
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult 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 (“**Company**”), you should at once hand this circular and the form of proxy for the special general meeting of the Company to the purchaser, 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.

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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: 08095)

**(1) DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION:
CAPITAL INCREASE AGREEMENT
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



INCUC Corporate Finance Limited

A notice convening the special general meeting of the Company to be held at 10:30 a.m. on Friday, 9 September 2022 at Conference Room A, Block B, 3rd Floor, Beida Jade Bird Building, No. 207 Chengfu Road, Haidian District, Beijing 100871, the PRC is set out on pages SGM-1 to SGM-3 to this circular. The form of proxy for use at the special general meeting of the Company is also enclosed with this circular.

Whether or not you are able to attend the special general meeting of the Company, you are required to complete the enclosed form of proxy in accordance with the instructions printed thereon. For holders of H Shares, you are required to return the form(s) of proxy to the Company's H share registrar in Hong Kong, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong. For holders of non-listed Shares, you are required to return the form of proxy 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. Whether you are holders of H Shares or non-listed Shares, you are required to return the form of proxy as soon as possible but in any event by 10:30 a.m. on Thursday, 8 September 2022 or not less than 24 hours before the time appointed for holding any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting if you so wish.

19 August 2022

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CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

DEFINITIONS

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

“2021 Capital Injection”	the capital injection of RMB50,000,000 into the Target Company made by the Company in accordance with the terms of the capital increase agreement dated 3 September 2021, details of which are set out in the Company’s announcement dated 3 September 2021
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Days”	any day excluding Saturday, Sunday and public holidays in the PRC
“Business Valuation”	the business valuation of the Target Company performed by the Valuer as at 30 April 2022 as set out in the Valuation Report
“Capital Increase Agreement”	the capital increase agreement dated 7 July 2022 entered into by the Company, the Existing Shareholders and the Target Company in relation to the Capital Injection
“Capital Injection”	the capital injection of RMB100,000,000 into the Target Company to be made by the Company in accordance with the terms of the Capital Increase Agreement
“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 GEM
“Conditions Precedent”	conditions precedent to the Capital Injection
“connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the directors of the Company
“Existing Shareholders”	Link Yiu, Mr. Li Qiming, Shanghai Shengjin and Mr. Troy Jonathan Baker
“GEM”	GEM of the Stock Exchange

DEFINITIONS

“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas-listed foreign invested share(s) in the ordinary share capital of the Company, with a nominal value of RMB0.1 and subscribed for and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Capital Increase Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	INCU Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Capital Increase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders, other than those who are required by the GEM Listing Rules to abstain from voting on the resolution relating to the Capital Increase Agreement and the transactions contemplated thereunder
“Independent Third Party(ies)”	third party(ies) which is/are independent of the Company and its connected persons
“Latest Practicable Date”	16 August 2022, being the latest practicable date prior to the bulk-printing of this circular for ascertaining certain information contained in this circular
“Link Yiu”	Link Yiu Holdings Limited, a company incorporated in Hong Kong with limited liability and an existing shareholder of the Target Company, principally engaged in investment holding and the sole ultimate beneficial owner of which is Ms. Xu
“Mr. Liu”	Mr. Liu Ziyi, a non-executive Director

DEFINITIONS

“Ms. Xu”	Ms. Xu Mengran, the spouse of Mr. Liu
“Non-listed Share(s)”	non-listed share(s) in the ordinary share capital of the Company with a nominal value of RMB0.1, which is (are) subscribed for or credited as fully paid up in RMB
“PRC”	the People’s Republic of China which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company convened to be held at 10:30 a.m. on Friday, 9 September 2022 at Conference Room A, Block B, 3rd Floor, Beida Jade Bird Building, No. 207 Chengfu Road, Haidian District, Beijing 100871, the PRC for the Independent Shareholders to consider and, if thought fit, approve the Capital Increase Agreement and the transactions contemplated thereunder
“Shanghai Shengjin”	上海盛今創業投資有限公司 (in English for identification purpose only, Shanghai Shengjin Venture Capital Investment Co., Ltd.), a limited liability company incorporated in the PRC and an existing shareholder of the Target Company, principally engaged in investment holding and is ultimately owned as to (i) 45% by the Company; (ii) 30% by Li Peng and Shen Yunxie; and (iii) 25% by other Independent Third Parties
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Supervisor(s)”	the supervisors of the Company
“Target Company”	鎳特半導體科技(上海)有限公司 (in English for identification purpose only, Eta Semiconductor Technology (Shanghai) Co., Ltd.), a limited liability company incorporated in the PRC

DEFINITIONS

“Valuation Report”	the valuation report dated 5 July 2022 and issued by the Valuer in relation to the Business Valuation, summary of which is set out in Appendix II to this circular
“Valuer”	上海集聯資產評估有限公司 (in English for identification purpose only, Shanghai Jilian Assets Appraisal Co., Ltd.)
“%”	per cent

References to time and dates in this circular are to Hong Kong time and dates.

LETTER FROM THE BOARD



北京北大青鳥環宇科技股份有限公司
BEIJING BEIDA JADE BIRD UNIVERSAL SCI-TECH COMPANY LIMITED
(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 08095)

Executive Directors:

Mr. Ni Jinlei (*Chairman*)
Ms. Zheng Zhong (*President*)
Mr. Wang Xingye (*Vice President*)
Ms. Guan Xueming (*Vice President*)

Non-executive Director:

Mr. Liu Ziyi

Independent non-executive Directors:

Mr. Tang Xuan
Mr. Li Chonghua
Mr. Shen Wei

Registered office:

3rd Floor, Beida Jade Bird Building
Yanyuan District Area 3
No. 5 Haidian Road
Haidian District
Beijing 100080
the PRC

***Principal place of business
in the PRC:***

3rd Floor, Beida Jade Bird Building
No. 207 Chengfu Road
Haidian District
Beijing 100871
the PRC

***Principal place of business
in Hong Kong:***

17th Floor
V Heun Building
138 Queen's Road Central
Central, Hong Kong

19 August 2022

To the Shareholders

Dear Sir or Madam

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION: CAPITAL INCREASE AGREEMENT

INTRODUCTION

Reference is made to the announcement of the Company dated 3 September 2021 in relation to the 2021 Capital Injection and the announcement of the Company dated 7 July 2022 in relation to the Capital Injection, in which the Board announced that on 7 July 2022 (after trading hours), the Company, the Existing Shareholders and the Target Company entered into the Capital Increase Agreement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further information of the Capital Increase Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Capital Increase Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Capital Increase Agreement and the transactions contemplated thereunder; (iv) other information as required under the GEM Listing Rules; and (v) the notice of the SGM.

PRINCIPAL TERMS OF THE CAPITAL INCREASE AGREEMENT

A summary of the principal terms of the Capital Increase Agreement is set out below:

Date

7 July 2022

Parties

1. the Company
2. the Existing Shareholders
 - (i) Link Yiu;
 - (ii) Mr. Li Qiming;
 - (iii) Shanghai Shengjin;
 - (iv) Mr. Troy Jonathan Baker; and
3. the Target Company.

As at the Latest Practicable Date, the Company owned 45% equity interest of Shanghai Shengjin (being one of the Existing Shareholders) and Shanghai Shengjin is therefore an associate of the Company.

As at the Latest Practicable Date, Link Yiu, which owned 34.12% of the Target Company, was wholly owned by Ms. Xu, who is the spouse of Mr. Liu, a non-executive Director and a connected person of the Company under the GEM Listing Rules. As such, the Target Company is an associate of Mr. Liu and a connected person of the Company under the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Shanghai Shengjin and Link Yiu as mentioned above, each of the Existing Shareholders and their respective ultimate beneficial owners is an Independent Third Party.

The Directors confirms that to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is, and in the past twelve months, there has been, no material loan arrangement between (a) the Existing Shareholders and the Target Company, any of their directors and legal representatives and/or any ultimate beneficial owner(s) of the Existing Shareholders and the Target Company who can exert influence on the transaction; and (b) the Company, any connected person at the Company's level and/or any connected person at the subsidiary level (to the extent that such subsidiary/subsidiaries is/are involved in the transaction).

LETTER FROM THE BOARD

Capital Injection

As at the Latest Practicable Date, the registered capital of the Target Company was RMB89,391,889. The shareholding structure of the Target Company as at the Latest Practicable Date was as follows:

Shareholder	Registered capital (RMB)	Approximate % of registered capital contribution
1. Link Yiu	30,500,000	34.12
2. Mr. Li Qiming	21,350,000	23.88
3. Shanghai Shengjin	19,452,700	21.76
4. Mr. Troy Jonathan Baker	9,150,000	10.24
5. The Company	8,939,189	10.00
Total	89,391,889	100.00

Pursuant to the Capital Increase Agreement, the Company has agreed to inject an aggregate of RMB100,000,000 into the Target Company, of which (i) RMB14,903,862.95 shall be contributed to the registered capital of the Target Company; and (ii) the remaining balance shall be contributed to the capital reserve of the Target Company.

The following table illustrates the shareholding structure of the Target Company immediately following completion of the Capital Injection by the Company:

Shareholder	Registered capital (RMB)	Approximate % of registered capital contribution (Note)
1. Link Yiu	30,500,000.00	29.244
2. Mr. Li Qiming	21,350,000.00	20.471
3. Shanghai Shengjin	19,452,700.00	18.651
4. Mr. Troy Jonathan Baker	9,150,000.00	8.773
5. the Company	23,843,051.95	22.861
Total	104,295,751.95	100.000

Note: The percentage of registered capital contribution is calculated up to three decimal places only. The numerical value after the decimal places may be adjusted subject to the requirements of company change registration authority.

LETTER FROM THE BOARD

Upon the completion of the Capital Injection by the Company, the Target Company will be treated as interest in an associate in the Company's financial statements.

The Capital Injection shall be conditional upon the fulfillment of the following Conditions Precedent:

- (i) the due execution of the Capital Increase Agreement and the respective transaction documents in relation to the Capital Injection;
- (ii) the passing of the shareholders' resolution and the board resolution of the Target Company approving the Capital Increase Agreement and the transactions contemplated thereunder and the signing and execution of relevant legal documents by the Target Company; and
- (iii) the Independent Shareholders approving the Capital Increase Agreement and the transactions contemplated thereunder at the SGM in accordance with the requirements of the GEM Listing Rules.

If the Conditions Precedents are not fulfilled by 31 December 2022, the Capital Increase Agreement will be terminated.

As at the Latest Practicable Date, the Conditions Precedent in paragraphs (i) and (ii) have been fulfilled.

Payment of capital

Pursuant to the Capital Increase Agreement, upon fulfillment of all the Conditions Precedent, the Target Company shall issue a written notice to the Company specifying the bank account information of the Target Company and the fact that all the Conditions Precedent have been fulfilled, together with the proof of fulfillment of all the Conditions Precedent. The Company shall then pay the investment sum of RMB100,000,000 to the designated bank account of the Target Company within 15 Business Days upon receipt of the above written notice. The Target Company shall complete the industrial and commercial change registration with the relevant market supervisory administration in respect of the increase in share capital of the Target Company within 15 Business Days upon receipt of the investment sum from the Company.

The amount of the Capital Injection to be made by the Company to the Target Company of RMB100,000,000 was arrived at after arm's length negotiations between the Company and the Target Company having taken into account of the Business Valuation of the Target Company as at 30 April 2022 of approximately RMB620,000,000 conducted by the Valuer using income approach as set out in the Valuation Report and the Capital Injection. Summary of the Valuation Report is set out in Appendix II to this circular. The Directors consider that the amount of the Capital Injection is fair and reasonable.

