Vice Chairman and General Manager
Kuo Aiching

(1) TURNOVER

For the Year, the turnover of the Group amounted to RMB550,714,000, an increase of 13.4% as compared to RMB485,570,000 for the year ended 31 December 2005 (the "Previous Year.")

During the Year, the turnover of copper cables was RMB416,066,000, an increase of 16.3% as compared with the Previous Year, in which plastic urban telephone cables accounted for RMB142,380,000, a decrease of 13.3% as compared with the Previous Year; program-controlled telephone exchange system cable accounted for RMB42,700,000, an increase of 2.4% as compared with the Previous Year; television cables accounted for RMB4,060,000, a decrease of 4.5% as compared with the Previous Year; and cable-joining sleeves operation accounted for RMB53,242,000, a decrease of 33.1% as compared with the Previous Year.

Chengdu SEI Optical Fibre Co., Ltd. ("SEI"), a company in which the Company owns a 60% equity interest, recorded a turnover of RMB81,406,000 and a profit of RMB7,142,000; and Chengdu Cable Plant of the Ministry of Posts and Telecommunications Shuangliu Heat Shrinkable Products Sub-Plant ("Shuangliu"), a company in which the Company owns a 66.7% equity interest, recorded a turnover of RMB53,332,000 and a profit of RMB1,227,000. The turnover of Chengdu MCIL Radio Communications Cable Co. Ltd ("Chengdu MCIL"), in which the Company owns a 90% equity interest, was RMB110,637,000 with a profit of RMB6,926,000.

(2) PROFITS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The net profits attributable to the equity holders of the Company for the Year amounted to RMB139,294,000. The net profits attributable to equity holders of the Company for the year ended 31 December 2005 amounted to RMB28,255,000. Profits attributable to equity holders of the Company showed an increase of 393.0% as compared with the Previous Year.

(3) ANALYSIS OF THE RESULTS

During the Year, the Group mainly produced the following products: plastic urban telephone cables, program-controlled telephone exchange cable, television cables, cable-joining sleeves, optical fibres, optical cables and mobile telecommunications cables.

During the Year, the Company received RMB218,340,000 for the second stage land payment of the disposal of the land where the Company's headquarters were located (first stage land payment received: RMB160,000,000). The profit after deducting the related cost was RMB171,642,000 (2005: RMB122,723,000).

Main reasons for the loss in the principal business

1. The purchase price of copper rods continued to rise during the Year. The average purchase price of copper rods rose as much as 80% as compared to the same period during the Previous Year, resulting in a sharp rise in the production cost of copper cables. Further, the Company's working funds for copper rod purchase were relatively tight. Owing to the cost control and funding arrangements, the production quantitiy of copper cable products was reduced, which had an adverse impact on the Group's operating profits;

2. Due to electricity shortages in the area, the authorities of Chengdu City have adopted continuous measures to limit the electricity supply, which also adversely affected the Group's production in the first quarter of the Year.

(4) REVIEW OF PRINCIPAL BUSINESSES

1. Construction in the western zone. The overall construction of China PUTIAN Industrial Base progresses well. The construction area, completion of work and the cost of the project were in line with the requirements of the approval and the contract. The construction of the six buildings with a light steel structure, covering approximately 70,000 square metres, has commenced. The main steel structures of all factories have passed the inspection procedures. All factories were having sheathings and curtain walls installed, whilst the layout of the factories was near to completion. Ground leveling in factories has also commenced and the installation of equipment, the water and electricity supply at the sites has started. Office buildings, canteens and a substation covering 12,000 square metres were being built.

2. Adjustment of corporate business workflow. A centralised financial system was established in the Company and its subsidiaries and a delegation system of financial officers has been set up and implemented. The duties, delegation, appointment, recommendation of the financial officers, staff management, their performance appraisal and an accountability system relating to their responsibilities were clearly defined and content of the letter of responsibilities for financial officers was also clearly set out. The Company signed employment contracts with its financial officers at the end of 2006. The Company has also established an administrative system for the centralised procurement of raw material under the current administrative regulations of the Company.

3. Corporate asset management. The Company adopted various measures to reduce the balance of trade receivables and inventories, such as strengthening the credit management of its trade receivables; adjusting product prices in line with copper prices by the sales department with improved communication with customers, to speed up collection and clearance of trade receivables and old inventories in prior years; working out an ultimate solution by legal means with a solution based on the debtors' operational position and repayment ability; tracking the copper price on a real timing and reporting of average copper prices on a monthly basis by the supply department , to dispose of inventories in prior years when the copper price was at a historical high by way of price comparison and price negotiation, and selling old and obsolete cables and a large amount of materials pending disposal at higher prices, thereby the Company received more than RMB20,000,000.

4. The technical department has set up and enhanced a comprehensive system of environmentally-friendly cables, under which all cable products have been upgraded and are environmentally-friendly. More effort was placed on technology renovation and the protection of intellectual property. In addition to the two patents obtained by the Company, a patent application was accepted and a patent application for an invention was also under examination in substance.

