THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Beijing Beida Jade Bird Universal Sci-Tech Company Limited, you should at once hand this circular, together with the enclosed form of proxy and reply slip to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

青鸟环宇
JADE BIRD UNIVERSAL

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

FORMATION OF INVESTMENT FUND

A notice convening a special general meeting of the Company to be held at Room 312, 3rd Floor Beida Jade Bird Building, No. 207 Chengfu Road, Haidian District, Beijing 100871, the PRC on Tuesday, 10 June 2008 at 2:30 p.m. is set out on pages 81 to 82 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 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 on or before 4:30 p.m. on Wednesday, 21 May 2008 and the form of proxy in accordance with the instructions printed thereon to the office of Hong Kong Registrars Limited not less than 24 hours before the time appointed for the holding of the special general meeting. For holders of the Domestic 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 4:30 p.m. on Wednesday, 21 May 2008 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.

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

This circular will remain on the "Latest Company Announcements" page on the GEM website at www.hkgem.com for at least 7 days from the date of this circular.

25 April 2008

CHARACTERISTICS OF GEM

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 of the Stock Exchange 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. 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 in order to obtain up-to-date information on GEM-listed issuers.

CONTENTS

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

"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"BDJB" or "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
"BDJB Aggregate Commitment"	US$50 million, it is the maximum amount BJBU(D) committed to invest, subject to the presenting of drawdown notice by the Fund Manager, pursuant to the Limited Partnership Agreement
"BDJB ESP Trust"	a trust where the beneficiaries would be the employees including directors of the Fund Manager. Luck Circle is the trustee and the directors of the Fund Manager are, collectively, the administrators of the BDJB ESP Trust
"BJBU(D)"	Beida Jade Bird Universal Sci-Tech (Cayman) Development Company Limited, a company incorporated in the Cayman Islands and is wholly owned by the Company
"BJBU(I)"	Beida Jade Bird Universal (Cayman) Investment Company Limited, a company incorporated in the Cayman Islands and is wholly owned by the Company
"Board"	the board of Directors
"Business Day"	a day on which licensed banks in Hong Kong and the PRC are required to be and are generally open for business (other than any Saturday, Sunday and public holiday)
"Closing Date"	Means the date upon which BJBU(D) and MS Fund are first admitted to the Fund by the GP
"Committed Fund Size"	US$100 million
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules

"Directors"	directors of the Company
"Domestic Shares"	ordinary share(s) issued by the the Company with a nominal value of RMB0.1 each which are subscribed for in Renminbi by PRC nationals and/or PRC incorporated entities
"Fund"	SBI & BDJB China Fund, LP, an exempted limited partnership established in the Cayman Islands
"Fund Manager"	SBI & BDJB Management Limited, an exempted company incorporated under the laws of the Cayman Islands, the sole investment manger to the Fund
"GEM"	The Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"GP"	The general partner that operates the Fund Manager
"Group"	the Company and its subsidiaries
"H Share(s)"	overseas-listed foreign share(s) in the ordinary share capital of the Company, with a nominal value of RMB0.1 each and which are listed on GEM and traded in Hong Kong dollars
"Latest Practicable Date"	23 April 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Limited Partnership Agreement"	the agreement that contemplates the details of the terms and conditions among the Fund Manager, BJBU (D) and MS Fund
"Luck Circle"	Luck Circle International Limited, a company incorporated in the British Virgin Islands with limited liability
"MS Fund"	MS Fund Management Holdings, LLP, a limited partnership established in the Cayman Islands. SBIH holds 99.9% of the interests in the MS Fund and SBI VEN holds the remaining of 0.1% interest
"PRC"	The People's Republic of China
"SBIH"	SBI Holdings, Inc.

"SBI VEN"	SBI Ven Holdings Pte. Ltd., a company incorporated under the laws of the Republic of Singapore with limited liabilities and is a wholly owned subsidiary of SBIH
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
"SGM"	the special general meeting of the Company to be convened for the purpose of approving the Limited Partnership Agreement
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States Dollars, the lawful currency in the United States of America
"%"	per cent

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. Liu Yong Jin
Mr. Hao Yi Long

Independent non-executive Directors:
Professor Nan Xiang Hao
Professor Chin Man Chung, Ambrose
Mr. Cai Chuan Bing

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

25 April 2008

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
FORMATION OF INVESTMENT FUND

INTRODUCTION

Reference is made to the announcement made by the Company dated 22 February 2008, where BJBU(D), MS Fund and the Fund Manager have entered into the Limited Partnership Agreement, pursuant to which BJBU(D) would make an aggregate commitment of US$50 million into the Fund, representing 50% of the Committed Fund Size of US$100 million and MS Fund would make an aggregate commitment of the balance of US$50 million.

The Fund has a committed period of 3 years. The Fund Manager is the sole general partner of the Fund and solely responsible to conduct investments for the Fund. The purpose of the Fund is to seek capital gains to its investors.

The purposes of this circular are:

(i) to provide you with further details of the Limited Partnership Agreement and other information as required under the GEM Listing Rules; and

(ii) to give you the notice of the SGM.

LIMITED PARTNERSHIP AGREEMENT

The principal terms are as follow:

Date:	22 February 2008
Name of the Fund:	SBI & BDJB China Fund, LP, an exempted limited partnership established in the Cayman Islands.
Parties:	(i) The Fund Manager, as GP; (ii) BJBU(D), as investor; (iii) MS Fund, as investor. To the best of the Directors' knowledge and information and belief having made all reasonable enquiries, MS Fund and its ultimate beneficial owners are not connected persons of the Company and are third parties independent of and not connected to the Company and the Directors and any of their respective associates in accordance with the GEM Listing Rules.
Committed Fund Size:	US$100 million, aggregate commitment of US$50 million in cash from BJBU(D) and US$50 million from MS Fund. 10% of the aggregate commitment is required initially and balance is subject to the presenting of written drawdown notices by the Fund Manager with not less than 15 Business Days between the drawdown notice and payment date. The Company is not obligated for any further financial commitment save and except disclosed herein.

Investment Focus:	The Fund is seeking capital gains by making equity and equity related investments in unlisted companies and businesses operating in the PRC and real-estates in the PRC.
Failure to Comply with Drawdown Notice:	The Fund Manager, in its sole discretion, can: i) charge an interest at the prime rate (based on the date of the drawdown notice) +4% per annum compounded annually, however, should the relevant party fail to make the payment within 15 Business Days after the serving of failure notice by the Fund Manager, the relevant party's interests in the Fund would be forfeited until relevant payment has been made fully; ii) cause the defaulting party to forfeit all or a portion of future distributions as remedies; iii) exclude the relevant party from future investments; iv) cause a force sale and redemption of the relevant party's interests in the Fund to the extent of damages caused to the Fund, which may include a distribution of 25% of the relevant party's paid in capital account to the other party of the Fund; v) seek other available legal and equitable remedies from the relevant party. However, should a party participates an investment through the Fund would result in a material violation of status, rules, policies or regulations of any governmental authority applicable to party, or result in a material violation of any written investment prohibition in the constitutional documentation in issue of the party, and being notified by the relevant party to the GP no later than 5 Business Day after the receipt of any drawdown notice, in such circumstances the relevant party may request the GP to exclude it from the relevant investment without any adversaries.
Commitment Period:	3 years from the Closing Date, or the day upon which the Fund Manager notifies the Fund that it deems in its reasonable discretion that the Fund is in practical terms fully invested.

Fees:	The Fund will pay a management fee to the Fund Manager semi annually at 2% per annum of the Committed Fund Size between the Closing Date and the commitment period of 3 years, and thereafter equal to 1.5% per annum of the Committed Fund Size. The Fund will bear all fees, costs and expenses incurred in order to establish the Fund and will bear the payment of or provision for working capital requirements of the Fund Manager or liabilities howsoever arising.
Distribution Mechanism:	After the payment of or provision for fees, costs and expenses, the payment of the management fee to the Fund Manager, and the payment of or provision for working capital requirements of the Fund Manager or liabilities howsoever arising, all income and capital shall be distributed as follows: (a) first, 100% to the investors of the Fund pro rata to their respective committed ratios of the Fund until they have received in aggregate an amount equal to their respective capital contributions; (b) hereafter, 100% to the investors of the Fund pro rata to their respective committed ratios of the Fund until they have received a preferred return by way of cumulative distributions, compounded annually, equal to 7% of their respective capital contributions; (c) hereafter, 100% to the Fund Manager until the Fund Manager has received cumulative distributions 20% of all income and capital distributed to the investors to the Fund; and (d) hereafter, 80% to the Investors of the Fund pro rata to their respective capital contribution and 20% to the Fund Manager.

Save and except the BDJB Aggregate Commitment, pursuant to the Limited Partnership Agreement, the Company has no further commitment to the Fund in any kind. The Limited Partnership Agreement is conditional on, *inter alia*, on the passing of the relevant resolution by the Shareholders in the SGM.

INFORMATION OF THE FUND MANAGER

The Fund Manager was incorporated on 7 February 2008. Currently the sole purpose of the Fund Manager is to, in the capacity as the GP, manage the Fund. 50% of the paid in capital is owned by BJBU(I), 40% of the paid in capital is owned by SBI VEN and the balance of 10% is owned by the BDJB ESP Trust. Save and except for the Company's effective interests in the Fund Manager, the Fund Manager is not a connected person to the Company pursuant to the GEM Listing Rules.

The Fund Manager is operating under a general partnership and is the sole general partner of the Fund. Decision of important events within the GP must be approved by the members of the GP unanimously, not in accordance to the shareholding ratios in the Fund Manager. The GP comprises 3 members and each represents a shareholder of the Fund Manager, namely BJBU(I), SBI VEN and Luck Circle. The 3 members of the GP will establish an investment committee with 4 voting members, where 2 are nominated by BJBU(I) and 2 are nominated by SBI VEN. The investment committee will be responsible for making all investment decisions for the Fund and such decision shall be made by an unanimous vote of all of its members. The GP will seek capital gains by making equity and equity related investments in unlisted companies and businesses operating in the PRC and real-estates in the PRC.

The GP cannot organize another investment fund with investment objectives substantially similar to those of the Fund until at least 75% of the Fund have been invested or committed.

To the best of the Directors' knowledge and information and belief having made all reasonable enquiries, the Fund Manager (save and except for the Company's effective interests therein), SBI VEN, Luck Circle and their ultimate beneficial owners are not connected persons of the Company and are third party independent of and not connected to the Company and the Directors and any of their respective associates in accordance with the GEM Listing Rules.

REASONS FOR THE ENTERING INTO THE LIMITED PARTNERSHIP AGREEMENT

BJBU(D) will finance the BDJB Aggregate Commitment through internal financial resources. The amount of BDJB Aggregate Commitment is arrived at after arms length negotiations with SBIH.

The Group has strong history of technology related business in the PRC and has vast array of business contacts in the technology related sector in the PRC. SBIH and its associates have strong experience in investments into technology related business in Japan, Korea, Hong Kong and in the Asia Pacific region. The Directors believe, by joint venturing with SBIH under the structure contemplated in the Limited Partnership Agreement where the Fund is managed by the Fund Manager, the Group can utilize its existing business coverage in the PRC and to leverage on SBIH's investment experience to generate additional returns to the Shareholders. The Directors (including the independent non executive Directors) believe that the terms of the transaction are fair and reasonable and in the interests of the Shareholders as a whole.

FINANCIAL EFFECTS TO THE COMPANY

Save and except for the performance of Fund and the set up costs, there is no gain or loss associated with the BDJB Aggregate Commitment and there are no changes in the amount of total assets and liabilities of the Group. The Group will account for the Fund and the Fund Manager as investments in jointly controlled entities in its financial statements respectively.

INFORMATION OF SBIH

SBIH is incorporated in Japan and its shares are listed on the First Section of the Tokyo Stock Exchange, Inc. with the stock code 8473. The principal businesses of SBIH include securities brokerage, venture capital investment and investment banking.

INFORMATION OF THE GROUP

The Group is principally engaged in the research, development, manufacture, marketing and sale of embedded systems products, including network security products, wireless fire alarm systems and related products. The Group is also engaged in the sale of computer products and the development of travel and leisure business.

IMPLICATION UNDER THE GEM LISTING RULES

Based on the amount under the BDJB Aggregate Commitment, both the asset test ratio and the consideration test ratio exceed 25% but are below 100% under the GEM Listing Rules. Accordingly, the entering into the Limited Partnership Agreement by BJBU (D) constitutes a major transaction of the Company pursuant to Rule 19.07 of the GEM Listing Rules, and is subject to the Shareholders' approval at the SGM. As at the Latest Practicable Date, the Directors are not aware of any Shareholders who are required to abstain from voting pursuant to the GEM Listing Rules. The transaction is subject to the announcement and shareholders circular requirement pursuant to Rules 19.34 and 19.38 of the GEM Listing Rules.

Save for the formation of the Fund, the Group, MS Fund and SBIH had not involved in any other transaction within a period of 12 months. The transaction is thus not subject to Rule 19.22 of the GEM Listing Rules.

