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This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange 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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



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)

**MAJOR TRANSACTION
RELATING TO THE PROPOSED INVESTMENT IN
SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION**

On 30th August, 2001, JBU Cayman entered into the Subscription Agreement with SMIC International pursuant to which JBU Cayman conditionally agrees to subscribe for 54,000,540 Preference Shares, representing approximately 5.92% of the total issued voting share capital of SMIC International as enlarged by the Subscriptions, for a total cash consideration of US\$60 million (equivalent to approximately RMB500 million). Upon full conversion of the Preference Shares to be subscribed pursuant to the Subscriptions into Ordinary Shares, the percentage of Ordinary Shares held by JBU Cayman is expected to represent approximately 5.92% of the total issued Ordinary Shares as enlarged by the conversion. In the event of any deviation from such percentage, the Company will make an announcement. The conversion price will be disclosed in the Circular.

The principal business of SMIC International is the investment in SMIC Shanghai, a wholly foreign owned enterprise established in the PRC for the manufacturing and marketing of advanced technology semiconductors.

Part of the consideration for the Company Subscription will initially be financed by the Bank Loan. To repay the Bank Loan, the Company intends to place up to 192,800,000 new H Shares to institutional and private investors at the prevailing market price by:

1. exercising the general mandate granted to the Directors by the holders of H Shares and Domestic Shares to issue up to 52,800,000 new H shares, representing 20% of the existing issued H Shares and approximately 5.5% and approximately 4.6% of the existing and enlarged issued share capital of the Company respectively; and

2. depending on the issue price per H Share, issuing up to an additional 140,000,000 new H Shares, representing approximately 53.0% of the existing issued H Shares and approximately 14.5% and approximately 12.1% of the existing and enlarged issued share capital of the Company respectively, pursuant to a specific mandate to be granted by special resolutions of a general meeting of all holders of H Shares and Domestic Shares and separate class meetings of holders of H Shares and Domestic Shares.

The Company Subscription contemplated under the Subscription Agreement constitutes a major transaction for the Company under the GEM Listing Rules and is subject to approval by the Shareholders at the SGM. A circular containing, among other things, (1) details of the Company Subscription and a notice convening the SGM to approve the Company Subscription; and (2) notices of the SGM of the Shareholders and notices of separate class meetings of the holders of H Shares and Domestic Shares respectively for the grant of a specific mandate to issue up to 140,000,000 new H Shares will be despatched to the holders of H Shares and Domestic Shares as soon as practicable.

At the request of the Company, trading in the H Shares on the Stock Exchange was suspended from 10:00 a.m. on 31st August, 2001 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the H Shares on the Stock Exchange from 10:00 a.m. on 7th September, 2001.

Investors should be aware that completion of the Company Subscription is subject to the satisfaction of a number of conditions. In particular, the Company may not proceed with the Company Subscription if it is not satisfied that SMIC International will have total paid up share capital of at least US\$950 million upon completion of the Subscriptions. There is no assurance that the aforesaid condition, or any other conditions, will be fulfilled. Investors should therefore exercise caution when dealing in the H Shares.

SUBSCRIPTION AGREEMENT

Date

30th August, 2001

Parties

Subscriber : JBU Cayman, a wholly owned subsidiary of the Company

Issuer : SMIC International, a private company independent of and not connected with the Directors, promoters, supervisors, chief executive and substantial shareholders or management shareholders of the Company or any of their respective associates

The Company Subscription

JBU Cayman has conditionally agreed to subscribe for 54,000,540 Preference Shares, representing approximately 5.92% of the total issued voting share capital of SMIC International, as enlarged by the Subscriptions. Upon full conversion of the Preference Shares to be subscribed pursuant to the Subscriptions into Ordinary Shares, the percentage of Ordinary Shares held by JBU Cayman is expected to represent approximately 5.92% of the total issued Ordinary Shares as enlarged by the conversion. In the event of any deviation from such percentage, the Company will make an announcement. The conversion price will be disclosed in the Circular.

