

(1) MAJOR LITIGATION

1. Major litigation

On 10th March 2004, the Company opened a fund accounting with the Kunming sales division of Beijing Securities and deposited RMB20 million. On 24th March 2004, when the Japanese company wanted to make a withdrawal, it discovered the defendant's fund was used by the sales division to acquire shares. After the discovery, the Company asked Beijing Securities to repay the fund immediately. Responding to the Company's request, Beijing Securities repaid the fund on 7th April, 19th April and 30th April of amount RMB5 million, RMB1.5 million and RMB5,718,503.38 respectively with outstanding amount of RMB7,781,496.62. The Beijing Securities did not assume responsibility for the entire fund. In view of this, the Company lodged a litigation to Kunming Intermediate People's Court on 20th September 2004 against "Beijing Securities misappropriation of the Company's fund causing the Company to lose RMB7,781,496.62". The Kunming Intermediate People's Court acknowledged the lodge of litigation on 20th September 2004.

2. Description of Major Litigation and Arbitration

The Company lodged a litigation to Kunming Intermediate People's Court on 20th September 2004 against "Beijing Securities misappropriation of the Company's fund causing the Company to lose RMB7,781,496.62". The Company indicated litigation against Beijing Securities for the misappropriation of fund of RMB7,781,496.62 as well as the interest accrued thereon and the solicitors fee, traveling expenses, property protection fee, case legal and execution fee arising from the above litigation.

On 3rd November 2004, the Company received a reconciliatory statement from Kunming Intermediate People's Court. Through the Kunming Intermediate People's Court, the Company and the Beijing Securities reached a reconciliation agreement voluntarily as follows:

Beijing Securities assumed the responsibility for the repayment of compensation of RMB7,781,496.62 and the debt relationship between them was cleared.

On 12th November 2004, Beijing Securities repaid the above outstanding fund of RMB7,781,496.62. This major litigation was published in «China Securities Daily», «Shanghai Securities Daily», «Wen Wei Po» and «China Daily» on 11th October 2004 and 5th November 2004.

(2) PURCHASE AND DISPOSAL OF ASSETS OR MERGER AND ACQUISITION ACTIVITIES DURING THE REPORTING PERIOD

During the reporting period, there was no significant purchase and disposal of assets, or merger and acquisition activities occurred in the Company.

(3) SIGNIFICANT CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD

During the reporting period, there was no significant connected transactions in the Company.

(4) MAJOR CONTRACT AND THEIR IMPLEMENTATION

1. Trust

During the reporting period, the Company did not enter into any trust arrangement.

2. Sub-contracting

During the reporting period, the Company did not enter into any sub-contracting arrangement.

3. Lease

During the reporting, the Company did not enter into any lease arrangement.

4. Guarantee

Unit: RMB in Thousand

Guarantee person	Date of Occurrence	Guarantee amount	Type of Guarantee	Period of Guarantee	Did the guarantee arrangement come to the end?	Was guarantee provided to a connected party?
The situation of the Company provided guarantee to the controlling subsidiaries						
Amount of the guarantee provided to the controlling subsidiaries during the reporting period	9,091					
Residue of the guarantee provided to the controlling subsidiaries during the reporting period	9,091					
The amount of the Company guarantee (including guarantee provided to the controlling subsidiaries)						
Total guarantee amount	9,091					
The ratio of the total guarantee amount in proportion to the Company's net assets						1.72

On 21st May 2004, the Company's controlling subsidiaries, Jiaoda Kunji High-Tech Company Limited was the controlling subsidiary, Winko Machines Company Limited provided guarantee of RMB9,091,000. The period of guarantee was from 21st May 2004 to 20th May 2005. The transaction was published in «China Securities Daily», «Shanghai Securities Daily», «Wen Wei Po» and «China Daily» on 30th August 2004.

5. Entrusted asset management

- On 23 February 2004, the company has entered the agreement <Entrusted stated-owned bond management agreement> with China Fortune Securities ("China Fortune"). The Company appointed China June 2004, China Fortune had misused the money for investment in Shanghai A-shares instead of the state-owned bond. The Company negotiated a settlement for repayment of the investment of RMB50 million and other relevant loss due to the misuse of the Company fund. The Company in China Securities Journal, Shanghai Securities News, Hong Kong's China Daily and Wen Wei Po on 10 June 2004 and 2 April 2004.
- As at 31 December 2004, the shares purchased amounted to RMB7,959,000 and the balance of the securities account was RMB311,000 and the total portfolio balance was RMB8,270,000. At the end of 2004, the diminution on securities for the year was RMB37,480,000.

6. Other significant contracts

During this reporting period, the Company did not have any significant contract the was subject to disclosure.

(5) COMMITMENTS BY THE COMPANY AND SHAREHOLDERS HOLDINGS MORE THAN 5% OF TOTAL CAPITAL

Pursuant to the "Related party transaction and prohibited for the competition Agreement" signed by the Company and Jiaotong Group, Jiaotong Group had undertaken that it will not participate in any business or activities, which will compete against the Company either directly or indirectly. During the reporting period, Jiaotong Group had adhered to the agreement.

(6) APPOINTMENT AND RE-APPOINTMENT OF AUDITORS

During the reporting period, the company re-appointed Xian Xigema Certified Public Accountants as the domestic auditors of the Company. The audit fee for 2004 was RMB300,000. Xian Xigema Certified Public Accountants has provided auditing services to the Company for consecutive 3 years.

The company re-appointed Deloitte Touche Tohmatsu as the international auditor of the Company for the year 2004. The auditor fee for 2004 was HKD1,380,000. Deloitte Touche Tohmatsu has provided auditing services to the Company for 11 consecutive years.

(7) CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

As at 31st December, 2004, the Company has not issued any convertible securities, share options, warrants or similar rights during the reporting period.

(8) PURCHASE, SALE OR REDEMPTION OF SHARES

During the reporting, the Company has not repurchased any of its listed shares, nor purchased or re-sold any listed securities of the Company.

(9) PRE-EMPTIVE RIGHTS

Neither the Article of Associate nor the PRC law requires the Company to offer the pre-emptive rights to its existing shareholders for subscription of new shares in proportion to their shareholdings.

(10) PUNISHMENT BY REGULATORY AUTHORITY

During the reporting period, neither the Company nor the Board of Directors and its directors were involved in any punishment by the regulatory authorities.

(11) CODE OF BEST PRACTICE

Except for the absence of the Directors Yue Huafeng, Yu Chengting, Jiang Zhuangde from the Board of Directors meeting, that the Company have complied with the requirements of the "Code of Best Practices" as set out in Appendix 14 of the Rules Governing the Listing of Securities of Hong Kong Stock Exchange.

(12) ANNUAL MEETING OF SHAREHOLDERS

The annual meeting of shareholders will be held on 16th June 2005.

- (13)** The summary of the annual results for 2004 was published in Shanghai Securities Post, the China Securities Post, the China Daily and Wen Wei Po in Hong Kong on 28th April 2005. The annual report of 2004 will be posted on the website <http://www.see.com.cn> and <http://www.hkex.com.hk> authorized by CSRC and Hong Kong Stock Exchange respectively.

(14) OTHER SIGNIFICANT EVENTS

During the reporting period, neither the Company nor the Board of Directors were involved in any significant event.