



KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

金蝶國際軟件集團有限公司

(incorporated in the Cayman Islands with limited liability)

**QUARTERLY REPORT
FOR THE THREE MONTHS ENDED 31 MARCH 2003**

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

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

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

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

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

This report, for which the directors of Kingdee International Software Group Company Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”) for the purpose of giving information with regard to Kingdee International Software Group Company Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Financial highlights for the three months ended 31 March 2003

- Total revenue increased by approximately 52.2% over the same period in 2002 to approximately RMB78,528,000.
- Net profit attributable to shareholders increased by approximately 38.7% over the same period in 2002 to approximately RMB4,721,000.
- Basic earnings per share increased by approximately 37.3% over the same period in 2002 to approximately RMB1.07 cents.

The board of directors (the “Board”) of Kingdee International Software Group Company Limited (“Kingdee International” or the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2003, together with the comparative unaudited consolidated figures for the corresponding period of 2002 as follows:

	<i>Notes</i>	Three months ended 31 March	
		2003 unaudited RMB'000	2002 unaudited RMB'000
Turnover	2(a)	69,431	46,668
Value-added tax refund	2(b)	9,097	4,943
		78,528	51,611
Cost of sales		(9,813)	(7,368)
Gross profit		68,715	44,243
Other operating income		346	412
Selling expenses		(36,869)	(25,283)
General and administrative expenses		(27,069)	(15,496)
Profit from operations		5,123	3,876
Finance (expense) income, net	3	(41)	227
Share of results of an associates		(87)	–
Profit before tax		4,995	4,103
Taxation	4	(567)	(565)
Profit after tax		4,428	3,538
Minority interests		293	(135)
Net profit attributable to shareholders		4,721	3,403
Dividends		–	–
Earnings per share			
– basic	5	RMB1.07 cent	RMB0.78 cent
– diluted	5	RMB1.05 cent	RMB0.78 cent

Notes:

1. Basis of presentation

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) which include International Accounting Standards and Interpretations issued by the International Accounting Standards Board, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM issued by the Stock Exchange.

The books and records of the Company and its subsidiaries, except for those subsidiaries established in the PRC (the “PRC subsidiaries”), are maintained in Hong Kong dollars. The books and records of the PRC subsidiaries are maintained in Renminbi (“RMB”). Owing to the fact that the Group principally operates in the PRC and its business activities are principally transacted in RMB, these financial statements are prepared in RMB.

2. Turnover, sales and value-added tax refund

(a) Turnover is net of applicable business tax and value-added tax (“VAT”) in the PRC and comprises the following:

	Three months ended 31 March	
	2003	2002
	unaudited RMB'000	unaudited RMB'000
Sales of software	56,527	41,527
Sales of computer and related products	404	21
Software solution consulting and support services	12,500	5,120
	<u>69,431</u>	<u>46,668</u>

(b) Pursuant to the document Cai Shui Zi 2000 No.25 (“Document 25”) issued jointly by the Ministry of Finance, State Administration of Taxation and General Administration of Customs, for subsidiaries engaging in the development and distribution of software, sales of software are subject to VAT at the rate of 17% and any VAT paid exceeding 3% of the sales will be refunded. In the opinion of directors, the effective rate of VAT of these subsidiaries on sales of software is 3% taking into account of the refund.

3. Finance (expense) income, net

	Three months ended 31 March	
	2003	2002
	unaudited RMB'000	unaudited RMB'000
Interest income	111	285
Net exchange losses	–	–
Interest expense on bank loans:	(152)	(34)
Others	–	(24)
	<u>(41)</u>	<u>227</u>

4. Taxation

Taxation represents PRC income tax charged to:

	Three months ended 31 March	
	2003 unaudited RMB'000	2002 unaudited RMB'000
The Group		
– Current income tax	1,331	569
– Deferred income tax	(764)	(4)
	<hr/>	<hr/>
	567	565
The associates	<hr/>	<hr/>
	–	–
	<hr/>	<hr/>
	567	565

- (a) No provision for profits tax in the Cayman Islands and Hong Kong has been made as the Group has no income assessable for profits tax for the three months ended 31 March 2003 in those jurisdictions (the three months ended 31 March 2002: Nil).
- (b) Majority of the subsidiaries and associates of the Group are established in the PRC and subject to an income tax rate of 33%, unless preferential rates are applicable in the cities where the subsidiaries are located.
- (c) Certain subsidiaries and associates of the Group are foreign owned enterprises and are entitled to full exemption from Enterprise Income Tax (“EIT”) for two years and a 50% reduction in the next three years thereafter starting from the first profit making year after offsetting prior year losses.

5. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the three months ended 31 March 2003, by the weighted average number of ordinary shares outstanding during the reporting period.

For the purpose of calculating diluted earnings per share, the net profit and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares from exercise of share options. The amount of net profit for the reporting period is adjusted by the after-tax effect of interest recognised in the reporting period for the proceeds from exercise of share options. The number of ordinary shares is the weighted average number of ordinary shares plus the weighted average number of ordinary shares which would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Share options are deemed to have been converted into ordinary shares on the date when the options were granted.

Information on net profit and number of shares outstanding for the three months ended 31 March 2003 is as follows:

	Three months ended 31 March	
	2003 unaudited RMB'000	2002 unaudited RMB'000
Net profit	4,721	3,403
After-tax effect of interest on proceeds from exercise of share options	18	3
	<hr/>	<hr/>
Net profit (diluted)	4,739	3,406

	2003 <i>Number'000</i>	2002 <i>Number'000</i>
Issued ordinary shares at 1 January	440,887	437,750
Effect of shares issued	–	–
Effect of exercise of shares options	–	–
	<hr/>	<hr/>
Weighted average number of ordinary shares for the reporting period	440,887	437,750
	<hr/>	<hr/>
Weighted average number of ordinary shares for the reporting period	440,887	437,750
Effect of share options outstanding	10,987	2,020
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) for the reporting period	451,874	439,770
	<hr/>	<hr/>

6. Statement of changes in equity

Statement of changes in equity of the Group for the three months ended 31 March 2003 is as follows:

	Share capital unaudited <i>RMB'000</i>	Share premium unaudited <i>RMB'000</i>	Reserves unaudited <i>RMB'000</i>	Total unaudited <i>RMB'000</i>
Balance at 1 January 2002	46,840	31,083	89,595	167,518
Net profit	–	–	3,403	3,403
Translation adjustments	–	–	17	17
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2002	46,840	31,083	93,015	170,938
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 January 2003	47,172	37,504	125,619	210,295
Net profit	–	–	4,721	4,721
Translation adjustments	–	–	2	2
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2003	47,172	37,504	130,342	215,018
	<hr/>	<hr/>	<hr/>	<hr/>

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the three months ended 31 March 2003 (the three months ended 31 March 2002: Nil).

FINANCIAL PERFORMANCE

The financial results of the Group for the three months ended 31 March 2003 showed remarkable growth as compared to the corresponding period in 2002. During the period under review, total revenue amounted to approximately RMB78,528,000, representing an increase of approximately 52.2% over the corresponding period of 2002 (the three months ended 31 March 2002: RMB51,611,000). The increase was mainly contributed by the substantial increase in revenue of selling ERP software.

The Group's gross profit increased by approximately 55.3% from RMB44,243,000 for the corresponding period of 2002 to approximately RMB68,715,000 for the three months ended 31 March 2003. During the reporting period, a gross profit margin of approximately 87.5% was recorded (the three months ended 31 March 2002: Approximately 85.7%). Net profit attributable to shareholders of the Group for the three months ended 31 March 2003 was RMB4,721,000, representing an increase of approximately 38.7% over the corresponding period of 2002 (the three months ended 31 March 2002: RMB3,403,000). The earnings per share amounted to RMB1.07 cents (the three months ended 31 March 2002: RMB0.78 cents).

BUSINESS REVIEW

After China's entrance into World Trade Organization, enterprises encounter severe market competition from international players. Kingdee International enhances enterprises' operations and management, optimizes corporate resources and maximizes efficiency by applying innovative technology and advanced informatization products.