Consideration

The total consideration for the Company Subscription is US\$60 million (equivalent to approximately RMB500 million), equivalent to a subscription price of US\$1.1111 per Preference Share. The consideration has been determined after arm's length negotiations and the subscription price of US\$1.1111 per Preference Share to be paid by JBU Cayman equals to the subscription price to be paid by the Investors pursuant to the Investors Subscription.

Based on the Company's calculation, which calculation and assumption were not independently reviewed by qualified public accountants, the pro-forma net asset value per Preference Share following completion of the Subscriptions will be equal to US\$1.0973. The subscription price of US\$1.1111 under the Company Subscription represents an insignificant premium over the pro-forma net asset value per Preference Share as stated above.

The Directors consider the terms of the Company Subscription fair and reasonable and are to the interest of the Shareholders as a whole.

Payment terms and source of funding

Pursuant to the Subscription Agreement, the consideration for the Company Subscription of US\$60 million shall be paid by JBU Cayman to SMIC International as follows:

1. A cash deposit of US\$37.5 million (equivalent to approximately RMB313 million), representing 62.5% of the total consideration, shall be payable upon signing of the Subscription Agreement. Such deposit shall be fully refunded (without interest) to JBU Cayman if the First Closing does not take place on or before 15th December, 2001 or such later date as the parties may agree. Such deposit has been fully paid by JBU Cayman on 3rd September, 2001.
2. A payment of US\$7.5 million (equivalent to approximately RMB63 million), representing 12.5% of the total consideration, shall be paid on 15th December, 2001.
3. The balance of US\$15 million (equivalent to approximately RMB125 million), representing 25% of the total consideration, shall be paid at the Final Closing which shall be on or before 30th June, 2002 or such later date as the parties may agree.

In the event that JBU Cayman shall fail to pay the balance of US\$15 million (equivalent to approximately RMB125 million) when such amount is due upon the satisfaction of the conditions to the Final Closing, SMIC International will have the right, among others, to sell such remaining unsubscribed Preference Shares to other shareholders of SMIC International, and require that the Preference Shares previously subscribed by JBU Cayman be sold to other shareholders of SMIC International at 50% of the price at which such Preference Shares were subscribed. This provision also applies to all the Investors.

The deposit of US\$37.5 million (equivalent to approximately RMB313 million) already paid by JBU Cayman was initially financed by the Bank Loan. The further payment of US\$7.5 million (equivalent to approximately RMB63 million) to be paid on 15th December, 2001 will also initially be financed by the Bank Loan. The Company intends to repay the Bank Loan through the issue and placing of new H Shares. In the event if the proceeds from the placing is insufficient to repay the Bank Loan in full, the Directors intend to renew any remaining balance of the Bank Loan for further periods. The Directors do not foresee any difficulty in renewing the Bank Loan for further periods, if required. The Directors further confirm that in any event the Company maintains sufficient working capital for financing its business objectives as stated in the Prospectus. See "Proposed Mandate To Issue H Shares" below for more information.

The balance payment of US\$15 million (equivalent to approximately RMB125 million) due on or before 30th June, 2002 will be funded by the Company's internal resources. Any shortfall will be financed by bank borrowing.

Conditions

Completion of the Company Subscription will take place in two stages, namely the First Closing and the Final Closing.

Completion of the First Closing is conditional upon, among other things, the following:

1. completion of the First Closing of the Investors Subscription;
2. the total paid up share capital of SMIC International upon completion of the First Closing shall be not less than US\$750 million;
3. signing of the Share Purchase Agreement, with any changes to the agreement to be acceptable to JBU Cayman;
4. signing of the Shareholders' Agreement, with any changes to the agreement to be acceptable to JBU Cayman;
5. the Company obtaining the approvals by the relevant PRC approving authorities in relation to the Company Subscription; and
6. approval of the Company Subscription by the holders of H Shares and Domestic Shares.

Pursuant to the Subscription Agreement, completion of the First Closing shall take place on or prior to the tenth business day following the fulfillment of all the conditions set forth in the Subscription Agreement unless waived by the parties, which date shall be on or before 15th December, 2001 or such later date as the parties may agree.