Use of capital injected

The capital injected by the Company shall be used for business expansion of the Company or other purposes approved by the board of directors of the Target Company after the completion of the Capital Injection, in accordance with the financial budget and operation plans approved by the board of directors of the Target Company. It is expected that the Capital Injection will be used as to approximately RMB15 million for the research and development projects of the Target Company and approximately RMB85 million for expanding the production capacity of the Target Company.

LETTER FROM THE BOARD

In determining the amount of the Capital Injection of RMB100,000,000, the Company and the Target Company have taken into account of:

- (1) the proposed business expansion of the Target Company, i.e. continuous investment in research and development projects to upgrade the self-developed gallium nitride substrate production equipment; carrying out the production equipment construction and mass production plans for large-scale gallium nitride substrate; and targeting potential customers in the fields of lasers, radio frequency and power devices. The Capital Injection could provide additional funds to support the research and development projects and expand the production capacity of the Target Company;
- (2) the financial budget of the Target Company, i.e. the annual financial core indicators including operating income, net profit and operating cash flow; and
- (3) the operation plans of the Target Company, i.e. completing the commissioning of the self-developed gallium nitride substrate production equipment, further improving the production efficiency of the production lines, and expanding the workshops to match the expansion of production volume.

Set out below is the expected timeline for the Target Company to carry out its business expansion and operation plans:

- (i) the research and development projects, including (a) the growth of 4-inch gallium nitride single crystal with 10mm thickness, which will allow the Target Company to develop 4-inch gallium nitride single crystal with different specifications, so as to expand the product range of 4-inch gallium nitride single crystal offered by the Target Company; and (b) the development of 6-inch gallium nitride single crystal production equipment, which will allow the Target Company to develop 6-inch gallium nitride single crystal, which is different from 4-inch gallium nitride single crystal in terms of size and application, i.e. the 6-inch gallium nitride single crystal can be applied in 6G mobile communications, could be achieved by the third quarter of 2023;
- (ii) the average yield rate of the production line could be increased by 10% to 15% by the end of 2022; and
- (iii) the installation and commissioning of new generation production equipment could be completed by the end of 2022.

It is expected that the research and development projects mentioned above would allow the Target Company to achieve a higher net profit margin, taking into account of expected higher selling price of 4-inch gallium nitride single crystal with 10mm thickness and 6-inch gallium nitride single crystal while maintaining the labour costs and manufacturing costs comparatively stable.

As at the Latest Practicable Date, the Company does not expect to further inject capital into the Target Company in the next 12 months.

LETTER FROM THE BOARD

The proportion of the registered capital (which is used to determine the equity interest in the Target Company) to capital reserve in the Capital Injection of RMB100 million was determined by reference to the proportion of the Capital Injection to the sum of the Business Valuation of the Target Company as at 30 April 2022 of approximately RMB620,000,000 and the Capital Injection.

Board composition of the Target Company

Upon completion of the Capital Injection, the board of directors of the Target Company shall continue to consist of five directors and each of the Existing Shareholders and the Company has the right to appoint one director of the Target Company.

Rights of the Company

Save for the Company, no shareholders of the Target Company shall have the right to request other shareholders of the Target Company to join in any sale of the equity interest in the Target Company to any third party (i.e. drag-along rights). Upon the Company becoming a shareholder of the Target Company, if the Target Company shall undertake any fund raising activity, the proposal to provide drag-along rights to the intended new investors of the Target Company shall be subject to prior written approval of the Company.

If any of the Existing Shareholders intends to transfer its equity interest in the Target Company to any third party in whole or in part, the Company shall have the pre-emptive right to acquire such equity interest in whole or in part under the same terms.

INFORMATION ON THE GROUP

The Company is a joint stock company incorporated in the PRC with limited liability. The Group is principally engaged in the development of travel and leisure business, investment holding of diversified portfolios, trading of metallic products and sales of wine and related products.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the PRC. It is principally engaged in (i) the technical development, technical service, technical consultation and technical transfer of semiconductor and new material technology; (ii) the sale of semiconductor materials and equipment; and (iii) import and export of goods and technology (any business which requires to be approved by law can only be carried out upon approval by relevant authorities).

LETTER FROM THE BOARD

Set out below is a summary of the unaudited financial information of the Target Company for the two financial years ended 31 December 2020 and 31 December 2021 respectively:

	For the year ended 31 December	
	2020	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Net profit before taxation	237	2,713
Net profit after taxation	227	2,752

The unaudited net asset value of the Target Company as at 31 December 2021 was approximately RMB143,294,000.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT

The Company, through its subsidiaries, is principally engaged in the development of travel and leisure business, investment holding and trading of metallic products.

The Directors (including the independent non-executive Directors) consider that the Capital Injection represents a good investment opportunity and is in line with the Group's vision to invest in target companies or businesses having promising outlooks and prospects, taking into account that the Group is principally engaged in investment holding and the Target Company is a company having promising outlooks and prospects as set out below.

In this regard, the Target Company is an enterprise in the PRC with mass production of gallium nitride substrates. Gallium nitride is a third-generation semiconductor material and one of the preferable materials for high-temperature, high-frequency, and high-power microwave devices. Due to its properties and wide applications, its market demand is huge and the downstream applications include 5G mobile communications, new energy automotive, consumer electronics products etc.. According to the national policy direction "Made in China 2025" announced by the State Council of China, in respect of the third-generation semiconductor materials, the mission goals in 2025 are to achieve a 50% production rate in China for 5G mobile communications and efficient energy management; to achieve large-scale applications in the fields of automotive and consumer electronics products; and to reach the penetration rate of 80% in the general lighting market. The national policy direction gives the manufacturers of the third-generation semiconductor materials in China a broad room for development. The Target Company continuously develops downstream application products and actively expands its market in different downstream applications. In addition, the Target Company owns its self-developed production equipment for gallium nitride substrate, with high-quality production process, high-yield stripping process and low-cost grinding and polishing process, so that the Target Company's products are with high quality standard in various indicators, while maintaining at a competitive selling price.

LETTER FROM THE BOARD

The Company believes that the outlooks and prospects of the Target Company's business will be promising. The Capital Injection allows the Group to enlarge its investment in the Target Company and its business activities. The Company proposes to make further capital injection into the Target Company taking into account that the Target Company has achieved breakthroughs in its research and development, i.e. the upgrading of its self-developed gallium nitride substrate production equipment to a new generation model, which is a gallium nitride substrate single crystal growth equipment with a leading technology level and higher overall yield, and the production efficiency of its self-developed gallium nitride substrate production equipment has been greatly improved (i.e. the production speed having been increased by 20%, leading to the improvement in the overall yield of the Target Company); and the Target Company has obtained more customer certifications on its products. After the completion of the Capital Injection by the Company, the Target Company will be treated as interest in an associate in the Company's financial statements, and the net assets and results of the Target Company will be accounted for in the Company's consolidated financial statements using the equity method.

In view of the market demand for gallium nitride substrates mentioned above, the research and development capabilities of the Target Company and the leading technology level of the self-developed production equipment for gallium nitride substrate owned by the Target Company, it is currently expected that the revenue of the Target Company will continue to grow in 5 years with a profit margin of more than 10%. As at the Latest Practicable Date, the Company owned 10.00% equity interest in the Target Company, which was a financial asset at fair value through other comprehensive income of the Company, and the earnings of the Target Company were not accounted for in the Company's consolidated financial statements. After the completion of the Capital Injection, 22.86% of the earnings of the Target Company will be accounted for in the Company's consolidated financial statements using equity method as the Group's share of the results of the associate. Accordingly, it is currently expected that the revenue and earnings of the Target Company will continue to grow, which will have a positive impact on the Group's share of the profits of the associates.

In view of the above, the Directors (including the independent non-executive Directors) consider that the investment in the Target Company is in line with the Company's principal business, which includes investment holding business, especially the Company's investments in technology businesses, and the terms of the Capital Increase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one of the size test ratios in relation to the Capital Injection is more than 5% but less than 25%, the Capital Injection, standalone, constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. As one of the size test ratios in relation to the Capital Injection, aggregated with the 2021 Capital Injection, is more than 5% but is less than 25%, the Capital Injection under the Capital Increase Agreement remains a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. As such, the Capital Injection is subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

LETTER FROM THE BOARD

As at the date of the Capital Increase Agreement, the Target Company was owned as to 34.12% by Link Yiu, which was wholly owned by Ms. Xu. Ms. Xu is the spouse of Mr. Liu, a non-executive Director. As such, the Target Company is an associate of Mr. Liu and a connected person of the Company under the GEM Listing Rules. As a result, the transaction contemplated under the Capital Injection constitutes a connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

THE SGM

The SGM is convened to be held at 10:30 a.m. on Friday, 9 September 2022 at Conference Room A, Block B, 3rd Floor, Beida Jade Bird Building, No. 207 Chengfu Road, Haidian District, Beijing 100871, the PRC, the notice of which is set out on pages SGM-1 to SGM-3 of this circular, for the Independent Shareholders to consider and, if thought fit, approve the Capital Increase Agreement and the transactions contemplated thereunder.

As at the date of the Capital Increase Agreement, Link Yiu, which owned 34.12% of the Target Company, was wholly owned by Ms. Xu, who is the spouse of Mr. Liu, a non-executive Director and a connected person of the Company under the GEM Listing Rules.

As at the Latest Practicable Date, Mr. Liu holds 2,311,000 H Shares in the Company and has a material interest in the Capital Increase Agreement and the transactions contemplated thereunder. Mr. Liu and his associates are regarded as having a material interest in the Capital Increase Agreement and the transactions contemplated thereunder and they are required to abstain from voting on the ordinary resolution to be proposed at the SGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries as at the Latest Practicable Date, save as disclosed above, no other Shareholders has a material interest in the Capital Increase Agreement and the transactions contemplated thereunder, no other Shareholders (save for Mr. Liu and his associates) will be required to abstain from voting on the ordinary resolution to be proposed at the SGM.

Mr. Liu is regarded as having a material interest in the Capital Increase Agreement and the transactions contemplated thereunder and has abstained from voting on the Board resolution approving the Capital Increase Agreement and the transactions contemplated thereunder. Save for the aforesaid, none of the Directors has a material interest in the Capital Increase Agreement and the transactions contemplated thereunder and hence none of them has abstained from voting on the Board resolution approving the Capital Increase Agreement and the transactions contemplated thereunder.

The ordinary resolution as set out in the notice of the SGM will be put to the vote of the Independent Shareholders by way of poll.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF SHAREHOLDERS

The registers of shareholders of the Company will be closed from Tuesday, 6 September 2022 to Friday, 9 September 2022 (both days inclusive) during which period no transfer of shares of the Company will be registered. Any holder of the H Shares and whose name appearing in the Company's register of holders of H Shares with Hong Kong Registrars Limited at 4:30 p.m. on Monday, 5 September 2022 and have completed the registration process will be entitled to attend the SGM.

The form of proxy for use at the SGM is also enclosed with this circular. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority at the Company's share registrar in Hong Kong (for holders of H Shares) or the principal place of business of the Company in Beijing (for holders of Non-listed Shares) by 10:30 a.m. on Thursday, 8 September 2022 or not less than 24 hours before the time appointed for holding any adjournment of the SGM. Completion and delivery of the form of proxy will not preclude you from attending and voting at the SGM or any of such adjourned meeting if you so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 15 to 16 of this circular which contains its recommendation to the Independent Shareholders in respect of the Capital Increase Agreement and the transactions contemplated thereunder and the letter from The Independent Financial Adviser as set out on pages 17 to 34 of this circular which contains its independent financial advice to the Independent Board Committee and the Independent Shareholders in respect of the Capital Increase Agreement and the transactions contemplated thereunder.

