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交大昆機科技股份有限公司
JIAODA KUNJI HIGH-TECH COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0300)

**ANNOUNCEMENT
INVESTMENT IN STATE BONDS
AND RESUMPTION OF TRADING**

The Company and all the members of the Board confirm the truthfulness, accuracy and completeness of the contents of this announcement, and jointly accept responsibility for any false representations, misleading statements or material omissions contained herein.

Under the requirement of the listing rules 4.1(I) of Shanghai Stock Exchange, an announcement was issued in designated newspapers circulated in the People's Republic of China on 10th June 2004. This announcement is made pursuant to rule 13.09(2) of the Listing Rules.

Shareholders and public investors are advised to take notice of market risks and exercise cautions when dealing on shares of the Company.

Reference is made to the Company's announcement dated on 2nd April 2004 in China Securities Daily, Shanghai Securities Daily, and Hong Kong's China Daily/Wen Wei Po respectively, where the Company announced that the agreement for the Trusteeship of the Management of Investment in State Bonds was entered into the Company and China Fortune Securities, pursuant to which the Company entrusted China Fortune Securities to conduct investment on State Bonds with RMB50,000,000 (RMB fifty millions), funded by internal resources. The term of the entrustment lasts for one year, from 23rd February 2004 to 23rd February 2005.

On 7th June 2004, the Company noticed that, China Fortune Securities failed to comply with above agreement concerning investment on State Bonds, and diverted the trust fund to invest on several A-share stocks. Until 31st May 2004, it was found that the balance of market capitalization of the stock investment was valued as RMB15,078,626.43; the balance in cash was RMB311,077.75; the balance of capital account of accumulative asset was RMB15,389,704.18.

The Company announces that the potential loss of the investment executes less effect on the major business of the Company. The operation of the Company runs in normal. On 31st May 2004, the Company's cash flow from operating actives is RMB57,351,000.

To protect shareholder value, the Company had negotiated with China Fortune Securities for redemption solution. Meanwhile, the Company is consulting with lawyers to obtain legal opinion. The Company reserves rights to claim for the damages on losses of the investment from China Fortune Securities and breach of the Agreement by China Fortune Securities. The Company will make further announcements as soon as it has obtained legal opinions on steps to be taken.

At the request of the Company, trading in the shares of the Company was suspended from 9:30 a.m. on 10th June 2004. Application was been made for the resumption of trading the shares of the company with effect from 9:30 a.m. on 11th June 2004.

Board of the Directors
Jiaoda Kunji High-Tech Company Limited

Kunming, PRC, 10th June 2004

As at the date of this announcement, the Company's executive directors include Mr. Yue Huafeng, Mr. Zhang Hanrong, Mr. Cheng Yunchuan, Mr. Wu Ketian; non-executive directors include Mr. Wang Shangjin, Mr. Jiang Zhuangde, Mr. Zhang Chao, Mr. Guo Shangwu; and independent non-executive directors include Mr. Yu Chengting, Mr. Tong Yunhuan, Ms. Dong Juan.

“Please also refer to the published version of this announcement in China Daily”.