

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your H Shares, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

The Stock Exchange takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



北京北大青鳥環宇科技股份有限公司
BEIJING BEIDA JADE BIRD UNIVERSAL SCI-TECH COMPANY LIMITED
(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 8095)

MAJOR TRANSACTION RELATING TO THE PROVISION OF FINANCIAL ASSISTANCE

A letter from the Board dated 24 January 2007 is set out on pages 4 to 11 of this circular.

A notice convening a special general meeting of the Company to be held at Room 301, 3rd Floor Beida Jade Bird Building, No. 207 Chengfu Road, Haidian District, Beijing 100871, the PRC on Thursday, 15 March 2007 at 11:00 a.m. is set out on pages 25 to 26 of this circular. For holders of H Shares, whether or not you are able to attend the meeting, please complete and return the enclosed reply slip to Unit 02, 7th Floor, Asia Pacific Centre, 8 Wyndham Street, Central, Hong Kong on or before 4:00 p.m. on Friday, 23 February 2007 and the form of proxy in accordance with the instructions printed thereon to the office of the Company's H share registrar in Hong Kong, Hong Kong Registrars Limited, 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 24 hours before the time appointed for the holding of the special general meeting. For holders of the Promoter Shares, whether or not you are able to attend the meeting, please complete and return the enclosed reply slip and form of proxy in accordance with the instructions printed thereon to the principal place of business of the Company in Beijing at 3rd Floor, Beida Jade Bird Building, No. 207 Chengfu Road, Haidian District, Beijing 100871, the PRC as soon as practicable but in any event, for the reply slip, on or before 4:00 p.m. on Friday, 23 February 2007 and for the form of proxy, not less than 24 hours before the time appointed for the holding of the special general meeting. Completion of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish.

This circular will remain on the GEM website at www.hkgem.com for at least 7 days from the day of its posting.

24 January 2007

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

CONTENTS

	<i>Page</i>
Definitions	1
 Letter from the Board	
Introduction	4
The Securities Lending Agreement	5
Other Arrangements	7
Information on SMIC	7
Financial Effects of the Securities Loan	8
Reasons for the Securities Loan and Use of Proceeds	8
General	8
Shareholders' Approval	9
Special General Meeting	10
Recommendation	11
Additional information	11
 Appendix I – Financial information of the Group	 12
 Appendix II – General information	 17
 Notice of Special General Meeting	 25

DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“Agricultural Bank”	Agricultural Bank of China H.O. Banking Department, a fully licensed bank established according to the laws of the PRC and the lender to the Company
“Board”	board of Directors
“Business Day”	a day other than a Saturday or a Sunday on which banks and securities markets are open for business generally in Hong Kong and Dublin
“Chengjian Donghua”	北京城建東華房地產開發有限責任公司 (Beijing Chengjian Donghua Real Estate Development Company Limited), a company established in the PRC with limited liability which is engaged in the development of a parcel of land in the city centre of Beijing into a transportation terminal and residential and commercial complex and 44%, 10% and 14.5% of whose equity interests are held by the Company, 北京市東城區住宅發展中心 (Beijing Dongcheng Residential Centre) and Beijing Beida Jade Bird Limited respectively
“Collateral”	the amount of cash collateral deposited with JBU Development by NCL, net of the structuring fee (equal to 0.7% of the Market Value of the Loan Shares on the second date immediately before the Settlement Date) payable by JBU Development to NCL
“Company”	北京北大青鳥環宇科技股份有限公司 (Beijing Beida Jade Bird Universal Sci-Tech Company Limited), a Sino-foreign joint stock limited company incorporated in the PRC with limited liability with its H shares listed on GEM
“Directors”	directors of the Company
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“H Share(s)”	overseas-listed foreign share(s) in the ordinary share capital of the Company, with a nominal value of RMB0.10 each and which are listed on GEM
“JBU Development”	Beida Jade Bird Universal Sci-Tech (Cayman) Development Company Limited, a company incorporated in the Cayman Islands and a wholly-owned subsidiary of the Company
“Latest Practicable Date”	31 December 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Loan Share(s)”	323,888,000 fully paid ordinary share(s) of SMIC listed on the Stock Exchange lent by JBU Development to NCL pursuant to the Securities Lending Agreement
“Market Value”	in connection with the valuation of the Loan Shares, the volume-weighted average price of the Loan Shares on the previous Business Day, as published by Bloomberg, and if not available, the market quotation for the bid price of the Loan Shares as derived from a reputable pricing information service or (if unavailable) the prices or rates bid by a reputable dealer for the Loan Shares reasonably chosen in good faith by JBU Development at close of business on the previous Business Day
“NCL”	Nexgen Capital Limited, a company incorporated in Ireland
“PRC”	People’s Republic of China
“Promoter Share(s)”	ordinary shares issued by the Company with a nominal value of RMB0.10 each which are subscribed for by the promoters of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Lending Agreement”	Global Master Securities Lending Agreement, as supplemented by the Schedule thereto, and the Securities Lending Transaction Confirmation confirming certain terms in the aforementioned Global Master Securities Lending Agreement both entered into between JBU Development and NCL on 15 December 2006

DEFINITIONS

“Securities Loan”	loan of the Loan Shares by JBU Development to NCL pursuant to the Securities Lending Agreement
“Settlement Date”	19 December 2006
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	special general meeting of the Company to be convened for the purpose of formally recording the approval of the Securities Loan by the Shareholders
“Share(s)”	H Shares and Promoter Shares
“Shareholder(s)”	holders of the Shares
“SMIC”	Semiconductor Manufacturing International Corporation, a company incorporated in the Cayman Islands with its shares listed on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

Unless otherwise specified in this circular and for the purpose of illustration only, translation rates have been used as follows:

$$HK\$7.7738 = US\$1.00$$

No representation is made that any amounts in US\$ or HK\$ have been or could be converted at the above rates or any other rates or at all.

