

## To shareholders:

I am pleased to present the annual report of the Company for the year ended 31 December 2004 (the "Year") and would like to express our kind regards to all shareholders of the Company (the "Shareholders") on behalf of the board of directors of the Company (the "Board") and all staff members of the Company.

With the steady momentum of the PRC telecommunication industry during the Year as compared with the leaping one in the past, telecommunication operators achieved a turnaround to refined operation from extensive operation, and the telecommunication market continually maintained its growing pace. However, with intensifying market competition, the wire and cable industry is still in downturn with low priced dominant products. The continuous shortfall in global supply of metallic copper, the raw material of copper cables, led to a substantial increase in copper price which sustained at a high level for a long period. On the contrary, prices of optical fibres and cables still haunted at a low level due to the initial adjudication of imported optical fibre, leading to the operational environment faced by domestic optical fibre manufacturers remains unimproved. As a result, the Company recorded a loss in overall results during the Year due to the adverse impact posed by various factors such as the surge in the prices of raw materials, fierce competitions among industry players and the shortfall in power supply despite the year-on-year increase in its business volume.

During the Year, with the unprecedented drastic changes in the global optical/electrical wire and cable industry, industry players are either forced to close, suspend or restrict production, or have to seek transferral or restructuring etc. as a way out of difficulties. Such a condition is mainly due to the sluggish market demand as a result of the evolving transmission technology coupled with the constant high prices of raw materials. Despite the years' of difficulties in the wire and cable industry, the Company is stepping out of the tough time with the forthcoming end of the industry restructure.

2005 is the first year of State's 11th Five-year plan. It is also a key year for the Company to embark on an important development phase. During the Year, China PUTIAN decided to transfer all its state-owned shares of the Company to CPCL, laying a foundation for the Company's business transformation as a support to the Company's sustainable development from China PUTIAN. At the same time, the Company's relocation and the restructuring industry of the extends a sound outlook for the Company. Also, the construction of industrial base of China PUTIAN in Chengdu provides the Company with valuable opportunities and sound development realm. In the new year, therefore, we shall grasp the historical development opportunities. Exerting efforts in optimization of industry structure, we will develop new business, keep a close eye on prices of raw materials and prediction of price trend, and pay timely attention to the sales market of products. Also we will properly allocate cash flow, and promote system of key process indication ("KPI") to improve internal management. With a new stance of high morale, fast-upgraded products and strict systems of management and assessment, we expect a better prospect and good results in our sustainable development following the moving into the industrial base of China PUTIAN in Chengdu.

Given its overall restructuring, the wire and cable industry in 2005 is expected to witness unparalleled twists and turns, with intensifying competitions and the most critical situation. Leveraging opportunities in the vital period of the telecommunication industry, its relocation and land replacement, the Company will advance its current core businesses and explore new business in an active and prudent manner. By improving capital operation, reforming its operating mechanism and elaborating its own advantages, the Board is convinced to bring a better return to the Shareholders.

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



**Xu Mingwen**  
Chairman

19 April 2005



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