During the period under review, Kingdee International demonstrated its persistence in pursuance of advanced product technology to further consolidate its competitive edges in the market. According to the "Annual Report on the Research of the PRC's IT Market 2002-2003" conducted by the Market Research Centre of Computer World (CCW), Kingdee International was accredited as "No. 1 in innovation of management software" and "No.1 in SME's ERP software market in 2002". The accreditation of "No.1 in innovation of management software" clearly indicated that the Group has maintained leading position among other software providers in the PRC with its product innovation, which has become the Group's core competitive strength. It also demonstrated the recognition of the Group's product development and technology innovation from both the market and customers. Kingdee International was ranked as "No.1 in SME's ERP software market in 2002" with a 19.3% market share. This proven record signified Kingdee International has successfully consolidated its leading position in the PRC's enterprise software market with its well-known brandname. Meanwhile, the leading position of Kingdee International in the SME market laid a solid foundation for the Group's business expansion to high-end market.

During the period under review, Kingdee International announced its strategic development plan in 2003-2005 of "Product Leadership, Partner Oriented, Prompt Response and Capability Oriented". The Group will focus on product research and development ("R&D") in the coming three years. To become a first class software provider possessing core technology competency in the global market, the Group will explore the market of application software through advanced product quality and technology. Meanwhile, Kingdee International will form a complete allied system of technology, consultation, implementation, training, distribution and services by proactively forming partnership alliance and jointly exploring service market. At such, allied partners of the Group will be able to sustain their technology innovation and knowledge chain and to response instantly to provide high value-added products and services to customers.

To demonstrate the strategy of "Advanced Products", the Group launched Kingdee EAS (Enterprise Application Suite) and formed a Kingdee product line with Kingdee EAS, Kingdee K/3 and Kingdee 2000 as leading products to serve different markets. Targeting to medium to large enterprises, Kingdee EAS adopts the most advanced ERP II management philosophy and is a set of fully integrated enterprise software product. Kingdee EAS comprises various application aspects such as ERP (Enterprise Resource Planning), DRP (Distribution Resource Planning), CRM (Customer Relations Management), KM (Knowledge Management), BI (Business Intelligence), EIP (Enterprise Information Portal) and etc. It is fully integrated and can be spilt off into different modules. Supported by an open platform technology – BOS (business operating system), it has strong multi-platform handling and module development capability. It also supports the two major technology frameworks, namely .NET and .J2EE. The strong data exchange capability enables value-added services and innovative products. In line with the introduction of Kingdee EAS, the Group commenced the "National roadshow of Kingdee EAS 2003".

During the period under review, the Group continued to develop partnership alliance and enhanced its partners' satisfaction level. Partnership is one of the most important elements of the Group's success. Jointly initiated by INTEL, HP and Microsoft in Asia-Pacific region, "Keystone Alliance" kicked off with the entire participation of Kingdee International in the Kingdee EAS nationwide roadshow. Together, they will work on the research and development, marketing and implementation of mature solutions and tailored-made services as well as the best partners and technologies to the enterprises in the PRC.

Besides, eight partners including Hong Kong Productivity Council, Tsinghua University (CIMS-ERC), Sinotrust Group and Alliance PKU Management Consultants Ltd also signed an alliance agreement with Kingdee International, with the aim of building “partner eco-chain” to expand software service market, and to help construct the eco-chain of management software industry.

The Group adjusted its organization structure in order to smoothly implement the strategies during the period under review. Three research centers in Shenzhen, Shanghai and Beijing will co-ordinate in product development, quality control and management communications while service partners of the consultation continue to develop. Through the adjustment of organization structure, the Group reinforced the management of its R&D department, the development of co-operation partners, the management efficiency and the enhancement of staff capabilities.