Completion of the Final Closing is conditional upon, among other things, the following:

1. completion of the Final Closing of the Investors Subscription; and
2. the total paid up share capital of SMIC International upon completion of the Final Closing shall be not less than US\$950 million.

Pursuant to the Subscription Agreement, the Final Closing shall take place following the fulfillment of all the conditions set forth in the Subscription Agreement unless waived by the parties, which date shall be on or before 30th June, 2002 or such later date as the parties may agree.

Share capital of SMIC International and rights of the holders of the Preference Shares

At the date of the Subscription Agreement, the entire issued share capital of SMIC International comprised 12,241,350 Ordinary Shares of par value of US\$0.0004 each.

Upon completion of the Subscriptions, an aggregate of 900,009,000 Preference Shares will be issued to JBU Cayman and the Investors, of which 54,000,540 Preference Shares will be issued to JBU Cayman pursuant to the Subscription Agreement. As part of the Investors Subscription, a certain number of Series A-1 preference shares of par value US\$0.00001 each (the “A-1 Preference Shares”) will be issued to one of the Investors at par.

Each Preference Share may, at the option of its holder, be converted into Ordinary Share at the conversion price, subject to adjustments, specified in the Articles of Association. There will be automatic conversion of the Preference Shares into Ordinary Shares upon the happening of certain events. All Preference Shares have voting rights and are dividends bearing at a rate, subject to adjustments, specified in the Articles of Association and such dividends are cumulative and payable in preference to any payment of dividends to holders of Ordinary Shares. The Preference Shares when converted into Ordinary Shares will rank *pari passu* in all aspects with the existing issued Ordinary Shares.

The A-1 Preference Shares constitute a separate class of non-transferable, non-voting, non-convertible, dividend bearing at a rate, subject to adjustments, specified in the Articles of Association, redeemable preference shares.

The details of the Share Purchase Agreement and the Shareholders’ Agreement including the trigger events for automatic conversion and the dividend rate would be incorporated in the circular to be despatched to the Shareholders (the “Circular”).

INFORMATION ON SMIC INTERNATIONAL

SMIC International was incorporated in the Cayman Islands on 3rd April, 2000. Immediately after completion of the Subscriptions, the issued voting share capital of SMIC International will comprise 12,241,350 Ordinary Shares and 900,009,000 Preference Shares. The Preference Shares will be owned by a total of 16 shareholders (including JBU Cayman) and the individual shareholding of each of the shareholders will range from approximately 0.5% to 17%. Of the 16 shareholders, 6 are key players in the semiconductor industry from the United States and the Asia Pacific Region and the remaining 10 are institutional investors. The holders of the existing issued Ordinary Shares are mostly the founders of SMIC International (the “Founders”) who are also the key management of SMIC Shanghai. Further details in relation to the Founders will be disclosed in the Circular. According to the Directors, the Founders are independent of and not connected with the Directors, promoters, supervisors, chief executive and substantial shareholders or management shareholders of the Company or any of their respective associates.

The principal business of SMIC International is its investment in SMIC Shanghai, which is a wholly foreign owned enterprise established on 21st December, 2000 in the PRC for the manufacturing and marketing of advanced technology semiconductors in the PRC.

A summary of the audited consolidated results of the SMIC International for the period from 3rd April, 2000 (date of incorporation) to 31st December, 2000 (as prepared in accordance with the generally accepted accounting principles in the Republic of China on Taiwan) is presented below:

	For the period from 3rd April to 31st December, 2000 <i>US\$'000</i>
Turnover	–
Operating expenses	929
Operating loss	(929)
Interest income	2,153
Gain on foreign exchange	2
Income before income tax	1,226
Income tax	–
Net income	<u>1,226</u>

Audited consolidated results of the SMIC International as prepared in accordance with the generally accepted accounting principles in Hong Kong will be disclosed in the Circular.