LETTER FROM THE BOARD



北京北大青鳥環宇科技股份有限公司

BEIJING BEIDA JADE BIRD UNIVERSAL SCI-TECH COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8095)

Executive Directors:

Mr. Xu Zhen Dong (*Chairman*)

Mr. Xu Zhi Xiang

Mr. Zhang Wan Zhong

Non-executive Directors:

Mr. Lo Lin Shing, Simon

Mr. Liu Yong Jin

Mr. Hao Yi Long

Mr. Li Li Xin

Independent non-executive Directors:

Professor Nan Xiang Hao

Professor Chin Man Chung, Ambrose

Mr. Cai Chuan Ping

Legal address:

Rooms 1117/1119

Zhongcheng Building

Haidian Road

Beijing 100080

PRC

Principal place of business

in the PRC:

3rd Floor, Beida Jade Bird Building

No. 207 Chengfu Road

Haidian District

Beijing 100871

PRC

Principal place of business

in Hong Kong:

Unit 02, 7th Floor

Asia Pacific Centre

8 Wyndham Street

Central

Hong Kong

24 January 2007

To Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION RELATING TO THE PROVISION OF FINANCIAL ASSISTANCE

INTRODUCTION

In the announcement dated 15 December 2006, the Directors announced that the Company had entered into the Securities Lending Agreement with NCL on 15 December 2006, pursuant to which JBU Development has lent and NCL has borrowed the Loan Shares. The Loan Shares were mortgaged by JBU Development in favour of Agricultural

LETTER FROM THE BOARD

Bank. In consideration for JBU Development providing the Securities Loan, NCL agreed to deposit with JBU Development the Collateral in the amount of US\$28,295,723.63 (equivalent to approximately HK\$219,965,296.35) on the date immediately before the Settlement Date. The Collateral has been paid in settlement of a loan of US\$29,000,000.00 (equivalent to approximately HK\$225,440,200.00) owing by the Company to Agricultural Bank and for the release of the mortgage over the Loan Shares, and the shortfall has been made up by the Company from its internal resources. To the best knowledge of the Directors, NCL and its ultimate beneficial owners are third parties independent of the Company and its connected persons as defined under the GEM Listing Rules and therefore are not connected persons of the Group.

The purpose of this circular is:

- (i) to provide the Shareholders with details of the Securities Loan; and
- (ii) to give the Shareholders the notice of the SGM to be convened as a procedural formality for the purpose of formally recording the approval of the Securities Loan by the Shareholders.

THE SECURITIES LENDING AGREEMENT

Lender:

Beida Jade Bird Universal Sci-Tech (Cayman) Development Company Limited, a wholly owned subsidiary of the Company

Borrower:

Nexgen Capital Limited

Subject matter:

323,888,000 fully paid ordinary shares of par value US\$0.0004 each in SMIC, representing approximately 1.76% of the issued share capital of SMIC. The aggregate carrying value of the Loan Shares as reflected in the unaudited interim results of the Company as at 30 June 2006 is RMB364.1 million.

Duration of the Securities Loan:

The period commencing on the Settlement Date and ending on the date falling six months after the Settlement Date or the expiry of a notice of not less than two Business Days given by JBU Development (the “**Loan Term**”).

LETTER FROM THE BOARD

Collateral:

Pursuant to the Securities Lending Agreement, NCL was required to deposit with JBU Development the initial Collateral in the amount of US\$28,295,723.63 (equivalent to approximately HK\$219,965,296.35) on the date immediately before the Settlement Date. Depending on the price of a share of the Company, the Collateral shall be equal to a percentage (the “**Applicable Percentage**”) of the Market Value of the Loan Shares at the relevant time. When the volume-weighted average price of a share of the Company on any day during the Loan Term rises to over HK\$0.25, the Applicable Percentage is 70% (being the Applicable Percentage in respect of the initial Collateral). When the volume-weighted average price of a share of the Company on any day during the Loan Term drops to HK\$0.25 or lower, JBU Development will be required to repay such amount of Collateral to NCL such that the Applicable Percentage becomes 60%. All of the Collateral deposited with JBU Development will be repaid to NCL on the last date of the Loan Term from its internal resources.

The amount of Collateral was determined after arm’s length negotiations between JBU Development and NCL with reference to the Market Value of the Loan Shares and credit assessment of JBU Development conducted by NCL.

Marking to market of the Collateral:

The amount of Collateral shall be adjusted along with movements in the Market Value of the Loan Shares from time to time. Where, on any Business Day, the Market Value of the Loan Shares has fallen by more than 15% from that on the Settlement Date or the date on which any Collateral was last delivered to NCL or JBU Development (whichever is the later), JBU Development is required to repay to NCL on demand an amount of Collateral equal to the Applicable Percentage times the amount by which the Market Value of the Loan Shares has fallen, provided that such repaid Collateral exceeds US\$1,000,000.00 (equivalent to approximately HK\$7,773,800.00).

Where, on any Business Day, the Market Value of the Loan Shares in the Applicable Percentage has risen above the amount of deposited Collateral at the relevant time, NCL is required to deposit on demand further Collateral equal to the Applicable Percentage times the amount by which the Market Value of the Loan Shares has risen from the amount of deposited Collateral, provided that such further Collateral exceeds US\$1,000,000.00 (equivalent to approximately HK\$7,773,800.00) and the maximum amount of deposited Collateral shall not at any time exceed the amount initially deposited by NCL on the date immediately before the Settlement Date.

Interest on the Collateral:

One-month US\$ LIBOR plus 4.00%, payable by JBU Development to NCL on the same date falling each calendar month after the Settlement Date to and including the date falling six months after the Settlement Date.

LETTER FROM THE BOARD

OTHER ARRANGEMENTS

Repayment of debt:

The Loan Shares were mortgaged by JBU Development in favour of Agricultural Bank. In consideration for JBU Development providing the Securities Loan, NCL agreed to deposit with JBU Development the Collateral in the amount of US\$28,295,723.63 (equivalent to approximately HK\$219,965,296.35) on the date immediately before the Settlement Date. The Collateral has been paid in settlement of a loan of US\$29,000,000.00 (equivalent to approximately HK\$225,440,200.00) owing by the Company to Agricultural Bank and for the release of the mortgage over the Loan Shares, and the shortfall has been made up by the Company from its internal resources.

