



**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 RESULTS ANNOUNCEMENT  
FOR THE NINE MONTHS ENDED 30TH SEPTEMBER, 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 takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement, 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 (“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 announcement 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 announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## Financial highlights for the nine months ended 30th September, 2003

- Turnover increased by approximately 26.0% over the same period in 2002 to approximately RMB247,930,000.
- Profit attributable to shareholders increased by approximately 21.2% over the same period in 2002 to approximately RMB18,829,000.
- Basic earnings per share increased by approximately 20.7% over the same period in 2002 to approximately RMB4.27cents.

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 and nine months ended 30th September, 2003, together with the comparative unaudited consolidated figures for the corresponding periods in 2002 are as follows:

	<i>Notes</i>	Three months ended 30th September,		Nine months ended 30th September,	
		2003 Unaudited RMB'000	2002 Unaudited RMB'000	2003 Unaudited RMB'000	2002 Unaudited RMB'000
Turnover	2	90,192	72,297	247,930	196,826
Cost of sales		(9,901)	(10,351)	(32,687)	(27,573)
Gross profit		80,291	61,946	215,243	169,253
Selling expenses		(50,299)	(43,348)	(132,430)	(107,822)
General and administrative expenses		(37,745)	(23,234)	(98,061)	(60,530)
Other (expenses) income, net	3	11,941	6,517	34,977	15,409
Operating profit		4,188	1,881	19,729	16,310
Finance income (cost), net	4	16	125	(47)	530
Share of results of an associate		(619)	(500)	(1,215)	(500)
Profit before taxation		3,585	1,506	18,467	16,340
Taxation	5	570	104	(416)	(1,508)
Profit after taxation		4,155	1,610	18,051	14,832
Minority interests		150	811	778	706
Profit attributable to shareholders		<u>4,305</u>	<u>2,421</u>	<u>18,829</u>	<u>15,538</u>
Dividends		–	–	–	–
Earnings per share					
– basic	6	<u>RMB0.976 cents</u>	<u>RMB0.549 cents</u>	<u>RMB4.270 cents</u>	<u>RMB3.538 cents</u>
– diluted	6	<u>RMB0.945 cents</u>	<u>RMB0.543 cents</u>	<u>RMB4.145 cents</u>	<u>RMB3.505 cents</u>

Notes:

**1. Basis of preparation**

All significant intercompany balances and transactions, including intercompany profits, are eliminated on consolidation. The financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The consolidated results have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board.

**2. Turnover**

Turnover comprises the following:

	Three months ended 30th September,		Nine months ended 30th September,	
	2003	2002	2003	2002
	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of software	74,473	59,762	201,161	166,420
Sales of hardware	136	167	1,452	232
Solution consulting and support service income	15,583	12,368	45,317	30,174
	<u>90,192</u>	<u>72,297</u>	<u>247,930</u>	<u>196,826</u>

Turnover disclosed above is net of applicable business tax and value added tax in Mainland China.

**3. Other income (expense), net**

Other income in reporting period includes VAT refund RMB27,197,000 (for the nine months ended 30th September, 2002: RMB15,483,000), which was disclosed separately in the income statement of previous period.

**4. Finance income (costs), net**

	Three months ended 30th September,		Nine months ended 30th September,	
	2003	2002	2003	2002
	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000	RMB'000
Interest income	35	183	14	690
Less: Interest expenses on bank loans	(18)	(44)	(56)	(106)
Others	(1)	(14)	(5)	(54)
	<u>16</u>	<u>125</u>	<u>(47)</u>	<u>530</u>

## 5. Taxation

Taxation represents:

	Three months ended 30th September,		Nine months ended 30th September,	
	2003	2002	2003	2002
	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China income tax				
– Current income tax	2,352	222	2,686	2,085
– Deferred income tax	(2,922)	(326)	(2,270)	(5,77)
	<u>(570)</u>	<u>(104)</u>	<u>416</u>	<u>1,508</u>

As the Group had no income assessable for profit tax in the Cayman Islands or in Hong Kong for the nine months ended 30th September, 2003 (the nine months ended 30th September, 2002: Nil), no provision had been made for profit tax for both jurisdictions.

