Report of the Directors

The board of directors (the "Board of Directors") of Chengdu PTIC Telecommunications Cable Company Limited (the "Company") present their report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2000 (the "Year").

ACCOUNTS

1. The results of the Group are set out in the consolidated income statement on page 36 of this annual report.

2. The state of affairs of the Group and the Company as at 31 December 2000 are set out in the balance sheets on pages 37 to 38 of this annual report.

3. The consolidated recognised gains and losses of the Group is set out in the consolidated statement of recognised gains and losses on page 39 of this annual report.

4. The consolidated cash flow of the Group is set out in the consolidated cash flow statement on pages 40 to 41 of this annual report.

FINANCIAL SUMMARY

The follwoing is a summary of the results and of the asests and liabilities of the Group for the past five financial years ended 31 December 2000 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

	2000	1999	1998	1997	1996
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(As restated)	(As restated)	(As restated)	(As restated)
Turnover	524,511	336,851	484,070	534,824	628,591
(Loss) Profit before taxation	(58,568)	(87,080)	30,302	(24,296)	(23,394)
Taxation	(10,837)	(14,534)	(5,333)	(3,746)	(2,985)
(Loss) Profit before minority interests	(69,405)	(101,614)	24,969	(28,042)	(26,379)
Minority interests	(8,744)	548	(9,166)	(7,055)	(2,703)
(Loss) Profit attributable to shareholders	(78,149)	(101,066)	15,803	(35,097)	(29,082)
Total assets	1,163,643	1,225,180	1,378,605	1,447,175	1,418,641
Total liabilities and minority interests	(430,845)	(411,556)	(454,119)	(538,492)	(482,787)
Net assets	732,798	813,624	924,486	908,683	935,854

As explained in note 2 to the financial statements on page 42 of this annual report in the Year, the Directors have re-assessed the accounting policy for the expenditure of deferred staff quarters benefit and determined that it is more appropriate that the expenditure is charged to the income statement in the period in which it is incurred.

In addition, in 1999, the Group has adopted an accounting policy for pre-operating expenses that the expenditure is charged to the income statement in the period in which it is incurred.

These changes have been applied retrospectively and the financial information for the four years ended 31 December 1999 have been restated in line with these new accounting policies.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the manufacture and sale of various types of telecommunications cables (including different types of copper cables and optical fibre cables), optical fibres, cable joining sleeves, as well as equipment, manufacturing parts and materials for the production of cables.

Analyses of the Group's turnover and contribution to results from operations for the Year are analysed by principal activity and geographical market as set out in note 4 to the financial statements on page 49 of this annual report.

Major Suppliers And Customers

Analyses of the Group's single largest supplier and the top five largest suppliers, and the Group's single largest customer and the top five largest customers for the Year are as follow:

	Percentage	
	2000	1999
	%	%
Purchases		
Single largest supplier	17	14
Five largest suppliers combined	45	35
Sales		
Single largest customer	4	5
Five largest customers combined	13	22

As far as the Directors are aware, none of the Directors or Surpervisors or their associates or any shareholders holding of 5% or more of the Company's share capital owned any direct or indirect interests in the share capital of the five largest customers of the Group for the year.

FINAL DIVIDEND

Considering the operating loss of the Company for the Year, the Directors do not recommend the payment of a final dividend for the Year.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2000 are set out in note 15 to the financial statements on pages 58 to 59 of this annual report.

RESERVES

Details of the changes in the reserves during the Year are set out in note 25 to the financial statements on pages 69 to 71 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the changes in the property, plant and equipment during the Year are set out in note 13 to the financial statements on pages 55 to 56 of this annual report.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 24 to the financial statements on page 68 of this annual report.

The Company did not make any bonus issue, share placings or issuing of shares during the Year, and there was no change in the share capital of the Company in both years and the period from 31 December 2000 up to the date of this annual report.