Guarantee provided by the Company:

Pursuant to a guarantee and indemnity entered into between the Company and NCL, the Company guarantees the due and punctual performance of all obligations of JBU Development under the Securities Lending Agreement and will indemnify NCL against all outstanding amounts due and payable by JBU Development thereunder and all losses, costs, damages and expenses (except for consequential losses such as loss of profit or loss of business opportunity) suffered or incurred by NCL directly or indirectly under the Securities Lending Agreement arising from any obligation on JBU Development thereunder being or becoming void, invalid, illegal or unenforceable.

INFORMATION ON SMIC

The principal business of SMIC is its investment in SMIC Shanghai, which is principally engaged in manufacture, probe test and testing of semiconductor (silicon and compound semiconductor), integrated circuit chips, research and development, design, technical services, mask manufacture, testing and packaging and sale of proprietary IC-related products.

The net profit/(loss) of SMIC for the two years ended 31 December 2005 and the net asset value of SMIC as at 31 December 2004 and 31 December 2005 are set out below:

	For the year ended/as at 31 December 2004 (US\$'000)	For the year ended/as at 31 December 2005 (US\$'000)
Net profit/(loss) before taxation and extraordinary items	89,931	(110,121)
Net profit/(loss) after taxation and extraordinary items	89,744	(111,534)
Net asset value	3,653,946	3,687,378

LETTER FROM THE BOARD

The Company's investment in the shares in SMIC was booked into the Company's accounts as an equity investment. For the two financial years immediately preceding the Securities Loan, no net profit of the Company was attributable to the Loan Shares as no dividend was declared by SMIC during such period.

FINANCIAL EFFECTS OF THE SECURITIES LOAN

Immediately after the completion of the Securities Loan, the Group's aggregate amount of interest-bearing bank loans has been reduced by the amount of US\$29,000,000.00 (equivalent to approximately HK\$225,440,200.00) following the settlement of a loan owing by the Company to Agricultural Bank. The amount of current liabilities of the Group has been increased by US\$28,295,723.63 (equivalent to approximately HK\$219,965,296.35) being the collateral deposited by NCL which is repayable to NCL on the last date of the Loan Term from the internal resources of the Group. The Group's net asset value has been reduced by approximately RMB12 million following the settlement of the shortfall and accrued interest on the loan owing by the Company to Agricultural Bank from its internal resources. The Group's finance costs has been increased by the amount of US\$797,791.40 (approximately HK\$6,201,870.79) being the accrued interest on the loan mentioned above.

REASONS FOR THE SECURITIES LOAN AND USE OF PROCEEDS

The Directors consider that the terms of the Securities Loan are fair and reasonable and has allowed JBU Development to obtain short-term working capital to repay its outstanding bank loan and therefore is in the interest of the Company and the Shareholders as a whole. The Collateral deposited by NCL has been used by the Company to repay a bank loan of US\$29,000,000.00 (equivalent to approximately HK\$225,440,200.00) owing by the Company to Agricultural Bank.

GENERAL

The Group is principally engaged in the research, development, manufacture, marketing and sales of embedded systems, including network security products, wireless fire alarm systems, application specific integrated circuits, global positioning application systems, smart card application systems, remote automatic meter-reading systems and related products. The Group is also engaged in the sales of computer products and the provision of total solution services through application of its existing embedded system products. In addition, the Group is engaged in property development activities.

NCL is a wholly-owned subsidiary of Nexgen Financial Holding Limited (the "**Nexgen Group**"), which is principally engaged in the provision of risk-based financial solutions to corporations, insurance companies, banks and other financial service firms, and high net worth individuals in Europe and Asia. NCL primarily undertakes capital market transactions of the Nexgen Group, which include the provision of financial solutions such as equity derivative linked instruments designed for mergers and acquisitions, treasury management, corporate finance, risk transfer and private financing situations. Nexgen Financial Holding Limited is a wholly-owned subsidiary of IXIS Corporate & Investment Bank, which is a subsidiary of Natixis.

LETTER FROM THE BOARD

SHAREHOLDERS' APPROVAL

The Securities Loan constitutes a provision of financial assistance by the Group and thus a major transaction of the Company pursuant to rule 19.06 of the GEM Listing Rules and is subject to approval by the Shareholders. Pursuant to rule 19.44 of the GEM Listing Rules, the approval by the Shareholders may be obtained by means of written approval of the transaction by a Shareholder who holds, or a closely allied group of Shareholders who together hold, more than 50% of the voting rights of the Company. Written confirmations from a closely allied group of the Shareholders (the “**Closely Allied Group**”), consisting of seven corporate Shareholders, namely Beijing Beida Jade Bird Limited, Beijing Beida Jade Bird Software System Co., Beijing Beida Yu Huan Microelectronics System Engineering Company, Dynamic Win Assets Limited, Hinet Company Limited, Dragon Air Investments Limited and New View Venture Limited, holding approximately 54.86% of the issued share capital of the Company approving the terms and conditions of the Securities Loan have been obtained. The respective shareholding of each of the above seven corporate shareholders are set out as follows:

Name of Shareholder	Number of shares held in the Company	Shareholding in the Company
Beijing Beida Jade Bird Limited (北京北大青鳥有限責任公司)	115,000,000	9.71%
Beijing Beida Jade Bird Software System Co. (北京市北大青鳥軟件系統公司)	110,000,000	9.28%
Beijing Beida Yu Huan Microelectronics System Engineering Company (北京市北大宇環微電子系統工程公司)	85,000,000	7.17%
Dynamic Win Assets Limited (致勝資產有限公司)	205,414,000	17.34%
Hinet Company Limited	20,000,000	1.69%
Dragon Air Investments Limited (龍騰投資有限公司)	30,000,000	2.53%
New View Venture Limited	84,586,000	7.14%
Total	<u>650,000,000</u>	<u>54.86%</u>