5. Administrative expenses and production cost were reduced. Budget control was strictly implemented and the reimbursement system was adjusted. Sale orders were reviewed on an individual basis accompanied with a timely analysis of the profit margin of the respective products. A centralised financial system was set up in the Company and its subsidiaries, enabling the Company to have a grasp of its financial position and the financial position of its subsidiaries in a timely manner. The Company has set up an appointment system for financial officers to regulate the power and responsibilities of off-site financial officers, thereby protecting the interests of the Company.

6. During the Year, the Company strengthened the investment management of its joint venture companies and associated companies. The program-controlled cables plant was merged with the plastic urban telephone cables plant, the production of Chengdu MCIL and SEI were expanded, and the pre-stage preparation work for the technology examination of the electronic cables plant was carried out. Meanwhile, Sichuan Provincial Telecommunications Cable Plant Company Limited ("Sichuan Provincial Telecommunication") was in liquidation, and China Leasing Company Limited was carrying out its clearance work. In relation to the locomotive cable project, the technical department has completed the renovation of the production lines and the product technical indicators of trial production reached the relevant standards. While looking for suitable partners, the Company is also considering the possibility of production on its own and proactively carrying out preliminary preparation work. In relation to the organic light-emitting diode ("OLED") project, the Company is actively carrying out negotiations in respect of technology and sources of funding.

(5) FINANCIAL ANALYSIS

ANALYSIS HIGHLIGHTS

As at 31 December 2006, the Group's total assets were RMB1,125,517,000, representing an increase of 20.3% over the Previous Year's RMB935,685,000. Current assets amounted to RMB708,408,000, accounting for 62.9% of the total assets and representing an increase of 30.7% over the Previous Year's RMB542,167,000. The increase was mainly due to a substantial increase of bank balances and cash arising from the net proceed from the disposal of land use rights at the end of December. Property, plant and equipment amounted to RMB159,454,000, accounting for 14.2% of the total assets and representing a decrease of 12.3% over the Previous Year's RMB181,847,000. The decrease was mainly because a lot of assets were disposed due to relocation.

As at 31 December 2006, the Group's liabilities totalled RMB311,387,000; the liability-to-asset ratio was 27.7%; short-term bank and other loans were RMB54,493,000, representing a decrease of 51.6% over the Previous Year's RMB112,493,000. During the Year, the Group did not arrange for other capital raising activities.

As at 31 December 2006, the Group's bank deposits and cash totalled RMB361,802,000, representing an increase of 140.6% over the Previous Year's RMB150,366,000.

During the Year, the Group's distribution costs, administrative and other operating expenses, and finance costs amounted to RMB40,943,000, RMB85,678,000 and RMB6,523,000 respectively, representing a decrease of 16.7%, 12.5% and 25.4% respectively, over the Previous Year's figures of RMB49,136,000, RMB97,872,000 and RMB8,747,000 respectively. Distribution costs were less than the figures last year due to a decrease of packaging expenses of products. Administrative and other operating expenses decreased because the Company strengthened the control of expenditure. Finance costs decreased as the amounts of loans decreased.

As at 31 December 2006, the Group's trade and bills receivables and inventories amounted to RMB137,601,000 and RMB156,754,000 respectively, representing a decrease of 7.5% and an increase of 10.3% respectively, over the Previous Year's figures of RMB148,822,000 and RMB142,083,000 respectively.

ANALYSIS OF CAPITAL LIQUIDITY

As at 31 December 2006, the Group's current assets amounted to RMB708,408,000 (2005: RMB542,167,000), current liabilities were RMB266,159,000 (2005: RMB258,958,000), the annual receivables turnover period was 91 days and the annual inventory turnover period was 127 days. The above data indicates that the Group's capital flow was reasonable but there is still room for improvement. Liquidity and repayment ability was satisfactory. *(Note:* Inventories and trade and bills receivables are indicated in net value)

ANALYSIS OF FINANCIAL RESOURCES

As at 31 December 2006, the Group's short-term bank and others loans were RMB54,493,000. As the Group's bank balances and cash were comparatively sufficient with a total amount of RMB344,758,000, the Group does not have short-term repayment risk.

NON-CURRENT LIABILITIES OR LOAN

As at 31 December 2006, the outstanding amount of the Group's long-term loan incurred as a result of the purchase of a French accelerator was approximately RMB13,771,000 (approximately EUR1,341,000), of which bank credit facility amounted to approximately RMB2,686,000 (approximately EUR261,000) at an interest rate of 7.35% per annum, and French government guaranteed bank loan amounted to approximately RMB11,085,000 (approximately EUR1,080,000) at an interest rate of 0.5% per annum. The said loans in Euros are subject to exchange risks resulting from fluctuations of the exchange rate in the international foreign exchange market. These two loans are installment loans in respect of which the maximum repayment period is 36 years. As the outstanding amount of the long-term loan is not substantial, there is no adverse impact on the operations of the Group.

