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Kingdee

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)

(Stock Code: 8133)

**PROPOSAL FOR GRANT OF OPTIONS TO
A SUBSTANTIAL SHAREHOLDER AND EXECUTIVE DIRECTOR
OF THE COMPANY**

27 March 2004

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CHARACTERISTICS OF GEM

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 and no assurance is given that there will be 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. 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.

DEFINITIONS

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

“associate(s)”	shall have the meaning ascribed in the GEM Listing Rules
“Board”	board of Directors
“Company”	Kingdee International Software Group Company Limited, a company incorporated in the Cayman Islands with limited liability
“connected person(s)”	shall have the meaning ascribed in the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 4th Level, Zone B, Block W1, High-New Technology Industrial Estate, Shennan Highway, Nanshan District, Shenzhen, Guangdong Province, PRC on Friday, 16 April 2004 at 4:00 p.m.
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on the GEM as may be amended, modified or supplemented from time to time
“Group”	The Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	25 March, 2004 being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Old Share Option Scheme”	the share option scheme adopted by the Company on 31 January 2001 which was terminated and replaced by the Share Option Scheme
“PRC”	The People’s Republic of China
“Proposed Grant”	The proposed conditional grant of options to Mr. Xu Shao Chun under the Share Option Scheme, the terms of which are set out in the sub-section headed “Grant of options to a substantial shareholder and executive director of the Company” under the section headed “Letter from the Board” in this circular

DEFINITIONS

“Proposed Grantee”	Mr. Xu Shao Chun, a substantial shareholder and an executive director of the Company
“Share Option Scheme”	the share option scheme adopted by the Company at its general meeting on 26 April 2002
“Share(s)”	fully paid ordinary share(s) of HK\$0.10 each in the capital of the Company
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



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 PRC:*

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

*Principal place of business
in Hong Kong:*

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

27 March 2004

To the Shareholders

Dear Sir or Madam,

**PROPOSAL FOR GRANT OF OPTIONS TO
A SUBSTANTIAL SHAREHOLDER AND EXECUTIVE DIRECTOR
OF THE COMPANY**

INTRODUCTION

Reference should be made to an announcement published by the Company on 27 March 2004 in relation to grant of options to a substantial Shareholder and executive Director under the Share Option Scheme. The purpose of this circular is to provide you with information regarding the Proposed Grant pursuant to Rule 23.04 of the GEM Listing Rules.

LETTER FROM THE BOARD

PROPOSAL FOR GRANT OF OPTIONS TO A SUBSTANTIAL SHAREHOLDER AND EXECUTIVE DIRECTOR OF THE COMPANY

Terms and conditions of the Proposed Grant

At a meeting of the Board held on 23 March 2004, it was proposed and approved by the Board (including the independent non-executive Directors but excluding Mr. Xu who was required to abstain from voting under the articles of association of the Company) that subject to the approval of the Proposed Grant by the independent Shareholders at the EGM, grant of options to subscribe for 8,000,000 Shares be conditionally offered to the Proposed Grantee pursuant to the Share Option Scheme. The offer of the grant of options by the Board and the acceptance of such offer at a consideration of HK\$10 by the Proposed Grantee under the Proposed Grant are conditional on the approval of the independent Shareholders at the EGM. In the event that the Proposed Grant is not approved by the independent Shareholders at the EGM, the Proposed Grant and the offer and acceptance thereof shall be deemed to be null and void and of no further effect. As at the Latest Practicable Date, there were 19,555,000 options granted but not yet exercised under the Share Option Scheme and Old Share Option Scheme which did not exceed 30 per cent of the issued share capital of the Company of 442,166,908 as at the Latest Practicable Date. The Directors confirm that as at the Latest Practicable Date, the Company had issued options to subscribe for an aggregate of 21,910,000 Shares under the Share Option Scheme and the Old Share Option Scheme which did not exceed 10 per cent of the issued share capital of the Company of 437,750,000 Shares as at the date of approval of the Share Option Scheme (i.e. 26 April 2002).

The principal terms of the Proposed Grant are as follows:

Grantee	Date of conditional grant	No. of Shares subject to the options granted	Exercise price (HK\$) (Note 2)	Exercise period
Mr. Xu Shao Chun	23 March 2004	8,000,000 (Note 1)	HK\$3.18	23 March 2004 to 22 March 2014

Notes:

- (1) 8,000,000 Shares, representing approximately 1.81% of the total issued share capital of the Company as at the Latest Practicable Date.
- (2) Pursuant to Rule 23.04 of the GEM Listing Rules and the Share Option Scheme, 23 March 2004, the date of the meeting of the Board approving the Proposed Grant, shall be taken as the date of grant for the purpose of calculating the exercise price under the Proposed Grant. The proposed exercise price of the Proposed Grant of HK\$3.18 represents the higher of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on 23 March 2004 (i.e. HK\$3.175) and a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days immediately preceding 23 March 2004 (i.e. HK\$3.18).