LETTER FROM THE BOARD

All the members of the Closely Allied Group are promoters of the Company and therefore Shareholders since its incorporation. They had also voted unanimously in the past on Shareholders' resolutions in addition to routine resolutions at the Company's annual general meetings, e.g. the subdivision of the shares of the Company in November 2000, the acquisition of 5.29% interest in SMIC in February 2002 and the disposal of 156,842,000 ordinary shares in SMIC pursuant to an offer for sale in connection with the listing of shares in SMIC on the Stock Exchange and the New York Stock Exchange in June 2004. As confirmed by the Directors, Beijing Beida Jade Bird Limited, Beijing Beida Jade Bird Software System Co. and Beijing Beida Yu Huan Microelectronics System Engineering Company are wholly and beneficially owned by Peking University. In addition, Beijing Beida Jade Bird Limited and Dynamic Win Assets Limited have one common director. Save as disclosed above, to the best knowledge of the Directors, the Shareholders of the Closely Allied Group have no shareholding relationship or prior business relationship amongst one another.

As confirmed by the Directors, no Shareholder is required to abstain from voting if the Company is to convene a general meeting for the approval of the Securities Loan pursuant to rule 19.46 of the GEM Listing Rules by reason that it has a material interest in the Securities Loan.

As written confirmations from the members of the Closely Allied Group approving the Securities Loan have been obtained, in accordance with rule 19.44 of the GEM Listing Rules, the Company need not hold an SGM to consider the Securities Loan. However, Article 99 of the Company's articles of association provides that approval from the Shareholders' meeting is required if the estimated value of the assets to be assigned is over 33% of the value of the fixed assets of the Company. Although PRC counsel to the Company is of the view that such written confirmations are legal and valid, an SGM is advisable to be convened as a procedural formality and for the purpose of formally recording the approval of the Securities Loan by the Shareholders even if written confirmations have been obtained. To fully minimise any risk of non-approval of the Securities Loan at the subsequent SGM, the relevant Shareholder was required under its confirmation to undertake to the Company that it will or will appoint a proxy to attend the SGM.

SPECIAL GENERAL MEETING

The notice of the SGM convened as a procedural formality to approve, ratify and confirm the Securities Loan by way of ordinary resolution is set out on pages 25 to 26 in this circular. Shareholders holding approximately 54.86% of the issued share capital of the Company have already given their written approval of the Securities Loan and have undertaken to the Company that it will or will appoint a proxy to attend the SGM.

LETTER FROM THE BOARD

A reply slip and a form of proxy for the SGM to be held at Room 301, 3rd Floor, Beida Jade Bird Building, No. 207 Chengfu Road, Haidian District, Beijing 100871, the PRC on Thursday, 15 March, 2007 at 11:00 a.m. are enclosed. For holders of H Shares, whether or not you are able to attend the meeting, please complete and return the enclosed reply slip to Unit 02, 7th Floor, Asia Pacific Centre, 8 Wyndham Street, Central, Hong Kong on or before 4:00 p.m. on Friday, 23 February 2007 and the form of proxy in accordance with the instructions printed thereon to the office of the Company's H share registrar in Hong Kong, Hong Kong Registrars Limited, 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 24 hours before the time appointed for the holding of the special general meeting. For holders of the Promoter Shares, whether or not you are able to attend the meeting, please complete and return the enclosed reply slip and form of proxy in accordance with the instructions printed thereon to the principal place of business of the Company in Beijing at Room 301, 3rd Floor, Beida Jade Bird Building, No. 207 Chengfu Road, Haidian District, Beijing 100871, the PRC as soon as practicable but in any event, for the reply slip, on or before 4:00 p.m. on Friday, 23 February 2007 and for the form of proxy, not less than 24 hours before the time appointed for the holding of the special general meeting. Completion of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish.

RECOMMENDATION

The Directors consider that the terms of the Securities Loan are in the interests of the Company and the Shareholders and are fair and reasonable so far as the Shareholders are concerned and recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM for approving the Securities Loan.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

Yours faithfully,
By order of the Board
Xu Zhen Dong
Chairman

1. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 December 2006, being the latest practicable date for ascertaining information regarding this indebtedness statement, the Group had total outstanding borrowings of approximately RMB20 million which represent long-term interest-bearing bank loans.

Chengjian Donghua, a connected person of the Company within the meaning of the GEM Listing Rules, is currently a defendant in a civil litigation in Beijing involving the land use rights of a parcel of land (the “**Land**”) located in Beijing which is currently registered under the name of Chengjian Donghua. Shenzhen Development Bank (“**SDB**”) is the plaintiff in such civil proceedings. The Land is used for the development of a transportation terminal and a large-scale commercial and residential complex (the “**Dongzhimen Project**”). The development right of the Dongzhimen Project was vested in Chengjian Donghua from a joint venture company established by Chengjian Donghua and Strong Ground Investment Limited (“**Strong Ground**”) in 2002, namely 北京東華廣場置業有限公司 (“**Beijing Donghua Company**”), by the cancellation of the cooperation between Chengjian Donghua and Strong Ground.

Beijing Donghua Company is the guarantor of a principal sum of RMB1,500 million together with interest accrued thereon lent by SDB to Zhongcai State-owned Enterprise Investment Company Limited and Shouchuang Network Company Limited. Based on documents filed with the People’s High Court of Beijing, SDB alleges that the cancellation of the cooperation between Beijing Donghua Company and Strong Ground has infringed the right of SDB by removing such a main asset from Beijing Donghua Company and in turn has reduced the repaying power of Beijing Donghua Company and its claim comprised, among other things, an order that Beijing Donghua Company be adjudged liable as guarantor for the principal sum of RMB1,500 million (together with interest accrued thereon up to 31 October 2005 in the amount of RMB30.74 million) lent by SDB to Zhongcai State-owned Enterprise Investment Company Limited and Shouchuang Network Company Limited and an order for the transfer of the Land from Chengjian Donghua to Beijing Donghua Company.

On 17 November 2005, SDB obtained an order from the People’s High Court of Beijing to freeze the assets of Beijing Donghua Company and Chengjian Donghua for a value equivalent to RMB1,530 million. The assets forming the subject of the order included the Land.

