

REPORT OF THE SUPERVISORY COMMITTEE

To Shareholders:

During the Year, all members of the Supervisory Committee had seriously carried out duties of the Supervisory Committee in accordance with relevant provisions of various legal documents and regulations like Company Law, Listing Rules and Articles of Association. 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 meetings and general meetings, General Manager's meetings and decision-making meetings of the Company so as to strengthen supervision over legality and compliance of work of the Board and operational decisions of the management as well as 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. OPERATION OF THE COMPANY IN COMPLIANCE WITH THE LAW

During the Year, the Company's operations had strictly complied with the Company Law, the Listing Rules, the Articles of Association and other applicable law 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 Directors, managers and other senior management of the Company had performed their duties diligently, pragmatically and faithfully. No abuse of rights, violation of law or regulations or Articles of Association nor acts detrimental to the interests of Shareholders, the Company and the Company's staff members were found.

3. REPORT OF BOARD OF DIRECTORS

The Supervisory Committee had a detailed review of the report of the Board of Directors submitted by the Board for consideration at the AGM for the Year and considered that the report had objectively and thoroughly reflected various work done 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 operation of the Company. No violation of discipline, regulations and financial system of the Company has been found. The financial report, which had been audited by the auditors, has objectively and truthfully reflected the financial position of the Company.

5. CONNECTED TRANSACTIONS

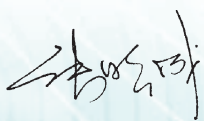
The Supervisory Committee considers the connected transactions of the Company to be ordinary and general ones and are fair and reasonable so far as Shareholders are concerned and are not detrimental to the interests of the Company and minority Shareholders.

6. LITIGATIONS

During the Year, the Company had no other material litigations.

The Supervisory Committee considers that in 2005, operating results of the Group was affected by the significant increase in the price of raw materials and intense competition of the wire and cable industry. The investment gain therefrom slipped significantly. It is hoped that the Board and the management staff of the Company will grasp the opportunities brought forth by relocation, office construction and land transfer, expand the profitable subsidiaries in the existing production, improve profitability, firmly close down the cable and wire business which is of a negative gross profit, make proper industrial and structural adjustments for the Company, seek new industries bringing profits and growth potential to the Company and as accelerate the introduction of new projects so as to improve the Company's profitability and competitiveness.

In the Year 2006, the Supervisory Committee will fully and seriously utilize its function in supervising the decision-making, finance and Directors and senior management of the Company and use its best efforts in realizing the adjustments of development and improving the operation of the Company.



Zhang Xiaocheng
Chairman of Supervisory Committee

18 April 2006