The Directors consider that the terms of the Capital Increase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Capital Increase Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the notice of the SGM set out on pages SGM-1 to SGM-3 of this circular and the information set out in the appendices to this circular.

On behalf of the Board
Beijing Beida Jade Bird Universal Sci-Tech Company Limited
Ni Jinlei
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of advice from the Independent Board Committee setting out its recommendation to the Independent Shareholders for the purpose of inclusion in this circular.



北京北大青鳥環宇科技股份有限公司
BEIJING BEIDA JADE BIRD UNIVERSAL SCI-TECH COMPANY LIMITED
(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 08095)

19 August 2022

To the Independent Shareholders

Dear Sir or Madam

**DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION:
CAPITAL INCREASE AGREEMENT**

We refer to the circular of the Company dated 19 August 2022 (“**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms and expressions defined in the Circular shall have the same meanings herein.

We have been appointed by the Board to form the Independent Board Committee to advise you in connection with the Capital Increase Agreement and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” in the Circular.

INCU Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Capital Increase Agreement and the transactions contemplated thereunder.

We wish to draw your attention to the Letter from the Board set out on pages 5 to 14 of the Circular which contains, among others, information on the Capital Increase Agreement and the transactions contemplated thereunder as well as the letter from the Independent Financial Adviser set out on pages 17 to 34 of the Circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Capital Increase Agreement and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of the Independent Financial Adviser as set out in its letter of advice, we concur with the view of the Independent Financial Adviser and consider that the terms of the Capital Increase Agreement and the transactions contemplated thereunder are on normal commercial terms and ordinary and usual course of business of the Company, it is fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend you to vote in favour of the resolution to be proposed at the SGM to approve the Capital Increase Agreement and the transactions contemplated thereunder.

Yours faithfully

Independent Board Committee

Tang Xuan

*Independent non-executive
Director*

Li Chonghua

*Independent non-executive
Director*

Shen Wei

*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from INCU Corporate Finance Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in connection with the Capital Increase Agreement and the transaction contemplated thereunder.



INCU Corporate Finance Limited
Unit 1402, 14/F, Winsome House,
73 Wyndham Street,
Central, Hong Kong

19 August 2022

*To: The Independent Board Committee and
the Independent Shareholders of
Beijing Beida Jade Bird Universal Sci-Tech Company Limited*

Dear Sirs or Madams,

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO THE CAPITAL INCREASE AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Capital Increase Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular of the Company dated 19 August 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the announcement of the Company in respect of the 2021 Capital Injection dated 3 September 2021, on 3 September 2021 (after trading hours), the Company, the Existing Shareholders and the Target Company entered into a capital increase agreement, pursuant to which the Company agreed to inject RMB50,000,000 into the Target Company. Upon the completion of 2021 Capital Injection, the Company hold approximately 10.00% of the equity interest in the Target Company.

With reference to the announcement of the Company dated 7 July 2022, on 7 July 2022 (after trading hours), the Company, the Existing Shareholders and the Target Company entered into the Capital Increase Agreement, pursuant to which the Company agreed to further inject RMB100,000,000 into the Target Company, of which (i) RMB14,903,862.95 shall be contributed to the registered capital of the Target Company; and (ii) the remaining balance shall be contributed to the capital reserve of the Target Company. Upon completion of the Capital Injection by the Company, the Company will hold approximately 22.86% of the equity interest in the Target Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 20 May 2022, upon passing the resolution in the annual general meeting of the Company, Mr. Liu was appointed as the non-executive Director. As at the Latest Practicable Date, Link Yiu, which owned 34.12% of the Target Company, was wholly owned by Ms. Xu, who is the spouse of Mr. Liu, a non-executive Director and a connected person of the Company under the GEM Listing Rules. As such, the Target Company is an associate of Mr. Liu, and a connected person of the Company under the GEM Listing Rules. As a result, the transaction contemplated under the Capital Injection constitutes a connected transaction for the Company and will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Mr. Liu is regarded as having a material interest in the Capital Increase Agreement and the transactions contemplated thereunder and has abstained from voting on the Board resolution approving the Capital Increase Agreement and the transactions contemplated thereunder. Save for the aforesaid, none of the Directors has a material interest in the Capital Increase Agreement and the transactions contemplated thereunder and hence none of them has abstained from voting on the Board resolution approving the Capital Increase Agreement and the transactions contemplated thereunder.

We have not acted as an independent financial adviser and as not provided any other services to the Company during the past two years. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Capital Injection. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Capital Injection, and accordingly, are eligible to give independent advice and recommendations on the Capital Increase Agreement and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties that could reasonably be regarded as relevant to our independence.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Tang Xuan, Mr. Li Chonghua and Mr. Shen Wei, has been established to advise the Independent Shareholders in respect of the terms of the Capital Increase Agreement and as to whether the Capital Increase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, taking into account our recommendation.

As the Independent Financial Adviser, our role is to give independent opinions to the Independent Board Committee and the Independent Shareholders as to whether the Capital Increase Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the statements, information, opinions and representations relating to the operations, financial condition and prospects of the Group contained or referred to in this Circular and/or provided to us by the Company and the management of the Group. We have assumed that such information and any representation made to us were true, accurate and complete in all material respects as at the Latest Practicable Date and considered that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in this Circular have been arrived at after due and careful consideration and there are no other material facts not contained in this Circular, the omission of which would make any such statement made by them that contained in this Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld.

Our review and analyses were based upon, among others, the information provided by the Group including this Circular, the Valuation Report prepared by the Valuer as set out in Appendix II of this Circular and certain published information from the public domain, including but not limited to, the annual report of the Company for the year ended 31 December 2021 (the “**Annual Report 2021**”). We have also discussed with the Directors and the management of the Group with respect to the terms of and the basis and assumptions adopted in the Valuation Report and the reasons for and benefits of the Capital Injection. We have not, however, for the purpose of this exercise, conducted any in-depth independent investigation into the businesses, affairs and financial positions of the Group nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Capital Injection, we have taken into account the following principal factors and reasons:

1. Background and financial information of the Group

1.1 Background of the Group

The Company, through its subsidiaries, is principally engaged in the development of travel and leisure business (“**Travel and Leisure Business**”), investment holding of diversified portfolios (“**Investment Holding Business**”), trading of metallic products and sales of wine and related products.

According to the Annual Report 2021, the Travel and Leisure Business included provision of environmental shuttle bus services and property management services, and operation of tourist facilities, entertainment performance, tourist service centre and tourist souvenir shops in the tourist area at Nanyue District, Hunan Province, the PRC, and also tourism development projects in Hunan Province, including the development of tourist sight project located at Tianzi Mountain.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's Investment Holding Business mainly included investments in a subsidiary, the associates and joint ventures which are private equity funds with equity investments in private enterprises and property projects in the PRC, the investment in Jade Bird Fire Co., Ltd., an A share listed company in the PRC, and the investments in financial assets at fair value through other comprehensive income, including listed companies in Hong Kong and private companies in the PRC and Hong Kong.

1.2 Financial information of the Group

Set out below is a summary of the financial performance of the Group for the two financial years ended 31 December 2020 ("FY2020") and 31 December 2021 ("FY2021") respectively as extracted from the Annual Report 2021:

	FY2020 (RMB'000)	FY2021 (RMB'000)
Revenue	468,414	394,627
Profit/(Loss) from operations	95,943	(27,798)
Net profit attributable to owners of the Company	64,165	158,972

During FY2021, the business and financial performance of the Group were improved when compared with FY2020, as result of the stabilisation of the COVID-19 pandemic in the PRC. For FY2021, the total revenue of the Group was amounted to approximately RMB394.6 million, representing a decrease of 15.8% as compared with approximately RMB468.4 million for FY2020. Such decrease was mainly attributable to the decrease in revenue generated by trading of metallic products. Although the Group recorded loss from operations of approximately RMB27.8 million for FY2021 as compared with a profit of approximately RMB95.9 million for FY2020, the Group recorded an increase in profit attributable to owners of the Company by 147.7% to approximately RMB159.0 million for FY2021 as compared with approximately RMB64.2 million for FY2020. The increase was mainly attributable to the improvement in the businesses of the Group's investment in associates under the Investment Holding Business, which the share of profit of associates was amounted to approximately RMB210.5 million for FY2021, representing an increase of approximately 5,747.2% as compared with approximately RMB3.6 million for FY2020.

As at the Latest Practicable Date, the Company owned 10.00% equity interest in the Target Company, which was a financial asset at fair value through other comprehensive income of the Company, and the earnings of the Target Company were not accounted for in the Company's consolidated financial statements as share of profit of the Target Company for FY2021. After discussion with the management of the Company, we understand that since the 2021 Capital Injection took place near the end of FY2021, the Company confirmed that there has been no fair value change of such financial asset being recorded through other comprehensive income for FY2021. As the Company will hold approximately 22.86% of the equity interest in the Target Company upon completion of the Capital Injection, which will be treated as interest in an associate in the Company's consolidated financial statements, and the Target Company has been developing in progress and making profit in FY2020 and FY2021, the future profit of the Target Company will be accounted for using equity method under share of profit of associates in the consolidated statement of profit or loss and other comprehensive income of the Company. Therefore, we consider the Capital Injection can enhance the Group's profitability.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Annual Report 2021, during FY2021, the Group actively expanded the Investment Holding Business by completing the capital injection into two enterprises, which became the Company's financial assets at fair value through other comprehensive income. The business area of the new investments included technical development of semiconductor material and equipment; and technical research and development and wholesale distribution of display devices, optical components and accessories along with digital devices. The Group considered that the new investment projects have promising prospects to enhance the value of the Group's assets and are in line with the Group's vision.

Taking into account that (i) the Investment Holding Business has been providing additional income stream to Group; and (ii) the Target Company has been developing in progress and making profit in FY2020 and FY2021, which will be further discussed in the section headed "2. Background of the Target Company" below, we consider the investments in the abovementioned area will enhance the Group's profitability in the future.

2. Background of the Target Company

The Target Company is a company incorporated in the PRC. It is principally engaged in (i) the technical development, technical service, technical consultation and technical transfer of semiconductor and new material technology; (ii) the sale of semiconductor materials and equipment; and (iii) import and export of goods and technology (any business which requires to be approved by law can only be carried out upon approval by relevant authorities).

Set out below is a summary of the unaudited financial information of the Target Company for FY2020 and FY2021 respectively:

	FY2020 <i>(RMB'000)</i>	FY2021 <i>(RMB'000)</i>
Net profit before taxation	237	2,713
Net profit after taxation	227	2,752

The unaudited net asset value of the Target Company as at 31 December 2021 was approximately RMB143,294,000.

The profit before tax increased significantly from FY2020 to FY2021. As advised by the Directors, such increase was mainly due to the improvement in the production efficiency of the Target Company's self-developed production equipment and lower operating costs incurred by the Target Company during FY2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Principal terms of Capital Increase Agreement

Date

7 July 2022

Parties

1. the Company
2. the Existing Shareholders:
 - (i) Link Yiu;
 - (ii) Mr. Li Qiming;
 - (iii) Shanghai Shengjin;
 - (iv) Mr. Troy Jonathan Baker; and
3. the Target Company.