On 21 August 2006, in view of the provision of a guarantee by 北大資產經營有限公司 (Peking University Asset Management Company Limited) (a company wholly owned by the Peking University which is the ultimate controlling shareholder of three existing promoters of the Company and is therefore a connected person of the Company under the GEM Listing Rules), the People’s High Court of Beijing discharged the freeze order upon application by Chengjian Donghua on the ground that the guarantee was able to satisfy the requirements of the relevant laws and regulations relating to the provision of guarantees by small- to mid-sized enterprises.

Under the above circumstances, although the above claim by SDB against Beijing Donghua Company and Chengjian Donghua is still pending adjudication by the People's High Court of Beijing, the Directors are of the view that Chengjian Donghua has a valid defence against the aforesaid claim by SDB. Therefore, no provision for the above claim was made in the financial statements of Chengjian Donghua.

As at the close of business of the Latest Practicable Date, the Group's long term interest-bearing bank loans were secured by mortgage over certain of the Group's buildings, and machinery and equipment with net book value of approximately RMB15 million and RMB2 million respectively.

Save as aforesaid or as otherwise mentioned in this circular and apart from intra-group liabilities, the Directors confirmed that no company in the Group had any outstanding, as at the close of business of the Latest Practicable Date, any mortgages, charges, pledges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, acceptance liabilities or acceptance credits, any guarantees or other material contingent liabilities.

Save as aforesaid or as otherwise mentioned in this circular, the Directors confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since the Latest Practicable Date.

2. WORKING CAPITAL

The Directors, including the independent non-executive Directors, are of the opinion that, following completion of the Securities Loan, taking into account the financial resources available to the Group, including internally generated funds and the present available bank facilities, and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its requirements within 12 months from the Latest Practicable Date.

3. RULES 17.15 TO 17.21 OF THE GEM LISTING RULES

The Directors have confirmed that, as at the Latest Practicable Date, the Group was not aware of any circumstances that would give rise to a disclosure requirement under rules 17.15 to 17.21 of the GEM Listing Rules.

4. MATERIAL CHANGE

The Directors have confirmed that, as at the Latest Practicable Date, they are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2005, being the date to which the latest published audited financial statements of the Company were made up.

5. ADJUSTED NET TANGIBLE ASSETS (FOR REFERENCE AND ILLUSTRATION PURPOSES ONLY)

Based on the audited net tangible assets of the Group as at 31 December 2005, following the completion of the Securities Loan, the net tangible assets of the Group will be decreased by approximately RMB12 million from approximately RMB811 million to RMB799 million.

6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Overview

The Group is principally engaged in the research, development, manufacture, marketing and sales of embedded systems, including network security products, wireless fire alarm systems ("WFAS"), application specific integrated circuits, global positioning application systems, smart card application systems, remote automatic meter-reading systems and related products. The Group is also engaged in the sales of computer products and the provision of total solution services through application of its existing embedded system products. In addition, the Group is engaged in property development activities.

Financial year ended 31 December 2005

Turnover

The audited consolidated turnover of the Group for the year ended 31 December 2005 amounted to RMB143,733,000 (2004: RMB130,503,000).

The increase in turnover by 10.1% was primarily due to a substantial increase in the sale of computer products of RMB44.1 million to RMB95.0 million from RMB50.9 million in the year ended 31 December 2004 offset by a significant reduction in the sale of embedded systems and related products of RMB29.7 million to RMB47.5 million from RMB77.2 million in the year ended 31 December 2004. The substantial growth of the sale of the computer products was brought by strengthening of the procurement team by adding experienced staff in securing new orders for distributing an international well-known brand of computer products in the PRC. On the contrary, the drop of the sale of embedded systems was mainly caused by the Group's disposal of a subsidiary engaged in integrated circuit business in late 2004. For the year ended 31 December 2005, the turnover from the sales of embedded system products and related products, sales of computer products and total solution services were approximately 33%, 66% and 1% respectively as compared to the sales mix of 59%, 39% and 2% respectively in the year ended 31 December 2004.

Operating Loss

The operating loss of the Group for the year ended 31 December 2005 amounted to RMB42,129,000 (2004: operating profit of RMB243,179,000). The downturn was mainly due to the recording of the investment income of RMB289,214,000 on the partial disposal of the Group's equity interest in SMIC in March 2004.

Excluding the effect of the above-mentioned profit on disposal of SMIC in 2004, the adjusted operating loss in the year ended 31 December 2004 became RMB46.0 million. As compared with the operating loss of RMB42.1 million for the year ended 31 December 2005, there was in fact a minor decrease of RMB3.9 million. However, there are some major items attributable to such net changes, namely (i) the increase in advertising and promotion costs of RMB6.0 million to RMB10.5 million from RMB4.5 million in the year ended 31 December 2004; (ii) the decrease in provisions for doubtful debts, net of RMB12.6 million to RMB21.9 million from RMB34.5 million in the year ended 31 December 2004; and (iii) the decrease, in aggregate, of RMB8.5 million to RMB3.9 million from RMB12.4 million in the year ended 31 December 2004, in respect of the depreciation of property, plant and equipment, amortization and impairment of goodwill.

Regarding the gross margin aspect, WFAS was operating at a slight drop of gross margin from 39.4% in the year ended 31 December 2004 to 36.1% for the year ended 31 December 2005. WFAS also attained a lower turnover of RMB39.4 million as compared to the RMB44.3 million in the year ended 31 December 2004, which is due to the production haul upon the removal to the new constructed plant during the year. Although the sale of computers experienced a significant growth in turnover, its gross margin was very slim at 1.7% which is trivial profit contributor to the Group's operations as compared to WFAS's. The segment of the sales of computer products even, alternatively, recorded a loss segment result of RMB3.8 million as there were significant increases in both the advertising and promotion costs, as well as provisions for doubtful debts, net.

Finance Cost

The interest expense increased substantially by RMB7.8 million from RMB11.3 million in 2004 to RMB19.1 million. It was mainly due to the rise of market interest rate of the US dollar bank loan during the year ended 31 December 2005.

