



**MR. XU MINGWEN**

*Chairman of the Company*

### To Shareholders:

I am pleased to present the annual report of the Company and its subsidiaries (collectively as the "Group") for the year ended 31 December 2005 (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.

During the Year, the relocation of the Company was progressing well. The disposal of the land of existing plants through auction at Chengdu Land Auction Centre was a huge success, representing a turnaround to profit in the Group's operation.

It was achieving good revenue and laid a sound foundation for the future development of the Company. The establishment of Chengdu industrial base of China PUTIAN, the new plant district of the Company, provides the Company with valuable opportunities and sound development realm. At the beginning of the Year, China PUTIAN transferred all of its state-owned legal person shares of the Company to CPCL as a support to the Company's sustainable development, extending a sound outlook for the business transformation and the restructuring of the industry for the Company.

The communication market of the PRC continually maintained its growing pace during the Year. However, products of the Company were faced with intensifying market competition, and the wire and cable industry is still in downturn. The continuous shortfall in global supply of metallic copper, which is the main raw material of copper cables, also led to a substantial increase in copper price and greatly raised the manufacturing cost of the products of the Company. But the prices of copper cable products of the Group did not adjust upward following the risen price of raw materials and the prices of optical fibres and cables were still haunted at a low level. Owing to the above-mentioned factors, the Group recorded a loss in principal business during the Year.

Despite intense competition in the market of the wire and cable industry, the market was clearly starting to concentrate on the major enterprises and a small portion of enterprises gradually withdrew from the industry and explored new directions for development. Competition of the wire and cable industry has changed from the four major factors of price, quality, timing of delivery and service to brand competition. The branding effect has become apparent and the integration centred in major enterprises and leading corporations has shown promise. The development of FTTH and 3G offers a ray of optimism and new opportunities to the wire and cable industry, especially the contribution by the establishment of 3G network to the development of photoelectric cable market. The Group is going to step out of its tough time.

2006 is the first year of the State's 11th Five-year plan. The communications industry faces new development opportunities and new challenges. In the new era of economic development, the telecommunications industry of the PRC will develop in a sustainable, rapid, harmonic and healthy manner. In particular, the development and application of emerging communication technologies led by 3G technology substantially facilitates the development of communication industry. Facing the new development opportunities and new challenges of the communications industry, the Group will achieve outstanding results and realize sustainable growth by way of relocation, establishment of Chengdu industrial base of China PUTIAN, restructuring of industry, exploration of new businesses, enhancement of competitiveness of the core business of the industry and improvement of the internal management.

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 Group for their support and trust offered to the Company throughout the Year.

**Xu Mingwen**

*Chairman*

18 April 2006