The Group's subsidiary, Kingdee Software (China) Co., Ltd. ("Kingdee China"), is a wholly foreign-owned enterprise located in the Shenzhen Special Economic Zone and is entitled to full exemption from Mainland China 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. According to the "Provisions on further support to the high-technology enterprises" Shen Fu [1998] No. 29 issued by the Shenzhen Municipal Government, enterprises that are recognized as a high-technology enterprise are entitled to a further tax holiday on EIT. Pursuant to an approval document issued by the tax bureau dated 5th March, 1999, Kingdee China is subject to income tax at the rate of 7.5% for 5 years starting from 1999 as it is recognized as a high-technology enterprise.

## 6. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the three months and nine months ended 30th September, 2003, by the weighted average number of ordinary shares outstanding during the 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 year is adjusted by the after-tax effect of interest recognised in the year 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 nine months ended 30th September, 2003 is as follows:

	Three months ended 30th September,		Nine months ended 30th September,	
	2003	2002	2003	2002
	unaudited	unaudited	unaudited	unaudited
	RMB'000	RMB'000	RMB'000	RMB'000
Net Profit	4,305	2,421	18,829	15,538
After-tax effect of interest on proceeds from exercise of share options	<u>28</u>	<u>13</u>	<u>68</u>	<u>23</u>
Net profit (diluted)	<u>4,333</u>	<u>2,434</u>	<u>18,897</u>	<u>15,561</u>

	Three months ended 30th September,		Nine months ended 30th September,	
	2003 unaudited Number '000	2002 unaudited Number '000	2003 unaudited Number '000	2002 unaudited Number '000
Issued ordinary shares at 1st January	440,887	440,887	440,887	437,750
Effect of shares issued	–	–	–	1,429
Effect of exercise of shares options	115	–	38	–
Weighted average number of ordinary shares for the reporting period	441,002	440,887	440,925	439,179
Effect of share options outstanding	17,609	7,640	14,926	4,830
Weighted average number of ordinary shares (diluted) for the reporting period	458,611	448,527	455,851	444,009

**7. Movement on shares issued**

	Number of shares '000	Nominal value HK\$'000	Nominal value RMB'000
Share capital as of 1st January, 2003	440,887	44,089	47,171
Add: option exercise (Note)	225	23	24
Share capital as of 30th September, 2002	441,112	44,111	47,195

Note: Increase in shares issued was due to the exercise of 225,000 options on 14th August, 2003.

## 8. Statement of changes in equity

Statement of changes in equity of the Group for the three and nine months ended 30th September, 2003 is as follows:

	Share capital unaudited	Share premium unaudited	Reserves unaudited	Total unaudited
Balance at 1st July, 2002	47,171	37,502	98,072	182,745
Disposal of Investment	–	–	(12)	(12)
Net Profit	–	–	2,421	2,421
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30th September, 2002	<u>47,171</u>	<u>37,502</u>	<u>100,481</u>	<u>185,154</u>
Balance at 1st July, 2003	47,171	37,502	130,796	215,469
Net Profit	–	–	4,305	4,305
Option exercised on 14th August, 2003	24	–	–	24
Translation adjustment	–	–	219	219
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30th September, 2003	<u>47,195</u>	<u>37,502</u>	<u>135,320</u>	<u>220,017</u>
Balance at 1st January, 2002	46,840	31,083	89,595	167,518
Net Profit	–	–	15,538	15,538
Disposal of Investment	–	–	(12)	(12)
Shares issued as at 27th May, 2002	331	6,419	–	6,750
Final dividends for 2001	–	–	(4,640)	(4,640)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30th September, 2002	<u>47,171</u>	<u>37,502</u>	<u>100,481</u>	<u>185,154</u>
Balance at 1st January, 2003	47,171	37,502	125,619	210,292
Net Profit	–	–	18,829	18,829
Option exercised on 14th August	24	–	–	24
Translation adjustment	–	–	219	219
Final dividends for 2002	–	–	(9,347)	(9,347)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30th September, 2003	<u>47,195</u>	<u>37,502</u>	<u>135,320</u>	<u>220,017</u>

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30th September, 2003 (the nine months ended 30th September, 2002: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the period under review, Kingdee International continued its efforts on the informatisation of Chinese enterprises and helped customers succeed by providing advanced technology and products with good quality. The Group followed its three-year strategic development plan of “Product Leadership, Partner Oriented, Prompt Response and Capability Oriented”. The Group focused on product innovation, alliance development, improvement of efficiency and enhancement of capability.