As at the Latest Practicable Date, the Company owned 45% equity interest of Shanghai Shengjin (being one of the Existing Shareholders) and Shanghai Shengjin is therefore an associate of the Company.

As at the Latest Practicable Date, Link Yiu, which owned 34.12% of the Target Company, was wholly owned by Ms. Xu, who is the spouse of Mr. Liu, a non-executive Director and a connected person of the Company under the GEM Listing Rules. As such, the Target Company is an associate of Mr. Liu and a connected person of the Company under the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Shanghai Shengjin and Link Yiu as mentioned above, each of the Existing Shareholders and their respective ultimate beneficial owners is an Independent Third Party.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Capital Injection

As at the Latest Practicable Date, the registered capital of the Target Company was RMB89,391,889. The shareholding structure of the Target Company as at the Latest Practicable Date was as follows:

Shareholder	Registered capital (RMB)	Approximate % of registered capital contribution
1. Link Yiu	30,500,000	34.12
2. Mr. Li Qiming	21,350,000	23.88
3. Shanghai Shengjin	19,452,700	21.76
4. Mr. Troy Jonathan Baker	9,150,000	10.24
5. The Company	8,939,189	10.00
Total	89,391,889	100.00

Pursuant to the Capital Increase Agreement, the Company has agreed to inject an aggregate of RMB100,000,000 into the Target Company, of which (i) RMB14,903,862.95 shall be contributed to the registered capital of the Target Company; and (ii) the remaining balance shall be contributed to the capital reserve of the Target Company.

The following table illustrates the shareholding structure of the Target Company immediately following completion of the Capital Injection by the Company:

Shareholder	Registered capital (RMB)	Approximate % of registered capital contribution (Note)
1. Link Yiu	30,500,000.00	29.244
2. Mr. Li Qiming	21,350,000.00	20.471
3. Shanghai Shengjin	19,452,700.00	18.651
4. Mr. Troy Jonathan Baker	9,150,000.00	8.773
5. the Company	23,843,051.95	22.861
Total	104,295,751.95	100.000

Note: The percentage of registered capital contribution is calculated up to three decimal places only. The numerical value after the decimal places may be adjusted subject to the requirements of company change registration authority.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon the completion of the Capital Injection by the Company, the Target Company will be treated as interest in an associate in the Company's financial statements.

The Capital Injection shall be conditional upon the fulfillment of the following Conditions Precedent:

- (i) the due execution of the Capital Increase Agreement and the respective transaction documents in relation to the Capital Injection;
- (ii) the passing of the shareholders' resolutions and the board resolutions of the Target Company approving the Capital Increase Agreement and the transactions contemplated thereunder and the signing and execution of relevant legal documents by the Target Company; and
- (iii) the Independent Shareholders approving the Capital Increase Agreement and the transactions contemplated thereunder at the SGM in accordance with the requirements of the GEM Listing Rules.

If the Conditions Precedents are not fulfilled by 31 December 2022, the Capital Increase Agreement will be terminated.

As at the Latest Practicable Date, the Conditions Precedent in paragraphs (i) and (ii) have been fulfilled.

Payment of capital

Pursuant to the Capital Increase Agreement, upon fulfillment of all the Conditions Precedent, the Target Company shall issue a written notice to the Company specifying the bank account information of the Target Company and the fact that all the Conditions Precedent have been fulfilled, together with the proof of fulfillment of all the Conditions Precedent. The Company shall then pay the investment sum of RMB100,000,000 to the designated bank account of the Target Company within 15 Business Days upon receipt of the above written notice. The Target Company shall complete the industrial and commercial change registration with the relevant market supervisory administration in respect of the increase in share capital of the Target Company within 15 Business Days upon receipt of the investment sum from the Company.

The amount of the Capital Injection to be made by the Company to the Target Company of RMB100,000,000 was arrived at after arm's length negotiations between the Company and the Target Company having taken into account the Business Valuation of the Target Company as at 30 April 2022 of approximately RMB620,000,000 conducted by the Valuer using income approach as set out in the Valuation Report and the Capital Injection. The Directors consider that the amount of the Capital Injection is fair and reasonable.

Use of capital injected

The capital injected by the Company shall be used for business expansion of the Company or other purposes approved by the board of directors of the Target Company after the completion of the Capital Injection, in accordance with the financial budget and operation plans approved by the board of directors of the Target Company. It is expected that the Capital Injection will be used as to approximately RMB15 million for the research and development projects of the Target Company and approximately RMB85 million for expanding the production capacity of the Target Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In determining the amount of the Capital Injection of RMB100,000,000, the Company and the Target Company have taken into account:

- (1) the proposed business expansion of the Target Company, i.e. continuous investment in research and development projects to upgrade the self-developed gallium nitride (“GaN”) substrate production equipment; carrying out the production equipment construction and mass production plans for large-scale GaN substrate; and targeting potential customers in the fields of lasers, radio frequency and power devices. The Capital Injection could provide additional funds to support the research and development projects and expand production capacity of the Target Company;
- (2) the financial budget of the Target Company, i.e. the annual financial core indicators including operating income, net profit and operating cash flow; and
- (3) the operation plans of the Target Company, i.e. completing the commissioning of the self-developed GaN substrate production equipment, further improving the production efficiency of the production lines, and expanding the workshops to match the expansion of production volume.

Set out below is the expected timeline for the Target Company to carry out its business expansion and operation plans:

- (i) the research and development projects, including (a) the growth of 4-inch GaN single crystal with 10mm thickness, which will allow the Target Company to develop 4-inch GaN single crystal with different specifications, so as to expand the product range of 4-inch GaN single crystal offered by the Target Company; and (b) the development of 6-inch GaN single crystal production equipment, which will allow the Target Company to develop 6-inch GaN single crystal, which is different from 4-inch GaN single crystal in terms of size and application, i.e. the 6-inch GaN single crystal can be applied in 6G mobile communications, could be achieved by the third quarter of 2023;
- (ii) the average yield rate of the production line could be increased by 10% to 15% by the end of 2022; and
- (iii) the installation and commissioning of new generation production equipment could be completed by the end of 2022.

The Target Company expects that the research and development projects mentioned above would allow the Target Company to achieve a higher net profit margin, taking into account of expected higher selling price of 4-inch GaN single crystal with 10mm thickness and 6-inch GaN single crystal while maintaining the labour costs and manufacturing costs comparatively stable.

As at the Latest Practicable Date, the Company does not expect to further inject capital into the Target Company in the next 12 months.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The proportion of the registered capital (which is used to determine the equity interest in the Target Company) to capital reserve in the Capital Injection of RMB100,000,000 million was determined by reference to the proportion of the Capital Injection to the sum of the Business Valuation of the Target Company as at 30 April 2022 of approximately RMB620,000,000 and the Capital Injection.

Board composition of the Target Company

Upon completion of the Capital Injection, the board of directors of the Target Company shall continue to consist of five directors and each of the Existing Shareholders and the Company has the right to appoint one director to the Target Company.

Rights of the Company

Save for the Company, no shareholders of the Target Company shall have the right to request other shareholders of the Target Company to join in any sale of the equity interest in the Target Company to any third party (i.e., drag-along rights). Upon the Company becoming a shareholder of the Target Company, if the Target Company shall undertake any fund raising activity, the proposal to provide drag-along rights to the intended new investors of the Target Company shall be subject to prior written approval of the Company.

If any of the Existing Shareholders intends to transfer its equity interest in the Target Company to any third party in whole or in part, the Company shall have the pre-emptive right to acquire such equity interest in whole or in part under the same terms.

4. Valuation

As disclosed in the Letter from the Board, the amount of the Capital Injection to be made by the Company to the Target Company of RMB100,000,000 was arrived at after arm's length negotiations between the Company and the Target Company having taken into account the Business Valuation of the Target Company as at 30 April 2022 of approximately RMB620,000,000 conducted by the Valuer using income approach and the Capital Injection.

For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's background and qualification in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer for conducting the Valuation Report. From the information provided by the Valuer and based on our discussion with them, we understand that the responsible officer of the Valuer for the valuation of the Target Company has over 15 years of experience in valuation. Furthermore, the Valuer has provided wide range of valuation services to numerous companies, including stated-owned enterprises, private equity investors and Hong Kong-listed companies. Therefore, we were satisfied with the Valuer's qualification for preparation of the Valuation Report.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the Valuation Report and upon our further enquiries with the Valuer, we understand that enterprise valuation approaches can be generally divided into market approach, income approach and asset-based approach:

- (i) The market approach refers to the appraisal method of comparing the appraisal object with comparable listed companies or comparable transaction cases to determine the value of the appraisal object. The basic prerequisite for the use of the market approach is the existence of an open market in which such assets are actively traded.
- (ii) The income approach refers to an appraisal method that capitalizes or discounts expected income to determine the value of an appraised object. The basic principle of the income approach is that when purchasing an asset, the amount a reasonable purchaser willing to pay will not be higher than the future return of the acquired assets. The prerequisites for using the income approach to value an asset are that the expected income can be quantified, the expected income-earning period can be predicted, and the risks associated with the expected income, which are closely related to discounting, can be predicted.
- (iii) The asset-based approach refers to the appraisal method of reasonably evaluating the value of the on- and off-balance sheet assets and liabilities of an enterprise based on the balance sheet of the enterprise being evaluated as of the valuation date to determine the value of the appraised object. In other words, the appraisal values of the assets that constitute the various elements of an enterprise are added up and the appraisal values of the liabilities are subtracted to obtain the value of the shareholders' equity of the enterprise. The asset-based approach is based on the idea that the price that any investor is willing to pay when deciding to invest in an asset will not exceed the current cost of assembling the asset.

The three basic approaches measure the value of assets from different perspectives. Theoretically, the results obtained by the three basic approaches will tend to be consistent under complete-market conditions. However, the results obtained by the three basic approaches will be different due to many factors, such as market conditions, valuation purposes, valuation subjects, information held, and social values.

We note that the Valuation Report was prepared by the Valuer by way of the market approach and income approach and finally the Valuer selected the valuation result using the income approach as the final conclusion of the valuation of the Target Company. According to the Valuation Report, the appraised equity interests of the Target Company using market approach and income approach are approximately RMB632 million and RMB620 million respectively. The difference of valuation results between the market approach and the income approach is approximately RMB12 million (or approximately 1.94%). With reference to the Valuation Report, the main reason for the aforesaid difference is that, in the estimation of future revenue indicators in the assessment of the income approach, the Valuer took into account various factors such as domestic and overseas macroeconomic conditions, industry conditions, and the competitive advantages, development plans and operational capabilities of the Target Company. The income approach is considered from the perspective of future profitability of the enterprise and reflects the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

comprehensive profitability of various assets of the enterprise. Whereas the appraisal results of the market approach evaluate the value of the valuation subject by reference in the market, the valuation personnel have made necessary analytical adjustments to the valuation subject and comparable companies, but there are still factors that are difficult to be adequately adjusted for differences in products or business subdivisions and operation modes. The assessment method of income approach can objectively and reasonably reflect the value of the valuation subject, and therefore the valuation results of the income approach were adopted by the Valuer as the final valuation conclusion for the valuation.