THE SGM

The Company will convene the SGM at at Room 312, 3rd Floor, Beida Jade Bird Building, No. 207 Chengfu Road, Haidian District, Beijing 100871, the PRC on Tuesday, 10 June 2008 at 2:30 p.m. at which an ordinary resolution will be proposed for the purpose of considering and, if thought fit, approving the Limited Partnership Agreement.

A notice convening the SGM is set out on pages 81 to 82 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 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 on or before 4:30 p.m. on Wednesday, 21 May 2008 and the form of proxy in accordance with the instructions printed thereon to Hong Kong Registrars Limited not less than 24 hours before the time appointed for the holding of the SGM. For holders of the Domestic 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 4:30 p.m. on Wednesday, 21 May 2008 and for the form of proxy, not less than 24 hours before the time appointed for the holding of the SGM. 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.

PROCEDURES FOR DEMANDING A POLL AT A GENERAL MEETING

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 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

before or after the show of hands.

RECOMMENDATIONS

The Directors consider that the terms of the Limited Partnership Agreement 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 Limited Partnership Agreement.

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
Beijing Beida Jade Bird Universal Sci-Tech Company Limited
Xu Zhen Dong
Chairman

1. SUMMARY OF FINANCIAL INFORMATION

A summary of the profits and losses, financial record and position of the Group for the three financial years ended 31 December 2007 is set out below:

Profits and losses

	For the years ended 31 December		
	2007	**2006**	**2005**
	RMB'000	*RMB'000*	*RMB'000*
Turnover	156,141	115,689	143,733
Other income	16,327	8,146	7,000
Total cost and operating expenses	(186,692)	(137,123)	(190,196)
Loss from operations	(14,224)	(13,288)	(39,463)
Profit/(loss) before tax	325,071	(38,478)	(57,427)
Income tax expense	(43,587)	(982)	(1,781)
Profit/(loss) for the year	281,484	(39,460)	(59,208)

Financial position

	At 31 December		
	2007	**2006**	**2005**
	RMB'000	*RMB'000*	*RMB'000*
Total assets	1,343,975	1,052,867	1,134,797
Total liabilities	323,384	299,995	314,982
Minority interests	58,126	4,279	4,105
Equity attributable to equity holders of the Company	962,465	748,593	815,710

The auditor of the Company issued qualified opinion in the auditor's reports for each of the three years ended 31 December 2007, 2006 and 2005.

EXTRACTS OF INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

The following is the extacts of independent auditor's report for the year ended 31 December 2007:

Report on the Financial Statements

Basis for qualified opinion

As stated in note 20 to the financial statements, the directors of the Company considered that no goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost should be recognised in the consolidated financial statements for the acquisition of Beijing Chengjian Donghua Real Estate Development Company Limited ("**Chengjian Donghua**") for the year ended 31 December 2005. However, we have not been provided with sufficient evidence to satisfy ourselves that the net fair value of the identifiable assets, liabilities and contingent liabilities of Chengjian Donghua as at the acquisition date is same as the cost of acquisition. There are no other satisfactory audit procedures that we could adopt to determine whether no goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost is fairly stated in the financial statements. Any adjustment to the above might have a consequential effect on the gain on disposal of Chengjian Donghua for the year ended 31 December 2007; results for the years ended 31 December 2007 and 2006; and net assets as at 31 December 2007 and 2006.

Qualified opinion arising from limitation of audit scope

In our opinion, except for any adjustment that might have been determined to be necessary had we been able to obtain sufficient evidence concerning Chengjian Donghua as described above, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Report on the Other Matters

In respect alone of the limitation on our work relating to Chengjian Donghua, we have not obtained all the information and explanations that we have considered necessary for the purpose of our audit.

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2007

The following are the audited consolidated financial statements of the Group for the year ended 31 December 2007 as extracted from the annual report of the Company for the year ended 31 December 2007 ("2007 Annual Report"):

Consolidated Income Statement
For the year ended 31 December 2007

	Note	**2007** *RMB'000*	**2006** *RMB'000*
Turnover	*6*	156,141	115,689
Cost of sales		(130,595)	(93,244)
Gross profit		25,546	22,445
Other income	*7*	16,327	8,146
Distribution costs		(24,081)	(22,892)
Administrative expenses		(19,947)	(18,628)
Other operating expenses		(12,069)	(2,359)
Loss from operations		(14,224)	(13,288)
Finance costs	*9*	(38,884)	(23,307)
Change in fair value of derivative financial instruments	*33*	(7,064)	–
Share of loss of an associate	*20*	(861)	(1,439)
Gain on disposal of an associate		386,125	–
Loss on disposal of a subsidiary	*39(a)*	–	(444)
Loss on deemed disposal of a subsidiary		(21)	–
Profit/(loss) before tax		325,071	(38,478)
Income tax expense	*10*	(43,587)	(982)
Profit/(loss) for the year	*11*	281,484	(39,460)
Attributable to:			
Equity holders of the Company		282,494	(39,634)
Minority interests		(1,010)	174
		281,484	(39,460)
Dividend	*14*	23,696	–
Earnings/(loss) per share			
Basic	*15*	RMB 23.8 cents	RMB (3.3) cents

Consolidated Balance Sheet
At 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
Non-current assets			
Property, plant and equipment	16	23,896	24,623
Prepaid land lease payments	17	5,693	5,780
Goodwill	18	6,125	6,125
Other intangible assets	19	–	–
Investment in an associate	20	–	250,336
Available-for-sale financial assets	21	377,291	394,847
		413,005	681,711
Current assets			
Inventories	22	13,112	12,670
Trade receivables	23	20,549	15,202
Loan receivable	24	130,120	–
Due from a shareholder	25	47	94
Due from an associate	26	–	61,600
Due from related parties	27	388	390
Prepayments, deposits and other receivables	28	23,159	50,581
Non-pledged time deposits with original maturity of more than three months when acquired	29	89,488	139,475
Cash and cash equivalents	29	654,107	91,144
		930,970	371,156
Total assets		1,343,975	1,052,867
Current liabilities			
Trade payables	30	20,408	11,822
Advances from customers		6,269	7,815
Accruals and other payables		46,471	27,369
Due to a shareholder	25	1,050	612
Due to related parties	27	2,029	2,305
Bank loans	31	10,000	–
Other loan	32	–	220,996
Current tax liabilities		52,663	9,076
		138,890	279,995
Net current assets		792,080	91,161
Total assets less current liabilities		1,205,085	772,872

	Note	2007 RMB'000	2006 RMB'000
Non-current liabilities			
Bank loans	31	–	20,000
Other loan	32	177,711	–
Derivative financial instruments	33	6,783	–
		184,494	20,000
NET ASSETS		1,020,591	752,872
Capital and reserves			
Share capital	35	118,480	118,480
Reserves		843,985	630,113
Equity attributable to equity holders of the Company		962,465	748,593
Minority interests		58,126	4,279
TOTAL EQUITY		1,020,591	752,872

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company									
	Share capital *RMB'000*	Capital reserve *RMB'000* *Note 37(c)(i)*	Reserve funds *RMB'000* *Note 37(c)(ii)*	Foreign currency translation reserve *RMB'000*	Investment revaluation reserve *RMB'000*	Retained profits *RMB'000*	Proposed final dividend *RMB'000*	Total *RMB'000*	Minority interests *RMB'000*	Total equity *RMB'000*
At 1 January 2006	118,480	377,720	53,787	(11,556)	68,711	208,568	–	815,710	4,105	819,815
Changes in fair value of available-for-sale financial assets	–	–	–	–	(15,423)	–	–	(15,423)	–	(15,423)
Translation differences	–	–	–	(12,060)	–	–	–	(12,060)	–	(12,060)
Net expense recognised directly in equity	–	–	–	(12,060)	(15,423)	–	–	(27,483)	–	(27,483)
(Loss)/profit for the year	–	–	–	–	–	(39,634)	–	(39,634)	174	(39,460)
Total recognised income and expense for the year	–	–	–	(12,060)	(15,423)	(39,634)	–	(67,117)	174	(66,943)
At 31 December 2006	118,480	377,720	53,787	(23,616)	53,288	168,934	–	748,593	4,279	752,872
At 1 January 2007	118,480	377,720	53,787	(23,616)	53,288	168,934	–	748,593	4,279	752,872
Changes in fair value of available-for-sale financial assets	–	–	–	–	(49,082)	–	–	(49,082)	13,075	(36,007)
Impairment on available-for-sale financial assets	–	–	–	–	522	–	–	522	–	522
Translation differences	–	–	–	(20,551)	–	–	–	(20,551)	–	(20,551)
Net (expense)/income recognised directly in equity	–	–	–	(20,551)	(48,560)	–	–	(69,111)	13,075	(56,036)
Profit/(loss) for the year	–	–	–	–	–	282,494	–	282,494	(1,010)	281,484
Total recognised income and expense for the year	–	–	–	(20,551)	(48,560)	282,494	–	213,383	12,065	225,448
Transfer	–	–	24,187	–	–	(24,187)	–	–	–	–
Loss on deemed disposal of a subsidiary	–	–	–	–	–	–	–	–	21	21
Capital contribution from minority interests	–	489	–	–	–	–	–	489	41,761	42,250
2007 proposed final dividend *(note 14)*	–	–	–	–	–	(23,696)	23,696	–	–	–
At 31 December 2007	118,480	378,209	77,974	(44,167)	4,728	403,545	23,696	962,465	58,126	1,020,591

Consolidated Cash Flow Statement
For the year ended 31 December 2007

	Note	2007 RMB'000	2006 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		325,071	(38,478)
Adjustments for:			
Allowance for doubtful other receivables		660	117
Allowance for doubtful trade receivables		1,087	4,058
Allowance for obsolete and slow-moving inventories		1,601	1,999
Bank interest income		(12,819)	(5,648)
Change in fair value of derivative financial instruments		7,064	–
Depreciation and amortisation expenses		2,732	2,759
Gain on disposal of an associate		(386,125)	–
Gain on disposal of held-for-trading investments		(255)	(6)
Impairment on available-for-sale financial assets		5,759	–
Interest expenses		20,929	23,307
Interest income from loan receivable		(93)	–
Interest income from loans to others		(285)	(982)
Loss on deemed disposal of a subsidiary		21	–
Loss on disposal of a subsidiary	39(a)	–	444
Loss on disposal of property, plant and equipment		35	12
Net foreign exchange losses/(gains)		17,955	(233)
Operating lease charges		87	86
Reversal of allowance for doubtful other receivables		(161)	(4,295)
Reversal of allowance for doubtful trade receivables		(1,693)	(3,962)
Reversal of allowance for obsolete and slow-moving inventories		–	(928)
Share of loss of an associate		861	1,439
Write-back of trade payables		(1,161)	–
Write-off of obsolete and slow-moving inventories		380	911
Operating loss before working capital changes		(18,350)	(19,400)
(Increase)/decrease in inventories		(2,423)	4,380
(Increase)/decrease in trade receivables		(4,979)	3,087
Decrease in prepayments, deposits and other receivables		4,520	52,923
Increase/(decrease) in trade payables		10,083	(195)
(Decrease)/increase in advances from customers		(1,364)	2,307
Increase in accruals and other payables		6,256	157
Net cash (used in)/generated from operating activities		(6,257)	43,259

	Note	2007 RMB'000	2006 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in non-pledged time deposits with original maturity of more than three months when acquired		45,962	9,546
Proceeds from disposal of property, plant and equipment		21	3
Purchases of property, plant and equipment		(2,062)	(500)
Deposits paid for purchases of property, plant and equipment		(10,526)	–
Purchases of available-for-sale financial assets		(37,696)	(6,033)
Purchases of held-for-trading investments		(20,000)	(2,000)
Loans to other		(129,259)	–
Disposal of a subsidiary	*39(a)*	–	(71)
Proceeds from disposal of held-for-trading investments		20,255	2,006
Interest received		14,292	5,116
Decrease in amount due from an associate		61,600	–
Deposits paid for purchase of available-for-sale financial assets		(40,000)	–
Refund of deposits paid for purchase of available-for-sale financial assets		40,000	–
Disposal of an associate		635,600	–
Net cash generated from investing activities		578,187	8,067
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		(10,000)	(226,940)
Loans to others included in other receivables		–	(48,200)
Repayment from loans to others included in other receivables		28,000	40,700
Other loan raised		–	220,996
Repayment of other loan		(33,512)	–
Decrease in amount due from a shareholder		47	398
Increase in amounts due from related parties		–	(31)
Increase/(decrease) in amount due to a shareholder		438	(494)
Decrease in amounts due to related parties		(276)	(4,755)
Interest paid		(15,504)	(22,499)
Capital contribution from minority interests		42,250	–
Net cash generated from/(used in) financing activities		11,443	(40,825)
NET INCREASE IN CASH AND CASH EQUIVALENTS		583,373	10,501
Effect of foreign exchange rate changes		(20,410)	(3,251)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		91,144	83,894
CASH AND CASH EQUIVALENTS AT END OF YEAR		654,107	91,144

Notes to Financial Statements

For the year ended 31 December 2007

1. GENERAL INFORMATION

The Company was incorporated in the People's Republic of China (the "PRC") as a sino-foreign joint stock limited liability company. The Company's H shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Rooms 1117/1119, Zhongcheng Building, Haidian Road, Beijing 100080, the PRC. The addresses of its principal place of business in the PRC and Hong Kong are 3rd Floor, Beida Jade Bird Building, No. 207 Chengfu Road, Haidian District, Beijing 100871, the PRC and Unit 02, 7th Floor, Asia Pacific Centre, 8 Wyndham Street, Central, Hong Kong respectively.