During the period under review, Kingdee International adhered to the strategy of “Product Leadership”. On one hand, the high-end KINGDEE EAS series product was at the final stage of development according to the schedule and has been launched to market successfully. On the other hand, the Group speeded up the research and development on the new version of KINGDEE K/3. The Group further consolidated its competitive edges in the market by leveraging on the excellent quality of KINGDEE K/3 ERP product. The forthcoming K/3 v10.0 aims at improving business performance management. The new version offers a series of applications such as balance scorecard, KPI (key performance index), budgeting management and financial analysis which are based on the applications of modern management theory. The new K/3 v10.0 helps enterprises to improve management efficiency and enhance the core competitive strength of enterprises. In order to maintain its advantages in advanced technology, the Group has recruited senior staff who specialize in product technology structure and design to further enhance the capability of product design and planning, enhance product functions to meet market demands promptly and make products suitable for the requirement of customers. Moreover, the Group emphasized on the improvement of product functions, strengthened the product quality standard and standardized the product development process. Kingdee International introduced international software development management to speed up the progress of CMM level 4 assessments. The Group strived to provide customers with steady and efficient enterprise management software and application solutions so as to help customers succeed.

According to the “Report on the Research of PRC’s IT Customers’ Satisfaction Level 2003” conducted by the renowned market research centre of Computer World (CCW) in China, Kingdee International was accredited as “No.1 in design of ERP software” and “No.1 in brand loyalty of ERP products”. The accreditation of “No.1 in design of ERP software” clearly indicated that the Group has maintained a leading position among other software providers in the PRC with its advanced product technology structure and innovative application design. The accreditation of “No.1 in brand loyalty of ERP products” demonstrated the recognition of Kingdee International’s product functions and quality from its customers. Kingdee International was also awarded as “The Best E-finance Solutions in the PRC 2003” in the “Chinese E-finance Forum 2003” which was organized by PRC Banking Association. This achievement indicated the recognition of Kingdee International’s industry informatisation solutions by both the industry professionals and customers.

During the period under review, along with the strategy of “Partner Oriented”, the Group paid great efforts in forming alliance with consultation, implementation, sales, training and other partners. As at 30th September, 2003, the Group has formed partnership with 42 consultation vendors and 49 service vendors in over 10 cities throughout China. Furthermore, the Group has been exploring more potential partners. Kingdee International cooperated with partners in various formats so as to jointly consummate enterprise informatisation solution and help customers succeed. Apart from developing new alliances, the Group paid efforts in consolidating the existing partnerships. On 1st August, 2003, Kingdee International was accredited as “The Best ISV (Individual Software Vendor) Partner” by Microsoft. This demonstrated the recognition and successful cooperation between Kingdee and Microsoft in marketing, sales, research and other fields.

During the period under review, Kingdee International promptly responded to the changes of market environment. The Group endeavored to explore business opportunity and potential market. According to the management demand of Chinese enterprises, Kingdee International organized “Chief Financial Officer (CFO) Forum 2003”, “KINGDEE HR Strategy and IT Professional Forum” and other promotion and marketing activities. The Group aimed at communicating and sharing experience of enterprise management with customers, and providing KINGDEE EAS series informatisation solution products to customers. During the period under review, the “Eastern Pearl Project 2003” continued to hold several trainings, visits and interflow functions, which further enhanced the reputation of KINGDEE brand and fostered the communication between the Group and customers.

On 8th August, 2003, the Group held its 10th anniversary celebration. In the past decade, Kingdee International established a leading software brand in China and expanded its product range from single financial software to comprehensive enterprise application software. The development and growth of Kingdee International was greatly attributed by the diligence of staff. The Group had granted share options to 2,370 employees. With the granting of such share options, the Group can closely link up the enterprise development together with staff benefits so as to cement staff loyalty and boost their sense of motivation and responsibility. During the period under review, according to the “The Top Ten Employers in China IT Industry”, which was jointly conducted by Sina.com, Mercer Human Resource Consulting, 21st Century Talent Report, Kingdee International outperformed its counterparts to top the list with a 44.99% vote. Kingdee International will continue to focus on the growth of each employee, providing them with good quality-working environment so as to attract more IT professionals and management talents to Kingdee International.

## **FUTURE PROSPECTS**

As the leading enterprise application software provider, Kingdee International will concentrate on customer relationship management, maintaining the advantages in advanced technology and industry application, promoting the informatisation enterprises in China and help customer to succeed. In order to consolidate the leading position in enterprise application software market and optimize KINGDEE’s product range, the Group will launch KINGDEE K/3 v10.0 within this year. The Group will also upgrade the modules of KINGDEE EAS series product on schedule and ensure its fully application of the high-end products. Moreover, the Group will continue to look for acquisition opportunities and to further explore the overseas market.