We have reviewed the valuation of the Target Company using market approach by the Valuer and attempted to cross-check against the valuation result using income approach. We note that the comparable companies that have been selected by the Valuer under market approach are listed in PRC and engaged in sale and manufacturing semiconductor products and/or the machinery for semiconductor manufacturing. However, after discussing with the Valuer and reviewing the background of the comparable companies, and considering the following factors and limitations, we consider that the valuation using market approach is less meaningful, and we agree with the Valuer's selection of the valuation result under the income approach as the final conclusion of the valuation of the Target Company:

- (i) according to the information provided by the Target Company, the Target Company is the first company to commercially provide semi-insulating 4-inch GaN substrates in the world;
- (ii) although the selected comparable companies are considered similar to the Target Company in terms of business location and industry, no direct comparable could be identified due to the uniqueness of the Target Company's products;
- (iii) although the difference in the valuation results using market approach and income approach is considered not significant, the market approach fails to present the value of the uniqueness of the Target Company's products and the technological advantages of the Target Company; and
- (iv) the income approach adequately reflects the prospects of the Target Company and the production efficiency of the breakthroughs in its research and development of the Target Company's self-developed GaN substrate production equipment as discussed under the section headed "5. Reasons for and benefits of the Capital Injection" below.

In order to formulate the free cash flow discount model, we note that the Valuer had:

- (a) obtained the future annual income forecast data from the Target Company;
- (b) adopted free cash flow modelling, in which expected income is the cash flow generated from the entire investment capital of the Target Company for several years in the future, then discounting to the value of operating assets at appropriate discount rate, adding the value of non-operating assets, surplus assets and less non-operating liabilities;

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- (c) determined the discount rate using the weighted average cost of capital formula by adopting the capital asset pricing model and by adopting certain parameters, to calculate the cost of equity capital; and
- (d) applied the discount rate to arrive at the free cash flow discount value of the enterprise.

As advised by the Valuer, the valuation inputs for the Business Valuation using the income approach adopted by the Valuer are as follows:

		2022	2023	2024	2025	2026	2027 and after
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expected income (free cash flows) in the first stage (2022 to 2026) and second stage (2027 till perpetuity)		18,419	24,922	89,757 <i>(Remark)</i>	53,628	48,367	68,590
Discount rate	12.9%						
Future forecast period	5 years						
Value of the operating assets	RMB494,749,000						
Value of non-operating and surplus assets existing at the valuation date	RMB125,266,000						
Enterprise value	RMB620,015,000						
Value of interest-bearing liabilities	RMB0						
Value of all shareholders' equity	RMB620,015,000						

Remark:

The expected increase in the expected income (free cash flow) in 2024 is attributable to the projected growth of the sales of the Target Company, taking into account (a) the increase in the demand for the GaN materials driven by the expected expansion of the production capacities of the Target Company's customers from the downstream applications to be completed by the end of 2023 to 2024; and (b) the expected gradual mass production of the 6-inch GaN substrate equipment in 2024 to meet the expected demand for the GaN materials with higher performance of the Target Company's customers from the downstream applications from 2024 to 2025.

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We note that there is a growth in valuation of Company since the 2021 Capital Injection. After discussing with the Company and the Valuer, the following factors have been considered in the valuation of the Target Company as at 30 April 2022, which resulted in the growth in the valuation of the Company:

- (i) the capital contribution of RMB50 million into the Target Company by the Company in September 2021 (i.e., the 2021 Capital Injection);
- (ii) the production plan of 6-inch GaN substrate, which has not been considered in the valuation of the Target Company as at 31 March 2021, as the research and development of the airflow simulation, equipment construction and preliminary growth of 6-inch GaN substrate have been completed in first half of 2022; and
- (iii) higher production efficiency of the self-developed GaN substrate production equipment as a result of the upgrading to a new generation model with a leading technology level and higher overall yield.

From our review of the free cash flow discount model, we have obtained and reviewed (i) the data of the production capacities of the Target Company and the estimated yield of the semiconductor products over the forecast period; (ii) samples of purchase order of the GaN substrate; (iii) copies of the patents and trademark documents of the Target Company; (iv) sale agreements of the GaN substrate equipment; and (v) meeting minutes discussing the future sales of GaN substrate equipment in 2023 and 2024.

We have also reviewed the assumptions in respect of the income approach in the Valuation Report as set out in Appendix II of this Circular and confirm that the assumptions are fair and reasonable and appropriate for valuations on an income approach.

During our discussion with the Valuer and review of the free cash flow discount model, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases, assumptions and parameters adopted for the Valuation Report.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In order to assess the fairness of the Capital Injection with reference to the valuation of the Target Company, set out below is our quantitative assessment on the amount of the Capital Injection in respect of the valuation of the Target Company:

Items	Approximately RMB
Appraised equity interests under the valuation of the Target Company as at 30 April 2022	620,000,000
The Capital Injection	<u>100,000,000</u>
Sum of the appraised equity interests under the valuation of the Target Company and the Capital Injection, representing the theoretical post-money value of the Target Company immediately after the Capital Injection	720,000,000
22.86% of the sum of the appraised equity interests under the valuation of the Target Company and the Capital Injection	164,592,000
Aggregate amount of the 2021 Capital Injection and the Capital Injection	150,000,000

As illustrated in the above table, the aggregated monetary amount of the 2021 Capital Injection and the Capital Injection (i.e., RMB150,000,000), which represents the total capital contribution made by the Company to the Target Company for the 22.86% of equity interests of the Target Company after the Capital Injection, is less than 22.86% of the sum of the appraised equity interests under the valuation of the Target Company and the Capital Injection (i.e., RMB164,592,000), the Capital Injection is more favourable.

Having considered (i) our independent work performed on the Valuation Report as mentioned above; (ii) the difference of valuation results between the income approach and the market approach under the Valuation Report is not substantial; and (iii) the aggregated monetary amount of the 2021 Capital Injection and the Capital Injection is less than 22.86% of the sum the appraised equity interests under the valuation of the Target Company and the Capital Injection, we are of opinion that the Capital Injection is fair and reasonable.

5. Reasons for and benefits of the Capital Injection

As mentioned above, the Target Company is principally engaged in (i) the technical development, technical service, technical consultation and technical transfer of semiconductor and new material technology; (ii) the sale of semiconductor materials and equipment; and (iii) import and export of goods and technology (any business which requires to be approved by law can only be carried out upon approval by relevant authorities).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the Letter from the Board, the Target Company is an enterprise in the PRC with mass production of GaN substrates. GaN is a third-generation semiconductor material and one of the preferable materials for high-temperature, high-frequency, and high-power microwave devices. Due to its properties and wide applications, its market demand is huge and the downstream applications include 5G mobile communications, new energy automotive, consumer electronics products etc.. According to the national policy direction “Made in China 2025” announced by the State Council of China, in respect of the third-generation semiconductor materials, the mission goals in 2025 are to achieve a 50% production rate in China for 5G mobile communications and efficient energy management; to achieve large-scale applications in the fields of automotive and consumer electronics products; and to reach the penetration rate of 80% in the general lighting market. The national policy direction gives the manufacturers of the third-generation semiconductor materials in China a broad room for development. The Target Company continuously develops downstream application products and actively expands its market in different downstream applications. In addition, the Target Company owns its self-developed production equipment for GaN substrate, with high-quality production process, high-yield stripping process and low-cost grinding and polishing process, so that the Target Company’s products are with high quality standard in various indicators, while maintaining at a competitive selling price.

The Company believes that the outlooks and prospects of the Target Company’s business will be promising. The Capital Injection allows the Group to enlarge its investment in the Target Company and its business activities. The Company proposes to make further capital injection into the Target Company taking into account that the Target Company has achieved breakthroughs in its research and development, i.e. the upgrading of its self-developed GaN substrate production equipment to a new generation model, which is a GaN substrate single crystal growth equipment with a leading technology level and higher overall yield, and the production efficiency of its self-developed GaN substrate production equipment has been greatly improved (i.e. the production speed having been increased by 20%, leading to the improvement in the overall yield of the Target Company); and the Target Company has obtained more customer certifications on its products. After the completion of the Capital Injection by the Company, the Target Company will be treated as interest in an associate in the Company’s financial statements, and the net assets and results of the Target Company will be accounted for in the Company’s consolidated financial statements using the equity method. In view of the market demand for GaN substrates mentioned above, the research and development capabilities of the Target Company and the leading technology level of the self-developed production equipment for GaN substrate owned by the Target Company, it is currently expected that the revenue of the Target Company will continue to grow in the next 5 years with a profit margin of more than 10%. As at the Latest Practicable Date, the Company owned 10.00% equity interest in the Target Company, which was a financial asset at fair value through other comprehensive income of the Company, and the earnings of the Target Company were not accounted for in the Company’s consolidated financial statements. After the completion of the Capital Injection, 22.86% of the earnings of the Target Company will be accounted for in the Company’s consolidated financial statements using equity method as the Group’s share of the results of the associate. Accordingly, it is currently expected that the revenue and earnings of the Target Company will continue to grow, which will have a positive impact on the Group’s share of the profits of the associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors consider the Capital Injection represents a good investment opportunity and is in line with the Group's vision to invest in target companies or businesses having promising outlooks and prospects, taking into account that the Group is principally engaged in Investment Holding Business and the Target Company is a company having promising outlooks and prospects as set out above.

According to the Annual Report 2021, Investment Holding Business is one of the core businesses of the Group, and the Group strives to identify promising investment opportunities. The Group considered the optimistic future prospect of market of display devices and optoelectronic products, as well as the semiconductor industries and expected that the Group's investments will be benefited in the long run. As discussed in the section headed "1.2 Financial information of the Group" above, it is the Group's strategy to continue looking for investment opportunities in relation to the abovementioned areas so as to sustain the growth of the Group in the long run.

We note that the main product of the Target Company is semi-insulating GaN substrates. According to the information provided by the Target Company, the Target Company is the first company to commercially provide semi-insulating 4-inch GaN substrates in the world. With its research and development capability, the Target Company is currently developing semi-insulating 6-inch GaN substrates, which is expected to be commercialised in 2024. As at the Latest Practicable Date, the Target Company holds more than 30 patents in the PRC.

With reference to the article of *Semiconductor Today* (http://www.semiconductor-today.com/news_items/2020/mar/eta-170320.shtml), which is the first digital-only magazine for the compound semiconductor and advanced silicon industries, issued by an independent industry specialist publisher Juno Publishing and Media Solutions Ltd, which was founded in 2006 and its chief editor, Mark Telford, has over 23 years of experience in publication covering compound semiconductor and silicon devices following his research in semiconductor materials and devices via the United Kingdom's Imperial College London, Surrey University and British Telecom Research Laboratories, the market of semi-insulating GaN substrates is for radio frequency ("RF") high-electron-mobility transistor ("HEMT") devices. The RF device market is experiencing high growth due to the implementation of 5G and other wireless communication applications. GaN is a useful semiconductor material for high power and high frequency RF devices, but the industry is almost exclusively producing GaN HEMTs on silicon carbide (SiC) substrates. GaN-on-GaN RF devices will have lower dislocation density device layers and no buffer layer is required, therefore it is expected higher power and better performance from RF devices made on GaN substrates. According to the 5G Application "Sailing" Action Plan (2021-2023) (《5G應用“揚帆”行動計劃(2021-2023年)》) issued by the PRC government in 2021, the average annual growth rate of 5G Internet of Things (IoT) end users will exceed 200%, and every 10,000 people in the PRC will enjoy more than 18 5G base stations as the country steps up efforts to improve 5G coverage by 2023. The PRC government also claimed that each key industry creates more than 100 5G application benchmarks, and will have a 35% penetration rate of 5G applications in the industrial industry by 2023, while more than 3,000 virtual private 5G networks will be set up by 2023. Based on the above information, we are of the view the Capital Injection is line with the Group's vision that the investment in the Target Company will bring long-term benefit to the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