USE OF PROCEEDS

The Company raised approximately HK$424,000,000 through the issue of 160,000,000 H Shares in December 1994. From the date of listing to 31 December 2000, as stated in the section headed "Use of Proceeds and Working Capital" in the Company's prospectus and "Plan for Change in the Use of Proceeds" passed in the 1998 Annual General Meeting, the Company had used an aggregate amount of HK$358,300,000, of which HK$84,360,000 was used in investment projects, and HK$273,940,000 was used for debt repayment and working capital.

The balance of the proceeds raised amounted to approximately HK$65,700,000, of which HK$5,600,000, US$3,500,000 (approximately HK$27,700,000) and RMB34,400,000 (approximately HK$32,400,000) were deposited with banks in the People's Republic of China (the "PRC").

OVERDUE TIME DEPOSITS

1. Despite postponement of repayment date and renewal, the Company was unable to recover a one-year term deposit of RMB30,000,000 deposited at China Leasing Company Limited ("China Leasing") on 4 July 1997.

In order to protect the Company's interests, the Company had taken a legal action against China Leasing for recovery of such deposit and accrued interest. In December 1999, Beijing Intermediate People's Court ruled that China Leasing should repay the deposit together with accrued interest to the Company. In view of the fact that China Leasing promised to repay the deposit and accrued interest and China Leasing was in the process of restructuring, the Board of Directors believed that the full amount of the deposit could be recovered in due course and it was not necessary to make bad debt provision for the deposit. However, the Company's joint international auditors considered that there was insufficient information in support of such accounting treatment. Accordingly, they expressed a qualified opinion in their auditors' reports for 1998 and 1999.

It is understood that there has been no substantive progress in China Leasing's restructuring in 2000. The operating conditions and financial position of China Leasing have been deteriorating. It is uncertain whether the Company can recover the deposit and accrued interest. In accordance with the principle of prudence, the Board of Directors agreed to make bad debt provision for such deposit and accrued interest in the Year.

China Leasing is not a connected person (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) of the Company.

The deposit is not a trust deposit lent to third parties.

The deposit accounted for approximately 3.9% of net asset value of the Group as at 31 December 2000. The Board of Directors expects that such accounting treatment on the deposit and accrued interest will not have material adverse effects on the Company's working capital and operation but will affect the Company's net asset value and operating results for the Year.

2. As disclosed in the Company's 2000 interim report, the Company placed a time deposit of RMB10,000,000 with 成都匯通城市合作銀行 (the "Bank") with the maturity date being 5 March 2000. The Chengdu Branch of the People's Bank of China announced on 31 January 2000 that the licence of the Bank was revoked with effect from that day and that its assets and liabilities were taken over by Chengdu City Commercial Bank. The Bank was unable to repay the deposit and the accrued interest on the maturity date. The deposit and accrued interest was repaid to the Company in full in November 2000 after verification and confirmation of the outstanding balance and ownership of the deposit by Chengdu City Commercial Bank.

Apart from the above, the Group has no trust deposit, deposit with non-bank financial institutions or time deposits that cannot be recovered on maturity as at 31 December 2000.

FINANCIAL POSITION

As at 31 December 2000, the Group's total liabilities (excluding minority interests) and shareholders' equity amounted to RMB339,041,000 (1999: RMB321,838,000) and RMB732,798,000 (1999: RMB813,624,000) respectively. The percentage of the Group's total liabilities (excluding minority interests) to the shareholders' equity was 46.3% (1999: 39.6%).

LIQUIDITY AND SOURCE OF FUNDS

The Group's net cash inflow from operating activities amounted to RMB32,309,000 during the Year (1999:RMB105,931,000).

During the Year, the Group spent a total of RMB769,000 (1999:RMB4,731,000) and RMB14,024,000 (1999: RMB26,617,000) respectively on the purchase of property, plant and equipment and on construction in progress.

As at 31 December 2000, the Group's total liabilities and minority interests amounted to RMB430,845,000 (1999:RMB411,556,000). The Group made interest payments of RMB12,194,000 (1999:RMB12,553,000) during the Year.

