

REPORT OF THE SUPERVISORY COMMITTEE

To Shareholders:

During the Year, 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, the Listing Rules, the Articles of Association and the relevant laws and regulations. With supervisory functions of the Supervisory Committee fully utilized and supervisory work implemented with diligence and responsibility, members of the Supervisory Committee attended all Board's meetings and general meetings, General Manager's meetings and decision-making meetings of the Company so as to strengthen the supervision over the legality and compliance of the work of the Board and operational decisions of the management and the execution of resolutions approved by general meetings by the Board. With effective surveillance over the Company's operation and implementation of internal compliance system as well as the duty performance of the Company's Directors and senior management, the Supervisory Committee provided opinions and recommendations, listened carefully to financial manager's reporting with regard to the financial position and operating results of the Company and carried out diligent reviews and analysis.

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 during the Year, the Company's operations had strictly complied with the Company Law, the Listing Rules, the Articles of Association and other applicable laws and regulations, as well as established and continuously improved the relevant internal control systems. 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

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 of Association nor acts detrimental to the interests of Shareholders, 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 and considered that the report had objectively and thoroughly reflected the various work conducted by the Company during the Year.

4. FINANCIAL REPORT

After detailed examination of the financial system and financial report of the Company, the Supervisory Committee considers that the financial report truly and fairly reflected the financial position, assets position and operations of the Company. No violation of discipline, regulation and financial system of the Company has been found. The financial report, which had been audited by the auditor, has objectively and truthfully reflected the 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. It is hoped that the Board will properly carry out the industrial planning and adjustments for the Company by expanding the production scale of associated companies with profitability in former industries for a better profitability and analyzing the ways to reduce losses and improve efficiency for the less profitable wire and cable business where adjustments may be conducted when necessary.

5. CONNECTED TRANSACTIONS

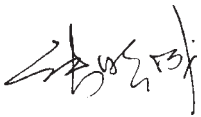
The Supervisory Committee considers the connected transactions of the Company to be ordinary and general and are fair and reasonable so far as the Shareholders are concerned, and are not detrimental to the interests of the Company and the minority Shareholders.

6. LITIGATIONS

On 8 January 2004, the Chengdu Office of China Huarong Asset Company had disputes over loan contracts with the Chengdu Cables Factory of the Ministry of Posts and Telecommunications (the predecessor of the Company) and Petrochemical Factory. The case which involved an amount of RMB3,351,000 has brought in a verdict by Chengdu Intermediate People's Court on 18 June 2004 by which the Company and Petrochemical Plant can liquidate Material Plant's property. And Material Plant, to the limit of its liquidated property, shall bear joint responsibility for the guarantee of the loan of RMB1,900,000 and interests accrued thereon owed by Chemical Factory to Huarong Assets.

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 of the significant increase of the price of raw materials and the intense competition of wire and cable industry in 2004. The investment gain therefrom slipped significantly. As a result, the Company still recorded a loss in operating results. It is hoped that the Board and the management personnel of the Company will grasp the opportunities brought forth by relocation, office construction and land transfer as well as put more efforts on technology renovation and technology breakthrough, properly conduct industrial adjustments and planning for the Company and actively seek new industries with profitability and growth potential, accelerate the introduction of new projects so as to improve the profitability and competitiveness of the Company and properly exercise supervision and management over the associates so as to adjust and implement their development strategies in order to adapt to the market changes as a way to improve the results of the Company.



Zhang Xiaocheng
Chairman of the Supervisory Committee

19 April 2005