CAPITAL STRUCTURE OF THE GROUP

The Group's capital is derived from bank and other loans, proceeds from the issuance of shares in the Company, corporate profit and proceeds from the disposal of the land use rights of the Company. The use of proceeds strictly complied with legal requirements. In order to ensure the proper utilization of capital, the Group has enhanced its stringent financial management system. The Group also paid attention to avoiding risks and to improving its return on investments. During the Year, due loans and obligations were repaid and performed in accordance with the relevant contractual terms.

CASH AND SOURCE OF FUNDS

The Group's net cash inflow from operating activities amounted to RMB47,202,000 during the Year (2005 net cash outflow: RMB17,022,000).

During the Year, the Group spent RMB3,622,000 (2005:RMB2,207,000) and RMB63,731,000 (2005: RMB7,536,000) respectively on purchases of property, plant and equipment and on construction-in-progress.

As at 31 December 2006, the Group's liabilities and minority interests amounted to RMB405,401,000 (2005: RMB354,746,000).The Group's interest expenses were RMB6,523,000 (2005: RMB8,747,000) for the Year.

CONTINGENT LIABILITIES

As at 31 December 2006, the Group did not have any contingent liabilities (2005: Nil).

(6) BUSINESS OUTLOOK

1. Ensuring relocation of the Group. The constuction work of the new factory base was completed smoothly and the relocation work will proceed on schedule. To promote its sustainable development, the Company is taking the opportunity of relocation to reform its operational system, strengthen its internal controls, expand its production of profitable products and reduce or cease production of those products which will incur losses.

2. Promotion of corporate reform. The Company will take the opportunity of relocation to implement internal reforms, for the purposes of simplifying the structure and improving the efficiency of the Company. The management resolved to adopt key performance appraisal indicators (KPI) based on outstanding performance, innovation, capability and efficiency. All staff are assessed based on their positions and their performance and all the staff have to compete for their jobs. The Company will complete the restructuring and reform of the electronic cable plants, coupled with the restructuring of the machinery maintenance plants by way of sub-contracting.

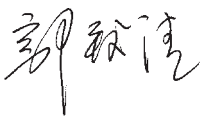
3. Improving internal control system. The Company will establish a sound internal management system to ensure that financial reports are reliable and that the operation is stable and that the current laws and regulations are fully complied with. As a continuous goal of corporate management, the Company will set up an internal control system in line with the development of the Company in order to ensure the effective implementation of all management systems in terms of job allocation and workflow. An accountability system will also be set up so that each staff member is responsible for his/her own duties.

4. Enhancing product quality. The Company will further improve the quality control system to ensure that the system is effective. The Company will put the systems for product quality, working environment and occupational safety under one single system. Performance indicators in terms of product quality will be strengthened so as to reduce the costs. An accountability system will also be implemented. Site management will be strengthened so that staff will strictly follow working procedures and observe the employment rules. Regular meetings will be held for reviewing product quality, identifying problems, formulating measures for improvement and enhancing the quality of products.

5. Promoting marketing and sales. The Company will strengthen the existing sales channels, increase investment in and make more effort to explore new markets and develop a new customer base. By understanding market development trends and changing customer needs on a timely basis, a complete customer database will be set up under which the classification and management of the data of the customers can be standardized. The Company will also strengthen the sales team so that sales personnel with unsatisfactory performance will not be retained. The Company will establish a logistics centre for the Group and adopt a public tender system for materials procurement in order to lower the costs of the Company.

6. Focusing on financial management. Asset management will be strengthened to ensure the security of corporate assets and to ensure that no bad debts will be incurred. The Company continues to fully implement budget management to ensure pre-set targets can be accomplished. By placing emphasis on cost control of working procedures and further enhancing the technical and economic indicators, the Company is striving to reduce the cost of working procedures. Management of net cash flow from operations will be improved to ensure that the supply and demand of cashflow will be balanced. The funds expended on inventory will be reduced and inventory levels will fall by 5%. An accountablity system will be implemented for off-site financial officers. We will also closely control significant matters such as providing external guarantees and borrowings.

7. Strengthening investment management. The Company will improve the management of its joint venture companies and associates, participate in significant matters such as changes of equity interest and investment decisions of such joint venture companies and associates, set reasonable budgeted indicators and closely monitor implementation. An appraisal system based on KPI will be set up so that officers are held responsible for their performance. We will consider every possibility to launch new projects and seek opportunities for cooperation. Regular focussed internal audits will be conducted on joint venture companies and associates so as to protect the interests of the Company. In order to improve the exchange of information, a smooth platform for the exchange of information will be set up. The clearance and disposal of the Sichuan Provincial Telecommunications will be completed.



Kuo Aiching
Deputy Managing Director
General Manager

20 April 2007