## **FINANCIAL PERFORMANCE**

The financial results of the Group for the nine months ended 30th September, 2003 showed a remarkable growth as compared to the corresponding period in 2002. The Group’s turnover for the nine months ended 30th September, 2003 was approximately RMB247,930,000 representing an increase of approximately 26.0% compared to the same period in 2002 (for the nine months ended 30th September, 2002: RMB196,826,000).

Gross profit of the Group increased by approximately 27.2% from approximately RMB169,253,000 for the nine months ended 30th September, 2002 to approximately RMB215,243,000 for the nine months ended 30th September, 2003. The gross profit margin was approximately 86.8% for the nine months ended 30th September, 2003 (the nine months ended 30th September, 2002: 86.0%). The Group’s profit attributable to shareholders for the nine months ended 30th September, 2003 increased by approximately 21.2% to approximately RMB18,829,000 (the nine months ended 30th September, 2002: RMB15,538,000).



## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30th September, 2003, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules, were as follows:

### Long positions in shares/underlying shares of the Company

Name of Directors	Number of Shares/ underlying shares (where appropriate)	Capacity	Percentage of issued share capital
Xu Shao Chun	141,916,250	Interests of controlled corporation ( <i>Note 1</i> )	
	20,476,000	Interests of controlled corporation ( <i>Note 2</i> )	
	7,600,000	Beneficial owner	
	1,487,500	Beneficiary of a trust ( <i>Note 3</i> )	
	1,500,000	Other/Share option ( <i>Note 4</i> )	
Aggregate:	172,979,750		39.21%
Xu Wen Hui	454,500	Beneficial owner	
	1,487,500	Beneficiary of a trust ( <i>Note 3</i> )	
	900,000	Other/Share option ( <i>Note 4</i> )	
Aggregate:	2,842,000		0.64%
Luo Ming Xing	2,100,000	Beneficial owner	
	1,487,500	Beneficiary of a trust ( <i>Note 3</i> )	
	700,000	Other/Share Option ( <i>Note 4</i> )	
Aggregate:	4,287,500		0.97%
Hugo Shong	5,250,000	Beneficial owner	
	1,487,500	Beneficiary of a trust ( <i>Note 3</i> )	
Aggregate:	6,737,500		1.53%
Zhao Yong	62,205,750	Beneficial owner	
Aggregate:	62,205,750		14.10%

#### Notes:

1. Of the 141,916,250 shares, 83,606,250 shares were held through Oriental Gold Limited and 58,310,000 shares were held through Billion Ocean Limited.

2. 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 executive directors, Mr. Xu Wen Hui and Mr. Luo Ming Xing), 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. As at 30th September, 2003, 20,476,000 shares are subject to this arrangement.
3. Project China Limited, a company wholly-owned by Mr. Zhang Wen Xing, held 1,487,500 shares as trustee of a discretionary trust established for the benefit of all the former and existing employees and consultants of the Group.
4. Details of the share options are set out in the paragraph headed “Share Option Schemes”.

Save as disclosed in this paragraph, as at 30th September, 2003, none of the Directors and chief executive had any of the interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations) within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

### **PRE-IPO SHARE OPTION SCHEME**

Pursuant to the Pre-IPO Share Option Scheme adopted by the Company on 30th January, 2001, options to subscribe for total 1,300,000 shares of HK\$0.10 each of the Company at a subscription price of HK\$1.03 per share were granted to the former and current employee of Company.

All of these options have a duration of 10 years from the date on which dealings in the shares commenced on GEM (i.e. 15th 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.

As at 30th September, 2003, 475,000 shares option was exercised, 825,000 shares option was canceled and no more option remained outstanding under the Pre-IPO Share Option Scheme.

### **SHARE OPTION SCHEMES**

Pursuant to the share option scheme of the Company adopted on 30th 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 27th 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 26th 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 15th 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, Mr. Xu Wen Hui and Mr. Luo Ming Xing) of the Group pursuant to the New Scheme.

At the board meeting of the Company held on 20th 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 and Mr. Luo Ming Xing) of the Group pursuant to the New Scheme.

At the board meeting of the Company held on 8th August, 2003, options to subscribe for a total of 4,740,000 shares at a subscription price of HK\$2.05 per share were granted to 2,370 full-time employees of the Group pursuant to the New Scheme.