The Company is engaged in the marketing and sale of embedded systems products, including network security products ("NET") and related products. The principal activities of its subsidiaries are set out in note 44 to the financial statements.

In the opinion of the directors of the Company, Peking University, a university in Beijing, the PRC, is the ultimate controlling shareholder of the Company.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2007. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments and derivatives which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

(b) Business combination and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

The Group's share of an associate's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the associate which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Buildings	20 years
Machinery and equipment	3 to 10 years
Leasehold improvements, furniture and office equipment	2 to 5 years
Motor vehicles	5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Construction in progress represents buildings under construction, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(f) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(g) Other intangible assets

Other intangible assets represent information technology rights and are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on the straight-line basis over their estimated useful lives of five years.

(h) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

(k) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in the income statement.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised directly in equity, until the investments are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the income statement.

Impairment losses recognised in the income statement for equity investments classified as available-for-sale financial assets are not subsequently reversed through the income statement. Impairment losses recognised in the income statement for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in the income statement if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

(l) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(m) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(n) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(o) Derivative financial instruments

Derivatives are initially recognised at fair value on the contract date and are subsequently measured at fair value.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of embedded systems and related products are recognised, when the installation work is completed, the customer has accepted the systems and the products and the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the embedded systems and related products sold.

Revenues from the sales of computer products ("Computer") are recognised, when the products are shipped, the title of which has passed and the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the computer products sold.

Interest income is recognised on a time-proportion basis using the effective interest method.

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(r) Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

(s) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(t) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, goodwill, other intangible assets, inventories and trade receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on terms mutually agreed between the segments.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

(v) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(w) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(x) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Goodwill recognition on the investment in an associate

As disclosed in note 20 to financial statements, management considered that neither goodwill nor excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost should be recognised in the consolidated financial statements related to the acquisition of an associate in 2005.

In making its judgement, management considered that due to (i) scale down the current development plan on the property interest held by the associate; (ii) the delay on the development plan on the property interest of the associate; and (iii) Shenzhen Development Bank intended to take the legal action to sue the associate, neither goodwill nor excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost should be recognised. As a result, the directors of the Company regarded the fair value of an associate at the date of acquisition was same as the cost of acquisition.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the balance sheet date was RMB6,125,000 (2006: RMB6,125,000) after an impairment loss of RMB Nil (2006: RMB Nil) was recognised during 2007. Details of the impairment loss calculation are provided in note 18 to financial statements.

(c) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(d) Impairment of available-for-sale financial assets

The Group reviews the recoverability of the Group's available-for-sale financial assets with reference to current market environment whenever events or changes in circumstances indicate that the carrying amounts of the assets exceeds their corresponding recoverable amounts. Appropriate impairment for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

(e) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

(f) Fair value of available-for-sale financial assets and derivative financial instruments

As disclosed in note 21 to financial statements, the fair values of certain available-for-sale financial assets at the balance sheet date were determined using valuation techniques which include the use of recent arm's length transactions and reference to other instruments that are substantially the same. Application of valuation techniques requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, the relevancy of the recent arm's length transactions and other instruments that are substantially the same.

As disclosed in note 33 to financial statements, the fair values of derivative financial instruments at the date of issue and the balance sheet date were determined using option pricing models. Application of option pricing models requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, the expected life of the options and the expected volatility of the share values of the underlying available-for-sale financial assets.

Where the estimation on the above factors is different from those previously estimated, such differences will impact the fair value gain or loss of the available-for-sale financial assets and derivative financial instruments in the period in which such determination is made.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars, United State dollars and RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and debts. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2007, if RMB had weakened 5 per cent against United States dollar ("USD") with all other variables held constant, consolidated profit after tax for the year would have been RMB7,168,000 higher (2006: loss of RMB251,000 lower), arising mainly as a result of the foreign exchange gain on non-pledged time deposits and cash and cash equivalents. If RMB had strengthened 5 per cent against USD with all other variables held constant, consolidated profit after tax for the year would have been RMB7,168,000 lower (2006: loss of RMB251,000 higher), arising mainly as a result of the foreign exchange loss on non-pledged time deposits and cash and cash equivalents.

(b) Price risk

The Group's available-for-sale financial assets are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 31 December 2007, if the share price of the equity securities listed in Hong Kong had increased by 10% with all other variables held constant, the consolidated investment revaluation reserve would have been RMB29,421,000 (2006: RMB38,881,000) higher. If the share price of the equity securities listed in Hong Kong had decreased by 10% with all other variables held constant, the consolidated investment revaluation reserve would have been RMB29,421,000 (2006: RMB38,881,000) lower.

At 31 December 2007, if the fair value of the equity securities listed outside Hong Kong had increased by 10% with all other variables held constant, the consolidated investment revaluation reserve would have been RMB8,298,000 (2006: RMB Nil) higher. If the fair value of the equity securities listed outside Hong Kong had decreased by 10% with all other variables held constant, the consolidated investment revaluation reserve would have been RMB8,298,000 (2006: RMB Nil) lower.

(c) Credit risk

The carrying amount of the non-pledged time deposits and the cash and cash equivalents, trade and other receivables, investments, and loan receivable included in the balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amounts due from related parties are closely monitored by the directors.

The credit risk on the non-pledged time deposits and the cash and cash equivalents is limited because the counterparties are financial institutions with high credit-ratings.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2007				
Bank loans	10,000	–	–	–
Other loan	–	–	206,427	–
Trade payables	20,408	–	–	–
Accruals and other payables	46,471	–	–	–
At 31 December 2006				
Bank loans	–	20,000	–	–
Other loan	220,996	–	–	–
Trade payables	11,822	–	–	–
Accruals and other payables	27,369	–	–	–

(e) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits, bank loans and other loan. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2007, if interest rates at that date had been 100 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been RMB1,844,000 higher (2006: loss of RMB2,344,000 lower), arising mainly as a result of lower interest expense on bank and other loans. If interest rates had been 100 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been RMB1,844,000 lower (2006: loss of RMB2,344,000 higher), arising mainly as a result of higher interest expense on bank and other loans.

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

6. TURNOVER

The Group's turnover which represents the net invoiced value of goods sold to customers, after allowances for returns and trade discounts are as follows:

	2007	**2006**
	RMB'000	*RMB'000*
Sales of embedded systems and related products	79,176	56,699
Sales of Computer	76,965	58,990
	156,141	115,689

7. OTHER INCOME

	2007	2006
	RMB'000	*RMB'000*
Bank interest income	12,819	5,648
Interest income from loan receivable	93	–
Interest income from loans to others	285	982
Net foreign exchange gains	–	233
Others	3,130	1,283
	16,327	8,146

8. SEGMENT INFORMATION

(a) Primary reporting format – business segments

The Group is organised into five main business segments:

- the manufacture and sale of NET;
- the manufacture and sale of wireless fire alarm systems ("WFAS");
- the trading of Computer;
- the properties development; and
- the tourism development.

(b) Secondary reporting format – geographical segments

The Group's principal markets are located in two main geographical areas:

- Mainland China
- Hong Kong

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Primary reporting format – business segments

	NET	WFAS	Computer	Properties development	Tourism development	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2007						
Revenue	15,279	63,897	76,965	–	–	156,141
Results						
Segment results	(1,377)	108	3,733	–	(1,054)	1,410
Interest income						13,197
Finance costs						(38,884)
Change in fair value of derivative financial instruments						(7,064)
Share of loss of an associate				(861)		(861)
Gain on disposal of an associate						386,125
Loss on deemed disposal of a subsidiary						(21)
Unallocated corporate expenses						(28,831)
Profit before tax						325,071
Income tax expense						(43,587)
Profit for the year						281,484
At 31 December 2007						
ASSETS						
Segment assets	16,563	50,257	13,946	–	93,685	174,451
Less: Intersegment assets	(741)					(741)
Unallocated corporate assets						1,170,265
Total assets						1,343,975
LIABILITIES						
Segment liabilities	13,137	17,985	13,413	–	12,598	57,133
Less: Intersegment liabilities	(741)					(741)
Unallocated corporate liabilities						266,992
Total liabilities						323,384
OTHER SEGMENT INFORMATION						
Capital expenditure	1,695	339	–	–	28	2,062
Depreciation and amortisation expenses	1,315	1,396	21	–	–	2,732
Allowance for doubtful other receivables	–	660	–	–	–	660
Allowance for doubtful trade receivables	207	880	–	–	–	1,087
Allowance for obsolete and slow-moving inventories	–	1,601	–	–	–	1,601
Operating lease charges	87	–	–	–	–	87
Reversal of allowance for doubtful other receivables	(161)	–	–	–	–	(161)
Reversal of allowance for doubtful trade receivables	–	(247)	(1,446)	–	–	(1,693)
Written off of obsolete and slow-moving inventories	380	–	–	–	–	380
Write-back of trade payables	–	–	(1,161)	–	–	(1,161)

	NET	WFAS	Computer	Properties development	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2006					
Revenue	12,563	44,136	58,990	–	115,689
Results					
Segment results	(3,349)	4,248	37	–	936
Interest income					6,630
Finance costs					(23,307)
Share of loss of an associate				(1,439)	(1,439)
Loss on disposal of a subsidiary					(444)
Unallocated corporate expenses					(20,854)
Loss before tax					(38,478)
Income tax expense					(982)
Loss for the year					(39,460)
At 31 December 2006					
ASSETS					
Segment assets	59,125	38,804	13,542	61,600	173,071
Investment in an associate				250,336	250,336
Less: Intersegment assets					(53,330)
Unallocated corporate assets					682,790
Total assets					1,052,867
LIABILITIES					
Segment liabilities	8,634	60,122	7,525	–	76,281
Less: Intersegment liabilities					(53,330)
Unallocated corporate liabilities					277,044
Total liabilities					299,995
OTHER SEGMENT INFORMATION					
Capital expenditure	83	410	7	–	500
Depreciation and amortisation expenses	1,299	1,397	63	–	2,759
Allowance for doubtful other receivables	9	108	–	–	117
Allowance for doubtful trade receivables	56	–	4,002	–	4,058
Allowance for obsolete and slow-moving inventories	–	–	1,999	–	1,999
Operating lease charges	86	–	–	–	86
Reversal of allowance for doubtful other receivables	(68)	–	(4,227)	–	(4,295)
Reversal of allowance for doubtful trade receivables	(71)	(997)	(2,894)	–	(3,962)
Reversal of allowance for obsolete and slow-moving inventories	(928)	–	–	–	(928)
Write-off of obsolete and slow-moving inventories	911	–	–	–	911

Secondary reporting format - geographical segments

	Revenue		Segment assets		Capital expenditure	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mainland China	98,713	73,034	504,265	591,913	2,062	493
Hong Kong	53,121	37,961	839,710	455,021	–	7
Others	4,307	4,694	–	5,933	–	–
	156,141	115,689	1,343,975	1,052,867	2,062	500

9. FINANCE COSTS

	2007	**2006**
	RMB'000	*RMB'000*
Interest on bank loans	791	22,478
Interest on other loan	20,138	829
Net exchange losses	17,955	–
	38,884	23,307

10. INCOME TAX EXPENSE

	2007	**2006**
	RMB'000	*RMB'000*
Current tax – Mainland China	43,587	982

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2007 and 2006 as the Group did not generate any assessable profits arising in Hong Kong during the years.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the country in which the Group operates, based on existing legislation, interpretations, and practices in respect thereof.

The Company is registered in the Beijing New Technology Enterprise Development Zone and has been certified by the relevant PRC authorities as a high technology enterprise. Pursuant to the Income Tax Law in the PRC, the Company is subject to enterprise income tax at a rate of 15%. In accordance with an approval document issued by the relevant tax bureau, the Company has been granted income tax exemption for the three years ended 31 December 2002 and 50% reduction in enterprise income tax for the three years ended 31 December 2005.

No provision for enterprise income tax was made for the year ended 31 December 2006 as the Company incurred tax loss for that year.

The subsidiaries of the Group established in the PRC are generally subjected to income tax on their taxable income at a combined national and local tax rate of 33%. Certain subsidiaries enjoy tax preferential rights and subject to a tax rate of 15% during the year.

The reconciliation between the income tax expense and the product of profit/(loss) before tax multiplied by the PRC enterprise income tax rate is as follows:

	2007	2006
	RMB'000	*RMB'000*
Profit/(loss) before tax	325,071	(38,478)
Tax at the domestic income tax rate of 33% (2006: 33%)	107,273	(12,698)
Tax effect of share of loss of an associate that is not deductible	284	475
Tax effect of income that is not taxable	(561)	(338)
Tax effect of expenses that are not deductible	8,983	1,068
Tax effect of utilisation of tax losses not previously recognised	(31,262)	–
Tax effect of tax losses not recognised	9,921	12,475
Under-provision in current year	(307)	–
Tax effect of tax concession	(50,744)	–
Income tax expense	43,587	982

The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The new tax law has been effective from 1 January 2008. The impact of the new tax law on the Group's consolidated financial statements is not material.