RECENT ECONOMIC DEVELOPMENT

The Board of Directors of the Company reviewed the effect of global and Asian economic development on the Group's business and financial position in 2000. Since the telecommunications cables and other auxiliary products manufactured and sold by the Group mainly aim at the China market, the Board of Directors is of the opinion that the global and Asian economic situations did not have material affect on the Group's production and sales for 2000. The gradual implementation of the development in western China by the State and the continuing policies on development of information technology and production business will substantially stimulate the development of the market for telecommunications cable products, thus providing a much wider external environment for the sales of telecommunications cable products. This will bring about very significant positive effects on the Group's development. However, in view of the trend of globalisation, the recovery of Asian economy and rapid development of the global information, network technology and business especially the changes in prices of petroleum and related products around the world, the demand and prices for copper, plastics and optical fibres will be materially affected. This will in turn affect the profit of the Company.

IMPACT ON THE GROUP FROM JOINING WORLD TRADE ORGANSIATION ("WTO")

China's accession into the WTO is beneficial to the Group in respect of reform and development of corporate market, technology and management in the long run. In the short run, it will bring about pressure as well as benefits. After China's accession into the WTO, import tax rate of certain raw materials of the Company will be lowered and production cost will be further reduced. At the same time, China's accession into the WTO will also intensify market competition of the Company's products. This is mainly due to the equal treatment to competitive foreign companies' products in entering into the China market and this may affect the sale of Company's products.

UNIFIED INCOME TAX AND CANCELLATION OF LOCAL GOVERNMENT'S TAX REBATE

The Company is a high-tech enterprise registered in Hi-Tech Development Zone in Chengdu, Sichuan Province. According to the approval of the State Tax Bureau, the Company enjoys and pays income tax at a preferential rate of 15% for hi-tech enterprise. Accordingly, the Company is not entitled to any income tax rebate.

To date, the Company has not received any notice from the State Tax Bureau of any change in the Company's 15 % income tax rate.

NUMBER OF SHAREHOLDERS

Details of the number of shareholders as recorded in the register of members of the Company as at 31 December 2000 are as follows :

Classification	**Number of shareholders**
State-owned legal person shares	1
Overseas listed foreign invested shares ("H Shares")	220
Total number of shareholders	221

SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2000, the register of substantial shareholders showed that China PTIC Information Industry Corporation ("PTIC") holding 240,000,000 issued stated-owned legal person shares representing 60% of the total issued share capital of the Company.

As shown in the register of substantial shareholders maintained under section 16(1) of the Hong Kong Securities (Disclosure of Interests) Ordinance, the Company has been notified by the above shareholder holding 10% or more of the Company's issued share capital. These are interests other than those held by directors, supervisors and chief executive officers which have already been disclosed (if any).

Save as disclosed above, as at 31 December 2000, the Company is not aware of any shareholding interests which are required to be disclosed pursuant to the Securities (Disclosure of Interests) Ordinance of Hong Kong. The Board of Directors of the Company is not aware of any person holding, directly or indirectly, 10% or more of the interests in the Company's issued share capital.

At the beginning of the Year, HKSCC Nominees Limited held 154,789,799 H shares representing 38.7% of the total issued share capital. At the end of the Year, HKSCC Nominees Limited held 154,999,999 H shares representing 38.8% of the total issued share capital. As indicated by HKSCC Nominees Limited, as at 31 December 2000, the following CCASS participant held 10% or more of the Company's total issued share capital:

CCASS participant	**Number of H shares held at the end of the Year**	**Percentage of H Shares**
The Hongkong & Shanghai Banking Corporation Ltd	24,232,532	15.15

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DIRECTORS, SUPERVISORS, JOINT COMPANY SECRETARIES AND SENIOR MANAGEMENT

The Directors, Supervisors, company secretaries and senior management who held office during the Year and up to the date of this report are as follows:

1. Directors

Mr. Xu Mingwen, aged 46, received postgraduate education, senior engineer is currently Chairman of the Company and Vice President of PTIC. Mr. Xu was previously Chief Engineer of Guangzhou P & T Communications Equipment Factory and took up several positions including Deputy Chief Engineer and Deputy General Manager of China National Posts and Telecommunications Industry Corporation. He studied a master's postgraduate course at Central Europe International Business College. He has extensive experience in corporate management, technology development and project management. Mr. Xu was elected Executive Director of the third Board of the Directors on 22 September 2000.

