, the Company's operations had strictly complied with the Company Law, the Listing Rules, the Articles and other applicable laws and regulations. The Company's decision-making procedure is legitimate and all the resolutions passed at the general meetings are strictly implemented.

2. DISCHARGE OF DUTIES BY DIRECTORS, MANAGERS AND OTHER SENIOR MANAGEMENT OF THE COMPANY

The Supervisory Committee considers that the Directors, managers and other senior management of the Company have performed their duties diligently, pragmatically and faithfully. No abuse of rights, violation of laws or regulations or the Articles nor acts detrimental to the interests of shareholders and the Company and the Company's staff members was found.

3. REPORT OF THE DIRECTORS

The Supervisory Committee had a detailed review of the report of the Directors to be submitted for consideration at the AGM for the Year by the Board of Directors and considered that the report had objectively and thoroughly reflected the various work conducted by the Company in 2003.

4. FINANCIAL REPORT OF THE COMPANY

After a detailed examination of the information including the financial report and profit distribution plan to be submitted for consideration at the AGM for the Year by the Board of Directors, the Supervisory Committee considers that the relevant financial data objectively, truly and comprehensively reflected the financial position, assets position and operating results of the Company. No violation of discipline or the Company's financial systems has been found.

The financial report of the Company was audited. The Supervisory Committee considers that the financial report, which had been audited by the joint international auditors, has reflected the true financial position of the Company.

The Supervisory Committee has noted that the Company still suffered from a loss in its operating results and expressed its concern. The Supervisory Committee suggests that the Board of Directors and the management of the Company should adopt positive and effective measures such as conducting marketing research appropriately, as well as the development of new products and new items, and report the progress of the relevant matters promptly to the Supervisory Committee.

Report of the Supervisory Committee(Continued)

5. CONNECTED TRANSACTIONS

The Supervisory Committee considers the connected transactions of the Company to be ordinary and general and are fair and reasonable so far as the shareholders are concerned, and are not detrimental to the interests of the Company and the minority shareholders.

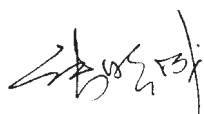
6. LITIGATION

1. During the year, Chengdu office of Chengdu Huarong Assets Management Company claimed that the Company should assume joint liability for providing a guarantee for a bank loan in the amount of RMB1,550,000 to Sichuan Xingda Material Energy Industrial and Trading Corporation in 1994 (the "Guarantee"). Following the ruling of the case by Chengdu Intermediate People's Court ("Chengdu Intermediate People's Court") on 18 May 2003, it was held that the Company is no longer jointly liable because of the Guarantee's lapse of limitation period.
2. During the year, the disputed case in relation to the filing of a lawsuit against (成都電纜材料廠) the "Material Plant" and Chengdu Petrochemical Plant (成都石油化工廠)(the "Chemical Plant") by the Company for a guaranteed loan of RMB7,186,348, the ruling of Chengdu Intermediate People's Court was in favor of the Company.
3. The Company's legal proceedings against 川東機電公司 at the Chengdu Jinjiang District People's Court ("Jinjiang Court") stating that川東公司defaulted repayment of debts amounting to RMB2,747,798 to the Company has yet to be heard.
4. On 8 January 2004, the Chengdu office of China Huarong Asset Company ("Huarong Asset) had disputes over loan contracts with the Chengdu Cables Factory of the Ministry of Posts and Telecommunications (the predecessor of the Company) and Chengdu Petrochemical Factory (CPF). The case which involved an amount of RMB3,351,000, has yet to be heard.

Save as disclose above, there was no other material litigation of the Company during the Year.

The Supervisory Committee considers that the operating results of the major associates of the Company subjected to impact under the downturn of the global telecommunication industry in 2003, the intense competition in cable industry, the swelling of the price of copper rod raw material and the low prices of optical fiber and cable. The increased market size has not relieved the pressure faced by supplier of optical fiber and cable. The investment gain therefrom slipped significantly. As a result, the Company still recorded a loss in operating results. It is hoped that the Board of Directors and the management personnel of the Company will put more efforts on technology renovation and technology breakthrough, accelerate the introduction of new projects and properly exercise supervision and management over the associates so as to adjust and implement their development strategies in response to adapt to the market changes in order to improve the results of the Company.

The Supervisory Committee will further enhance the standard of the members of the Supervisory Committee and adjust its structure in 2004 to fully discharge its supervisory function in respect of decision-making, financial matters and of the Directors and senior management of the Company, regulate the work of the Supervisory Committee, ensure discharge of its duties diligently and strive to make possible the realignment of the Company's development and improvement in the Company's operating efficiency.



Zhang Xiaocheng

Chairman of the Supervisory Committee

15 April 2004