11. PROFIT/(LOSS) FOR THE YEAR

The Group's profit/(loss) for the year is stated after charging/(crediting) the following:

	2007	2006
	RMB'000	*RMB'000*
Advertising and promotion costs	11,162	11,332
Allowance for doubtful other receivables	660	117
Allowance for doubtful trade receivables	1,087	4,058
Allowance for obsolete and slow-moving inventories (included in other operating expenses)	1,601	1,999
Amortisation of other intangible assets	–	40
Auditors' remuneration	1,180	1,000
Cost of inventories sold	129,826	90,508
Depreciation	2,732	2,719
Gain on disposal of held-for-trading investments	(255)	(6)
Impairment on available-for-sale financial assets	5,759	–
Loss on disposal of property, plant and equipment	35	12
Net foreign exchange losses/(gains)	17,955	(233)
Operating leases charges in respect of land and buildings	1,918	1,888
Research and development expenditure	4,350	4,418
Reversal of allowance for doubtful other receivables	(161)	(4,295)
Reversal of allowance for doubtful trade receivables	(1,693)	(3,962)
Reversal of allowance for obsolete and slow-moving inventories (included in other operating expenses)	–	(928)
Staff costs (excluding directors' and supervisors' emoluments)		
Retirements benefits scheme contributions	1,219	1,086
Social security costs	1,154	1,025
Wages, salaries and bonuses	15,028	15,292
Write-off of obsolete and slow-moving inventories (included in other operating expenses)	380	911

Cost of inventories sold includes staff costs and depreciation of approximately RMB2,650,000 (2006: RMB2,406,000) which are included in the amounts disclosed separately above.

12. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and supervisors' emoluments

The emoluments of each director and supervisor were as follows:

	Fees	Salaries and allowances	Dis-cretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Mr. Xu Zhen Dong	250	96	500	–	846
Mr. Xu Zhi Xiang	200	96	500	–	796
Mr. Zhang Wan Zhong	160	96	500	–	756
Mr. Lo Lin Shing, Simon *(Note (a))*	13	–	–	–	13
Mr. Liu Yong Jin	50	–	–	–	50
Mr. Hao Yi Long	50	–	–	–	50
Mr. Li Li Xin *(Note (b))*	50	–	–	–	50
Prof. Nan Xiang Hao	50	–	–	–	50
Prof. Chin Man Chung, Ambrose	50	–	–	–	50
Mr. Cai Chuan Bing	50	–	–	–	50
	923	288	1,500	–	2,711
Name of supervisor					
Mr. Zhang Yong Li	30	–	–	–	30
Mr. Du Hong	30	–	–	–	30
Ms. Lu Qing	30	–	–	–	30
Mr. Li De Yong	30	–	–	–	30
Ms. Dong Xiao Qing	30	–	–	–	30
	150	–	–	–	150
Total for 2007	1,073	288	1,500	–	2,861

	Fees	Salaries and allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of director					
Mr. Xu Zhen Dong	–	346	–	–	346
Mr. Xu Zhi Xiang	–	296	–	–	296
Mr. Zhang Wan Zhong	–	256	–	–	256
Mr. Lo Lin Shing, Simon	50	–	–	–	50
Mr. Liu Yong Jin	50	–	–	–	50
Mr. Hao Yi Long	50	–	–	–	50
Mr. Li Li Xin	50	–	–	–	50
Mr. Wang Chao Yong *(Note (c))*	50	–	–	–	50
Prof. Nan Xiang Hao	50	–	–	–	50
Prof. Chin Man Chung, Ambrose	50	–	–	–	50
Mr. Cai Chuan Bing	50	–	–	–	50
	400	898	–	–	1,298
Name of supervisor					
Mr. Zhang Yong Li	30	–	–	–	30
Mr. Du Hong	30	–	–	–	30
Ms. Lu Qing	30	–	–	–	30
Mr. Li De Yong	30	–	–	–	30
Ms. Dong Xiao Qing	30	–	–	–	30
	150	–	–	–	150
Total for 2006	550	898	–	–	1,448

Notes: (a) Resigned on 4 April 2007
(b) Resigned on 6 March 2008
(c) Resigned on 30 June 2006

Pursuant to the service contracts entered into between the Company and its executive directors, the Company's executive directors are entitled to an aggregate amount of bonuses of not more than 5% of the consolidated profit after tax but before the provision of such bonuses.

There was no arrangement under which a director or a supervisor waived or agreed to waive any emoluments during the years ended 31 December 2007 and 2006.

(b) Five highest paid employees

The five highest paid employees in the Group during the year included three (2006: three) directors, whose emoluments are also reflected in the analysis presented above. Details of the emoluments of the five highest paid individuals are as follows:

	2007	2006
	RMB'000	*RMB'000*
Basic salaries and allowances	1,902	1,810
Discretionary bonus	1,554	–
Retirement benefit scheme contributions	55	10
	3,511	1,820

The emoluments of each of the highest paid individuals for the year ended 31 December 2007 fell within the band of nil to RMB975,200 (equivalent to Hong Kong dollars ("HK$") 1,000,000) (2006: RMB1,026,100 (equivalent to HK$1,000,000)).

During the year, no emoluments were paid by the Group to any of the directors or supervisors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2006: RMB Nil).

13. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK$1,000 per employee and vest fully with employees when contributed into the MPF Scheme.

The Group's PRC employees are members of a central pension scheme operated by the local municipal government. The Group is required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the central pension scheme is to meet the required contributions under the scheme.

14. DIVIDEND

	2007	**2006**
	RMB'000	*RMB'000*
Proposed final of RMB2 cents (2006: RMB Nil) per ordinary share	23,696	–

15. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings (2006: loss) per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of approximately RMB282,494,000 (2006: loss for the year attributable to equity holders of the Company of approximately RMB39,634,000) and the weighted average number of ordinary shares of 1,184,800,000 (2006: 1,184,800,000) in issue during the year.

Diluted earnings/(loss) per share

No diluted earnings/(loss) per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 31 December 2007.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Leasehold improve-ments, furniture and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2006	17,803	24,737	4,130	3,908	3,029	53,607
Additions	171	166	66	97	–	500
Transfer	3,029	–	–	–	(3,029)	–
Disposals	–	(1,686)	(239)	(260)	–	(2,185)
Exchange differences	–	–	–	(11)	–	(11)
At 31 December 2006 and 1 January 2007	21,003	23,217	3,957	3,734	–	51,911
Additions	26	256	20	1,760	–	2,062
Disposals	–	(643)	(104)	(162)	–	(909)
Exchange differences	–	–	–	(21)	–	(21)
At 31 December 2007	21,029	22,830	3,873	5,311	–	53,043
Accumulated depreciation						
At 1 January 2006	452	21,012	3,652	1,632	–	26,748
Charge for the year	1,257	716	112	634	–	2,719
Disposals	–	(821)	(1,349)	–	–	(2,170)
Exchange differences	–	–	–	(9)	–	(9)
At 31 December 2006 and 1 January 2007	1,709	20,907	2,415	2,257	–	27,288
Charge for the year	1,258	628	107	739	–	2,732
Disposals	–	(597)	(102)	(154)	–	(853)
Exchange differences	–	–	–	(20)	–	(20)
At 31 December 2007	2,967	20,938	2,420	2,822	–	29,147
Carrying amount						
At 31 December 2007	18,062	1,892	1,453	2,489	–	23,896
At 31 December 2006	19,294	2,310	1,542	1,477	–	24,623

At 31 December 2007, the carrying amount of property, plant and equipment pledged as security for the Group's bank loans amounted to RMB12,887,000 (2006: RMB14,162,000) (note 31).

17. PREPAID LAND LEASE PAYMENTS

The Group's prepaid land lease payments represent payments for land use rights outside Hong Kong under long term leases.

18. GOODWILL

	RMB'000
Cost	
At 1 January 2006, 31 December 2006, 1 January 2007 and 31 December 2007	7,867
Accumulated impairment losses	
At 1 January 2006, 31 December 2006, 1 January 2007 and 31 December 2007	1,742
Carrying amount	
At 31 December 2007	6,125
At 31 December 2006	6,125

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated to manufacture and sale of WFAS segment.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next three years with the residual period using the growth rate of 6% (2006: 6%). This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's WFAS segment is 15.5% (2006: 18.45%). The recoverable amount of the goodwill arising on acquisition at the subsidiary has been determined to be higher than its carrying amount and accordingly no impairment loss for goodwill was recognised during the year.

19. OTHER INTANGIBLE ASSETS

	Information technology rights *RMB'000*
Cost	
At 1 January 2006, 31 December 2006, 1 January 2007 and 31 December 2007	1,200
Accumulated amortisation	
At 1 January 2006	1,160
Amortisation for the year	40
At 31 December 2006, 1 January 2007 and 31 December 2007	1,200
Carrying amount	
At 31 December 2007	–
At 31 December 2006	–

20. INVESTMENT IN AN ASSOCIATE

	2007 *RMB'000*	2006 *RMB'000*
Unlisted investments:		
Share of net assets	–	250,336

Details of the Group's associate at 31 December 2006 are as follows:

Name	Place of registration	Paid up capital	Percentage of equity interests	Principal activities
Beijing Chengjian Donghua Real Estate Development Company Limited ("Chengjian Donghua")	The PRC	Registered capital of RMB50,000,000	44%	Properties development

The associate had been disposed of during the year ended 31 December 2007.

Summarised financial information in respect of the Group's associate is set out below:

	2007 *RMB'000*	2006 *RMB'000*
At 31 December		
Total assets *(note (a))*	–	2,639,042
Total liabilities *(note (b))*	–	(2,648,354)
Net liabilities	–	(9,312)
Year ended 31 December		
Total revenue	–	–
Total loss up to the date of disposal/for the year	(1,958)	(3,271)
Group's share of associate's loss up to the date of disposal/for the year	(861)	(1,439)

In 2005, the Company entered into a share transfer agreement (the "Agreement") with Beijing Beida Jade Bird Limited ("Beida Jade Bird"), one of the shareholders of the Company to acquire 44% equity interest in Chengjian Donghua of RMB314.19 million which comprised the acquisition cost of the equity interest amounted to RMB252.59 million and the book value of the shareholder loan of RMB61.6 million. According to the property valuation report issued by Chesterton Petty Limited on 30 June 2005 included in the circular of the Company issued on 30 June 2005 in relation to the "Major and connected transaction relating to the proposed acquisition of 44% equity interest in Chengjian Donghua" (the "Circular"), the market value of the property interest held by Chengjian Donghua ("Property") as at 30 April 2005 was RMB3,290,000,000 (details please refer to Appendix IV of the Circular). In addition, according to the accountants' report of Chengjian Donghua issued by Grant Thornton on 30 June 2005 included in the Circular, the net asset value of Chengjian Donghua as at 31 December 2004 was approximately RMB10,203,000. In preparing the consolidated financial statements of the Company for the year ended 31 December 2006 and 2007, the directors of the Company considered that there was neither goodwill nor excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost should be recognised as the fair value of Chengjian Donghua was same as the acquisition cost of Chengjian Donghua after consideration of the effect on (i) scale down on the current development plan on the Property of Chengjian Donghua; (ii) the delay on the development plan on the Property of Chengjian Donghua; and (iii) Shenzhen Development Bank intended to take the legal action to sue Chengjian Donghua.

Note:

(a) Consisting mainly of the following:

	2007 *RMB'000*	2006 *RMB'000*
Property development costs	–	2,154,696
Other receivables	–	483,643

(b) Consisting mainly of the following:

	2007 *RMB'000*	2006 *RMB'000*
Amount due to Beida Jade Bird	–	2,141,694
Amount due to the Company	–	61,600
Amount due to Beijing Donghua Company, a fellow subsidiary of the Company	–	42,448
Payable to contractors	–	398,408

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2007	2006
	RMB'000	*RMB'000*
Equity securities, at fair value		
Listed in Hong Kong	294,211	388,814
Listed outside Hong Kong	82,980	–
Equity securities, at cost		
Unlisted outside Hong Kong	100	2,078
Debt instruments, at fair value		
Unlisted outside Hong Kong	–	3,271
Convertible option of debt instruments, at fair value		
Unlisted outside Hong Kong	–	684
	377,291	394,847

The fair values of equity securities listed in Hong Kong are based on current bid prices. As the market for the equity securities listed outside Hong Kong is not active, the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions and reference to other instruments that are substantially the same. Unlisted equity securities with carrying amount of RMB100,000 (2006: RMB2,078,000) were carried at cost as they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

At 31 December 2007 the carrying amount of the Group's holdings in the following company exceeded 10% of the total assets of the Group:

Name	Place of incorporation	Issued and paid up capital	Shares held by the Group	Percentage of ownership interest	Principal activities
Semiconductor Manufacturing International Corporation ("SMIC")	Cayman Islands	18,558,919,712 ordinary shares of USD0.0004 each	383,163,400 ordinary shares of USD0.0004 each	2.06%	Fabricate semiconductors for customers based on their own or third parties' integrated circuit designs

During the year ended 31 December 2006, 323,888,000 ordinary shares of USD0.0004 each of SMIC ("Loaned Securities") with carrying amount approximately HK$327,127,000 (approximately RMB328,664,000) owned by the Group are lent to a financial institution. The Loaned Securities are transferred to the financial institution in exchange of the cash collateral amounted to approximately USD28,296,000 (approximately RMB220,996,000) ("Cash Collateral") paid by the financial institution and recorded as the other loan of the Group (note 32). The financial institution should redeliver the Loaned Securities to the Group and the Group should redeliver the Cash Collateral to the financial institution within one year.