After considering (i) the reasons for and benefits of the Capital Injection; (ii) the prospects of the Target Company; and (iii) the research and development capability of the Target Company, we consider the Capital Injection is a fair and reasonable investment to the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, in particular, that (i) the principal terms of the Capital Increase Agreement; (ii) the valuation of the Target Company conducted by the Valuer; and (iii) the reasons for and benefits of the Capital Injection, we are of the view that the terms of the Capital Increase Agreement and the transactions contemplated thereunder are on normal commercial terms and ordinary and usual course of business of the Company, it is fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the Capital Increase Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
INCUBORPORATE FINANCE LIMITED
Gina Leung
Managing Director

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCUBORPORATE Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors', Supervisors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of Directors, Supervisors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they were taken or deemed to have under such provisions of the SFO, (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by Directors to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the Shares and underlying Shares

Name	Capacity	Interest in Non-listed Shares	Interest in H Shares	Approximate percentage of total number of issued Non-listed Shares (Note 2)	Approximate percentage of total number of issued H Shares (Note 3)	Approximate percentage of the Company's total issued shares (Note 4)
Supervisor						
Ms. Zhou Min	Beneficiary of trust	205,414,000 (Note 1)	-	29.34%	-	13.56%
non-executive Director						
Mr. Liu Ziyi	Beneficial owner	-	2,311,000	-	0.28%	0.15%

Notes:

1. The above Supervisor is taken to be interested in the issued share capital of the Company through her interest as beneficiary, 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, the shares of Heng Huat Investments Limited (“**Heng Huat**”) were held as trustees for the benefits of over 300 employees of Beijing Beida Jade Bird Software System Co., Ltd., Beijing Beida Jade Bird Limited and Beijing Beida Yu Huan Microelectronics System Engineering Co., Ltd. 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.
2. The approximate percentage is calculated based on the total number of issued non-listed Shares as at the Latest Practicable Date, that is, 700,000,000 shares.
3. The approximate percentage is calculated based on the total number of issued H Shares as at the Latest Practicable Date, that is, 814,464,000 shares.
4. The approximate percentage is calculated based on the total number of issued Shares as at the Latest Practicable Date, that is, 1,514,464,000 shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors or chief executives of the Company had, or was deemed to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they were taken or deemed to have under such provisions of the SFO, (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to the Rules 5.46 to 5.47 of the GEM Listing Rules relating to the securities transactions by Directors to be notified to the Company and the Stock Exchange.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

As at the Latest Practicable Date, so far as it was known to the Directors or the chief executive of the Company, the following persons, other than the Directors or the chief executive of the Company, had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Part XV of the SFO, and were recorded in the register required to be kept under section 336 of the SFO:

(i) Long positions in the Shares and underlying Shares

Name of Shareholder	Capacity	Interest in Non-listed Shares	Interest in H Shares	Approximate percentage of total number of issued Non-listed Shares (Note 6)	Approximate percentage of total number of issued H Shares (Note 7)	Approximate percentage of the Company's total issued shares (Note 8)
Substantial shareholders						
Gifted Pillar Limited (Note 1)	Interest of controlled corporation	200,000,000	–	28.57%	–	13.21%
Rainbow Mountain Holdings Limited (Note 1)	Interest of controlled corporation	200,000,000	–	28.57%	–	13.21%
Beijing Rainbow Mountain Sci-Tech Development Co, Ltd. (Note 1)	Beneficial owner	200,000,000	–	28.57%	–	13.21%
Heng Huat Investments Limited (Note 2)	Interest of controlled corporation	205,414,000	–	29.34%	–	13.56%
Dynamic Win Assets Limited (Note 2)	Beneficial owner	205,414,000	–	29.34%	–	13.56%

Name of Shareholder	Capacity	Interest in Non-listed Shares	Interest in H Shares	Approximate percentage of total number of issued Non-listed Shares (Note 6)	Approximate percentage of total number of issued H Shares (Note 7)	Approximate percentage of the Company's total issued shares (Note 8)
Other persons						
Peking University (Note 1)	Interest of controlled corporation	200,000,000	-	28.57%	-	13.21%
Beida Asset Management Co., Ltd. (Note 1)	Interest of controlled corporation	200,000,000	-	28.57%	-	13.21%
Beijing Beida Jade Bird Software System Co., Ltd. (Notes 1 and 9)	Interest of controlled corporation	200,000,000	-	28.57%	-	13.21%
Beida Microelectronics Investment Limited (Note 1)	Interest of controlled corporation	200,000,000	-	28.57%	-	13.21%
Grand East (H.K.) Limited	Beneficial owner	110,000,000	-	15.71%	-	7.26%
Mongolia Energy Corporation Limited (Note 3)	Interest of controlled corporation	84,586,000	-	12.08%	-	5.58%
New View Venture Limited (Note 3)	Beneficial owner	84,586,000	-	12.08%	-	5.58%
Asian Technology Investment Company Limited	Beneficial owner	50,000,000	-	7.14%	-	3.30%
Allied Properties (H.K.) Limited	Interest of controlled corporation	-	38,117,000 (Note 4)	-	4.68%	2.52%
Asia Development Capital Co. Ltd.	Interest of controlled corporation	-	126,225,000 (Note 5)	-	15.50%	8.33%
Asia Investment Fund Co. Ltd.	Beneficial owner	-	126,225,000 (Note 5)	-	15.50%	8.33%

Notes:

- These Non-Listed Shares are held by Beijing Rainbow Mountain Sci-Tech Development Co., Ltd. ("**Beijing Rainbow Mountain**"). Peking University owns 100% equity interest in Beida Asset Management Co., Ltd. which in turn owns 48% equity interest in Beijing Beida Jade Bird Software System Co., Ltd. which in turn owns 100% equity interest in Beida Microelectronics Investment Limited which in turn owns 46% equity interest in Gifted Pillar Limited which in turn owns 100% equity interest in Rainbow Mountain Holdings Limited which in turn owns 100% equity interest in Beijing Rainbow Mountain. Each of Peking University, Beida Asset Management Co., Ltd, Beijing Beida Jade Bird Software System Co., Ltd., Beida Microelectronics Investment Limited, Gifted Pillar Limited and Rainbow Mountain Holdings Limited is taken to be interested in 13.21% of the total issued share capital of the Company through 200 million non-listed Shares (representing approximately 13.21% of the Company's total issued share capital) in which Beijing Rainbow Mountain is interested by virtue of the SFO.

2. The Non-listed Shares are held by Dynamic Win, which is beneficially wholly-owned by Heng Huat. Please refer to the note to the paragraph headed “Directors, Supervisors’ and chief executives’ interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations” above for further details of Heng Huat.
3. The Non-listed Shares are held by New View Venture Limited, which is wholly-owned by Mongolia Energy Corporation Limited.
4. The latest disclosure of interest notice filed by Allied Properties (H.K.) Limited has not taken into account the increase in the number of total issued H shares of the Company from 678,720,000 H shares to 814,464,000 H shares on 30 March 2021 due to the completion of placing of the new H shares of the Company. The percentage level of the deemed interest in the H shares of the Company through indirectly non-wholly owned subsidiary of Allied Property (H.K.) Limited was below 5% as at the Latest Practicable Date.
5. The H Shares are held by Asia Investment Fund Co. Ltd., which is wholly-owned by Asia Development Capital Co. Ltd.
6. The approximate percentage is calculated based on the total number of issued Non-listed Shares as at the Latest Practicable Date, that is, 700,000,000 shares.
7. The approximate percentage is calculated based on the total number of issued H Shares as at the Latest Practicable Date, that is, 814,464,000 shares.
8. The approximate percentage is calculated based on the total number of issued Shares as at the Latest Practicable Date, that is, 1,514,464,000 shares.
9. Mr. Ni Jinlei, an executive Director, and Mr. Fan Yimin, a Supervisor, are the directors of Beijing Beida Jade Bird Software System Co., Ltd..

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than a Director, Supervisor or chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company, 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 was recorded in the register required to be kept under Section 336 of Part XV of the SFO.

3. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, each of the Directors (other than Mr. Liu) and Supervisors has entered into a service contract with the Company for a term of three years commencing on 21 May 2021. Mr. Liu has entered into a letter of appointment with the Company commencing on 20 May 2022 until the conclusion date of the 2023 annual general meeting to be held by the Company in 2024.

As at the Latest Practicable Date, save as disclosed above, none of the Directors or Supervisors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation (other than statutory compensation)).

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claims of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

5. COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors, Supervisors, controlling shareholder of the Company nor their respective close associates had any interest in a business, which competes or may compete, either directly or indirectly, with the business of the Group or any other conflict of interest which any such person has or may have with the Group which would be required to be disclosed under rule 11.04 of the GEM Listing Rules.

6. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group, nor has any Director had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. EXPERTS AND CONSENT

The following sets out the qualification of the experts who have given an opinion or advice which is included in this circular:

Name	Qualification
INCU Corporate Finance Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities as defined under the SFO
上海集聯評估有限公司 (in English for identification purpose only, Shanghai Jilian Assets Appraisal Co., Ltd.)	Valuer

As at the Latest Practicable Date, each of the experts named above:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice, letter, report and/or summary of its opinions and references to its name and logo in the form and context in which they are included;
- (b) was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be on display on the website of the Stock Exchange at (www.hkexnews.hk) and the website of the Company at (www.jbu.com.cn) from the date of this circular up to and including the date of the SGM:

- (a) the Capital Increase Agreement;
- (b) the letter from the Board in this circular, the text of which is set out on pages 5 to 14 of this circular;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 15 to 16 of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out on pages 17 to 34 of this circular;
- (e) the Valuation Report; and
- (f) the written consent referred in the section headed “8. Experts and Consent” in Appendix I to the circular.

**SUMMARY OF THE VALUATION REPORT ON THE
VALUE OF THE ENTIRE SHAREHOLDERS' EQUITY OF
ETA SEMICONDUCTOR TECHNOLOGY (SHANGHAI) CO., LTD. INVOLVED IN THE
PROPOSED CAPITAL INJECTION OF ETA SEMICONDUCTOR TECHNOLOGY (SHANGHAI)
CO., LTD. BY BEIJING BEIDA JADE BIRD UNIVERSAL SCI-TECH COMPANY LIMITED**

Special Note:	The following is extracted from the text of the Valuation Report. In order to understand the details of this valuation assignment and to properly understand the valuation conclusion, please read the text of the Valuation Report and pay attention to the special notes.
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Project Name	Valuation of the value of the entire shareholders' equity of Eta Semiconductor Technology (Shanghai) Co., Ltd. involved in the proposed capital injection by Beijing Beida Jade Bird Universal Sci-Tech Company Limited
Report Number	Hu Ji Lian Ping Bao Zi [2022] No. 2006
The Client	Beijing Beida Jade Bird Universal Sci-Tech Company Limited
Valuation Subject	Eta Semiconductor Technology (Shanghai) Co., Ltd.
Other Report Users	There is no other user of the Valuation Report except the user of the report as prescribed by laws and administrative regulations relating to this economic act.
Valuation Purpose	According to the engagement letter for the asset valuation project, Beijing Beida Jade Bird Universal Sci-Tech Company Limited proposed to make a capital injection to Eta Semiconductor Technology (Shanghai) Co., Ltd. and Beijing Beida Jade Bird Universal Sci-Tech Company Limited engaged Shanghai Jilian Assets Appraisal Co., Ltd. to assess the value of the entire shareholders' equity of Eta Semiconductor Technology (Shanghai) Co., Ltd. involved in the economic behavior and to express professional opinions.
Valuation Date	30 April 2022
Valuation Subject and Scope	<p>The valuation subject is the entire shareholders' equity of Eta Semiconductor Technology (Shanghai) Co., Ltd.;</p> <p>The scope of assessment is the total assets and liabilities of Eta Semiconductor Technology (Shanghai) Co., Ltd. as at 30 April 2022. In addition, intangible assets (trademark, patent and copyright) that are not reflected in the financial statements are also included in the scope of this assessment.</p>

Value Type Market value

Valuation Approach Income Approach, Market Approach.

