



**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)**

**QUARTERLY RESULT ANNOUNCEMENT  
FOR THE THREE MONTHS ENDED 31ST MARCH, 2004**

**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.**

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*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 three months ended 31st March, 2004

- Turnover increased by approximately 27.1% over the same period in 2003 to approximately RMB88,218,000.
- Profit attributable to shareholders increased by approximately 29.2% over the same period in 2003 to approximately RMB6,099,000.
- Basic earnings per share increased by approximately 28.94% over the same period in 2003 to approximately RMB1.381 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 31st March, 2004, together with the comparative unaudited consolidated figures for the corresponding periods in 2003 are as follows:

	<i>Notes</i>	<b>Three months ended 31st March,</b>	
		<b>2004 Unaudited RMB'000</b>	<b>2003 Unaudited RMB'000</b>
Turnover	2	88,218	69,431
Cost of sales		(15,519)	(9,813)
Gross profit		72,699	59,618
Other operating income	3	8,710	9,119
Selling expenses		(35,073)	(36,869)
General and administrative expenses		(38,698)	(27,069)
Other operating expenses		(622)	324
Operating profit		7,016	5,123
Finance income (cost), net	4	71	(41)
Share of results of an associate		(1,050)	(87)
Profit before taxation		6,037	4,995
Taxation	5	60	(567)
Profit after taxation		6,097	4,428
Minority interests		2	293
Profit attributable to shareholders		<u>6,099</u>	<u>4,721</u>
Dividends		<u>–</u>	<u>–</u>
Earnings per share			
– basic	6	<u>RMB1.381 cents</u>	<u>RMB1.071 cents</u>
– diluted	6	<u>RMB1.377 cents</u>	<u>RMB1.071 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 31st March,	
	2004 Unaudited RMB'000	2003 Unaudited RMB'000
Sales of software	71,834	56,527
Sales of hardware and related products	34	404
Solution consulting and support service income	10,462	7,655
Software implementation services	5,888	4,846
	<u>88,218</u>	<u>69,431</u>

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

### 3. Other operating income

	2004	2003
	Unaudited RMB'000	Unaudited RMB'000
VAT refund (Note (a))	7,925	6,683
Others	785	2,436
	<u>8,710</u>	<u>9,119</u>

- (a) Pursuant to the document Cai Shui Zi [2000] issued jointly by 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 VAT paid exceeding 3% of the sales of software will be refunded.

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

	Three months ended 31st March,	
	2004 Unaudited RMB'000	2003 Unaudited RMB'000
Interest income	84	111
Less: Interest expenses on bank loans	(19)	(152)
Others	6	—
	<u>71</u>	<u>(41)</u>

#### 5. Taxation

Taxation represents:

	Three months ended 31st March,	
	2004 Unaudited RMB'000	2003 Unaudited RMB'000
Mainland China income tax		
–Current income tax	210	1,331
–Deferred income tax	(270)	(764)
	<u>(60)</u>	<u>567</u>

- (a) As the Group had no income assessable for profit tax in the Cayman Islands or in Hong Kong for the three months ended 31st March, 2004 (the three months ended 31st March, 2003: Nil), no provision had been made for profit tax for both jurisdictions.
- (b) Majority of the subsidiaries and associates of the Group is established in the PRC and subject to Enterprise Income Tax (“EIT”) at a rate of 33%, unless preferential rates are applicable in the cities where subsidiaries are located.
- (c) Certain subsidiaries and associates of the Group are foreign investment enterprises and are entitled to full exemption from 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.
- (d) According to the document Guo Fa [2000] No.18 issued by the State Council, those subsidiaries recognised as important software enterprises but are not in their tax holiday period which are entitled to a preferential tax rate of 10% in the relevant year.

#### 6. Earnings per share

The calculation of basic and diluted earnings per share are based on the Group’s profit attributable to shareholders of RMB6,099,000 for the three months ended 31st March, 2004. (for the three months ended 31st March, 2003: RMB4,721,000).