During the year ended 31 December 2007, the Group entered into a supplemental agreement with the financial institution, pursuant to which the Group and the financial institution thereto agreed to the extension of the duration of the Cash Collateral for three more years following its expiration, and adjustment to rate of interest on the Cash Collateral and the maximum amount of Cash Collateral to be deposited by the financial institution with the Group.

During the year ended 31 December 2007, the Group repaid RMB33,512,000 to the financial institution resulted from decrease in the market value of the Loaned Securities in accordance with the provision of mark-to-market value of the Cash Collateral fixed in the agreement.

Furthermore, the Group and the financial institution entered into a share options agreement, pursuant to which the Group agreed to grant to the financial institution the share options on 50% of the Loan Securities, on the basis of one Loan Security per share option and expiring on the date falling two trading days before 18 June 2010. Details of the share options agreement are included in note 33 to the financial statements.

At 31 December 2007, the Loaned Securities with carrying amount approximately RMB248,697,000 (2006: RMB328,664,000) owned by the Group were lent to the financial institution.

At 31 December 2007, the remaining 59,275,400 (2006: 59,275,400) ordinary shares of USD0.0004 each of SMIC held by the Group with carrying amount approximately RMB45,514,000 (2006: RMB60,150,000) were not for sale without the prior written agreement from the financial institution.

22. INVENTORIES

	2007	**2006**
	RMB'000	*RMB'000*
Raw materials	9,280	9,880
Work in progress	1,576	1,424
Finished goods	6,125	3,932
	16,981	15,236
Less: Allowance for obsolete and slow-moving inventories	(3,869)	(2,566)
	13,112	12,670

23. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is sometimes required. The credit period generally ranges from 3 to 6 months, starting from the date on which the significant risks and rewards of ownership of products are transferred by the Group to customers or the date of completion of services provided or the payment due date as defined in the contracts, whichever is the latest. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforesaid and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The ageing analysis of the trade receivables, based on the date on which the significant risks and rewards of ownership of products were transferred by the Group to customers or the date of completion of services provided or the payment due date as defined in the contracts, whichever is the latest, is as follows:

	2007	**2006**
	RMB'000	*RMB'000*
0 to 90 days	17,940	12,035
91 to 180 days	681	1,641
181 to 365 days	1,188	649
Over 365 days	740	877
	20,549	15,202

As at 31 December 2007, an allowance for estimated irrecoverable trade receivables was approximately RMB39,770,000 (2006: RMB40,694,000). The decrease for the years ended 31 December 2007 and 2006 represented the net impact of allowance for doubtful trade receivables and reversal of allowance of doubtful trade receivables amounted to RMB1,087,000 (2006: RMB4,058,000) and RMB1,693,000 (2006: RMB3,962,000) respectively; write-off of doubtful trade receivables of RMB Nil (2006: RMB1,132,000); and foreign exchange translation gain of RMB318,000 (2006: RMB165,000).

As of 31 December 2007, trade receivables of RMB2,455,000 (2006: RMB1,655,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2007	**2006**
	RMB'000	*RMB'000*
Up to 3 months	2,185	1,551
3 to 6 months	270	104
	2,455	1,655

Analysis of the trade receivables denominated in the presentation currency and the currency other than the presentation currency of the Group is as follows:

	2007	**2006**
	RMB'000	*RMB'000*
RMB	13,321	9,955
USD	7,228	5,247
	20,549	15,202

24. LOAN RECEIVABLE

The loan receivable, which is denominated in USD, is secured by a share charge executed by the holding company of the borrower over thirty six shares of the borrower, interest-bearing at annual interest rate of 30% and is repayable within one year.

25. DUE FROM/TO A SHAREHOLDER

The amount due from/to a shareholder is unsecured, interest-free and has no fixed repayment terms.

26. DUE FROM AN ASSOCIATE

The amount due from an associate is unsecured, interest-free and has no fixed repayment terms.

27. DUE FROM/TO RELATED PARTIES

The amounts due from/to related parties are unsecured, interest-free and have no fixed repayment terms.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2007	2006
	RMB'000	*RMB'000*
Advances to suppliers	6,017	7,765
Prepayments	321	10,502
Advances to staff	1,920	1,267
Deposits	13,322	230
Other receivables	1,579	30,817
	23,159	50,581

During the year ended 31 December 2006, the Company entered into loan agreements with three domestic companies: 北京千思文化傳播有限公司, 北京鈞銘裝飾工程設計有限公司 and 北京火炬投資管理有限公司, details of which are as follows:

(i) According to the loan agreement signed by the Company with 北京千思文化傳播有限公司, an unrelated independent third party, on 19 May 2006, the Company made a loan of RMB14 million to 北京千思文化傳播有限公司. The loan is unsecured, interest-bearing at 6% per annum and with a term from 19 May 2006 to 18 March 2007. In 2007, 北京千思文化傳播有限公司 fully repaid the amount of RMB14 million with the interest thereon due to the Company.

(ii) According to the loan agreement signed by the Company with 北京鈞銘裝飾工程設計有限公司, an unrelated independent third party, on 19 June 2006, the Company made a loan of RMB14 million to 北京鈞銘裝飾工程設計有限公司. The loan is unsecured, interest-bearing at 6% per annum and with a term from 19 June 2006 to 18 March 2007. In 2007, 北京鈞銘裝飾工程設計有限公司 fully repaid the amount of RMB14 million with the interest thereon due to the Company.

(iii) According to the loan agreements signed by the Company with 北京火炬投資管理有限公司, an unrelated independent third party, on 15 May 2006 and 7 June 2006, the Company made loans totalled RMB20.2 million to 北京火炬投資管理有限公司. The loans are unsecured and interest-bearing at 6% per annum and the terms of the loan agreement are from 16 May 2006 to 15 May 2007 and from 7 June 2006 to 6 March 2007 respectively. In 2006, the Company had waived all the interest thereon the loan and 北京火炬投資管理有限公司 fully repaid the amount of RMB20.2 million due to the Company.

In addition, during the year ended 31 December 2006, the Group entered into two purchase contracts with each of the two companies incorporated in the British Virgin Islands: Newbase Investments Limited and New Legend Holdings Limited for the purchase of computer equipment, details of which are as follows:

(i) According to two purchase contracts signed by the Group with Newbase Investments Limited, an unrelated independent third party, in March 2006 and June 2006 for total purchase consideration of USD2 million and USD1 million respectively, the Group was required to make an advance payment of 100% and 100% of the purchase consideration to Newbase Investments Limtied amounting to USD2 million and USD1 million on 24 March 2006 and 5 June 2006 respectively. These purchase transactions were subsequently terminated by the Group and Newbase Investments Limited. Cash advances amounted to USD2 million and USD1 million were settled on 27 March 2006 and 12 June 2006 respectively.

(ii) According to two purchase agreements signed by the Group with New Legend Holdings Limited, an unrelated independent third party, in December 2006 for total purchase consideration of HK$12 million and USD1.21 million respectively, the Group was required to make an advance payment of 100% and 100% of the purchase consideration to New Legend Holdings Limited amounted to HK$12 million, USD110,000 and USD1.1 million on 12 December 2006, 12 December 2006 and 13 December 2006 respectively. These purchase transactions were subsequently terminated by the Group and New Legend Holdings Limited. Cash advances amounted to HK$12 million and USD1.21 million were settled on 14 December 2006 and 20 December 2006 respectively.

29. DEPOSITS AND CASH AND CASH EQUIVALENTS

	2007	**2006**
	RMB'000	*RMB'000*
Cash and bank balances	161,664	91,144
Time deposits	581,931	139,475
	743,595	230,619
Less: Non-pledged time deposits with original maturity of more than three months when acquired	(89,488)	(139,475)
Cash and cash equivalents	654,107	91,144

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for terms of between one week and twelve months (2006: one and six months) depending on the immediate cash requirements of the Group.

Analysis of the deposits and cash and cash equivalents denominated in the presentation currency and the currencies other than the presentation currency of the Group is as follows:

	2007	**2006**
	RMB'000	*RMB'000*
RMB	85,505	78,166
HKD	69,197	72,490
USD	588,893	79,963
	743,595	230,619

30. TRADE PAYABLES

The ageing analysis of trade payables, based on the date on which the significant risks and rewards of ownership of materials were transferred by the suppliers to the Group, is as follows:

	2007	**2006**
	RMB'000	*RMB'000*
0 to 90 days	16,669	7,022
91 to 180 days	117	504
181 to 365 days	133	212
Over 365 days	3,489	4,084
	20,408	11,822

Analysis of the trade payables denominated in the presentation currency and the currency other than the presentation currency of the Group is as follows:

	2007	2006
	RMB'000	*RMB'000*
RMB	16,568	6,521
USD	3,840	5,301
	20,408	11,822

31. BANK LOANS

The bank loans are repayable as follows:

	2007	2006
	RMB'000	*RMB'000*
On demand or within one year	10,000	–
In the second year	–	20,000
	10,000	20,000
Less: Amount due for settlement within 12 months (shown under current liabilities)	(10,000)	–
Amount due for settlement after 12 months	–	20,000

All the carrying amounts of the Group's bank loans are denominated in RMB.

The average interest rates paid for bank loans at 31 December 2007 were 7.43% (2006: 7.53%).

At 31 December 2007, bank loans of RMB10,000,000 (2006: RMB20,000,000) were secured by a charge over certain property, plant and equipment of the Group (note 16).

32. OTHER LOAN

At 31 December 2006, the Group's other loan represented the Cash Collateral received from a financial institution in exchange of the available-for-sale financial assets lent to them (note 21). The Cash Collateral is denominated in USD and repayable within one year. The coupon interest rate and the effective interest rate of the Cash Collateral are USD-LIBOR one month rate plus 4% and 11.4% respectively.

During the year ended 31 December 2007, the Group entered into a supplemental agreement with the financial institution, pursuant to which the Group and the financial institution thereto agreed to extension of the duration of the Cash Collateral for three more years to 18 June 2010. The coupon interest rate of the Cash Collateral has been changed to USD-LIBOR three month rate plus 4% while the effective interest rate is 6.4%.

33. DERIVATIVE FINANCIAL INSTRUMENTS

On 18 May 2007, the Group entered into a share options agreement with the financial institution, pursuant to which the Group agreed to grant this financial institution share options on 50% of any of the 323,888,000 fully paid ordinary shares of SMIC lent by the Group to this financial institution (note 21) on a one-to-one basis. The share options are automatically exercisable by the financial institution by reference to the options relevant price on each day of the exercise period as compared to the strike price which is fixed at the amount of USD0.2168 (equivalent to approximately RMB1.5836) per share, and will expire on the date falling 2 days on which the Stock Exchange is scheduled to be opened for trading during its regular trading session before 18 June 2010. The share options are exercisable by two methods, being physical settlement and cash settlement methods.

The fair value of the share options were calculated using an option pricing model and the change in fair value is recognised in the income statement.

	2007 *RMB'000*	2006 *RMB'000*
Change in fair value for the year	7,064	–
Exchange differences	(281)	–
Fair value of share options at 31 December	6,783	–

At 31 December 2007, the inputs into the option pricing model are as follows:

	2007
Current share price	HK$0.82
Exercise price	HK$1.6959
Expected volatility	38%
Life of options	2.47 years
Risk free rate	2.67%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the share price of SMIC over the previous 2 years.

34. DEFERRED TAX

At the balance sheet date the Group has unused tax losses of approximately RMB14,420,000 (2006: RMB144,697,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

At 31 December 2007, there was no significant unrecognised deferred tax liability (2006: RMB Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, as the directors do not have intention to remit such earnings to the Company in the foreseeable future.

35. SHARE CAPITAL

	2007 *RMB'000*	2006 *RMB'000*
Registered, issued and fully paid:		
700,000,000 domestic shares of RMB0.10 each	70,000	70,000
484,800,000 H shares of RMB0.10 each	48,480	48,480
	118,480	118,480

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total debts less cash and cash equivalents. Total equity comprises all components of equity (i.e. share capital, share premium, minority interests, retained earnings and other reserves).

During 2007, the Group's strategy, which was unchanged from 2006, was to maintain the debt-to-equity ratio at the lower end of the range 0.1 to 0.3, in order to secure access to finance at a reasonable cost. The debt-to-equity ratios at 31 December 2007 and at 31 December 2006 were as follows:

	2007	**2006**
	RMB'000	*RMB'000*
Total debt	187,711	240,996
Less: cash and cash equivalents	(187,711)	(91,144)
Net debt	–	149,852
Total equity	1,020,591	752,872
Debt-to-equity ratio	–	0.20

At 31 December 2007, cash and cash equivalents amounted to approximately RMB654,107,000 resulted primarily from receipt of sales proceeds from the disposal of the associate, Chengjian Donghua, which exceed total debt of RMB187,711,000. Accordingly, there was no net debt at 31 December 2007 and calculation of debt-to-equity ratio at 31 December 2007 is not meaningful.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2007, 41% (2006: 41%) of the total domestic and H shares were in public hands.