Mr. Kuo Aiching, aged 45, received tertiary education, senior engineer, is currently a Deputy Managing Director and General Manager of the Company. Mr. Kuo joined the Company in April 1999 and was Assistant to Factory Manager and Standing Factory Manager, Factory Manager of Houma Cable Plant of the Posts and Telecommunications Ministry and Director of the second Board of Directors, Standing Deputy Managing Director and General manager of the Company. He has extensive experience in design, production and corporate management of telecommunications cables. Mr. Kuo was elected Executive Director of the third Board of Directors on 22 September 2000.

Mr. Wang Zhongfu, aged 35, received postgraduate education, senior engineer. He is currently a Director of the Company and General Manager of International Co-operation Division of PTIC. Mr. Wang joined the Company in October 1997 and was previously Deputy General Manager of the Investment Management Division of PTIC and Director of the second Board of Directors of the Company. He has extensive experience in management of listed companies and joint ventures. Mr. Wang was elected Executive Director of the third Board of the Directors on 22 September 2000.

Mr. Bao Yuhong, aged 29, received tertiary education, is an economist. He is currently the Director, Deputy General Manager of the Company and Deputy General Manager of the Financial Division of PTIC. Mr. Bao joined the Company in September 2000. He worked previously in the Corporate Planning Division of PTIC. and has certain experience in corporate management and operations of holding companies. Mr. Bao was elected Executive Director of the third Board of Directors on 22 September 2000.

Mr. Zhang Zhongqi, aged 43, received college education, is a senior accountant. He is currently a Director of the Company and Deputy General Manager of the Finance Division of PTIC. Mr. Zhang joined the Company in September 2000 and was seconded to Beijing Ericsson Mobile Communication Co., Ltd. as Manager of the Finance Division. He has extensive experience in finance management of state-owned enterprises and financial control and operations of joint ventures. Mr. Zhang was elected Executive Director of the third Board of Directors on 22 September 2000.

Mr. Su Jialing, aged 56, received tertiary education, senior engineer, is currently a Director and a Researcher of the Company. Mr. Su joined Chengdu Cable Plant of the Ministry of Post and Telecommunications ("CCP") in 1970. He has extensive experience in technology application and renovation. He was previously Deputy Factory Manager of CCP and Executive Director of the first Board of Directors and Deputy General Manager. Mr. Su was elected Executive Director of the third Board of Directors on 22 September 2000.

Mr. Qin Yaowu, aged 34, received postgraduate education, senior engineer, is currently a Director and Deputy General Manager of the Company. Mr. Qin joined CCP in August 1988. He was previously the Deputy-in-charge of the optical fibre engineering office and Factory Manager of the optical fibre factory and Director and Deputy General Manager of the second Board of Directors. He studied a master's postgraduate course of business management at Management College of Xian Jiaotong University. He has extensive experience in the production, operation and management of enterprises. Mr. Qin was elected Executive Director of the third Board of Directors on 22 September 2000.

Ms. Chen Po Sum, aged 69, is curretly a Non-Executive Director of the Company. She was a Non-Executive Director of the first and second Board of Directors and a member of Audit Committee since 30th September 1994. She was previously the First Vice-Chairman of The Stock Exchange of Hong Kong Limited and is a Director of Hong Kong Securities Clearing Company Limited and Non-executive Director or Director of a number of Hong Kong listed and private companies and a consultant of Sichuan Province Disable Persons Federation. Ms. Chen was elected Non-Executive Director of the third Board of Directors on 22 September 2000.

Mr. Sun Jiayuan, aged 57, received postgraduate education. He is currently a Non-Executive Director of the Company and the Vice Chairman of the Chinese People's Political Consultative Conference in Chengdu City as well as the Vice Chairman and Secretary of the Financial Leading Group in Chengdu City. Mr. Sun also held important offices such as officer of the Planning Committee and Deputy Mayor of Chengdu City. Mr. Sun was elected Non-Executive Director of the third Board of Directors on 22 September 2000.

