

# Report of the Supervisory Committee

To: Shareholders,

The Supervisory Committee (the "Supervisory Committee") of Chengdu PTIC Telecommunications Cable Company Limited (the "Company") had a re-election during the year from 1 January 2000 to 31 December 2000 (the "Year"). Members of the third Supervisory Committee, namely Mr. Zhang Xiaocheng, Mr. An Minmin and Madam Hong Xiurong were elected. At the first meeting of the third Supervisory Committee, all members elected Mr. Zhang Xiaocheng as the Chairman of the Supervisory Committee unanimously. We, on behalf of the third Supervisory Committee, express our gratitude to members of the second Supervisory Committee, namely Mr. Zeng Daogen, Madam Wang Lin and Madam Liu Shuping for their efforts and contribution to the development of the Company and safeguard of the interests of all shareholders.

During the Year, all members of the Supervisory Committee complied with the provisions contained in legal documents including the Company Law of the PRC ("Company Law"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the Articles of Association of the Company and fulfilled their obligation with due diligence. In order to strengthen itself, the Supervisory Committee formulated, considered and passed the "Rules on Proceedings of Meetings for Supervisory Committee of Chengdu PTIC Telecommunications Cable Company Limited". It further clarified the functions and duties of the Supervisory Committee so that the work of the Supervisory Committee can be more standardized and procedural, laying a good foundation for the exercise of its supervision. Sitting in board meetings of the Company, normal administrative meetings of the Company and the meetings at which important investments were decided, members of the Supervisory Committee had an effective supervision over the work of the board of directors of the Company and the operation of the management, and gave its opinions and advice on the resolutions proposed at the meetings. Before the interim and annual results announcements, the financial controller reported the financial situation of the Company to the Supervisory Committee which made serious assessment and analysis on the production and operating results, financial position and corporate administration, and expressed its independent opinion.

According to the Company Law, the Listing Rules and the Articles of Association of the Company, the Supervisory Committee expressed its independent opinion as follows:

## **1. LAWFUL OPERATIONS OF THE COMPANY**

The Supervisory Committee is of the opinion that the board of directors performed their duties in due diligence in accordance with relevant laws and regulations. The decision-making procedures were in compliance of the Company Law, the Listing Rules and the Articles of Association of the Company. During the Year, sticking to the principle of management enhancement, the Company further established and perfected its corresponding management rule and regulation system. The Company also made positive efforts for its standardised operation and healthy development, and upgraded its management level.

## **2. PERFORMANCE OF DIRECTORS, MANAGERS AND OTHER SENIOR MANAGEMENT OF THE COMPANY**

The Supervisory Committee considers that the directors, managers and other senior management performed their duties diligently, pragmatically and faithfully. No abuse of rights, infringement of laws, regulations or the Articles of Association of the Company was found. No act detrimental to the interests of the Company, shareholders or staff 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 annual general meeting for the Year and considered that the report had objectively and thoroughly reflected the various work conducted by the Company in 2000 and was pragmatic and effective. The Supervisory Committee considers the results of the Company for the Year satisfactory and is confident in the development prospect of the Company.

## **4. FINANCIAL REPORT OF THE COMPANY**

After a detailed examination of the information including the financial report and profit distribution plan to be submitted for consideration at the annual general meeting for the Year by the board of directors of the Company, the Supervisory Committee considers that the relevant financial data objectively, truly and comprehensively reflected the financial position, assets position and operating results of the Company. Audit and financial management conformed to the relevant regulations. No inaccurate matters were found. The Supervisory Committee is aware of the bad debts and provision for diminution in value in respect of accounts receivable, other receivables, investment loss and inventories and understood the proposal. At the same time, the Supervisory Committee suggests that the board of directors and the management of the Company adopt positive and efficient measures and handle the relevant matters appropriately so as to reduce loss to the Company. In addition, they are requested to promptly report the progress of the relevant matters to members of the Supervisory Committee. The financial report of the Company was audited by certified public accountants and the auditors' report was given. The Supervisory Committee considers that the auditors' report is objective and fair and agrees to the comment on the financial position of the Company.

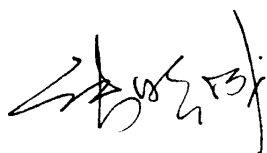
## **5. CONNECTED TRANSACTIONS**

The Supervisory Committee considers that the connected transactions of the Company are ordinary and general transactions and are fair and reasonable as far as shareholders are concerned. It is not detrimental to the interests of the Company.

## 6. LITIGATION

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

During the Year, under the energetic support and help from all shareholders together with the joint efforts of its board of directors and all staff, the Company formulated new development strategies. The recent target of development adjustment was preliminarily achieved and the effect was remarkable. It is hoped that the board of directors and the management of the Company will further enhance meticulous organisation and operation to strengthen sales management, recognition and recovery of accounts receivable, corporate, investment and financial cost management and enhance the development of new products in the new year. The Supervisory Committee will also continue to further standardise its work and perform its duties with due diligence pursuant to the Company Law and the Articles of Association of the Company so as to realize the goal of long term development and achieve again a soaring result.



**Zhang Xiaocheng**

*Chairman of the Supervisory Committee*

18 April 2001