During the period up to 31st December, 2000, the principal activity of SMIC Shanghai was the construction of its production facilities in Shanghai, which commenced in August 2000. No turnover was recorded for the period and operating expenses incurred during the period were insignificant.

Details of the net assets of SMIC International will be contained in the accountants' report in the Circular.

INFORMATION ON SMIC SHANGHAI

SMIC Shanghai was established on 21st December, 2000 as a wholly foreign owned enterprise in the PRC. The approved total investment of SMIC Shanghai is US\$1,480 million. SMIC Shanghai has a registered capital of US\$500 million, of which US\$75 million has been paid up as at the date of this announcement. The balance of the total investment has to be paid up on or before 20th December, 2002. The capital of SMIC Shanghai is wholly owned by SMIC International.

The board of directors of SMIC Shanghai comprises three board members, one of which is Prof. Wang Yang Yuan, a Director. Details in relation to Prof. Wang Yang Yuan's participation in SMIC Shanghai are set out under the section headed "Reasons for and benefits of the Company Subscription" in this announcement.

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

According to the Directors, the semiconductor industry in the PRC has significant potential. Based on the statistics provided by PRC Ministry of Information and Industry, the growth rate for integrated circuits

manufactured in the PRC during the 1990's averaged over 30% per annum. Furthermore, the Directors believe that SMIC Shanghai has the following competitive advantages over its competitors in the PRC:

1. Located in Pudong, Shanghai, SMIC International enjoys various investment incentives available to foreign enterprises as well as the ample supply of high quality management personnel and skilled labour from the region;
2. Some of the Investors are key players in the semiconductor industry in terms of their scale of production and technology. It is expected that the relationship between SMIC International and its Investors will enhance the ability of SMIC Shanghai in recruiting quality management team and provides strong technical support to SMIC Shanghai. As at the date of this announcement, there is no proposed or present arrangement between the investors of SMIC International and SMIC International under which the investors of SMIC International is required to provide technical support to SMIC International. However, the Directors consider that when investor of SMIC International employs SMIC International as foundry for the manufacture of their integrated circuit products, technology of SMIC International will continuously advance so as to meet evolving standard of advanced integrated circuit chips as demanded by SMIC International's investors;
3. The investment by the Investors together with additional funding to be financed by bank borrowings would be sufficient to finance the total capital investment and operation of SMIC Shanghai, thus ensuring the financial stability of SMIC Shanghai; and
4. Some of the Investors are consumers of semiconductors, who may purchase from SMIC Shanghai. Pursuant to the Shareholders' Agreement, SMIC International agrees to commit a certain number of foundry wafers per month to certain of its shareholders (including the Company) who elect to be customers of SMIC International. The total number of wafers SMIC International may guarantee shall not exceed the lesser of (a) 50% of the current monthly production of merchantable wafers; and (b) 3,000 wafers per month for every US\$50 million of equity interest in SMIC International. Terms and conditions (including price) shall be negotiated and determined between SMIC International and the shareholders on an arm-length basis and shall be consistent with industry practice and fair and reasonable to SMIC International.

Based on the business plan of SMIC Shanghai, the total investment of SMIC Shanghai is US\$1,480 million, of which US\$950 million to US\$1,000 million will be financed by SMIC International and the remaining balance of US\$480 million to US\$530 million will be financed by bank borrowings. Upon completion of the Subscriptions, SMIC International will have sufficient funds to pay for the required registered capital to be injected to SMIC Shanghai. SMIC Shanghai is currently in negotiation with various PRC banks for securing bank loans of an amount of not less than the equivalent of US\$480 million.

SMIC Shanghai is in the process of constructing a production facility in Shanghai. The facility consists of two main fabs (or foundries).

Construction of the first main fab (the "First Fab") was completed in July 2001. Trial production and commercial production of the First Fab is expected to commence in the last quarter of 2001 and January 2002 respectively. According to the information provided by SMIC International, the monthly maximum production capacity of the First Fab is 42,000 8-inch wafers. Construction of the second main fab is expected to commence in early 2003 and commercial production will commence in the third quarter of 2004. By end of 2004, it is expected that the aggregate monthly production capacity of the two fabs will reach 85,000 8-inch wafers.