Enterprise value valuation approaches can be generally divided into market approach, income approach and asset-based approach.

The market approach of enterprise value valuation refers to the appraisal method of comparing the appraisal object with comparable listed companies or comparable transaction cases to determine the value of the appraisal object. The basic prerequisite for the use of the market approach is the existence of an open market in which such assets are actively traded.

The income approach of enterprise value valuation refers to an appraisal method that capitalizes or discounts expected income to determine the value of an appraised object. The basic principle of the income approach is that when purchasing an asset, the amount a reasonable purchaser willing to pay will not be higher than the future return of the acquired assets. The prerequisites for using the income approach to value an asset are that the expected income can be quantified, the expected income-earning period can be predicted, and the risks associated with the expected income, which are closely related to discounting, can be predicted.

The asset-based method of enterprise value valuation refers to the appraisal method of reasonably evaluating the value of the on- and off-balance sheet assets and liabilities of an enterprise based on the balance sheet of the enterprise being evaluated as of the valuation date to determine the value of the appraised object. In other words, the appraisal values of the assets that constitute the various elements of an enterprise are added up and the appraisal values of the liabilities are subtracted to obtain the value of the shareholders' equity of the enterprise. The asset-based approach is based on the idea that the price that any investor is willing to pay when deciding to invest in an asset will not exceed the current cost of assembling the asset.

The three basic approaches measure the value of assets from different perspectives. Theoretically, the results obtained by the three basic approaches will tend to be consistent under complete-market conditions. However, the results obtained by the three basic approaches will be different due to many factors, such as market conditions, valuation purposes, valuation subjects, information held and people's different values.

As listed companies in the same industry that are comparable to the appraisal object can be found and sufficient information can be obtained from the open channels to compare and correct the market approach, the market approach is applicable to this valuation.

The valuation subject in this valuation is an enterprise with sustainable economic growth in the future, the expected income can be quantified, the expected income-earning period can be predicted, and the risks borne by the expected income closely related to discounting can be predicted; therefore, the income approach is applicable to this valuation.

The asset-based approach analyzes and appraises from the perspective of asset reacquisition, which makes it difficult to reflect the value of intangible assets or resources such as brand effect, research and development capability, human resources and goodwill accumulated by the enterprise over years of operation, and would not be able to reasonably and comprehensively reflect the overall value of the enterprise. Therefore, the asset-based approach is not suitable for this valuation.

Based on the above-mentioned application analysis and the provisions of the asset valuation standards, the valuation of the assets under appraisal was carried out using the income approach and the market approach respectively, taking into account of the specific circumstances of the assets under appraisal. The valuation personnel analyzed the various preliminary value conclusions, and reached reasonable valuation conclusions based on a comprehensive consideration of the reasonableness of the different valuation approaches and preliminary value conclusions as well as the quality and quantity of the information used.

A. Income Approach

The income approach in enterprise value valuation refers to the approach of determining the value of the valuation subject by capitalising or discounting the expected income of the enterprise being evaluated.

According to the due diligence for the valuation and the composition of the assets and the characteristics of the principal business of the valuation subject, the basis of the valuation is based on the audited financial statements of the valuation subject, i.e. firstly, the discounted cash flow method (DCF) is adopted according to the income approach to estimate the value of the operating assets of the enterprise, and then the value of other non-operating and surplus assets on the valuation date is added to obtain the enterprise value of the valuation subject, and the enterprise value is deducted from the value of interest-bearing liabilities to obtain the value of all shareholders' equity of the valuation subject.

The valuation formula is:

$$E = B - D \quad (1)$$

Where:

E: the value of all shareholders' equity of the enterprise being evaluated

B: the enterprise value of the enterprise being evaluated

D: the value of interest-bearing liabilities of the enterprise being evaluated

$$B = P + \sum Ci \quad (2)$$

P: the value of the operating assets of the enterprise being evaluated;

$\sum Ci$: the value of non-operating and surplus assets existing at the valuation date of the enterprise being evaluated;

$$P = \sum_{t=1}^n \frac{R_t}{(1+r)^t} + \frac{R_{n+1}}{r(1+r)^n} \quad (3)$$

Where:

R_t : the expected income (free cash flows) of the valuation subject for Year i in the future;

r: discount rate;

n: the future forecast period of the valuation subject.

Among them, the determination of the future forecast period of the valuation subject: the income-earning period is assumed to be infinite based on the specific operational condition and feature of the enterprise being valued in the course of the valuation. The forecast period will be divided into two stages: the first stage is from 1 May 2022 to 31 December 2026; and the second stage is from 1 January 2027 till perpetuity. Among them, it is assumed that the expected income for 2027 and thereafter will remain constant at the income level for 2026.

B. Market Approach

The market approach used in the enterprise value valuation refers to the valuation method that compares the valuation subject with comparable listed companies or comparable transaction cases to determine the value of the valuation subject. The two methods commonly used in the market approach are listed company comparison method and transaction case comparison method. The listed company comparison method refers to the method of calculating appropriate value ratios or economic indicators by analyzing the operating and financial data of listed companies in the capital market that are in the same or similar industries as the enterprise being valued, and arriving at the value of the valuation subject based on comparative analysis with the enterprise being evaluated. Transaction case comparison method refers to the method of calculating appropriate value ratios or economic indicators by obtaining and analyzing the data of the transaction cases by analyzing the cases of sale and purchase, merger and acquisition of companies in the same or similar industries with the enterprise being evaluated, and arriving at the value of the valuation subject based on comparative analysis with the enterprise being evaluated.

Since it is difficult to collect comparable transaction cases and it is not possible to know whether there are non-market value factors involved, it is not appropriate to choose the transaction case comparison method. As the operating and financial data of comparable listed companies are more open and objective, this method has better operability. Based on the assets valuation subject, valuation purpose and the information collected by the valuer, this valuation is conducted by using listed company comparison method. The listed company comparison method in the market approach determines the fair market price of the valuation subject by comparing the fair market value of the listed companies in the same industry as the enterprise being evaluated. In this way, the listed companies in the same industry as the enterprise being evaluated and with active stock trading are generally selected as the comparable companies, and then the market value of the comparable companies are calculated by the stock trading price. On the other hand, select one or more profitability, asset class or special class parameters of the comparable companies, such as EBIT and EBITDA as “analysis parameters”, and finally calculate the proportional relationship between the market value of the comparable companies and the selected analysis parameters, which is called value ratios (Multiples), and apply the above-mentioned value ratios to the corresponding analysis parameters of the enterprise being evaluated to obtain the market value of the valuation subject. By calculating the market value and analysis parameters of the comparable companies, we can obtain the value ratios in terms of their incomes and assets. Through the value ratio coefficient correction method, the relevant value ratio of each comparable subject is corrected, then an appropriate method is comprehensively selected to estimate the value ratio of the enterprise being evaluated, finally one or more value ratios are selected among the value ratios of the enterprise being evaluated and applied to the enterprise being evaluated, to calculate the value of the enterprise being evaluated, i.e.:

The market value of the enterprise being evaluated = the determined value ratio of the enterprise being evaluated × the corresponding indicative shareholding of the enterprise being evaluated

The basic steps for the overall assessment using the listed company comparison method are as follows:

1. Collecting information of listed securities companies and selecting comparable companies;
2. Collecting, analyzing and adjusting relevant financial reporting data of comparable companies;

3. Selecting and calculating the value ratios for each comparable company;
4. Adjusting or correcting the value ratio of each comparable company;
5. Coordinating a value ratio from each value ratio of the comparable company as the value ratio of the enterprise being evaluated;
6. Estimating the relevant parameters of the enterprise being evaluated, calculating the corresponding valuation results under each value ratio, and selecting the most reasonable valuation result as the preliminary valuation conclusion;

The income approach is considered from the perspective of future profitability of the enterprise and reflects the comprehensive profitability of various assets of the enterprise. Whereas the appraisal results of the market approach evaluate the value of the valuation subject by reference in the market, the valuation personnel have made necessary analytical adjustments to the valuation subject and comparable companies, but there are still factors that are difficult to be adequately adjusted for differences in products or business subdivisions and operation modes. The assessment method of income approach can objectively and reasonably reflect the value of the valuation subject, and therefore the valuation results of the income approach were adopted as the final valuation conclusion for this valuation (*Note*).

Valuation Assumptions

(I) Basic Assumptions

1. Transaction assumption

The transaction assumption is to assume that all assets to be evaluated are already in the process of transaction, and the asset valuation personnel performs the valuation based on the simulated market such as the transaction conditions of the assets to be evaluated. Transaction assumptions are one of the most fundamental assumptions underlying the asset valuation.

2. Open market assumption

An open market assumption is an assumption of the market conditions into which an asset is intended to enter and how the asset will be affected by such market conditions. An open market refers to a competitive market with fully developed and established market conditions as well as voluntary buyers and sellers, where buyers and sellers are on equal footing and have opportunity and time to access adequate market information, and both parties trade under voluntary, rational, non-compulsory or unrestricted conditions. The open market assumption is based on the assumption that assets are publicly tradable in the market.

3. Enterprise going concern assumption

Enterprise going concern assumption is to assume that the production and operation of the valuation subject can continue legally as it is within the foreseeable future operating period under the conditions of the existing assets and resources, and that there will be no significant adverse changes in its operating conditions.

4. Assumption about the usage of an asset for existing purpose

Assumption about the usage of an asset for existing purpose is an assumption about the market conditions into which an asset is intended to enter and the usage status of the asset under such market conditions. Firstly, it is assumed that the assets within the scope of valuation are in use. Secondly, it is assumed that the assets will continue to be used for their current purpose and usage, without considering the conversion of asset use or the conditions for optimal use.

(II) General Assumptions

1. The valuation assumes that there will be no unforeseen significant adverse changes in the external economic environment, including the relevant laws, macroeconomic, financial and industrial policies prevailing in the country after the valuation benchmark date, and that there will be no significant impact caused by other human force majeure and unforeseen factors.
2. The valuation does not consider the impact on the valuation conclusion of any collateral or guarantee that the valuation subject and its assets may assume in the future, or additional price that may be paid as a result of special transactions.
3. It is assumed that there will be no significant changes in the socio-economic environment in which the valuation subject is located or in the fiscal and taxation policies in place, such as taxes and tax rates, and that the credit policy, interest rate, exchange rate and other financial policies will be generally stable.
4. All assets under this valuation are based on the actual inventory as of the valuation date, and the current market value of the relevant assets is based on the price in effect of the place where the valuation subject is located on the valuation date.