The basic earnings per share is based on the weighted average of 441,716,000 the reporting period (for the three months ended 31st March, 2003: 440,887,000) ordinary shares in issue during the reporting period. The diluted earnings per share is based on 443,061,000 (for the three months ended 31st March, 2003: 440,849,000) ordinary shares which is the weighted average number of ordinary shares in issue during the reporting period plus the weighted average of 1,345,000 (for the three months ended 31st March, 2003: -38,000) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

## 7. Movement on shares issued

	Number of shares '000	Nominal value HK\$'000	Nominal value RMB'000
Share capital as of 1st January and 31st March, 2003	440,887	44,089	47,172
Share capital as of 1st January, 2004	441,496	44,150	47,237
Add: Issue of share (Note)	701	70	75
Share capital as of 31st March, 2004	442,197	44,220	47,312

Note: Increase in shares issued was due to the exercise of 701,000 share options during 1st January to 31st March.

## 8. Statement of changes in equity

Statement of changes in equity of the Group for the three months ended 31st March, 2004 is as follows:

	Share capital unaudited RMB'000	Share premium unaudited RMB'000	Reserves unaudited RMB'000	Total unaudited RMB'000
Balance at 1st January, 2003	47,172	37,504	125,619	210,295
Net Profit	–	–	4,721	4,721
Translation adjustment	–	–	2	2
Balance at 31st March, 2003	47,172	37,504	130,340	215,016
Balance at 1st January, 2004	47,237	38,376	175,541	261,154
Net Profit	–	–	6,099	6,099
Issue of share	75	1,034	–	1,109
Translation adjustment	–	–	22	22
Balance at 31st March, 2004	47,312	39,410	181,662	268,384

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31st March, 2004 (the three months ended 31st March, 2003: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Kingdee develops and provides enterprise management and e-commerce application software tailoring to the management needs of enterprises in the fast-growing emerging markets through the Internet and supplies middleware that construct e-commerce platform for enterprises. It also provides product-related solution consultation and technical support services to its worldwide customers. The subsidiaries of the Group includes Kingdee Software (China) Company Limited which targets at the Mainland China market, Kingdee International Software Group (HK) Limited which targets at the Asia Pacific region (other than Mainland China), Kingdee Software Technology (Shanghai) Company Limited which is engaged in the software development and software outsourcing business for its worldwide customers and Asia 21-Cyberics Technology Limited which targets at the logistics software and e-commerce software market, etc..

According to the 2003 Forecast Report of IDC, Chinese enterprise application software market will grow rapidly at a compounded annual growth rate of approximately 30% in the coming 5 years. Changes in the external market environment resulted in intensified competitions among Chinese enterprises, which has thus become more aware of investment strategy, operation efficiency, customer management and cost control. The value of application software to enterprise is gradually being understood and recognized by customers and some enterprises which succeeded in implementing the application software management system are able to enhance their competitive edges and become the learning model for other enterprises. In response to the rapid growth of the Chinese application software industry, both the domestic and international software suppliers strengthen their penetration into the Chinese market. On the one hand, such competition stimulates the growth of the market, increases the market size and encourages the upgrade of software products and service quality. On the other hand, it foretells the elimination of less competitive players and an increase of acquisition and merger activities in the industry in the coming future.

Kingdee International continues to pursue its competitive development strategy “Product Leadership, Partners Oriented, Prompt Response and Capacity Oriented”. In 2004, in response to changes in market environment and customer needs, Kingdee International implements four reform measures: “Customer-oriented, Competition-led, Matrix Management and Execution Culture”. Based on the core ideas of the four reform measures, Kingdee International strengthens customers’ confidence and loyalty to the Company and enhances the reputation of the brand by sharing with strategic customers successful cases of the industry segment. Kingdee International also increases its competitiveness within the industry with segmented market sales and positions itself with “Speedy Installation, Implementation, Application and Effectiveness” to meet growing informatization demand of the Chinese enterprises with integrated and comprehensive solutions. Kingdee International also managed to shorten the implementation period by improving project management, thereby enhancing the satisfaction and loyalty of its strategic customers and in turn increasing the overall sales of its services. In order to match up to the standards of the leading international enterprise application software suppliers, Kingdee International strengthens the management of customers’ needs and optimizes its product functions, further enhancing the quality of its products. With its strategy “Focusing on Logistics and Breakthrough in Production”, Kingdee extensively strengthens and optimizes the functions of its application modules. It also develops multilingual version of its products on a large scale in order to further satisfy the management needs of the fast-growing international enterprises. Implementing matrix management and strengthening the execution capability of the Company, Kingdee focuses on enhancing the quality and speed of its response to customers’ needs and improves the quality of customer services.