The products of SMIC Shanghai will be split for export and local sales in the ratio of 70% to 30%.

REASONS FOR AND BENEFITS OF THE COMPANY SUBSCRIPTION

The Group is principally engaged in the development, design and manufacture of integrated circuits related products in the PRC with expertise in developing software applications and designing integrated circuits for embedded system products. The Company is also engaged in the design, manufacture, marketing distribution and sale of five different embedded system products, namely application specific integrated circuits, network security product, smart card, application system, global positioning system application system and wireless fire alarm system. Currently, the Company is one of the leading software developers and integrated circuit designers in the PRC.

In December 2000, the Company commenced the preliminary negotiation of investment in SMIC International. The principal purpose of the Proposed Investment by the Company is to form a strategic partnership with SMIC Shanghai, through which the Directors expect to strengthen the Company's technology in the design and development of integrated circuits. Despite the small percentage of shareholding to be subscribed by the Company, the Company is given a chance to take an active role in the management and operations of SMIC Shanghai. Two of the Directors, namely Prof. Wang Yang Yuan ("Prof. Wang") and Prof. Liu Yue ("Prof. Liu"), who are designated by the Company and represent the Company in the setting up of SMIC Shanghai, have been actively participated in the setting up of SMIC Shanghai and will continue to actively participate in the management and operations of SMIC Shanghai. In fact, Prof. Wang is the legal representative and chairman of SMIC Shanghai while Prof. Liu is the special assistant to the general manager of SMIC Shanghai. Prof. Wang and Prof. Liu commenced participation in the management of SMIC Shanghai since December 2000 and February 2001 respectively.

Prof. Wang's current and expected future participation in SMIC Shanghai include overall strategic planning and technology and product research and development. Prof. Liu's current and expected future participation in SMIC Shanghai include product management, market development and liaison with relevant PRC Government authorities.

Integrated circuits are key components of the Company's products. Therefore, the development of the Company's products to a significant extent depends on the technology related to the design and development of integrated circuits. As mentioned in the Prospectus, one of the Group's principal business strategies is to focus on the research and development of advanced software and integrated circuits for the manufacture of high-end embedded system products. In this regard, the Directors are of the view that the proposed investment in SMIC International pursuant to the Company Subscription may enable the Company to achieve its stated strategy of improving technology in the design and development of integrated circuits. In particular, the Directors believe that the Company would benefit from co-operating with SMIC Shanghai in terms of obtaining first-hand information relating to the most advanced technology of the semiconductor industry from SMIC Shanghai, which may benefit the Company in developing advanced integrated circuits for its embedded systems products and in maintaining its leading position in the industry.

At present, the Company designs most of the integrated circuits used in its products and subcontracts the manufacturing of such integrated circuits to independent subcontractors. Pursuant to the Shareholders' Agreement, following the investment in SMIC International, the Company will be able to subcontract the manufacturing of integrated circuits to SMIC Shanghai, thus allowing the Company to obtain a stable supply of large quantity of integrated circuits at competitive price. Based on a monthly expected production capacity of 42,000 wafers, the annual production of SMIC Shanghai will be equal to approximately 500,000 wafers. Under the Shareholders' Agreement, the Company will be entitled to purchase 3,000 wafers per month from SMIC Shanghai. The Directors expect to purchase 10,000 wafers from SMIC Shanghai annually. Further details of such arrangement is set out under the section headed "Information on SMIC Shanghai" in this announcement.

The Directors consider that there is no direct competition in terms of business activities between the Company and SMIC International given that the two companies manufacture different end products and are targeting at different customers.

PROPOSED MANDATE TO ISSUE H SHARES

As mentioned above, part of the consideration for the Company Subscription of US\$45 million will initially be financed by the Bank Loan. To improve the financial position and reduce the gearing ratio of the Company, the Directors intend to raise capital funds by placing new H Shares to institutional and private investors to repay the Bank Loan.