During the period under review, the Group organized recruitment seminars in Beijing and Shanghai targeting senior IT professionals and overseas graduates. The success of the recruitment seminars will further expand its base of professionals to include internationally experienced staff and to enhance its core competitiveness. Besides, the Group granted share options to management staff and research expertise again. With the granting of the share options, the Group can ensure a smooth enterprise development by promoting long-term benefits for the staff, so as to cement staff loyalty and boost their sense of motivation and responsibilities. Kingdee International will continue to attract talents in IT and software industry to pursue their career in Kingdee International.

FUTURE PROSPECTS

In the coming years, the strong macro-economic development in the PRC, together with the progressively supportive policies on the software industry and software enterprises as well as the stringent measures to strengthen the informatization of enterprises will build up a solid foundation for the PRC’s software industry. In addition, as a requirement for the WTO entry, PRC enterprises are required to match the standards of an international management, thereby boosting the demand of enterprise software in the PRC. All of the above mentioned factors will provide long-term potentials to PRC software developers. Facing such high growth market, Kingdee International will follow the development strategy of the Group by applying advanced technology to develop first-class products and by promoting Kingdee EAS to capture high-end market, so as to further consolidated the leading position of the Group. At the same time, the Group will also co-operate with its consultation, implementation and training partners to provide first-tier products, solutions and integrated services. Last but not least, by sharing customers’ resources and the vast market potentials, the Group looks forward to the formation of eco-chain amongst the PRC management software industry.

INTERESTS OF DIRECTORS IN EQUITY SECURITIES

As at 31 March 2003, the beneficial interests of the Directors in the Shares or securities of the Company or any associated corporation (within the meaning of the Securities (Disclosure of Interests) Ordinance, Chapter 396 of the laws of Hong Kong (“SDI Ordinance”)) required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they are taken or deemed to have been taken under section 31 of, or Part 1 of the Schedule to the SDI Ordinance), or required, pursuant to section 29 of the SDI Ordinance, to be entered in the register

referred to therein, or required pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

- **The Company**

Name of Directors	Number of Shares/ Shares available under the share option (where appropriate)	Nature of Interests	Approximate percentage of interest
Xu Shao Chun (<i>Note 1</i>)	141,916,250	Corporate (<i>Note 2</i>)	32.19%
	1,599,500	Other (<i>Note 3</i>)	0.36%
	1,500,000	Share option (<i>Note 4</i>)	N/A
Xu Wen Hui	1,454,500	Corporate	0.33%
	1,599,500	Other (<i>Note 3</i>)	0.36%
	900,000	Share Option (<i>Note 4</i>)	N/A
Zhang Wen Xing (<i>Note 1</i>)	1,599,500	Other (<i>Note 3</i>)	0.36%
Hugo Shong	5,250,000	Personal	1.19%
	1,599,500	Other (<i>Note 3</i>)	0.36%
Zhao Yong	66,469,750	Personal	15.08%

Notes:

1. In February 2001, Oriental Gold Limited, a company wholly-owned by Mr. Xu Shao Chun, was granted rights of first refusal in the future sale of 37,950,500 shares held by 154 employees of the Group (including Mr. Xu Wen Hui, an executive director), one former employee of the Group and Mr. Hugo Shong, a non-executive director and a consultant of the Group. Each of the 154 employees of the Group had also undertaken to Project China Limited that if he/she is, within one year after he/she leaves the employment of the Group, involved in any business which may compete with the Group, Project China Limited will have an option to buy back his/her shares.
2. The 83,606,250 shares were held by Oriental Gold Limited, and the 58,310,000 shares were held by Billion Ocean Limited.
3. Project China Limited, a company wholly-owned by Mr. Zhang Wen Xing, held 1,599,500 shares as trustee of a discretionary trust established for the benefit of all the former and existing employees and consultants of the Group including Mr. Xu Shao Chun and Mr. Xu Wen Hui, executive directors.
4. The share options were granted upon the approval of the new share option scheme by the shareholders of the Company at the extraordinary general meeting held on 26 April 2002.

PRE-IPO SHARE OPTION SCHEME

Pursuant to the Pre-IPO Share Option Scheme adopted by the Company on 30 January 2001, options to subscribe for 1,000,000 and 300,000 shares of HK\$0.10 each of the Company at a subscription price of HK\$1.03 per share were granted to Mr. Huang Xiao Jian and Mr. Liu Fan respectively.