Loss Attributable to Equity Holders of the Parent

The loss attributable to equity holders of the parent and loss per share of the Group for the year ended 31 December 2005 were RMB59,843,000 (2004: profit of RMB234,185,000) and RMB5.1 cents (2004: earning per share of RMB20.4 cents) respectively.

Liquidity and Financial Resources

The Group has financed its operation mainly by equity, funds generated from operating activities and bank loans.

As at 31 December 2005, the Group had total assets of RMB1,134.8 million which were financed by liabilities of RMB317.4 million, minority interests of RMB1.7 million and equity of RMB815.7 million. The Group's net asset value per Share amounted to RMB0.69 at 31 December 2005.

As at 31 December 2005, the Group had cash and cash equivalent of RMB185.6 million and US\$ short term bank loans totalling RMB234.0 million (US\$29.0 million) and long term bank loans of RMB20 million. The aforesaid US\$ short term bank loans were secured by the pledge of the Group's investment in SMIC and guaranteed by a Shareholder. The long term bank loans were secured by charges over certain of the Group's property, plant and equipment with a total net book value of approximately RMB15.0 million as at 31 December 2005.

Other Financial Measures

As at 31 December 2005, the Group had a gearing ratio (the ratio of total borrowings to total equity) and a ratio of current liabilities to total assets of 31% and 26%, respectively.

The Group did not have any material capital commitments as at 31 December 2005 (2004: RMB2,461,000).

As at 31 December 2005, the Group had contingent liabilities as more particularly set out in the paragraph headed "Statement of Indebtedness" in this appendix.

Future prospects

The technology of the Group's embedded system products has become mature gradually. Under escalating market competition, the development of the Group will be divided into two aspects. On the one hand, the Group will put more efforts in marketing by focusing on promotion in key industries and regional construction to increase the Group's market share. On the other hand, the Group will enhance its after-sale services for the existing high-quality customers and provide new customised products and solutions in order to establish a high-quality customer base. The Group will continue to control cost strictly in order to push up the margin.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are found on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

- (a) **Interests and short positions of the Directors, chief executive and supervisors of the Company in the total issued Promoter Shares and its associated corporations**

As at the Latest Practicable Date, the interests (including interests in shares and short positions) of the Directors, chief executive or supervisors of the Company in the Promoter Shares of the issued share capital of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to: (a) Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them is taken or deemed to have taken under such provisions of the SFO); or (b) which will be required pursuant to section 352 of the SFO to be entered in the register referred to in that section; or (c) will be required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, will be as follows:

Long positions:

Name of Director	Note	Number of Shares held	Approximate % of the Company's total number of issued Promoter Shares	Approximate % of the Company's total issued share capital
Mr. Xu Zhen Dong	(a)	205,414,000	29.34%	17.34%
Mr. Xu Zhi Xiang	(a)	205,414,000	29.34%	17.34%
Mr. Zhang Wan Zhong	(a)	205,414,000	29.34%	17.34%
Mr. Liu Yong Jin	(a)	205,414,000	29.34%	17.34%

Name of supervisor of the Company	Note	Number of Shares held	Approximate % of the Company's total number of issued Promoter Shares	Approximate % of the Company's total issued share capital
Mr. Zhang Yong Li	(a)	205,414,000	29.34%	17.34%
Ms. Dong Xiao Qing	(a)	205,414,000	29.34%	17.34%

Note:

- (a) The above Directors and supervisors of the Company are taken to be interested in the issued share capital of the Company through their respective interests as beneficiaries, among other beneficiaries, of Heng Huat Trust. By a declaration of trust ("**Heng Huat Trust**") made as a deed on 19 July 2000, Mr. Xu Zhen Dong, Mr. Zhang Wan Zhong and Ms. Liu Yue (who has been replaced by Mr. Xu Zhi Xiang since 9 May 2003 as a trustee) declared that they held the shares of Heng Huat Investments Limited ("**Heng Huat**") as trustees for the benefits of 477 employees of Beijing Beida Jade Bird Software System Company, Beijing Beida Jade Bird Limited, Beijing Beida Yu Huan Microelectronics System Engineering Company and Beijing Tianqiao Beida Jade Bird Sci-Tech Company Limited and their respective subsidiaries and associated companies and the Company. Heng Huat is beneficially interested in the entire issued share capital of Dynamic Win Assets Limited ("**Dynamic Win**"), and is taken to be interested in 205,414,000 Shares which Dynamic Win is interested. Mr. Xu Zhen Dong, Mr. Zhang Wan Zhong and Mr. Xu Zhi Xiang (who replaced Ms. Liu Yue as a trustee on 9 May 2003 upon Ms. Liu's resignation as a trustee on the same date) are trustees holding 60, 20 and 20 shares, respectively, out of 100 shares in the issued share capital of Heng Huat.

Saved as disclosed above, none of the Directors and supervisors of the Company had registered an interest or short position in the Shares or underlying Shares or any of the Company's associated corporations that was required to be recorded pursuant to Divisions 7 and 8 of Part XV of the SFO, or pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules.

(b) Interests in share options

As at the Latest Practicable Date, no options have been granted by the Group pursuant to the share option scheme adopted by the Company on 5 July 2000.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with any member of the Group, excluding contracts expiring or determinable by the Company or any of its subsidiaries within one year without payment of compensation other than statutory compensation.