Pursuant to the general mandate granted to the Directors by the holders of H Shares and Domestic Shares at the annual general meeting held on 29th May, 2001, the Directors may issue up to 52,800,000 new H Shares, representing 20% of the existing issued H Shares and approximately 5.5% and approximately 4.6% of the existing and enlarged issued share capital of the Company respectively. To repay the Bank Loan, the Directors intend to issue up to 192,800,000 new H Shares, representing approximately 73% of the existing issued H Shares and 20% and approximately 16.7% of the existing and enlarged issued share capital of the Company respectively, by (1) exercising the general mandate to issue up to 52,800,000 new H Shares; and (2) depending on the actual issue price per H Share, issuing up to an additional 140,000,000 new H Shares pursuant to a specific mandate to be granted by special resolutions of a general meeting of the Shareholders and separate class meetings of holders of H Shares and Domestic Shares. On the assumption that the entire 192,800,000 new H Shares are to be issued at the Average Closing Price of HK\$1.744 per H Share, the proceeds from the issue of new H Shares pursuant to the general mandate and the specific mandate will be approximately HK\$336 million, which amount will be fully utilised to repay the Bank Loan. The remaining balance of the Bank Loan, if any, will be repaid by the Group's internal resources or renewed for further periods.

Further announcement will be made at the time of the placement of the H Shares.

GENERAL

Based on the unaudited consolidated net tangible assets of the Group as at 30th June, 2001, the Company Subscription constitutes a major transaction of the Company pursuant to Rule 19.06(3) of the GEM Listing Rules and is subject to approval by the Shareholders at the SGM.

A circular containing, among other things, (1) details of the terms of the Company Subscription and a notice convening the SGM for considering and, if thought fit, approving the Company Subscription; and (2) notices of the SGM of the Shareholders and notices of separate class meetings of the holders of H Shares and Domestic Shares respectively for approving the specific mandate to issue up to 140,000,000 new H Shares will be despatched to the holders of H Shares and Domestic Shares as soon as practicable.

At the request of the Company, trading in the H Shares on the Stock Exchange was suspended from 10:00 a.m. on 31st August, 2001 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the H Shares on the Stock Exchange from 10:00 a.m. on 7th September, 2001.

Investors should be aware that completion of the Company Subscription is subject to the satisfaction of a number of conditions. In particular, the Company may not proceed with the Company Subscription if it is not satisfied that SMIC International will have total paid up share capital of at least US\$950 million upon completion of the Subscriptions. There is no assurance that the aforesaid condition, or any other conditions, will be fulfilled. Investors should therefore exercise caution when dealing in the H Shares.

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Articles of Association”	the articles of association of SMIC International to be amended as of the First Closing
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Average Closing Price”	the average closing price of the H Shares, as quoted on the Stock Exchange, for the 30 trading days immediately prior to 30th August, 2000, the last trading day prior to the date of this announcement
“Bank Loan”	the short-term bank loan of an amount of up to RMB390 million (equivalent to approximately US\$47 million), of which an amount of approximately RMB375 million (equivalent to approximately US\$45 million) will be utilised by the Company to partially finance the payment of the consideration to be paid pursuant to the Subscription Agreement. The Bank Loan is unsecured, carries interest at an interest rate of 6.2496% per annum and is repayable on the date falling on 6 months from date of drawdown
“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 joint stock limited company incorporated in the PRC with limited liability with its H-shares listed on the GEM
“Company Subscription”	the proposed subscription of 54,000,540 Preference Shares for a total consideration of US\$60 million (equivalent to approximately RMB500 million) by JBU Cayman pursuant to the Subscription Agreement
“Directors”	directors of the Company
“Domestic Shares”	ordinary shares issued by the Company, with a nominal value of RMB0.1 per share, which are subscribed for in RMB by PRC nationals and/or PRC entities
“Final Closing”	completion of the subscription of the remaining 25% of the committed purchase of Preference Shares by each of JBU Cayman and the Investors respectively pursuant to the Share Purchase Agreement
“First Closing”	completion of the subscription of 75% of the committed purchase of Preference Shares by each of JBU Cayman and the Investors respectively pursuant to the Share Purchase Agreement
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of the Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries or any of them

