

Significant events

1. MAJOR LITIGATION

The Company was not involved in any major litigation during the year.

2. The Company, Company's directors and senior management have not been punished by any Supervisory Committee during the year.

3. CONNECTED TRANSACTIONS

According to an agreement dated 29th December, 2000 between the Company and Kun Ji Group Company Limited, the Company disposed trade receivables of RMB11,398,144 at their net book value and inventories of RMB3,600,000 at a premium of 117% on its net book value to Kun Ji Group Company Limited. The net book value of inventories sold amounted to RMB3,076,923 and the selling price was RMB3,600,000. The consideration was paid in cash. Details of the connected transactions were properly published on 3rd January, 2001 in "Shanghai Securities Daily", "China Securities Daily" and "Times Securities Daily" in the PRC and in "Hong Kong imail" and "Hong Kong Economic Times" in Hong Kong.

The Company's independent non-executive directors have reviewed the connected transactions entered between the Company and entities controlled by the Yunnan Provincial People's Government. In the opinion of the independent non-executive directors, the transactions were entered into in the ordinary and usual course of the Company's business and on terms that are fair and reasonable so far as the shareholders of the Company are concerned. In addition, these terms are in accordance with the terms of the relevant agreements, or where no agreement exists, these terms are no less favourable than terms available to third parties.

Other than as disclosed above, no contract of significance between the Company and its controlling shareholder (including companies under its control) existed at the end of the year or at any time during the year.

4. ASSETS REORGANISATION

The Yunnan Provincial People's Government signed an agreement with Xian Jiaotong University Industrial (Group) Incorporation on 25th December, 2000 relating to a transfer of the Company's shares and related matters. Details of which were published on 26th December, 2000 in "Shanghai Securities Daily", "China Securities Daily" and "Times Securities Daily" in the PRC on 29th December, 2000 and in "Hong Kong imail" and "Hong Kong Economic Times" in Hong Kong.