Each of the Executive Directors appointed on 22 September 2000 has entered into a service contract with the Company. The service period is three years commencing from 1 October 2000 till 30 September 2003.

The term of office of the above Executive Directors and Non-Executive Directors is renewable upon re-election or re-appointment.

2. Supervisors

Mr. Zhang Xiaocheng, aged 43, received postgraduate education, senior economist. He is currently a Chairman of Supervisory Committee of the Company and General Manager of the Corporate Management Department of PTIC. Mr. Zhang joined the Company in October 1997 and was Director of the second Board of Directors of the Company. He has extensive experience in corporate management. Mr. Zhang was elected Supervisor for the third Supervisory Committee of the Company on 22 September 2000.

Mr. An Minmin, aged 54, received college education, senior accountant. He is Supervisor of the Company. Mr. An joined CCP in 1968. He has extensive experience in finance management. He was the Deputy Chief Accountant of CCP, a Director of the first and second Board of Directors and the Chief Accountant. He was elected Supervisor for the third Supervisory Committee of the Company on 22 September 2000.

Ms. Hong Xiurong, aged 48, received tertiary education, senior engineer. She is Supervisor and Vice Chairperson of the Labour Union of the Company. She joined CCP in 1970. Ms. Hong was previously Head of the Technology Division of CCP and has extensive experience in design, production and technology management of telecommunication cables. Ms. Hong was democratically elected Supervisor for the third Supervisory Committee through the Company's labour representative meeting.

Each of the Supervisors appointed on 22 September 2000 has entered into a service contract with the Company. Service period is three years commencing from 1 October 2000 till 30 September 2003, and is renewable upon re-election or re-appointment.

3. Joint Company Secretaries

Mr. Zhang Shumin, aged 58, senior engineer, Joint Secretary of the Company. He joined CCP in 1967 and was the Deputy Factory Manager of CCP. He was the Secretary to the first and second Board of Directors. He has extensive experience in national policies and corporate management.

Mr. Stephen Mok, aged 36, Joint Secretary of the Company, partner of Simmons & Simmons, Hong Kong. He was appointed as secretary to the first and second Board of Directors.

4. Senior Management

Mr. Luo Shiwen, aged 56, senior economist, Secretary of the Party Committee and Deputy General Manager of the Company. He joined the Company in 1968.

Mr. Fan Xianda, aged 48, engineer, Deputy General Manager of the Company. He joined the Company in 1971.

Mr. Dai Kang, aged 35, senior engineer, Deputy General Manager of the Company. He joined the Company in 1987.

Ms. Huang Zhili, aged 46, Accountant, Financial Officer and Deputy Chief Accountant of the Company. She joined the Company in 1971.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Executive Directors and Supervisors has entered into a service contract with the Company. The service period is three years commencing from 1 October 2000 until the termination of the term of this Board of Directors on 30 September 2003.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

There were no contracts of significance in relation to the Company's business (to which the Company or any of its subsidiaries was a party), and in which any Director or Supervisor had a material interest, whether directly or indirectly, subsisting at the end of the Year or at any time during the Year.

INTERESTS OF DIRECTORS AND SUPERVISORS IN SECURITIES

As at 31 December 2000, none of the Directors, Supervisors or their respective associates had any interests in any securities of the Company or any of its associated corporations which were required to notify the Company and the Hong Kong Stock Exchange pursuant to Section 28 of the Securities (Disclosure of Interests) Ordinance, including interests which were deemed or taken to have under Section 31 or Part I of the Schedule to that Ordinance, or which were required, pursuant to Section 29 of that Ordinance, to be entered in the register referred to therein or which were required to notify the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

THE PURCHASE AND SALE OF SECURITIES BY DIRECTORS AND SUPERVISORS.