36. BALANCE SHEET OF THE COMPANY

	2007	**2006**
	RMB'000	*RMB'000*
Property, plant and equipment	5,762	5,294
Prepaid land lease payments	5,693	5,780
Investments in subsidiaries, net of accumulated impairment losses	33,558	3,558
Due from subsidiaries	482,866	53,372
Due to a subsidiary	–	(73,470)
Investment in an associate	–	252,591
Due from an associate	–	61,600
Non-pledged time deposits with original maturity of more than three months when acquired	47,802	49,263
Cash and cash equivalents	215,227	39,516
Other current assets	4,268	44,032
Current tax liabilities	(42,287)	–
Other current liabilities	(21,687)	(18,340)
NET ASSETS	731,202	423,196
Share capital	118,480	118,480
Reserves *(note 37(b))*	612,722	304,716
TOTAL EQUITY	731,202	423,196

37. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) Company

	Capital reserve *RMB'000* *((c)(i))*	Reserve funds *RMB'000* *((c)(ii))*	(Accumulated losses)/ retained profits *RMB'000*	Proposed final dividend *RMB'000*	Total *RMB'000*
At 1 January 2006	377,720	52,579	(91,411)	–	338,888
Loss for the year	–	–	(34,172)	–	(34,172)
At 31 December 2006 and 1 January 2007	377,720	52,579	(125,583)	–	304,716
Profit for the year	–	–	308,006	–	308,006
Transfer	–	24,187	(24,187)	–	–
2007 proposed final dividend *(note 14)*	–	–	(23,696)	23,696	–
At 31 December 2007	377,720	76,766	134,540	23,696	612,722

(c) Nature and purpose of reserves

(i) Capital reserve

The capital reserve of the Company represents the aggregate of:

– share premium totalled approximately RMB374,639,000 arising from issue of new shares;

– the waiver of an amount of approximately RMB1,654,000 recorded as part of issuance expenses for the listing of the Company's H shares on the GEM of the Stock Exchange in July 2000 (the "Listing") payable to an unrelated party who had provided services to the Company during the Listing pursuant to prevailing accounting principles and regulations in the PRC; and

– the net gain of approximately RMB1,427,000 resulting from debt restructuring of Hebei Beida Jade Bird Universal Fire Alarm Device Company Limited ("Hebei Fire Alarm"), a subsidiary of the Company, transferred in accordance with prevailing accounting principles and regulations in the PRC.

The capital reserve of the Group represents the aggregate of the capital reserve of the Company as stated above and share premium totalled approximately RMB489,000 arising from issue of new shares of Hebei Fire Alarm to its minority interests.

(ii) *Reserve funds*

Reserve funds comprise statutory surplus reserve and discretionary surplus reserve. In accordance with the laws and regulations in the PRC and articles of association of the Company and its subsidiaries incorporated in the PRC (collectively referred to the "PRC entities"), the PRC entities are required to appropriate 10% of their profit after tax, after offsetting any prior years' losses, to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the PRC entities' registered share capital, any further appropriation is optional. The statutory surplus reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory surplus reserve after such issue is not less than 25% of share capital. The PRC entities may transfer an amount from their profit after tax to the discretionary surplus reserve approved by the shareholders. The discretionary surplus reserve can be utilised to offset prior years' losses of the PRC entities and to distribute to shareholders in the form of bonus issue.

(d) Profit appropriations

Under the PRC Company Law and the respective companies' articles of association, the net profit after tax as reported in the PRC statutory financial statements, prepared in accordance with PRC accounting principles and regulations, can only be distributed as dividends after allowance has been made for the following:

(i) Make-up of prior years' cumulative losses, if any.

(ii) Allocations to the reserve funds as stated in (c)(ii) above.

(iii) Allocations to the discretionary reserve fund if approved by the shareholders. The discretionary reserve fund can be used to offset prior years' losses, if any, and capitalised as the Company's share capital.

38. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company has a share option scheme, pursuant to which the board of directors of the Company may grant options to full-time employees of the Group (including directors of the Company) to subscribe for H shares, subject to a maximum of 30% of the nominal value of the issued share capital of the Company from time to time, excluding the shares issued on the exercise of options. The subscription price will be determined by the Company's board of directors, and will not be less than the highest of (i) the nominal value of an H share; (ii) the average of the closing prices of the H shares quoted on the GEM on the five trading days immediately preceding the date of grant; and (iii) the closing price of the H shares quoted on the GEM on the date of grant, which must be a business day. However, employees who are Mainland Chinese nationals shall not be entitled to exercise the option until the current restrictions on these persons from subscribing or dealing in H shares imposed by the laws and regulations in Mainland China have been abolished or removed.

During the year, no share options have been granted under the aforesaid scheme.

39. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of a subsidiary

During the year ended 31 December 2006, the Group disposed of its entire equity interests in Beida Jade Bird Overseas Education Limited ("Beida Overseas Education"), a wholly-owned subsidiary of the Group to Hong Kong Jade Bird Science and Technology Limited ("HK Jade Bird Sci-Tech") for a consideration of approximately RMB413,000.

Net assets at the date of disposal were as follows:

	RMB'000
Prepayments, deposits and other receivables	1,511
Bank and cash balances	71
Accruals and other payables	(725)
Net assets disposed of	857
Loss on disposal of a subsidiary	(444)
Total consideration	413
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	(71)

(b) Major non-cash transaction

During the year ended 31 December 2006, the Group disposed of its entire equity interests in Beida Overseas Education to HK Jade Bird Sci-Tech for a consideration of approximately RMB413,000 by offsetting the same amount due to HK Jade Bird Sci-Tech by the Group.

40. CAPITAL COMMITMENTS

The Group's capital commitments at the balance sheet date are as follows:

	2007	**2006**
	RMB'000	*RMB'000*
Property, plant and equipment		
Contracted but not provided for	1,170	–

41. LEASE COMMITMENTS

At 31 December 2007 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2007	**2006**
	RMB'000	*RMB'000*
Within one year	282	872
In the second to fifth years inclusive	–	286
	282	1,158

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for terms ranging from one to two years and rentals are fixed over the lease terms and do not include contingent rentals.

42. RELATED PARTY TRANSACTIONS

(a) A list of related parties and their relationships with the Group is as follows:

Name of related party	**Relationship**
Peking University	The substantial shareholder with significant influence
Beida Jade Bird	A shareholder of the Company and also a company controlled by Peking University
Beijing Tianqiao Beida Jade Bird Sci-Tech Company Limited ("Beijing Tianqiao")	*Note (i)*
HK Jade Bird Sci-Tech	A subsidiary of Beida Jade Bird
Shenzhen Beida Jade Bird Sci-Tech Company Limited ("Shenzhen Jade Bird")	A subsidiary of Beida Jade Bird
Weifang Beida Jade Bird Huaguang Technology Company Limited ("Jade Bird Huaguang") (formerly known as Weifang Beida Jade Bird Huaguang Sci-Tech Company Limited)	A subsidiary of Beida Jade Bird
Guangzhou Beida Jade Bird BIS Company Limited ("Guangzhou BIS")	A company controlled by Peking University
Beijing Beida Jade Bird Software System Company Limited ("Jade Bird Software") (formerly known as Beijing Beida Jade Bird Software System Company)	A shareholder of the Company and also a company controlled by Peking University
Beijing Beida Jade Bird Security System Engineering Technology Company Limited ("Jade Bird Security System")	A subsidiary of Beida Jade Bird
Western Beida Jade Bird Investment Company Limited ("Western Jade Bird")	A subsidiary of Beida Jade Bird
Beijing Western Journey Trading Company Limited Babylon Restaurant ("Beijing Babylon")	A subsidiary of Beida Jade Bird
Beijing Jade Bird Huaguang Sci-Tech Company Limited ("Beijing Huaguang")	A subsidiary of Beida Jade Bird
Beijing Beida Jade Bird Information System Company Limited ("Beijing Jade Bird IS")	A subsidiary of Beida Tianqiao *(note (i))*
Shanghai Beida Jade Bird BIS Company Limited ("Shanghai BIS")	A subsidiary of Beida Jade Bird
Beijing Beida Jade Bird BIS Company Limited ("Beijing BIS")	A subsidiary of Beida Jade Bird

Name of related party	Relationship
Beijing Shang Hai Wei Trade Company Limited ("Beijing SHW")	A subsidiary of Beida Jade Bird
Shanghai Beida Jade Bird Information System Company Limited ("Shanghai Jade Bird IS")	A subsidiary of Beida Jade Bird
Shanghai Beida Jade Bird BIS Company Limited – Nanjing Branch ("Shanghai BIS NJ Branch")	A subsidiary of Beida Jade Bird
Beijing Beida Jade Bird Sihua Information System Company Limited ("Jade Bird Sihua")	A subsidiary of Beida Tianqiao *(note (i))*
Beijing Beida Jade Bird Education Company Limited ("Beida Education")	A subsidiary of Beida Jade Bird
Beida Overseas Education	A subsidiary of Beida Jade Bird
Shanghai Beida Jade Bird Fire Equipment Marketing Company Limited ("Shanghai Jade Bird Fire")	A subsidiary of Beida Jade Bird
Shanghai Beida Jade Bird Fire Equipment Marketing Company Limited – Nanjing Branch ("Shanghai Jade Bird Fire NJ Branch")	A subsidiary of Beida Jade Bird
Beijing Jade Bird Tianqiao Apparatus Equipment Company Limited ("Beijing Tianqiao Apparatus")	A subsidiary of Beida Tianqiao *(note (i))*
Guangdong Jade Bird Information System Company Limited ("Guangdong Jade Bird IS")	A subsidiary of Beida Jade Bird
Beijing Jade Bird Security Technology Company Limited ("Beijing Jade Bird Security")	A subsidiary of Beida Jade Bird
Hangzhou Jade Bird Electricity Technology Company Limited ("Hangzhou Jade Bird Electricity")	A subsidiary of Beida Tianqiao *(note (i))*

Note:

(i) On 20 December 2006, the shares held by Beida Jade Bird in Beijing Tianqiao were invited for bids by Liaoning Province Higher People's Court of the PRC and an unrelated party won the bid and the share transfer was completed in 2007.

During the year ended 31 December 2007, the chairman of the board of directors of Beijing Tianqiao is one of the executive directors of the Company who is considered as a member of the Company's key management personnel under HKFRSs. This executive director has significant influence over Beijing Tianqiao under his status in the board of directors of Beijing Tianqiao. In the opinion of the directors of the Company, Beijing Tianqiao and the related parties controlled by it are considered to be related to the Group for the years ended 31 December 2007 and 2006.

(b) Peking University is the substantial shareholder with significant influence of the Company. In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with Peking University and the companies and parties under the control of Peking University during the year:

	2007 *RMB'000*	2006 *RMB'000*
Sales of embedded systems products to:		
Beijing Tianqiao	175	885
Jade Bird Security System	66	431
Beijing Jade Bird IS	855	2,726
Guangzhou BIS	30	120
Shanghai BIS NJ Branch	342	236
Beijing BIS	247	17
Shanghai Jade Bird IS	92	414
Shanghai Jade Bird Fire *(note (i))*	3,591	6,484
Shanghai Jade Bird Fire NJ Branch *(note (i))*	2,243	–
Beijing Tianqiao Apparatus	8	44
Guangdong Jade Bird IS	94	176
Beijing Jade Bird Security	–	2
Hangzhou Jade Bird Electricity	–	1
Jade Bird Sihua	–	977
	7,743	12,513
Purchase of inventories:		
Beijing Tianqiao	–	176
Beijing SHW	–	109
	–	285
Rental expense for an office building charged by Beida Jade Bird *(note (f))*	665	734
Disposal of a 100% equity interests in Beida Overseas Education to HK Jade Bird Sci-Tech *(note 39(a))*	–	413
Disposal of a 44% equity interests in and a loan receivable from Chengjian Donghua to Jade Bird Security System *(note (ii))*	697,200	–

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the usual course of business.

Note:

(i) This transaction constitutes a continuing connected transaction under the GEM Listing Rules, details of which are included in the section headed "Continuing connected transactions and connected transaction" of the Report of the Directors in 2007 Annual Report.

(ii) This transaction constitutes a connected transaction under the GEM Listing Rules, details of which are included in the section headed "Continuing connected transactions and connected transaction" of the Report of the Directors in 2007 Annual Report.

(c) Pursuant to the technology licence agreement entered into between the Company and Beijing Tianqiao dated 17 April 2000, Beijing Tianqiao has granted an exclusive licence to the Company for the use of certain GPS technology for a period of 10 years, in return for a royalty fee calculated at a rate of 3% on the total sales of products using this technology. No royalty fee was charged by Beijing Tianqiao to the Group in 2007 and 2006 as the Group did not have any sales of products using this GPS technology in these years.