LETTER FROM THE BOARD

Under the terms of the Proposed Grant, the Proposed Grantee may not exercise more than 50% of the options granted to him under the Proposed Grant prior to 31 December 2004. After 31 December 2004, the Proposed Grantee may exercise all his options granted to him under the Proposed Grant in accordance with the terms and conditions of the Share Option Scheme and the Proposed Grant. The options granted under the Proposed Grant will lapse upon his ceasing to be an employee of the Company and its subsidiaries. There is no performance targets that must be achieved by the Proposed Grantee before his options can be exercised.

The Shares to be allotted upon the exercise of the options under the Proposed Grant will be subject to all the provisions of the bye-laws of the company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of their allotment and issue, and accordingly will entitle the Proposed Grantee to participate in all dividends or other distributions paid or made on or after the date of allotment of issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue.

In the event that notice is given of a general meeting at which a resolution will be proposed for the voluntary winding-up of the Company, the options granted under the Proposed Grant shall be exercisable in whole or in part at any time not later than 2 business days immediately prior to the proposed general meeting.

Proposed Grantee

The Proposed Grantee is Mr. Xu Shao Chun who is a substantial shareholder and an executive Director of the Company. Up to the Latest Practicable Date, options to subscribe for 1,500,000 Shares have been granted to the Proposed Grantee under the Share Option Scheme and the Proposed Grantee indirectly held approximately 32.91% of the entire issued share capital of the Company. Upon the exercise of all options granted to Mr. Xu, Mr. Xu will be interested in approximately 34.33% shareholding interest in the Company. The Directors confirm that none of the associates and connected persons of the Proposed Grantee have any shareholding interest in the capital of the Company and Mr. Xu will abstain from voting at the EGM. All connected persons of the Company will also abstain from voting in favour at the EGM pursuant to the GEM Listing Rules.

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 Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (a) the information contained in this circular is accurate and complete in all material respects and not misleading; (b) there are no other matters the omission of which would make any statement in this circular misleading; and (c) 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.

LETTER FROM THE BOARD

RECOMMENDATION

The Proposed Grantee is an executive Director, chairman of the Board and the sole chief executive officer of the Company who is chiefly responsible for the management and daily operations of the Company. Under the efficient and brilliant management and leadership of Mr. Xu, the net profit of the Group for the year ended 31 December 2003 experienced an increase of approximately 45.3% over that of year 2002. The Directors (including independent non-executive Directors) are of the opinion that for further developments of the Company to which the Proposed Grantee, the only chief executive officer of the Company, is expected to make substantial contributions and in order to sustain an increase in the net profits of the Group under his management in the future, it is in the best interests of the Company and its Shareholders to provide incentive to the Proposed Grantee by way of grant of options under the Proposed Grant in order the link the financial interests of the grantee with the results of operation and performance of the Company and accordingly, recommend all of its independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

Yours faithfully,

For and on behalf of the Board

Kingdee International Software Group Company Limited

Xu Shao Chun

Executive Director

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of Kingdee International Software Group Company Limited (the “**Company**”) will be held at 4th Level, Zone B, Block W1, High-New Technology Industrial Estate, Shennan Highway, Nanshan District, Shenzhen, Guangdong Province, the People’s Republic of China on Friday, 16 April 2004 at 4:00 p.m. for the purpose of considering and, if thought fit, passing the following ordinary resolutions, with or without modifications:

ORDINARY RESOLUTION

1. “**THAT** the grant of options under the existing share option scheme of the Company which was adopted by the Company at its general meeting on 26 April 2002 (the “Share Option Scheme”) to the following grantee:

Mr. Xu Shao Chun, the chairman, executive director and substantial shareholder of the Company, to subscribe for 8,000,000 shares of HK\$0.10 each in the share capital of the Company (“Share(s)”) at an exercise price of HK\$3.18 per Share and to be exercised during the period of 10 years from 23 March 2004 in accordance with the terms and conditions of the Share Option Scheme and the Implementation Rules for the Share Option Scheme be and is hereby approved and the board of directors of the Company be and is hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to such grant of options including but without limitation:

- (i) to administer the Share Option Scheme under which options will be granted to the aforesaid grantee under the Share Option Scheme to subscribe for the Shares; and
- (ii) to allot, issue and deal with from time to time such number of Shares as may be required to be issued pursuant to the exercise of the options granted to the aforesaid grantee under the Share Option Scheme and subject to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.”

By order of the Board of
Kingdee International Software Group Company Limited
Xu Shao Chun
Chairman

Hong Kong, 27 March, 2004

NOTICE OF EGM

Notes:

1. Any vote at the meeting to approve the above Ordinary Resolution no. 1 shall be taken on a poll.
2. A shareholder entitled to attend and vote at the above meeting may appoint one or more proxies to attend, and in the event of a poll, vote in his stead. A proxy need not be a shareholder of the Company.
3. Where there are joint registered holders of any Share, any one such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
4. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. The completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting if you so wish.