At no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and Supervisors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

EMOLUMENTS OF DIRECTORS

Details of emoluments of Directors are set out in note 7 to the financial statements on pages 51 of this annual report.

FIVE HIGHEST PAID PERSONNEL

The five individuals whose remuneration were the highest in the Group during the Year were Directors and Supervisors of the Company.

SALE OF STAFF QUARTERS

1. Prior to 1998, the Company sold the title of certain quarters in whole to its staff at preferential prices in accordance with the State housing reform policy, local government regulations and the revised housing reform policy of the State and local government. The difference between the proceeds from sale of quarters to staff at preferential prices and the costs for such quarters was recorded as deferred staff quarters benefits. In prior years, the Group's accounting policy was that such costs were deferred and amortised over the estimated average working lives of the staff. In the current year, the Board of Directors have re-assessed this accounting policy and determined that it is more appropriate that the expenditure is charged to the income statement in the period in which it is incurred.

   This change has been applied retrospectively, resulting in an increase in the Group's accumulated losses as at 1 January 1999 of RMB39,784,000, a decrease in the Group's loss for the year ended 31 December 2000 by RMB22,055,000 (1999: a decrease in the Group's loss by RMB2,115,000), and a decrease in the Group's net assets as at 31 December 2000 by RMB15,614,000 (1999: a decrease in the Group's net assets as at 31 December 1999 by RMB37,669,000).

2. The Company introduced an approved programme for raising funds from its employees to construct staff quarters in 1998. Pursuant to such programme, the quarters constructed by the use of funds raised were sold to employees at cost without any preferential discount or the benefit of service period discount or lumpsum payment discount. A sum of approximately RMB12,000,000 has been raised from the employees. The construction of quarters under that programme was all completed in 1999. But the cost of construction has not been calculated. The property ownership certificates are under application. The staff will have the entire ownership right after purchase of the quarter and will be issued a property ownership certificate by the Ownership Supervision Office of Chengdu Housing Reform Bureau.

3. During the Year, the Company had another approved staff funding quarters construction program similar to that mentioned in paragraph 2 above. This programme has raised approximately RMB4,000,000 from the employees and will be completed next year.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the Year.

BANK BORROWINGS AND INTEREST CAPITALISED

Details of bank borrowings of the Group and the Company are set out in note 23 to the financial statements on page 67 of this annual report. Details of interest capitalised by the Group during the Year are set out in note 8 to the financial statements on page 52 of this annual report.

PRE-EMPTIVE RIGHTS

Under the Articles of Association of the Company, there are no pre-emptive rights which require the Company to offer new shares to the existing shareholders in proportion to their shareholdings.

TRANSACTIONS WITH RELATED PARTIES

During the Year, the Group entered into the following transactions with related parties:

(a) Gurantees granted by PTIC and its related companies

Certain of the Group's borrowings are guaranteed by PTIC and its related companies.

(b) Transactions with PTIC and other entities controlled and/ or monitored by PTIC

The Group sold products to PTIC and its related companies amounting to RMB11,594,000 for the Year.

All the Directors of the Company, including the Non-Executive Directors, acknowledged that transactions mentioned in (b) above have been entered into by the Group in the ordinary and usual course of business with normal commercial terms and conditions no less favourable than terms available to third parties.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group as at 31 December 2000 are set out in note 30 to the financial statements on page 76 of this annual report.

RETIREMENT SCHEME ARRANGEMENTS

Information on the Company's retirement benefits scheme is set out in notes 6 and 28 to the financial statements on pages 50 and 74 of this annual report respectively.

SIGNIFICANT EVENTS

1. Change of the Company's Name

Pursuant to the spirit underlying the relevant document of PTIC, the holding company of the Company, and upon approval by shareholders at the 1999 Annual General Meeting and upon the issue of the new business licence by the State Administration for Industry and Commerce on 10 November 2000, the name of the Company has changed from "Chengdu Telecommunications Cable Company Limited"（成都電纜股份有限公司） to "Chengdu PTIC Telecommunications Cable Company Limited" （成都普天電纜股份有限公司）.