Details of the share options as at 30th September, 2003 which had been granted under the Old Scheme and the New Scheme were as follows:

	Options held at 1st January, 2003	Options granted during the reporting period	Options exercised during the reporting period	Options held at 30th September, 2003	Exercise price HK\$	Grant date
Xu Shao Chun	1,500,000	–	–	1,500,000	1.78	15/05/2002 <sup>(4)</sup>
Xu Wen Hui	–	400,000 <sup>(1)</sup>	–	400,000	1.39	20/02/2003 <sup>(6)</sup>
	500,000	–	–	500,000	1.78	15/05/2002 <sup>(4)</sup>
Luo Ming Xing	–	400,000 <sup>(1)</sup>	–	400,000	1.39	20/02/2003 <sup>(6)</sup>
	300,000	–	–	300,000	1.78	15/05/2002 <sup>(4)</sup>
Continuous contract employees	–	4,740,000 <sup>(2)</sup>	–	4,740,000	2.05	08/08/2003 <sup>(7)</sup>
	–	6,730,000 <sup>(1)</sup>	–	6,730,000	1.39	20/02/2003 <sup>(6)</sup>
	3,320,000	–	–	3,320,000	1.78	15/05/2002 <sup>(4)</sup>
	1,720,000 <sup>(2)</sup>	–	–	1,720,000	1.49	27/09/2001 <sup>(5)</sup>

*Notes:*

- (1) At the date immediate before the options were granted (i.e. 19th February, 2003), the closing price of the share was HK\$1.36.
- (2) At the date immediate before the options were granted (i.e. 7th August, 2003), the closing price of the share was HK\$2.00.
- (3) The share options were granted in pursuant to the Old Scheme.
- (4) 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 15th May, 2003.

- (5) 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.
- (6) 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 20th February, 2004.
- (7) All of these options have a duration of 10 years from the grant date, provided that the options can only be exercised from the date of 8th August, 2004.

Rule 23.08 of the GEM Listing Rules stipulate that listed issuers are encouraged to disclose in their interim reports the value of options granted to participants set out in (1) to (5) of Rule 23.07 during the period. The Directors consider it inappropriate to value the options under all the schemes of the Company on the assumption that a number of factors crucial for the valuation cannot be determined. Such factors include the exercise period, the date of exercise and the conditions, such as performance targets, if any, that an option is subject to. Accordingly, any valuation of the options based on various speculative assumptions would not be meaningful but would be misleading to the shareholders.

### **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 30th September, 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' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30th September, 2003, the following persons (other than the directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

#### **Long positions in shares/underlying shares of the Company**

<b>Name</b>	<b>Number of Shares/ underlying shares (where appropriate)</b>	<b>Capacity</b>	<b>Percentage of issued share capital</b>
Oriental Gold Limited	83,606,250 20,476,000	Beneficial owner Other ( <i>Note 1</i> )	
Aggregate:	104,082,250		23.60%
Billion Ocean Limited	58,310,000	Beneficial owner	
Aggregate:	58,310,000		13.22%

*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 executive directors, Mr. Xu Wen Hui and Mr. Luo Ming Xing), 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, a company wholly-owned by Mr. Zhang Wen Xing, 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. As at 30th September, 2003, 20,476,000 shares are subject to this arrangement.

Save as disclosed in this paragraph, as at 30th September, 2003, the directors were not aware of any other person (other than the directors and chief executive of the Company) who had an interest and short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

At the annual general meeting of the Company held on 25th 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 nine months ended 30th September, 2003.

## **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 30th September, 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, the right to subscribe for or to nominate persons to subscribe for securities in the Company or any member of the Group.

Pursuant to the sponsorship agreement dated 1st 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 15th February, 2001 to 31st December, 2003.

## **PRACTICES AND PROCEDURES OF THE BOARD**

The directors considered that the Company has complied with the requirement of the Board practices and procedures of Rules 5.28 to 5.39 of the GEM Listing Rules during the period of nine months ended 30th September, 2003.

## **AUDIT COMMITTEE AND ITS DUTIES**

As at 30th September, 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 20th March, 2003, 13th May, 2003, 8th August, 2003 and 13th November, 2003 to review the accounts and reports of the Group 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, 13th November, 2003

*This announcement will remain on the "Latest Company Announcement" page of the GEM Website at [www.hkgem.com](http://www.hkgem.com) for 7 days from the date of its publication and the website of the Company at [www.kingdee.com](http://www.kingdee.com).*