“H Shares”	overseas-listed foreign shares in the ordinary share capital of the Company, with a nominal value of RMB0.1 each and which are listed on the GEM
“Investors”	various institutional and strategic investors (excluding JBU Cayman) who have conditionally agreed to subscribe for Preference Shares pursuant to the Investors Subscription, each of which is independent of and not connected with the Directors, promoters, supervisors, chief executive and substantial shareholders or management shareholders of the Company or any of their respective associates
“Investors Subscription”	the conditional subscription by the Investors of up to an aggregate of 846,008,460 Preference Shares, representing approximately 92.74% of the total issued voting share capital of SMIC International as enlarged by the Subscriptions, for a total consideration of US\$940 million, representing a subscription price of US\$1.1111 per Preference Share
“JBU Cayman”	Beida Jade Bird Universal (Cayman) Investment Company Limited, a company incorporated in the Cayman Islands and a wholly owned subsidiary of the Company
“Ordinary Shares”	Ordinary Shares of SMIC International with a par value of US\$0.0004 per share. The holders of the existing issued Ordinary Shares are mostly the founders of SMIC International
“Preference Shares”	Series A preference shares of SMIC International of par value of US\$0.0004 each which carry voting rights, are dividends bearing and are, at the option of the holders, convertible into ordinary shares of SMIC International at the initial conversion price of US\$1.1111 per Ordinary Share, which is subject to change upon finalisation of the Articles of Association. The Preference Shares have the same voting rights as those of the Ordinary Shares. As a holder of Preference Shares, JBU Cayman will have the right to attend shareholders’ meeting of SMIC International
“Prospectus”	prospectus of the Company dated 20th July, 2000 in relation to the placing of H Shares
“SGM”	the special general meeting of the Company to be convened for approving the Company Subscription contemplated under the Subscription Agreement
“Shareholders”	holders of ordinary shares of the Company with a nominal value of RMB0.1 each
“Shareholders’ Agreement”	the agreement to be entered into by and among SMIC International, JBU Cayman and the Investors contemporaneously with the execution of the Share Purchase Agreement

“Share Purchase Agreement”	the agreement to be entered into by and among SMIC International, JBU Cayman and the Investors in relation to the Company Subscription and the Investors Subscription
“SMIC International”	Semiconductor Manufacturing International Corporation, a company incorporated in the Cayman Islands, which is independent of and not connected with the Directors, promoters, supervisors, chief executive and substantial shareholders or management shareholders of the Company or any of their respective associates. The principal business of SMIC International is the investment in SMIC Shanghai
“SMIC Shanghai”	中芯國際集成電路製造(上海)有限公司 (Semiconductor Manufacturing International Corporation (Shanghai)), a wholly foreign owned enterprise established in the PRC and which share capital is wholly owned by SMIC International. The principal business of SMIC Shanghai is the manufacturing and marketing of advanced technology semiconductors
“Subscriptions”	the Company Subscription and the Investors Subscription
“Subscription Agreement”	the conditional subscription agreement dated 30th August, 2001 entered into between JBU Cayman and SMIC International pursuant to which JBU Cayman will, subject to certain conditions, subscribe for 54,000,540 Preference Shares for a total consideration of US\$60 million (equivalent to approximately RMB500 million), representing a subscription price of US\$1.1111 per Preference Share
“PRC”	the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“RMB”	Renminbi, the lawful currency of the PRC

Note: The English names of these companies are only a translation of their respective official Chinese names.

For the purpose of this announcement, unless otherwise indicated, the exchange rates at US\$1 = RMB8.338 have been used, where applicable, for purpose of illustration only and not constitute a representation that any amounts have been, could have been or may be exchanged.

By order of the Board
Xu Zhen Dong
Chairman

Beijing, the PRC, 6th September, 2001

This announcement will appear on the GEM website at the “Latest Company Announcements” page for 7 days from the day of its posting.