From 29 December 2000, the Company's shares were traded on the Hong Kong Stock Exchange under the Company's new name. From 10 January 2001, the Company issued new share certificates in pink colour to replace the old share certificates in light green colour with the Company's former name.

The purpose of changing the name of the Company is to establish a new corporate image in accordance with the requirements of PTIC. The nature and scope of business of the Company remain unchanged. The Company published an announcement in the English and Chinese newspapers in Hong Kong on 28 December 2000 for the change of company name.

2. Change in the Board of Directors and Supervisory Committee

As the term of office of the second Board of Directors and Supervisory Committee expired on 30 September 2000, the Company held an extraordinary general meeting on 22 September 2000. Messrs Xu Mingwen, Kuo Aiching, Wang Zhongfu, Bao Yuhong, Zhang Zhongqi, Su Jialing and Qin Yaowu were elected Executive Directors of the third Board of Directors. Mr. Sun Jiayuan and Ms Chen Po Sum were elected Non-Executive Directors of the third Board of Directors.

Messrs Zhang Xiaocheng and Au Minmin were elected supervisors for the third Supervisory Committee being two thirds of the membership. The remaining one-third of the supervisors was elected through the Company's labour representative meeting held on 28 July 2000. The labour representative, Ms Hong Xiurong, was elected Supervisor.

The term of the third Board of Directors and Supervisory Committee is three years commencing from 1 October 2000.

On the same date, the first meeting of the third Board of Directors was held. Mr Xu Mingwen was elected the Chairman and legal representative of the Company. Mr. Kuo Aiching was elected the Vice-Chairman and appointed as the General Manager of the Company. As nominated by the General Manager, the Board of Directors appointed Messers Luo Shiwen, Qin Yaowu, Fan Xianda, Dai Kan as the Deputy General Managers; Ms Huang Zhili as Financial Controller; Mr. Kuo Aiching and Su Jialing as the authorised representatives of the Company; Ms. Chen Po Sum as the Chairman of the Audit Committee; Mr. Sun Jiayuan as a member of the Audit Committee; Mr. Zhang Shumin and Mr. Stephen Mok as the Company Secretaries.

On the same date, the first meeting of the Supervisory Committee was held. Mr. Zhang Xiaocheng was elected as the Chairman of the Supervisory Committee.

On 29 November 2000, the second meeting of the third Board of Directors was held. The resolution proposed by Mr. Kuo Aiching, the General Manager of the Company of which Mr. Bao Yuhong being appointed as Deputy General Manager of the Company and responsible for assisting the General Manager in corporate management was approved by the Board of Directors.

3. Amendments to the Articles of Association

In view of the change of the Company's name as mentioned in paragraph 1 above and the change of the number of members of the Board of Directors as mentioned in paragraph 2 above, the Board of Directors proposed corresponding amendments to the Articles of Association. The amendments were approved at the 1999 Annual General Meeting and by the Enterprise Reform Department of the State Economic and Trade for the establishement of Commission. The new Articles of Association of the Company came into effect on 17 August 2000.

4. Chengdu CCS Optical Fiber Cable Co., Ltd ("CCS")

The Company and Siemens Aktiengesellschaft of Germany ("Siemens") entered into a joint venture agreement (the "Original JV Agreement") on 14 October 1994 for the establishment of Siemens Optical Fibre Cables Ltd., Chengdu ("SOFC"). In accordance with the Original JV Agreement, the Company and Siemens shall each hold 50% of SOFC.

In accordance with the share transfers agreement entered into between Siemens and Corning International Corporation, a company incorporated in the U.S.A. ("Corning"), the 50% interests of Siemens in SOFC was transferred to Corning. The Company and Corning entered into a joint venture agreement on 28 September 2000 (the "CCS JV Agreement"). This forms the legal basis for the interests of both parties in SOFC. Under the CCS JV Agreement, the Company's equity interests in SOFC will remain the same as prior to the execution of the share transfer agreement. The Company and Corning will each hold 50% equity interests in SOFC and are responsible for any liability and are entitled to enjoy the rights in proportion to their respective equity interests. Both parties also agreed to change the company name of SOFC to CCS.