(d) Pursuant to the JB-CASE Technology licence agreement and trademark licence agreement entered into between the Company and Jade Bird Software dated 17 April 2000, Jade Bird Software granted to the Company a non-exclusive licence to use the JB-CASE technology and certain of its trademarks for a period of 10 years for nil consideration.

(e) During the year, the Group purchased certain computer products amounting to RMB63,817,000 (2006: RMB51,812,000) and RMB9,342,000 (2006: RMB Nil) which were handled by Beijing Tianqiao and Beijing BIS on behalf of the Group at no charge respectively.

(f) The Company has entered into an office building operating lease agreement with Beida Jade Bird, with a right of renewal exercisable by the Company. Pursuant to this agreement, the expiry date of this lease agreement is 1 April 2006. During the years ended 31 December 2007 and 2006 the Company has not renewed the lease agreement Beida Jade Bird (note (b)).

(g) Included in the consolidated balance sheet are the following balances with shareholders and related parties:

	2007	**2006**
	RMB'000	*RMB'000*
Due from an associate:		
Chengjian Donghua	–	61,600
Trade receivables from related parties:		
Jade Bird Security System	46	21
Beijing Jade Bird IS	–	25
Guangzhou BIS	–	29
Jade Bird Sihua	610	610
Beijing BIS	58	–
Beijing Tianqiao	36	–
Shanghai Jade Bird Fire	1,656	–
Shanghai Jade Bird Fire NJ Branch	295	–
Shanghai BIS NJ Branch	23	–
	2,724	685
Prepayments, deposits and other receivables from related parties:		
Beda Jade Bird	–	47
Beijing BIS	10	100
	10	147
Due from a shareholder:		
Beida Jade Bird	47	94

	2007	2006
	RMB'000	*RMB'000*
Due from related parties:		
Beijing Tianqiao	298	298
Beijing Huaguang	2	2
Beida Babylon	8	8
Jade Bird Sihua	27	27
Beijing BIS	53	55
	388	390
Trade payables to related parties:		
Beijing Tianqiao	138	138
Beijing Jade Bird IS	–	72
Western Jade Bird	16	16
	154	226
Advances from related parties:		
Beijing Tianqiao	150	150
Guangzhou BIS	–	1,000
Shanghai BIS	5	5
	155	1,155
Due to a shareholder:		
Beida Jade Bird	1,050	612
Due to related parties:		
Beijing Tianqiao	529	705
Beijing Jade Bird IS	–	161
Beida Education	159	74
Shenzhen Jade Bird	355	355
Beida Overseas Education	942	1,010
Guangzhou Jade Bird IS	7	–
Jade Bird Huaguang	24	–
Peking University	13	–
	2,029	2,305

(h) During the year Beijing BIS has advanced an unsecured and interest-free loan of RMB500,000 (2006: RMB Nil) to the Group. The advance has been fully repaid during the year.

(i) Compensation of key management personnel of the Group:

	2007	2006
	RMB'000	*RMB'000*
Short term employee benefits	2,758	1,303
Post-employment benefits	51	48
	2,809	1,351

Further details of directors' and supervisors' emoluments are included in note 12 to these financial statements.

43. EVENTS AFTER THE BALANCE SHEET DATE

(i) On 23 January 2008, the Group and an unrelated third party entered into a joint venture agreement pursuant to which both parties agreed to establish a joint venture company for the research, development, manufacture, marketing and sale of fire detection, safety and surveillance products. Amoung the joint venture company's registered capital of RMB50 million (the "Registered Capital"), the Group is required to inject RMB35 million in terms of certain property, plant and equipment of the Group representing 70% of the Registered Capital. The unrelated third party is required to inject an equivalent amount of RMB15 million (in terms of USD) in cash, representing 30% of the Registered Capital. The term of the joint venture company is 25 years starting from the date of issuance of business license. Each party is eligible to share profits of the joint venture company in accordance with its equity interest in Registered Capital. After completion of Registered Capital contribution and inclusion of the joint venture company in the List of Fire Fighting Product Manufacturer of China Certification Centre for Fire Products of The Ministry of Public Security of the PRC, the Group conditionally agrees to sell and the unrelated third party conditionally agrees to buy 21% equity interest in the joint venture company at a consideration of RMB20 million.

(ii) On 22 February 2008, the Group, an unrelated fund management company and an unrelated fund manager have entered into a limited partnership agreement, pursuant to which the Group, would make an aggregate commitment of USD50 million into an investment fund (the "Fund"), representing 50% of the committed fund size of USD100 million and the unrelated fund management company would make an aggregate commitment of the balance of USD50 million.

The fund has a committed period of three years. The unrelated fund manager is the sole general partner of the fund and solely responsible to conduct investments for the Fund. The purpose of the Fund is to seek capital gains to its investors.

(iii) On 7 March 2008, the Group entered into a share transfer agreement with an unrelated party to which the Group agreed to accquire 75% equity interest of a wholly-owned subsidiary of the unrelated party (the "Acquiree") for a cash consideration of RMB2,369,000. The Acquiree is a company incorporated with limited liability in the PRC and is engaged in design, manufacture and sales of fire alarm system, security and fire equipment products and relating installation and consultation service. As the acquisition is not yet completed up to the date of issue of the financial statements, it is impracticable at this moment to disclose further information about the acquisition.

(iv) Subsequent to the balance sheet date, the Group has paid a lease charge of RMB30,000,000 to a local government of Hunan Province for leasing of a car terminal and tourist information centre proposed to be constructed in Nanyue District, Hengshan City, Hunan Province, the PRC (the "Hengshan Terminal") by the Group for a six-year term commencing from the completion of construction of Hengshan Terminal. Up to the date of issue of the financial statements, construction work of Hengshan Terminal has not commenced. Hengshan Terminal is expected to commence operation fully in 2009.

44. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2007 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up/ registered capital	Percentage of equity interests		Principal activities
			Direct	Indirect	
Beida Jade Bird Universal Sci-Tech (Cayman) Development Company Limited	Cayman Islands/ Hong Kong	10,000 ordinary shares of USD1 each	100%	–	Sale of computer products and related products
Hebei Fire Alarm	Hebei Province, the PRC	Registered capital of RMB11,500,000	65%	–	Technology research, development, manufacture and sale of fire alarm system products
Hengyang Nanyue Xiaoxiang Tourism Development Limited	Hunan, the PRC	Registered capital of RMB200,000,000	30%	30%	Exploration and development of travel and leisure business and relating infrastructure construction
Wuhan Beida Jade Bird Netsoft Company Limited	Wuhan, the PRC	Registered capital of RMB10,000,000	58%	–	Research, development, production and sale of network management products, and provision of network systems integration services

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

45. COMPARATIVE FIGURES

The expenses presented in the consolidated income statement have been changed from the classification by nature to classification by function as the directors of the Company consider that the new presentation is more appropriate to the financial statements following the diversification of the Group's business during the year.

46. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 25 March 2008.

4. INDEBTEDNESS

As at the close of business on 31 March 2008, being the latest practicable date for ascertaining information regarding this indebtedness statement, the Group had total outstanding borrowings of approximately US$14.5 million which represent an amount due to Nexgen Capital Limited ("**NCL**") regarding a collateral deposited by NCL with BJBU(D) in consideration of the lending of any or all of the 323,888,000 fully paid ordinary share(s) of Semiconductor Manufacturing International Corporation ("**SMIC**") (Stock Code: 981) by BJBU(D) to NCL pursuant to a securities lending agreement (as supplemented by a supplemental letter agreement) as disclosed in announcements of the Company dated 15 December 2006 and 18 May 2007 respectively.

Contingent liabilities

Apart from intragroup liabilities, the Directors confirmed that no company in the Group had, as at the close of business on 31 March 2008, being the latest practicable date for ascertaining information regarding this indebtedness statement, any outstanding 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, the Directors confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since the close of business on 31 March 2008, being the latest practicable date for ascertaining information regarding this indebtedness statement.

5. WORKING CAPITAL

The Directors, including the independent non-executive Directors, are of the opinion that, following completion of the Limited Partnership Agreement, 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.

6. 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 2007, being the date to which the latest published audited financial statements of the Company were made up.

7. PROSPECT

The Group has initiated several investment projects during the year ended 31 December 2007 and the subsequent period up to the Latest Practicable Date including the formation of 衡陽南嶽瀟湘旅遊發展有限公司 ("Hengyang Nanyue Xiaoxiang Tourism Development Limited) ("**Xiaoxiang Tourism**") and Apollo Universal Fire Detection Products Ltd. ("**Apollo Universal**"), and investment in 張家界旅遊開發股份有限公司 (Zhang Jia Jie Tourism Development Co., Ltd.) ("**ZJJ Tourism**") and 四川久遠智能監控有限責任公司 (Si Chuan Jiu Yuan Intelligent Surveillance Co., Ltd.) ("**SCIS**"). The formation of the Fund will be another important development of the Group should this transaction be approved by the Shareholders. The Group will closely monitor the development and performance of these projects in coming year. The Group will continue with the current business strategies but will be much cautious in expanding market share as well as selecting investment proposals given the volatile market condition in the first quarter of year 2008.

8. ACCOUNTANTS' REPORT ON THE FUND

The Group has not prepared an accountants' report on the Fund in accordance with the GEM Listing Rules as the Fund is not yet set up and has no financial information existed as at the Latest Practicable Date.

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

The accompanying unaudited pro forma statement of assets and liabilities of the Group (the "Statement") has been prepared to illustrate the effect of formation of SBI & BDJB China Fund, LP (the "Fund"), assuming the transaction had been completed as at 31 December 2007, might have affected the financial position of the Group.

The Statement is prepared based on the audited consolidated balance sheet of the Group as at 31 December 2007 as extracted from the annual report of the Group for the year ended 31 December 2007 after making certain pro forma adjustment resulting from the Fund.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Group that would have been attained had the Fund actually occurred on 31 December 2007. Furthermore, the Statement does not purport to predict the Group's future financial position.

The Statement should be read in conjunction with the financial information of the Group as set out in Appendix I of the Circular and other financial information included elsewhere in the Circular.

	The Group as at 31 December 2007 *RMB'000*	Pro forma adjustment *RMB'000*	*Note*	Adjusted balance *RMB'000*
Non-current assets				
Property, plant and equipment	23,896			23,896
Prepaid land lease payments	5,693			5,693
Goodwill	6,125			6,125
Interest in a jointly controlled entity	–	365,230	*(1)*	365,230
Available-for-sale financial assets	377,291			377,291
	413,005			778,235
Current assets				
Inventories	13,112			13,112
Trade receivables	20,549			20,549
Loan receivable	130,120			130,120
Due from a shareholder	47			47
Due from related parties	388			388
Prepayments, deposits and other receivables	23,159			23,159
Non-pledged time deposits with original maturity of more than three months when acquired	89,488			89,488
Cash and cash equivalents	654,107	(365,230)	*(1)*	288,877
	930,970			565,740
Total assets	1,343,975			1,343,975
Current liabilities				
Trade payables	20,408			20,408
Advances from customers	6,269			6,269
Accruals and other payables	46,471			46,471
Due to a shareholder	1,050			1,050
Due to related parties	2,029			2,029
Bank loans	10,000			10,000
Current tax liabilities	52,663			52,663
	138,890			138,890
Net current assets	792,080			426,850
Total assets less current liabilities	1,205,085			1,205,085

	The Group as at 31 December 2007	Pro forma adjustment		Adjusted balance
	RMB'000	*RMB'000*	*Note*	*RMB'000*
Non-current liabilities				
Other loan	177,711			177,711
Derivative financial instruments	6,783			6,783
	184,494			184,494
NET ASSETS	1,020,591			1,020,591

Note:

(1) The adjustment reflects the impact of the BDJB Aggregate Commitment to the Fund (US$50,000,000) to be invested by the Group as if the Fund were established as at 31 December 2007 and assuming an exchange rate of US$1 to RMB7.3046.

B ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong.

RSM Nelson Wheeler
羅 申 美 會 計 師 行
Certified Public Accountants

29th Floor
Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

25 April 2008

The Board of Directors
Beijing Beida Jade Bird Universal Sci-Tech Company Limited

Dear Sirs,

We report on the unaudited pro forma statement of assets and liabilities (the "Statement") of Beijing Beida Jade Bird Universal Sci-Tech Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the formation of SBI & BDJB China Fund, LP might have affected the assets and liabilities of the Group presented, for inclusion in Appendix II to the circular of the Company dated 25 April 2008 (the "Circular"). The basis of preparation of the Statement is set out on pages 66 to 68 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Statement in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Statement with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Statement has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Statement as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

The Statement is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2007 or at any future date.

Opinion

In our opinion:

(a) the Statement has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Statement as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

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 Domestic 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 Domestic 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, capacity and nature of beneficial interest of a trust	Approximate percentage of the Company's total number of issued domestic shares capital	Approximate percentage 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				
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 ("**Heng Huat Trust**"). By a declaration of 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 北京北大青鳥軟件系統有限公司 (Beijing Beida Jade Bird Software System Co., Ltd.), 北京北大青鳥有限公司(Beijing Beida Jade Bird Limited), 北京北大宇環微電子系統有限公司(Beijing Beida Yu Huan Microelectronics System Engineering Co., Ltd.) and 北京天橋北大青鳥科技股份有限公司 (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, chief executives and supervisors of the Company had registered an interest or short position in the Shares or underlying Shares of the Company or any of its associated corporations that was required to be notified pursuant to Divisions 7 and 8 of Part XV of the SFO, recorded 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

Except for Mr. Cai Chuan Bing whose service contract with the Company commenced on 20 October 2006, each of the Directors and supervisors of the Company has entered into a service contract with the Company for a term of three years commencing from 30 June 2006 until the date of the annual general meeting to be convened in 2009.

