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The circular, 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 (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) 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: the information contained in this circular is accurate and complete in all material respects and not misleading; there are no other matters the omission of which would make any statement in this circular misleading; and all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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

**If you have sold** all your shares in Kingdee International Software Group Company Limited, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.



**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)*

**GENERAL MANDATE FOR THE REPURCHASE  
BY THE COMPANY OF ITS OWN SHARES**

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*This circular will remain on the “Latest Company Announcements” page of GEM Website of the Stock Exchange at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of posting and the website of the Company at [www.kingdee.com](http://www.kingdee.com).*

19th March, 2004

LETTER FROM THE BOARD OF DIRECTORS



**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)*

*Executive Directors:*

Mr. Xu Shao Chun  
Mr. Luo Ming Xing  
Mr. James Ming King

*Non-executive Directors:*

Mr. Zhao Yong  
Mr. Hugo Shong

*Independent non-executive Directors:*

Ms. Yang Zhou Nan  
Mr. Wu Cheng  
Mr. Yeung Kwok On

*Registered office:*

Ugland House  
P.O. Box 309  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

*Head office and principal place of  
business in the People's Republic  
of China ("PRC"):*

4th Level, Zone B, Block W1  
High-New Technology Industrial Estate  
Shennan Highway, Nanshan District  
Shenzhen, Guangdong Province  
The PRC

*Principle place of business  
in Hong Kong:*

Rooms 3705-6, 37th Floor  
Gloucester Tower  
The Landmark, Central  
Hong Kong

*To the shareholders of*

*Kingdee International Software Group Company Limited (the "Company")*

Dear Sir or Madam,

**GENERAL MANDATE FOR THE REPURCHASE  
BY THE COMPANY OF ITS OWN SHARES**

**INTRODUCTION**

At the annual general meeting of the Company convened on 25th April, 2003, the Directors were granted a general mandate to repurchase the shares of HK\$0.10 each in the share capital of the Company (the "Shares") of the Company on the GEM of the Stock Exchange (the "Repurchase Mandate"). The Repurchase Mandate will expire at the conclusion of the forthcoming annual general meeting of the Company convened for the financial year ended 31st December, 2003 ("Annual General Meeting") to be held at 4th Level, Zone B, Block W1, High-New Technology

## **LETTER FROM THE BOARD OF DIRECTORS**

Industrial Estate, Shennan Highway, Nanshan District, Shenzhen, Guangdong Province, the PRC on Friday, 16th April, 2004 at 2:00 p.m.. At the annual general meeting, a resolution (“Repurchase Resolution”) will be proposed to renew the Repurchase Mandate to enable the Directors to repurchase the Company’s Shares on GEM.

The Repurchase Mandate would continue in force until the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by law or the articles of association of the Company to be held or until the Repurchase Mandate is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting, whichever is the earliest.

Under the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”), the Company is required to give to its shareholders all information which is reasonably necessary to enable shareholders to make an informed decision as to whether to vote for or against the resolution to renew the grant to the Directors of a repurchase mandate. This circular is prepared for such purpose. The explanatory statement required by the GEM Listing Rules to be included in this circular is set out in the appendix to this circular.

### **THE REPURCHASE MANDATE**

Notice of the forthcoming annual general meeting of the Company convened to be held at 4th Level, Zone B, Block W1, High-New Technology Industrial Estate, Shennan Highway, Nanshan District, Shenzhen, Guangdong Province, the PRC on Friday, 16th April, 2004 at 2:00 p.m. was published on 19th March, 2004. At the annual general meeting, and as part of the ordinary business of that meeting, an ordinary resolution will be proposed to grant a general mandate to the Directors to exercise the powers of the Company to purchase shares of the Company up to a maximum of 10 per cent. of the issued share capital of the Company as at the date of the Repurchase Resolution.

### **ACTION TO BE TAKEN**

Whether or not you intend to attend the annual general meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company’s Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the annual general meeting. The return of a form of proxy will not preclude you from attending and voting in person if you so wish.

### **RECOMMENDATION**

The Directors believe that the exercise of the Repurchase Mandate is in the best interests of the Company and its shareholders. The exercise of the Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per share and/or earnings per share of the Company and will only be made when the Directors believe that a repurchase of Shares will benefit the Company and its shareholders.

## LETTER FROM THE BOARD OF DIRECTORS

An exercise of the Repurchase Mandate in full could have a material adverse impact on the working capital and gearing position of the Company compared with that as at 31st December, 2003, being the date of its last audited reports and accounts. The Directors do not, however, intend to make any repurchase in circumstances that would have material adverse impact on the working capital or gearing of the Company.

Accordingly, the Directors recommend that all Shareholders should vote in favour of the Repurchase Mandate.

Yours faithfully,  
On behalf of the Board  
**Xu Shao Chun**  
*Chairman*

This appendix serves as an explanatory statement, as required by the GEM Listing Rules, to provide requisite information to you for your consideration of the Repurchase Mandate.