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Long positions:

	Note	Capacity and nature of interest	Number of ordinary Shares held	Approximate % of the Company's total number of issued Promoter Shares	Approximate % of the Company's total number of issued H Shares	Approximate % of the Company's total issued share capital
Peking University	(a)	Through controlled corporations	310,000,000	44.28%	Not applicable	26.16%
Beijing Beida Yu Huan Microelectronics System Engineering Company	(a)	Directly beneficially owned	85,000,000	12.14%	Not applicable	7.17%
Beijing Beida Jade Bird Software System Company	(a)	Directly beneficially owned	110,000,000	15.71%	Not applicable	9.28%
Beijing Beida Jade Bird Limited	(a)	Directly beneficially owned	115,000,000	16.43%	Not applicable	9.71%
Heng Huat Investments Limited	(b)	Through a controlled corporation	205,414,000	29.34%	Not applicable	17.34%
Dynamic Win Assets Limited	(b)	Directly beneficially owned	205,414,000	29.34%	Not applicable	17.34%
New World CyberBase Limited	(c)	Through a controlled corporation	84,586,000	12.08%	Not applicable	7.14%

		Capacity and nature of interest	Number of ordinary Shares held	Approximate % of the Company's total number of issued Promoter Shares	Approximate % of the Company's total number of issued H Shares	Approximate % of the Company's total issued share capital
	Note					
New View Venture Limited	(c)	Directly beneficially owned	84,586,000	12.08%	Not applicable	7.14%
Tai Fook Securities Company Limited	(d)	Directly beneficially owned	80,800,000	Not applicable	16.67%	6.82%
Tai Fook Finance Company Limited	(d)	Through a controlled corporation	80,800,000	Not applicable	16.67%	6.82%
Tai Fook (BVI) Limited	(d)	Through a controlled corporation	80,800,000	Not applicable	16.67%	6.82%

Notes:

- (a) Peking University is taken to be interested in 26.16% of the total issued share capital of the Company through the following companies:
- (i) 85,000,000 Promoter Shares (representing approximately 7.17% of the Company's total share capital) held by Beijing Beida Yu Huan Microelectronics System Engineering Company (北京市北大宇環微電子系統工程公司), which is beneficially wholly-owned by Peking University;
 - (ii) 110,000,000 Promoter Shares (representing approximately 9.28% of the Company's total share capital) held by Beijing Beida Jade Bird Software System Company (北京市北大青鳥軟件系統公司), which is beneficially wholly-owned by Peking University; and
 - (iii) 115,000,000 Promoter Shares (representing approximately 9.71% of the Company's total share capital) held by Beijing Beida Jade Bird Limited (北京北大青鳥有限責任公司), which is approximately 46% owned by Peking University.
- (b) The Shares are held by Dynamic Win Assets Limited, which is wholly owned by Heng Huat Investments Limited.
- (c) The Shares are held by New View Venture Limited, which is wholly-owned by New World CyberBase Limited.
- (d) The Shares are held by Tai Fook Securities Company Limited, which is directly wholly owned by Tai Fook Finance Company Limited and indirectly wholly owned by Tai Fook (BVI) Limited.

Save as disclosed above, no person, other than the Directors and supervisors of the Company, whose interests are set out in the previous paragraphs, had registered an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to section 336 of the SFO.

5. SHARE CAPITAL

As at the Latest Practicable Date, the registered, issued and fully paid share capital of the Company was as follows:

	Number of issued shares '000	Nominal value RMB'000	Paid up capital RMB'000
Promoter Shares	700,000	70,000	70,000
H Shares	484,800	48,480	48,480
	<u>1,184,800</u>	<u>118,480</u>	<u>118,480</u>

Note: Promoter Shares and H Shares are both ordinary shares in the share capital of the Company with nominal value of RMB0.10 each.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, the management shareholders and substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the businesses of the Group, or may have any conflicts of interest with the Group pursuant to the GEM Listing Rules.

7. LITIGATION

Save as disclosed in the paragraph headed "Statement of Indebtedness" in Appendix I to this circular, as at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

8. GENERAL

- (a) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.
- (b) The principal place of business of the Company in the PRC is at 3rd Floor, Beida Jade Bird Building, No. 207 Chengfu Road, Haidian District, Beijing 100871, the PRC.
- (c) The place of business of the Company in Hong Kong is at Unit 02, 7th Floor, Asia Pacific Centre, 8 Wyndham Street, Central, Hong Kong.
- (d) The share register and transfer office of the Company is Hong Kong Registrars Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

- (e) The compliance officer of the Company is Mr. Zhang Wan Zhong (“**Mr. Zhang**”). Mr. Zhang graduated from Peking University with a master degree in science. Mr. Zhang held various positions in the administrative arm of Peking University.
- (f) The qualified accountant and secretary of the Company is Mr. Leung Wai Man, who is a fellow member of The Association of Chartered Certified Accountants and an associate member of each of The Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (g) Pursuant to rule 5.28 of the GEM Listing Rules, the Company has set up an audit committee. In compliance with rule 5.29 of the GEM Listing Rules, the authority and responsibility of the audit committee has been properly written out. The primary duties of the audit committee are to review the financial reporting process, internal control and corporate governance issues of the Company and make relevant recommendations to the Board. The audit committee has three members, namely the three independent non-executive Directors, Professor Nan Xiang Hao (“**Prof. Nan**”), Professor Chin Man Chung, Ambrose (“**Prof. Chin**”) and Mr. Cai Chuan Ping (“**Mr. Cai**”). Prof. Nan has been awarded various science awards such as 國家科技進步二等獎 (the Second Prize of State Technological Achievement). He is currently a part-time professor in the graduate school of University of Science & Technology of China. Prof. Chin graduated from the Chinese Language and Literature Department of Peking University with a master degree in Literature. He is currently a professor of the Faculty of History of the Fudan University and a researcher of morality and religion research centre of Tsinghua University. Mr. Cai graduated from Anhui Institute of Finance and Trade. He was division chief, deputy director and director of the Audit Committee of the Finance Department of the Ministry of Communications of the PRC. He is currently the chairman of the Communications Branch of the China Institute of Internal Audit.
- (h) Save as disclosed in this circular, none of the Directors is, directly or indirectly, interested in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2005, the date to which the latest published audited accounts of the Company were made up.
- (i) Save as disclosed in this circular, there is no other contract or arrangement subsisting at the date of this circular in which a Director is materially interested and which is significant in relation to the business of the Group.

