

(1) Major Litigation

There was no major litigation in the reporting period.

(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

(i) Connected transaction concerning daily operations

There was no connected transaction concerning daily operations in the reporting period.

(ii) Capital being used at the end of the reporting period and the plan of repayment

The Pharmacy Group Co. Ltd. of Xian Jiaotong University, a subsidiary of Jiaotong Group, owes Xian Ser, the Company's subsidiary, RMB10,000,000.

(4) Trust

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

(5) Sub-contracting

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

(6) Lease

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

(7) Guarantee

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

SIGNIFICANT EVENTS

(8) Entrusted Investment

The Company appointed China Fortune Securities to conduct investment on State Bonds with RMB50,000,000 with term of the entrustment of one year, from 23rd February, 2004 to 27th September, 2004. This event is published in "China Securities Daily", "Shanghai Securities Daily", "Wen Wei Po" and "China Daily" on 2nd April, 2004, 10th June, 2004 and 22nd April, 2005.

On 23rd February, 2004, the company has entered the agreement (Entrust stated-owned bond management agreement) with China Fortune Securities ("China Fortune"). The Company appointed China Fortune to conduct investment on State Bonds with RMB50,000,000 ("the Funds") with term of the entrustment of one year. In June, 2004, the Company discovered that China Fortune had misused the money for investment in Shanghai A-shares instead of state-owned bond. The Company negotiated a settlement for repayment of the investment of RMB50,000,000 and other relevant loss. Until the end of the reporting period, there is no response from China Fortune regarding the repayment. China Fortune had been taken over in custody by China Huarong Asset Management Corporation ("China Huarong" as appointed by the China Regulatory Commission. On 27th September, 2004, the Company asked for debts, amounting RMB50,000,000, from China Huarong. As at 31st December, 2004, there was an impairment loss of RMB37,480,000 for this investment. This event is published in "China Securities Daily", "Shanghai Securities Daily", "Wen Wei Po" and "China Daily" on 2nd April, 2004, 10th June, 2004 and 22nd April, 2005.

As at 31st December, 2005, the total portfolio balance was RMB7,650,000. During the reporting period, there was impairment loss of RMB620,000 regarding the portfolio invested. Until 31st December, 2005, the total impairment loss provided was RMB38,100,000.

(9) Other Significant Contracts

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

(10) Commitments by the Company and Shareholders Holding 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 would not participate in any business or activities, which would compete against the Company either directly or indirectly. During the reporting period, Jiaotong Group had adhered to the agreement.

(11) Appointment and Re-appointment of Auditors

During the reporting period, the Company did not change its auditors. It re-appointed Xian Xigema Certified Public Accountants as the domestic auditors of the Company for the year 2005. It re-appointed Deloitte Touche Tohmatsu as the international auditors for the year 2005.

At the Annual General Meeting 2004, the re-appointment of the above auditing firms was approved. The Board of Directors was approved to be responsible for determining the audit fee.

(12) Penalties to the Company, the Board of Directors and its Directors and the Issue of Rectification

On 19th May, 2005, the Company received “Notice on requesting the rectification of Jiaoda Kunji High-Tech Company Limited within limited period” (the “Notice”) from China Securities Regulatory Commission Yunnan Regulatory Bureau. Some Directors, senior managements and staffs from relevant departments were arranged to study and investigate. The rectification scheme was proposed with requirement of the Notice, and some rectifications were implemented. It mainly concerned the regulation the Company’s behaviors including disclosure of information, investing and financing activities, control from the Company to its subsidiaries and the Company’s corporate governance. The Rectification Report was published in the “China Securities Daily”, “Shanghai Securities Daily”, “Wen Wei Po” and “China Daily” in Hong Kong on 17th June, 2005.

(13) Share Division Reform

The shareholders of non-circulating shares discussed the issue of share division reform. Detail plan is to be confirmed and written authorization to the Company’s Board of Directors has not been received.

- (14)** The Annual Report Summary 2005 in Chinese and English was published in the “China Securities Daily”, “Shanghai Securities Daily”, “Wen Wei Po” and “The Standard in Hong Kong” on 12th April, 2006. The Annual Report of 2005 will be posted on the website <http://www.sse.com.cn> and <http://www.hkex.com.hk>, as required by CSRC and Hong Kong Stock Exchange respectively.

(15) Other Significant Events

During December 2001, the Company implemented capital restructuring and sold several buildings and land use right to Yunnan Provincial Government in the form of leaseback. According to Tax Document No. 1 in 2002 of the Department of Finance of Yunnan Province, “Concerning the Tax Payable Opinion about Capital Restructuring between Jiaoda Kunji High-Tech Company Limited and Xian Jiaotong University Industrial (Group) Incorporation”, Paper 3 Document No. 9 in 2002 of the Local Taxation Bureau of Yunnan Province, “Opinion concerning Land Appreciation Tax issue resulted from Capital Restructuring between Jiaoda Kunji High-Tech Company Limited and Xian Jiaotong University Industrial (Group) Incorporation” and Yunnan Provincial Government, the Land Appreciation Tax (LAT) payable of RMB10,984,000 was temporarily waived.

In March 2005, Tax Policy Department, Ministry of Finance issued the Document No. 6 in 2005, “In Response to the Land Appreciation Tax Policy regarding Capital Restructuring between Jiaoda Kunji High-Tech Company Limited and Xian Jiaotong University Industrial (Group) Incorporation”, referring that the building transfer would result in Land Appreciation Tax payable.

According to the above situation, the provision for Land Appreciation Tax for the year was RMB10,984,000, after the reversal of the deferred income of RMB9,714,394.95 at the beginning of 2005, the balance of RMB1,269,605.05 was considered as non-operating expenses.