## **1. GEM LISTING RULES RELATING TO THE REPURCHASE OF SHARES**

The GEM Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their shares on GEM subject to certain restrictions, the more important of which are summarised below. The Company is empowered by its memorandum and articles of association to repurchase its own shares.

### **Source of funds**

Repurchase must be funded out of funds which are legally available for the purpose and in accordance with the memorandum and articles of association of the Company and the Companies Law (Revised) of the Cayman Islands (the “Companies Law”). A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Companies Law, a company may repurchase its shares out of the proceed of a fresh issue of shares made for the purpose. Any amount of premium payable on a repurchase over the par value of the shares may be effected out of funds of the Company which would otherwise be available for dividend or distribution or out of the Company’s share premium account. Capital can be used if the Company will be solvent following such payment.

As at 12th March, 2004, being the latest practicable date prior to the printing of this circular (the “Latest Practicable Date”), no connected person of the Company has notified the Company that he/she/it has a present intention to sell any shares to the Company or has any such connected person undertaken not to sell any of the Shares held by him/her/it to the Company in the event that the Company is authorised to make purchase of shares.

## **2. SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 442,056,908 Shares of HK\$0.10 each.

Subject to the passing of the Repurchase Resolution and on the basis that no Shares are issued or repurchased by the Company prior to the annual general meeting, the Company will be allowed under the repurchase mandate to repurchase a maximum of 44,205,690 Shares of HK\$0.10 each, being 10% of the issued share capital of the Company.

### 3. REASONS FOR THE REPURCHASE

The Directors believe that the proposed Repurchase Mandate is in the best interests of the Company and Shareholders. An exercise of the Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per share and/or earnings per share of the Company and will only be made when the Directors believe that repurchase of Shares will benefit the Company and Shareholders.

### 4. FUNDING OF REPURCHASES

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the memorandum and articles of association of the Company, the GEM Listing Rules and the applicable laws of the Cayman Islands. A company may not repurchase its shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Pursuant to the Repurchase Mandate, repurchase would be funded entirely from the Company's available cash flow or working capital facilities which will be funds legally available under the Companies Law for the purpose.

In the event that the proposed purchases were to be carried out in full at any time during the proposed purchase period, it could have a material adverse impact on the working capital and gearing position of the Company as compared with the position disclosed in its most recent published audited accounts for the period ended 31st December, 2003. The Directors do not, however, intend to make any repurchase in circumstances that would have a material adverse impact on the working capital or gearing of the Company.

### 5. SHARE PRICES

The highest and lowest prices at which the Shares have traded on GEM during each of the previous twelve calendar months were as follows:

	SHARES	
	Highest HK\$	Lowest HK\$
March 2003	1.490	1.300
April 2003	1.600	1.340
May 2003	1.700	1.360
June 2003	1.700	1.500
July 2003	2.220	1.600
August 2003	2.450	1.870
September 2003	2.375	1.880
October 2003	2.750	1.920
November 2003	2.975	2.450
December 2003	2.775	2.425
January 2004	3.100	2.700
February 2004	3.250	2.850
March 2004 (up to the Latest Practicable Date)	3.325	2.825

## 6. DISCLOSURE OF INTERESTS, THE CODE AND MINIMUM PUBLIC HOLDING

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any associates of the Directors currently intends to sell any Shares to the Company in the event that the proposal is approved by Shareholders.

The Directors have undertaken to the Stock Exchange that they will exercise powers of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands and in accordance with the memorandum and articles of association of the Company.

Assuming that the substantial Shareholders do not dispose of its Shares, if the Repurchase Mandate were exercise in full, the percentage shareholdings of the substantial Shareholders before and after such repurchase would be as follows:

<b>Substantial Shareholders</b>	<b>Before repurchase</b>	<b>After repurchase</b>
Xu Shao Chun	32.92%	36.58%
Oriental Gold Limited	18.91%	21.01%
Billion Ocean Limited	13.19%	14.66%
Zhao Yong	13.16%	14.63%

If a Shareholder's proportionate interest in the voting rights of the Company increases on the Company exercising its powers to repurchase securities pursuant to the Repurchase Mandate, such increase will be treated as an acquisition for the purpose of Rule 32 of the Hong Kong Code on Takeover and Mergers (the "Code"). As a result, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Code.

On the basis of the shareholdings held by the substantial Shareholders named above, an exercise of the Repurchase Mandate in full will not have any implications under the Code.

If the Directors exercise the Repurchase Mandate (whether in whole or in part), they will not exercise it to the extent which would result in the number of shares being held by the public falling below the relevant minimum prescribed percentage of the Company as required by the Stock Exchange, which is currently 20% of the entire issued share capital of the Company.

## 7. SHARE REPURCHASE MADE BY THE COMPANY

The Company had not purchased any of the Shares (whether on GEM or otherwise) during the previous six months.