9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Company) have been entered into by members of the Group within two years immediately preceding the date of this circular which are or may be material:

1. the Securities Lending Agreement;
2. the conditional share transfer agreement dated 24 March 2005 entered into between the Company and Beijing Beida Jade Bird Limited in relation to the acquisition of 44% of the equity interest in Chengjian Donghua at a consideration of RMB252.59 million and 44% of a loan in the aggregate amount of RMB140 million due by Chengjian Donghua to Beijing Beida Jade Bird Limited at a consideration of RMB61.6 million.

10. PROCEDURES TO DEMAND A POLL

Pursuant to article 75 of the articles of association of the Company, a resolution put to the vote in a general meeting of the Shareholders shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (a) the chairman of the meeting; or
- (b) at least two Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and representing not less than 10% or more of the total voting rights of all Shareholders having the right to vote at the meeting.

11. MATERIAL ACQUISITION/DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANY AND SIGNIFICANT INVESTMENTS

During the year ended 31 December 2005, the Group disposed of its entire interest in a 51% own subsidiary, Beijing Jade Bird Haodi Electric System Company Limited, for a cash consideration of RMB0.5 million and at a gain of RMB2 million.

During the year ended 31 December 2005, the Company acquired a 44% interest in Chengjian Donghua for a cash consideration of RMB252.59 million together with a shareholder's loan of RMB61.6 million.

Save as disclosed above, the Group had no material acquisitions and disposals of subsidiaries and affiliated company and investment during the year ended 31 December 2005.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents (and English translations thereof, if appropriate) will be available for inspection at Unit 02, 7th Floor, Asia Pacific Centre, 8 Wyndham Street, Central, Hong Kong during normal business hours from the date of this circular up to and including the date of the SGM:

- (a) the articles of association of the Company;
- (b) the annual report of the Company for each of the two years ended 31 December 2005;
- (c) the material contracts referred to in paragraph 9 of this Appendix; and
- (d) this circular.

NOTICE OF SPECIAL GENERAL MEETING



北京北大青鳥環宇科技股份有限公司

BEIJING BEIDA JADE BIRD UNIVERSAL SCI-TECH COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8095)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Special General Meeting**”) of the holders of the shareholders of Beijing Beida Jade Bird Universal Sci-Tech Company Limited (the “**Company**”) will be held at Room 301, 3rd Floor, Beida Jade Bird Building, No. 207 Chengfu Road, Haidian District, Beijing, the PRC on Thursday, 15 March 2007 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following as an ordinary resolution:

ORDINARY RESOLUTION

THAT:

- (a) the lending of 323,888,000 fully paid ordinary shares in Semiconductor Manufacturing International Corporation (“**SMIC**”) by Beida Jade Bird Universal Sci-Tech (Cayman) Development Company Limited (“**JBU Development**”), a wholly-owned subsidiary of the Company, to Nexgen Capital Limited (“**NCL**”), pursuant to the Global Master Securities Lending Agreement, as supplemented by the Schedule, and the Securities Lending Transaction Confirmation both entered into between JBU Development and NCL on 15 December 2006 (details of which have been set out in an announcement of the Company dated 15 December 2006 and in a circular to the shareholders of the Company dated 24 January 2007) (the “**Securities Loan**”) be and is hereby approved, ratified and confirmed; and
- (b) the acts of the board of directors of the Company on behalf of the Company for the purpose of or in connection with the implementation and completion of the Securities Loan be and are hereby approved, ratified and confirmed.

By order of the board of directors

Xu Zhen Dong

Chairman

Hong Kong, 24 January 2007

NOTICE OF SPECIAL GENERAL MEETING

Place of business in Hong Kong

Unit 02, 7th Floor
Asia Pacific Centre
8 Wyndham Street
Central, Hong Kong

Notes:

- (A) The register of holders of H Shares will be closed from 12 February 2007 (Monday) to 15 March 2007 (Thursday) (both days inclusive) during which period no transfer of H shares will be registered. Any holder of the H Shares and whose name appearing in the Company's register of holders of H Shares with Hong Kong Registrars Limited at the close of business hours on 9 February 2007 (Friday) and have completed the registration process, will be entitled to attend the Special General Meeting.

The address of Hong Kong Registrars Limited is as follows:

46th Floor, Hopewell Centre, 183 Queens Road East, Hong Kong (Fax no: 852-2865-0990)

- (B) Holders of Promoter Shares or H Shares who intend to attend the Special General Meeting must complete the reply slips for attending the Special General Meeting and return them to Hong Kong Registrars Limited at the address set out above (for holders of H Shares) or to the place of business of the Company in Beijing (for Promoter Shares) not later than 20 days before the date of the Special General Meeting, i.e. no later than 4:00 p.m. on 23 February 2007 (Friday).

The place of business of the Company in Beijing is as follows:

3rd Floor, Beida Jade Bird Building, No. 207 Chengfu Road, Haidian District, Beijing 100871, the PRC (Fax no: 86-10-62758434)

- (C) Each holder of H Shares who has the right to attend and vote at the Special General Meeting is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the Special General Meeting. A proxy of a shareholder who has appointed more than one proxy may only vote on a poll.
- (D) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified.
- (E) To be valid, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H Share registrar, Hong Kong Registrars Limited, the address of which is set out in Note (A) above, not less than 24 hours before the time for holding the Special General Meeting or any adjournment thereof in order for such documents to be valid.
- (F) Each holder of Promoter Shares is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on its behalf at the Special General Meeting. Notes (C) to (D) also apply to holders of Promoter Shares, except that the proxy form or other documents of authority must be delivered to the place of business of the Company in Beijing, the address of which is set out in Note (B) above, not less than 24 hours before the time for holding the Special General Meeting or any adjournment thereof in order for such documents to be valid.
- (G) If a proxy attends the Special General Meeting on behalf of a shareholder, he should produce his identity card and the instrument signed by the proxy or his legal representative, and specifying the date of its issuance. If a legal person shareholder appoints its corporate representative to attend the Special General Meeting, such representative should produce his/her identity card and the notarised copy of the resolution passed by the board of directors or other authorities or other notarised copy of the licence issued by such legal person shareholder.
- (H) The Special General Meeting is expected to last for half a day. Shareholders attending the Special General Meeting are responsible for their own transportation and accommodation expenses.