Save as disclosed above, 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 as at the Latest Practicable Date.

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 percentage of the Company's total number of issued domestic share capital	Approximate percentage of the Company's total number of issued H Shares	Approximate percentage 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 Co., Ltd. (formerly known as Beijing Beida Yu Huan Microelectronics System Engineering Company)	*(a)*	Directly beneficially owned	85,000,000	12.14%	Not applicable	7.17%

	Note	Capacity and nature of interest	Number of ordinary Shares held	Approximate percentage of the Company's total number of issued domestic share capital	Approximate percentage of the Company's total number of issued H Shares	Approximate percentage of the Company's total issued share capital
Beijing Beida Jade Bird Software System Co., Ltd. (formerly known as 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%
Mongolia Energy Corporation Limited	*(c)*	Through a controlled corporation	84,586,000	12.08%	Not applicable	7.14%
New View Venture Limited	*(c)*	Directly beneficially owned	84,586,000	12.08%	Not applicable	7.14%
Asian Technology Investment Company Limited		Directly beneficially owned	50,000,000	7.14%	Not applicable	4.22%
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 Shares (representing approximately 7.17% of the Company's total issued share capital) held by 北京北大宇環微電子系統有限公司 (Beijing Beida Yu Huan Microelectronics System Co., Ltd.) ("**Yu Huan**") (formerly known as 北京市北大宇環微電子系統工程公司), which is 95% (formerly 100%) beneficially owned by Peking University;

(ii) 110,000,000 Shares (representing approximately 9.28% of the Company's total issued share capital) held by 北京北大青鳥軟件系統有限公司 (Beijing Beida Jade Bird Software System Co., Ltd.) ("**JB Software**") (formerly known as 北京市北大青鳥軟件系統公司), which is 48% (formerly 100%) beneficially owned by Peking University; and

(iii) 115,000,000 Shares (representing approximately 9.71% of the Company's total issued share capital) held by 北京北大青鳥有限責任公司 (Beijing Beida Jade Bird Limited) ("**Beida Jade Bird**"), which is approximately 46% owned by Peking University.

On 21 January 2008, the Company has been notified by Yu Huan and JB Software that both companies have entered into share transfer agreements with 杭州北大青鳥科技有限公司 (Hang Zhou Beida Jade Bird Sci-Tech Co., Ltd. ("**HZ Jade Bird**"), a non wholly-owned subsidiary of Beida Jade Bird which is 80% beneficially owned by it, respectively on 18 January 2008 whereas both companies agreed to sell to HZ Jade Bird their entire equity interests in the Company (collectively the "**Transfers**"). The Transfers are conditional upon approvals by the board of directors of both companies and 國務院國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the State Council). The Transfers are not effective as at the Latest Practicable Date.

(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 Mongolia Energy Corporation 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 section headed "Interests and short positions of the Directors, chief executive and supervisors of the Company in the total issued Domestic Shares and its associated corporations", 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. COMPETING BUSINESS

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.

6. LITIGATION

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.

7. QUALIFICATION AND CONSENT

The following is the qualification of the expert whose advice or opinion is contained in this circular:

Name	Qualification
RSM Nelson Wheeler	Certified Public Accountants

RSM Nelson Wheeler has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, RSM Nelson Wheeler was not interested in any H Share of the Company or share in any member of the Group nor did it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any H Share or share in any member of the Group.

As at the Latest Practicable Date, RSM Nelson Wheeler did not have any direct or indirect interest in any asset which had been, since 31 December 2007 being the date to which the latest published audited financial statements of the Company were made up, 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.

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. He held various positions in the administrative arm of Peking University including the Deputy Head of the Remote Sensing and Geographic Information System Department.

(f) The qualified accountant and secretary of the Company is Mr. Leung Wai Man ("**Mr. Leung**"). Mr. Leung 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 Bing ("**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 University of Chinese Academy of Science. Prof. Chin graduated from the Department of Oriental Language and Cultures of Peking University with a master degree in Literature. He is currently a professor of the History Department of the Fudan University and a researcher of morality and religion research centre of Tsinghua University. Mr. Cai graduated from Anhui University of Finance and Trade. He is currently the chairman of the Communications Branch of the China Institute of Internal Audit. He is also a non-executive director of Yue Da Mining Holdings Limited (formerly Yue Da Holdings Limited) (stock code: 629) whose shares are listed on the Stock Exchange.

(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 2007, the date to which the latest published audited financial statements 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 Limited Partnership Agreement;

2. Share transfer agreement entered into between 四川久遠投資控股集團有限公司 (Si Chuan Jiu Yuan Investment Holding (Group) Co., Ltd.) ("**SCJY**") and 河北北大青鳥環宇消防設備有限公司 (Hebei Beida Jade Bird Universal Fire Alarm Device Company Limited) ("**Hebei Fire Alarm**"), a non-wholly owned subsidiary of the Company on 7 March 2008 pursuant to which SCJY agreed to sell and Hebei Fire Alarm agreed to acquire 6,000,000 ordinary shares of or 75% equity interest in SCIS at a cash consideration of RMB2,368,800;

3. Joint venture agreement entered into between Hebei Fire Alarm and Halma International Limited ("**Halma**"), a limited company incorporated in the United Kingdom under the United Kingdom Laws on 23 January 2008 pursuant to which both parties agreed to form a joint venture in the PRC named Apollo Universal with a registered capital of RMB50 million in which Hebei Fire Alarm contributed to 70% equity interest;

4. US$ senior secured term loan facility agreement entered into between Jinsheng International Group (Hong Kong) Limited, a limited company incorporated under the Companies Ordinance in Hong Kong, as borrower and BJBU(D) as lender on 28 December 2007 in a maximum amount of US$18 million;

5. Share transfer agreement entered into between 湖南天通商貿有限公司 (Hunan Tian Tong Trading Co., Ltd) ("**Hunan Tian Tong**"), a limited company incorporated in the PRC, Xiaoxiang Tourism and 張家界市經濟發展投資集團有限公司 (Zhang Jia Jie Tourism Development Investment (Group) Co., Ltd. ("**ZJJ Development**"), a limited company incorporated in the PRC on 11 December 2007 pursuant to which Hunan Tian Tong agreed to transfer and Xiaoxiang Tourism agreed to acquire 9,000,000 ordinary shares or 4.9% equity interest of ZJJ Tourism being held by ZJJ Development by way of judicial sale at a total cash consideration of approximately RMB50.3 million;

6. Sino-foreign joint venture agreement entered into between 北京中億創一科技發展有限公司 (Beijing Zong Yi Chuang Yi Technological Development Company Limited), a company incorporated with limited liability in the PRC, the Company and BJBU(D) on 22 October 2007 in connection with the establishment of Xiaoxiang Tourism in the PRC with registered capital of RMB200 million in which the Group contributed to 60% equity interest;

7. Share transfer agreement entered into between the Company and 北京北大青鳥安全系統工程技術有限公司 (Beijing Beida Jade Bird Security System Engineering Technology Company Limited) ("**JB Security**") on 21 May 2007 in connection with the disposal of 44% of the registered capital of 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)("**Chengjian Donghua**") and the shareholders' loan advanced by the Company to Chengjian Donghua in the amount of RMB61.6 million to JB Security at an aggregate consideration of RMB697.2 million;

8. Supplemental Letter Agreement entered into between BJBU(D) and NCL on 18 May 2007 in relation to certain amendments to the terms of a Global Master Securities Lending Agreement, as supplemented by a Schedule thereto, and a Securities Lending Transaction Confirmation confirming certain terms in the aforementioned Global Master Securities Lending Agreement (collectively "**Securities Lending Agreement**") including, *inter alia*, (i) extension of the duration of the transaction under the Securities Lending Agreement to a period of 42 months ending on 18 June 2010; (ii) adjustment to the rate of interest on the collateral to be deposited by NCL with BJBU(D) (the "**Collateral**"); and (iii) adjustment to the maximum amount of Collateral;

9. International Swaps and Derivatives Association (ISDA) Master Agreement, as supplemented by a Schedule, and Share Options Transaction Confirmation both entered into between BJBU(D) and NCL on 18 May 2007 in relation to grant of any or all of the 161,944,000 call option(s), on the basis of one fully paid ordinary share of SMIC per option at an upfront premium in the amount of approximately US$271,000 and quarterly premium determined with reference to the amount of Collateral at a premium rate of 2.2% per annum;

10. the supply agreement dated 15 May 2007 between Hebei Fire Alarm and 上海北大青鳥消防設備銷售有限公司 (Shanghai Beida Jade Bird Fire Equipment Marketing Company Limited) ("**Shanghai Jade Bird Fire**"), a connected person of the Company, pursuant to which Hebei Fire Alarm agreed to supply fire alarm system products to Shanghai Jade Bird Fire at an annual cap in a estimate aggregate amount of approximately RMB6,600,000 for each of the two years ended 31 December 2007 and ending 2008;

11. the supply agreement dated 15 May 2007 between 武漢北大青鳥網軟有限公司 (Wuhan Beida Jade Bird Netsoft Company Limited) ("**Wuhan Netsoft**"), a non wholly-owned subsidiary of the Company, and 北京青鳥信息系統有限公司 (Beijing Jade Bird Information System Company Limited) ("**BJ IS**"), pursuant to which Wuhan Netsoft agreed to supply network management products and firewall products to BJ IS at an annual cap in an estimate aggregate amount of approximately RMB2,800,000 for each of the two years ended 31 December 2007 and ending 2008; and

12. Securities Lending Agreement entered into between BJBU(D) and NCL on 15 December 2006 in relation to the lending of any or all of the 323,888,000 fully paid ordinary shares of SMIC by BJBU(D) to NCL. In consideration for BJBU (D) providing the securities loan, NCL deposited with BJBU(D) an initial collateral in the amount of approximately US$28,295,000.

10. DOCUMENTS 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 2007;

(c) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(d) the circular dated 17 March 2008 in relation to acquisition of 75% equity interest in SCIS;

(e) the circular dated 29 February 2008 in relation to the provision of financial assistance to Jinsheng International Group (Hong Kong) Limited;

(f) the circular dated 19 February 2008 in relation to the investment in Apollo Universal;

(g) the accountants' report on unaudited pro forma financial information issued by RSM Nelson Wheeler on 25 April 2008, the text of which is set out in Appendix II to this circular; and

(h) this circular.

青鸟环宇
JADE BIRD UNIVERSAL

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 OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of the shareholders of Beijing Beida Jade Bird Universal Sci-Tech Company Limited (the "**Company**") will be held at Room 312, 3rd Floor, Beida Jade Bird Building, No. 207 Chengfu Road, Haidian District, Beijing, the PRC on Tuesday, 10 June 2008 at 2:30 p.m. for the purpose of considering and, if thought fit, passing the following as an ordinary resolution:

ORDINARY RESOLUTION

THAT:

(a) the financial commitment of not more than US$50 million by the Company to SBI & BDJB China Fund, LP pursuant to the conditional Limited Partnership Agreement entered into among Bedia Jade Bird Universal Sci-Tech (Cayman) Development Company Limited, being a wholly owned subsidiary of the Company, MS Fund Management Holdings, LLP and SBI & BDJB Management Limited on 22 February 2008 (details of which have been set out in an announcement of the Company dated 22 Febuary 2008 and a circular to the shareholders of the Company dated 25 April 2008) ("**Investment**") 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 Investment be and are hereby approved, ratified and confirmed.

By order of the board of directors
Xu Zhen Dong
Chairman

Beijing, the PRC, 25 April 2008

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 closed from Sunday, 11 May 2008 to Tuesday, 10 June 2008 (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 not later than 4:30 p.m. on Friday, 9 May 2008 and have completed the registration process, will be entitled to attend the SGM.

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 Domestic Shares or H Shares who intend to attend the SGM must complete the reply slips for attending the SGM 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 Domestic Shares) not later than 20 days before the date of the SGM, i.e. no later than 4:30 p.m. on Wednesday, 21 May 2008.

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: 86-10-6275-8434)

(C) Each holder of H Shares who has the right to attend and vote at the SGM is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the SGM. 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 appointer or his attorney duly authorised in writing. If that instrument is signed by an attorney of the appointer, 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 appointer, 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 SGM or any adjournment thereof in order for such documents to be valid.

(F) Each holder of Domestic 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 SGM. Notes (C) to (D) also apply to holders of Domestic 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 SGM or any adjournment thereof in order for such documents to be valid.

(G) If a proxy attends the SGM on behalf of a shareholder, he/she should produce his/her identity card and the instrument signed by the proxy or his/her legal representative, and specifying the date of its issuance. If a legal person shareholder appoints its corporate representative to attend the SGM, 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 SGM is expected to last for half a day. Shareholders attending the SGM are responsible for their own transportation and accommodation expenses.