CCS is primarily engaged in the manufacture, assembly, marketing and sale of various optical fibres and related parts for connecting, branching, distributing and terminal connection of optical fibres. It also provides after sales services.

An announcement was published in English and Chinese newspapers in Hong Kong on 29 September 2000 in rspect of the share transfer agreement and the CCS JV Agreement. On 26 October 2000, SOFC was formally renamed to CCS.

5. Transfer of equity interests in Ningbo Pacific CDC Cable Company Limited ("Ningbo CDC")

At the fourth meeting of the third Board of Directors held on 25 February 2001, the disposal of the Company's 20% equity interests in Ningbo CDC to 亞洲天平洋電線電纜有限公司 of Taiwan ("Asia Pacific") was approved.

Ningbo CDC was a Sino-foreign joint venture company established by Chengdu Cable Plant of the Ministry of Posts and Telecommunications, the predecessor of the Company, Asia Pacific and Asset Operating Holding Company of Chengjiang village, Qin County, Zhejiang Province ("Qin County Company") on 31 December 1993. The joint venture company was principally engaged in the manufacture and sale of plastic telephone cables with a production capacity of 800,000 km. The registered capital of the joint venture company was US$7,700,000 and its total investment amount was US$11,000,000. The Company invested US$1,540,000, representing 20% of the registered capital. Asia Pacific held 70% equity interests. Qin County Company held 10% equity interests. The Company has guaranteed a loan of US$660,000 in respect of the difference between the registered capital and the total investment amount. The term of the joint venture company is 50 years from 31 December 1993.

Due to various reasons, the operating results of the joint venture company had been unsatisfactory since its establishment. It continued to incur losses in recent years and did not have ability to compete in the market. In order to minimise further losses of the Company, the Company decided at the sixteenth meeting of the second Board of Directors held on 28 April 2000 to put the joint venture company into liquidation. In the second half of the Year, the three parties agreed after a series of discussions that the Company transferred its 20% equity interests in Ningbo CDC to Asia Pacific for a consideration of RMB6,000,000 (including the guarantee of loan of US$660,000 and accured interest). As a result, the Company finally withdrew from Ningbo CDC. The share transfer agreement and the resolution of the Board of Directors approving the share transfer were signed by the authorised representatives and directors of the parties respectively on 16 February 2001.

6. ("Bejing Telecommunications Company")

As approved at the fifth meeting of the third Board of Directors held on 16 March 2001, the Company would make an investment in Beijing Telecommunications Company.

Following the reform of the China telecommunications industry and gradual completion of corporate reorganisation, 北京電信器材公司 recently proposed to establish Beijing Telecommunications Company by 北京電信實業公司 as the controlling shareholder and other investors. The Company was invited to invest in that joint venture. The purpose of such arrangement is to establish an integrated and complete network in Beijing for sale and purchase of telecommunications equipment and achieve the networking of business and standardisation of management. The total registered capital of Beijing Telecommunications

Company is proposed to be RMB129,680,000. 北京電信實業公司 will be the controlling shareholder and hold 80% equity interests in the company. Other investors will together hold the remaining 20% equity interests. In order to strengthen and expand the market in Beijing region, the Company intended to invest an amount of RMB3,000,000 in Beijing Telecommunications Company. The term of the company is 5 years from the date of issue of its business licence.

MATERIAL LITIGATION

The Company was not involved in any litigation or arbitration of material importance during the Year apart from what is stated in this annual report.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Directors of the Company have complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules during the Year.

JOINT INTERNATIONAL AUDITORS

The financial statements of the Group prepared in accordance with generally accepted accounting principles in Hong Kong have been audited by Deloitte Touche Tohmatsu and Ho and Ho & Company, the joint international auditors of the Company.

The appointment of Deloitte Touche Tohmatsu and Ho and Ho & Company, as the joint international auditors of the Company will retire and offer themselves for re-appointment.

By order of the Board
Xu Mingwen
Chairman
18 April 2001