All of these options have a duration of 10 years from the date on which dealings in the shares commenced on GEM (i.e. 15 February 2001) (“listing date”), provided that the options can only be exercised in respect of up to 25%, 50% and 75% of the underlying shares within 12 months, 24 months and 36 months respectively from the listing date.

On 2 July, 2001, Mr. Huang Xiao Jian exercised his share option to subscribe for 250,000 shares. As Mr. Huang left the Group on 31 December 2001, his outstanding option to subscribe for the remaining 750,000 shares lapsed on the same date.

As at 31 March, 2003, Mr. Liu had not exercised any share option to subscribe for any shares and the option to subscribe for 300,000 shares remained outstanding under the Pre-IPO Share Option Scheme.

SHARE OPTION SCHEMES

Pursuant to the share option scheme of the Company adopted on 30 January 2001 (the “Old Scheme”), full-time employees of any member of the Group (including any executive directors of any member of the Group) may be granted options to subscribe for shares of HK\$0.10 each of the Company.

At the board meeting of the Company held on 27 September 2001, pursuant to the implementation rules for share option scheme approved under the Old Scheme, options to subscribe for a total of 1,720,000 shares at a subscription price equal to HK\$1.49 per share were granted to 33 full-time employees of the Group and its subsidiaries.

The Old Scheme was terminated and replaced by a new share option scheme (the “New Scheme”) by an ordinary resolution passed at the extraordinary general meeting of the Company held on 26 April 2002. The existing options under the Old Scheme will continue to be valid and exercisable in accordance with its provisions.

At the board meeting of the Company held on 15 May 2002, options to subscribe for a total of 5,620,000 shares at a subscription price of HK\$1.78 per share were granted to 22 full-time employees (including executive directors, Mr. Xu Shao Chun and Mr. Xu Wen Hui) of the Group pursuant to the New Scheme.

At the board meeting of the Company held on 20 February 2003, options to subscribe for a total of 7,530,000 shares at a subscription price of HK\$1.39 per share were granted to 76 full-time employees (including executive directors, Mr. Xu Wen Hui) of the Group pursuant to the New Scheme.

Details of the share options as at 31 March 2003 which had been granted under the Old Scheme and the New Scheme were as follows:

	Options held at 1 January 2003	Options granted during the reporting period ⁽¹⁾	Options exercised during the reporting period	Options held at 31 March 2003	Exercise price HK\$	Grant date
Xu Shao Chun	1,500,000	–	–	1,500,000	1.78	15/05/2002 ⁽³⁾
Xu Wen Hui	–	400,000	–	400,000	1.39	20/02/2003 ⁽⁵⁾
	500,000	–	–	500,000	1.78	15/05/2002 ⁽³⁾
Continuous contract employees	–	7,130,000	–	7,130,000	1.39	20/02/2003 ⁽⁵⁾
	3,620,000	–	–	3,620,000	1.78	15/05/2002 ⁽³⁾
	1,720,000 ⁽²⁾	–	–	1,720,000	1.49	27/09/2001 ⁽⁴⁾

Notes:

- (1) At the date immediate before the options were granted (i.e. 19 February 2003), the closing price of the share was HK\$1.36.
- (2) The share options were granted in pursuant to the Old Scheme.
- (3) All of these options have a duration of 10 years from the grant date, provided that the options can only be exercised in respect of up to 25%, 50% and 75% of the underlying shares within 12 months, 24 months and 36 months respectively from the date of 15 May 2003.
- (4) These options have a duration of 10 years from the grant date, provided that the options can only be exercised in respect of up to 25%, 50% and 75% of the underlying shares within 12 months, 24 months and 36 months respectively from the grant date.
- (5) All of these options have a duration of 10 years from the grant date, provided that the options can only be exercised in respect of up to 25%, 50% and 75% of the underlying shares within 12 months, 24 months and 36 months respectively from the date of 20 February 2004.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES

Save as disclosed in the sections headed “Interests of Directors in Equity Securities”, “Share Option Scheme” and “Pre-IPO Share Option Scheme”, at no time during the year ended 31 March 2003 was the Company, or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in the Company.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003, the register maintained under Section 16(1) of the SDI Ordinance for substantial shareholders showed that shareholders interested in 10% or more of the issued share capital of the Company were as follows:

Name	Number of Shares	Approximate percentage of share capital
Oriental Gold Limited (<i>Note 1</i>)	86,606,250	18.96%
Mr. Xu Shao Chun (<i>Note 1</i>)	141,916,250 (<i>Note 2</i>)	32.19%
Billion Ocean Limited	58,310,000	13.23%
Mr. Zhao Yong	66,469,750	15.08%

Notes:

1. In February 2001, Oriental Gold Limited, a company wholly-owned by Mr. Xu Shao Chun, was granted rights of first refusal in the future sale of 37,950,500 shares held by 154 employees of the Group (including Mr. Xu Wen Hui, an executive director), one former employee of the Group and Mr. Hugo Shong, a non-executive director and a consultant of the Group. Each of the 154 employees of the Group had also undertaken to Project China Limited that if he/she is, within one year after he/she leaves the employment of the Group, involved in any business which may compete with the Group, Project China Limited will have an option to buy back his/her shares.
2. The 83,606,250 shares were held by Oriental Gold Limited, and the 58,310,000 shares were held by Billion Ocean Limited. Xu Shao Chun was also interested in 1,599,500 Shares as one of the discretionary objects of the discretionary trust set up for the benefit of the existing and former employees and consultant of the Group which such shares were held by Project China Limited.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

At the annual general meeting of the Company held on 25 April 2003 ("AGM"), an ordinary resolution was passed to grant a general mandate to the directors of the Company to exercise the powers of the Company to purchase Shares up to a maximum of 10% of the issued share capital of the Company.

None of the Company or the any of its subsidiaries had purchased, sold or redeemed any of its listed securities for the three months ended 31 March 2003.

CHANGE OF DIRECTORS

Pursuant to article 116 of the articles of association of the Company, Mr. Zhao Yong retired as an Non-executive director of the Company by rotation as retirement at the AGM and had been re-elected as an Non-executive director of the Company at the AGM.

Mr Zhang Wen Xing had tendered his resignation as a Non-executive Director of the Company at the AGM in his own accord due to his personal reasons. The board recommended to elect Mr Luo Ming Xing as an Executive Director of the Company in accordance with Article 119 of the Articles of Association of the Company at the AGM.

Mr Luo Ming Xing had been elected as an Executive Director of the Company at the AGM.

COMPETING INTEREST

None of the directors had an interest in a business which competes or may compete with the business of the Group.

SPONSOR'S INTEREST

As at 31 March 2003, none of the Company's sponsor, BNP Paribas Peregrine Capital Limited, its directors, employees or associates held any interest in the securities of the Company or any member of the Group.

Pursuant to the sponsorship agreement dated 1 February 2001 entered into between the Company and BNP Paribas Peregrine Capital Limited, BNP Paribas Peregrine Capital Limited will receive usual sponsorship fees for acting as the Company's retained sponsor for the period from 15 February 2001 to 31 December 2003.

AUDIT COMMITTEE AND ITS DUTIES

As at 31 March 2003, the audit committee of the Company comprises of Mr. Xu Wen Hui, an executive director, Ms. Yang Zhou Nan and Mr. Wu Cheng, both being the independent non-executive directors of the Company. Ms. Yang Zhou Nan is the chairman of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The meetings of the audit committee for the year 2003 were convened and held on 20 March 2003 and 15 May 2003 to review the accounts and reports of the Group for the year ended 31 December 2002 and the three months ended 31 March 2003 respectively, and to provide financial advices and recommendations to the Board.

On behalf of the Board
Kingdee International Software Group Company Limited
Xu Shao Chun
Chairman

The People's Republic of China, 13 May 2003