5. The current and future business operations of the valuation subject are and will be legal and in compliance with the relevant provisions of its business license and articles of association.
6. The valuation is premised on the basic assumptions for the specific valuation purposes set out in this asset valuation report; the valuation scope is only subject to the asset valuation form provided by the client or the valuation subject;

(III) Special Assumptions for Income Approach Valuation

- (1) The business contracts, business licenses, articles of association, signed agreements, audit reports, financial information and other evidential materials provided by the valuation subject are true and valid;
- (2) The confidentiality obligations stipulated in the relevant contracts of the valuation subject can be fulfilled and the non-competition agreement can be complied with;
- (3) The shareholders of the company do not harm the interests of the company, and the operation is carried out normally in accordance with the articles of association and the joint venture contract;
- (4) The change in the cost level of the enterprise is in line with the historical development trend, and there is no significant abnormal change;
- (5) The contracts signed by the enterprise in the previous years and the current year are valid and can be effectively executed;
- (6) The following assumptions are made for future projections when the income approach is used in this valuation:
 - 1 The enterprise can develop steadily during its existence, i.e. the future income generated by the assets of the enterprise is a continuation of the existing scale and management level of the enterprise;
 - 2 The calculation of net cash flows is based on the fiscal year, assuming that the income and expenditure of the enterprise are evenly distributed throughout the fiscal year;

- 3 This valuation only predicts the operating income, various costs and expenses of the enterprise in the next five years (2022-2026), and the income of each year after the sixth year is assumed to remain at the level of the fifth year (i.e. 2026).

Based on the requirements of asset valuation, it is determined that these assumptions are valid at the valuation date and will not assume the responsibility of deriving different valuation conclusions due to the change of assumptions when the future economic environment changes significantly.

- 4 The valuation subject is a high-tech enterprise, and the enterprise income tax rate is 15%, assuming that the valuation subject can renew the original high-tech enterprise certificate after it expires, and still continue to enjoy the preferential tax policy for high-tech enterprises, and report the enterprise income tax of the valuation subject at the preferential tax rate of 15%. This valuation assumes that its long-term equity investment unit, Eta Semiconductor Technology (Shanghai) Co., Ltd., can also be identified as a high-tech enterprise after it officially commences its business.
- 5 The current budget for predicting the sales volume, sales price and cost of mass-produced products is based on the current pricing strategy of the valuation subject. This valuation assumes that the budget can be effectively implemented during mass-produced sales.
- 6 Research and development sales contracts signed between the enterprise being evaluated and the customers are the supporting basis for this earnings forecast. This valuation assumes that such contracts can be effectively executed in the forecast year.

(IV) Special Assumptions for Market Approach Valuation

1. In the case of a comparable listed company selected by the market approach, the market transaction of its shares is normal and orderly, and the transaction price is not controlled by non-marketization.

2. The financial statement data publicly disclosed by the listed companies are true, and the information disclosure is sufficient and timely.

This valuation conclusion is generally invalid when events inconsistent with the aforementioned assumptions occur.

Valuation Conclusion

Prior to the valuation, the carrying amounts of total assets, liabilities and owner's equity of Eta Semiconductor Technology (Shanghai) Co., Ltd. were RMB262,106,214.30, RMB125,189,095.24 and RMB136,917,119.06 respectively.

In this valuation report, the valuation result of the income approach is selected as the valuation conclusion. The conclusions are as follows:

Based on the valuation, taking 30 April 2022 as the valuation date, and assuming that the conditions are met, the assessed value of the entire shareholders' equity of Eta Semiconductor Technology (Shanghai) Co., Ltd. is RMB620,000,000, i.e. Reminbi Six Hundred and Twenty Million Dollars Only. The increment in appraised value amounted to RMB483,082,900, representing an increment rate of 352.83%.

Valuation Firm

Shanghai Jilian Assets Appraisal Co., Ltd.

Date of Valuation Report

5 July 2022

Notes:

1. Set out below are the valuation results for both income approach and market approach considered in this valuation, which are reproduced from the Valuation Report:

- (I) Valuation conclusion of income approach

Based on the valuation, taking 30 April 2022 as the valuation date, and assuming that the conditions are met, the assessed value of the entire shareholders' equity of Eta Semiconductor Technology (Shanghai) Co., Ltd. is RMB620,000,000, i.e. Reminbi Six Hundred and Twenty Million Dollars Only. The increment in appraised value amounted to RMB483,082,900, representing an increment rate of 352.83%.

- (II) Valuation conclusion of market approach

Based on the valuation, taking 30 April 2022 as the valuation date, and assuming that the conditions are met, the assessed value of the entire shareholders' equity of Eta Semiconductor Technology (Shanghai) Co., Ltd. is RMB632,000,000, i.e. Reminbi Six Hundred and Thirty Two Million Dollars Only. The increment in appraised value amounted to RMB495,082,900, representing an increment rate of 361.59%.

2. As advised by the Valuer, the valuation inputs for the Valuation using the income approach adopted by the Valuer are as follows:

R_i: expected income (free cash flows) in the first stage (2022 to 2026) and second stage (2027 till perpetuity) are as follows:

	2022	2023	2024	2025	2026	2027 and after
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Expected income (free cash flow)	18,419	24,922	89,757 <i>(Remark)</i>	53,628	48,367	68,590

r: discount rate = 12.9%

n: future forecast period = 5 years

P: value of the operating assets = $\sum_{t=1}^n \frac{R_t}{(1+r)^t} + \frac{R_{n+1}}{r(1+r)^n}$ = RMB494,749,000

ΣCi: value of non-operating and surplus assets existing at the valuation date = RMB125,266,000

B: enterprise value = P + ΣCi = RMB494,749,000 + RMB125,266,000 = RMB620,015,000

D: value of interest-bearing liabilities = RMB0

E: value of all shareholders' equity = B – D = RMB620,015,000 – RMB0 = RMB620,015,000

Remark: The expected increase in the expected income (free cash flow) in 2024 is attributable to the projected growth of the sales of the Target Company, taking into account of (a) the increase in the demand for the gallium nitride materials driven by the expected expansion of the production capacities of the Target Company's customers from the downstream applications to be completed by the end of 2023 to 2024; and (b) the expected gradual mass production of the 6-inch gallium nitride substrate equipment in 2024 to meet the expected demand for the gallium nitride materials with higher performance of the Target Company's customers from the downstream applications from 2024 to 2025.

The following factors have been considered in the valuation of the Target Company as at 30 April 2022, which resulted in the growth in the valuation of the Company:

- (i) the capital contribution of RMB50 million into the Target Company by the Company in September 2021;
- (ii) the production plan of 6-inch gallium nitride substrate, which has not been considered in the valuation of the Target Company as at 31 March 2021, as the research and development of the airflow simulation, equipment construction and preliminary growth of 6-inch gallium nitride substrate have been completed in first half of 2022; and
- (iii) higher production efficiency of the self-developed gallium nitride substrate production equipment as a result of the upgrading to a new generation model with a leading technology level and higher overall yield.

NOTICE OF SGM

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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: 08095)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (“**SGM**”) of Beijing Beida Jade Bird Universal Sci-Tech Company Limited (“**Company**”) will be held at 10:30 a.m. on Friday, 9 September 2022 at Conference Room A, Block B, 3rd Floor, Beida Jade Bird Building, No. 207 Chengfu Road, Haidian District, Beijing 100871, the PRC, for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the capital increase agreement (“**Capital Increase Agreement**”) dated 7 July 2022 entered into between the Company, Link Yiu Holdings Limited, Mr. Li Qiming, 上海盛今創業投資有限公司 (in English for identification purpose only, Shanghai Shengjin Venture Capital Investment Co., Ltd.), Mr. Troy Jonathan Baker and 鎔特半導體科技(上海)有限公司 (in English for identification purpose only, Eta Semiconductor Technology (Shanghai) Co., Ltd.) (“**Target Company**”) (a copy of the Capital Increase Agreement is tabled at the meeting and marked “A” and initialled by the chairman of the SGM for identification purpose), pursuant to which the Company has agreed to inject an aggregate of RMB100,000,000 into the Target Company subject to the terms and conditions set out in the Capital Increase Agreement, and the execution of the Capital Increase Agreement and the transactions contemplated thereunder be and hereby approved, ratified and confirmed; and

NOTICE OF SGM

- (b) any one of the directors of the Company (“**Director**”) or a duly authorised committee of the board of Directors (“**Board**”) be and are/is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he/she may consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Capital Increase Agreement and the transactions contemplated thereunder and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally and materially different from those as provided for in the Capital Increase Agreement) as are, in the opinion of the Director or such duly authorised committee, in the interest of the Company and its shareholders as a whole.”

On behalf of the Board

Beijing Beida Jade Bird Universal Sci-Tech Company Limited

Ni Jinlei

Chairman

Beijing, the PRC

19 August 2022

Notes:

- (A) The registers of shareholders of the Company (“**Shareholders**”) will be closed from Tuesday, 6 September 2022 to Friday, 9 September 2022 (both days inclusive) during which period no transfer of shares of the Company (“**Shares**”) will be registered. In order to qualify for the entitlement to attend and vote at the SGM, all transfer of H Shares accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Hong Kong Registrars Limited, by 4:30 p.m. on Monday, 5 September 2022.

The address of Hong Kong Registrars Limited is as follows:

17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong

(Fax no: 852-2865-0990)

- (B) Each holder of H Shares entitled to attend and vote at the SGM shall have the right to appoint one or several persons who may not be Shareholders to act as his/her proxy to attend and vote at the SGM on his/her behalf.
- (C) The instrument appointing a proxy must be in writing under the hand of the principal or his/her attorney duly authorised in writing; for a legal person, the form of proxy must be affixed with the common seal or signed by its director or attorney duly authorized in writing. If that instrument is signed by a person authorized by the principal, the power of attorney or other authorization documents authorized to be signed shall be notarized.

NOTICE OF SGM

- (D) The instrument of proxy, and if the instrument of proxy is signed by a person authorized by the principal, a notarized copy of that power of attorney or other authorization documents, must be deposited at the Company's H share registrar in Hong Kong, Hong Kong Registrars Limited, by 10:30 a.m. on Thursday, 8 September 2022 or not less than 24 hours before the time for holding any adjournment of the SGM in order for such documents to be valid.

The address of Hong Kong Registrars Limited is as follows:

17M Floor, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong

(Fax no: 852-2865-0990)

- (E) Each holder of non-listed Shares entitled to attend and vote at the SGM shall have the right to appoint in writing one or several persons (who may not be Shareholders) to act as his/her proxy to attend and vote at the SGM on his/her behalf. Notes (C) and (D) above also apply to holders of non-listed Shares, except that the instrument of proxy or other documents of authority must be deposited at the principal place of business of the Company in Beijing, by 10:30 a.m. on Thursday, 8 September 2022 or not less than 24 hours before the time for holding any adjournment of the SGM in order for such documents to be valid.

The principal 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)

- (F) If a Shareholder appoints others to attend the SGM, the proxy shall produce his/her own identification document and the instrument of proxy signed by the proxy or his/her legal representative, and specifying the date of its issuance. If a legal person Shareholder appoints a proxy to attend the SGM, such proxy should produce his/her identification documents and a notarized copy of the resolution of the board of directors of the legal person appointing such proxy.
- (G) The SGM is expected to last for 30 minutes. Shareholders attending the SGM are responsible for their own transportation and accommodation expenses.
- (H) The resolutions at the SGM will be taken by poll pursuant to the Rules ("**GEM Listing Rules**") Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the GEM Listing Rules.

As at the date of this notice, Mr. Ni Jinlei, Ms. Zheng Zhong, Mr. Wang Xingye and Ms. Guan Xueming are executive Directors, Mr. Liu Ziyi is a non-executive Director, and Mr. Tang Xuan, Mr. Li Chonghua and Mr. Shen Wei are independent non-executive Directors.

This notice, 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 the information contained in this notice is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this notice misleading.

This notice will remain on the Stock Exchange's website at www.hkexnews.hk on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and on the website of the Company at "www.jbu.com.cn".