The enhancement in product quality, service standard and the strength of the Company contributes to increasing customer satisfaction and loyalty to the Company. There is also increasing support from the government. Kingdee’s K/3 ERP was accredited as the “Top Brand for Product Quality of Customer Satisfactory in China Software Market” by Market Information Centre of People’s Daily Press, showing that Kingdee’s K/3 ERP is recognized in the domestic market. The Ministry of Information Industry of the State Council and the CFIP jointly presented Kingdee International the title “the most competitive Chinese software enterprise in 2003” to show their recognition of Kingdee’s products, technology and services. Kingdee International was selected by the Ministry of Science and Technology as the “Pilot Enterprise of COSEP (Type A of Outsourcing Software)”. This not only represented the State’s recognition of Kingdee International’s development potential in the international outsourcing market, but also provided a strong platform for the long-term development in Kingdee International’s software outsourcing business. Funds and specific assistance will be offered to Kingdee from relevant government departments like the Ministry of Science and Technology.

## Review of Major Events during the Reporting Period:

1. While consolidating its presence in the small and medium enterprise market, Kingdee has successfully penetrated the market of large and medium enterprises and specific industries and managed to compete with major foreign suppliers in the high-end market.
  - Entering into contracts with White Dove, the largest enterprise engaging in the production of abrasive materials and grinding products in Asia, Bailu Chemical Fibre Group, Shanghai NGS Real Estate Group, Wuhan Wujing Pharmaceutical Company, Shanghai Yongda Group, TOM Outdoor Media Group.
  - Entering into contracts with key pharmaceutical enterprise Shandong Xinhua Phase 2, demonstrating the extensive application of Kingdee's K/3 ERP in large-scale enterprise and Kingdee's leading position in facilitating informatization in the pharmaceutical industry.
  - Entering into contracts with one of the top five cigarette suppliers of the State, Hangzhou Cigarette Factory on its phase 3 project, proving the maturity of the tobacco version of Kingdee's EAS and its increasing competitiveness in the tobacco industry.
  - Entering into strategic cooperation agreement with the major iron and steel production base of the State, Jiuquan Iron & Steel (Group) Co., Ltd. Both parties will cooperate in the informatization of JISCO.
2. Kingdee continues to strengthen its competitive edges, enhance the functions and quality of the products and consolidate its application platform.
  - Kingdee International continues to improve its K/3 V10.0 products. The Company officially announced that it would develop Kingdee K/3 BOS (business operating system), a software platform based on MDA, on its own, epitomizing the leading position of Kingdee's International capability in technological development in the industry.
  - Apusic, Kingdee International's middleware product, officially obtained the Level I Certificate of the JCOE of Sun Microsystems and the assessment for the Level II Certificate has also commenced. Kingdee Apusic is the first pure JAVA middleware in China which has obtained certification from Sun Microsystems.
  - The CMM Level 4 Certification has been completed and the process of CMM Level 5 Certification has commenced.
3. Kingdee proactively forms partnerships and alliances. Significant progresses have been made especially in the establishment of implementation and service alliances. A strong cooperative partnership has been established in the Asia Pacific region.
  - Continue to implement the strategy "Partners Oriented". Sales from partners grow by 32% as compared with the same period last year. A series of activities related to the "Consultation Conference on the Three Major Difficulties encountered in Management Informatization" were jointly organized with Deloitte Touche Tohmatsu and General Consulting International, signifying that a partnership eco-chain was gradually established.

- The Asia Pacific headquarter was established in Hong Kong and a new enterprise logo was released. The Company endeavours to develop its partnership and sales network in the Asia Pacific region.

## **Prospect**

Entering 2004, as the demand for application software of domestic enterprises grows, the customers' demand increases and market competition further intensifies, Kingdee International will continue to uphold its development strategy "Product Leadership, Partners Oriented, Prompt Response and Capacity Oriented", implement its four reform measures in 2004, upgrade the functions and features of its products and enhance its capability to respond to customers' needs. At the same time, Kingdee International will continue to explore the international market and satisfy the demands of overseas customers with its quality products, so as to be ranked among the world's top ten application software enterprises by 2010.

## **Financial Performance**

The financial results of the Group for the three months ended 31st March, 2004 showed a remarkable growth as compared to the corresponding period in 2003. The Group's turnover for the three months ended 31st March, 2004 was approximately RMB88,218,000 representing an increase of approximately 27.1% compared to the same period in 2003 (for the three months ended 31st March, 2003: RMB69,431,000).

Gross profit of the Group increased by approximately 21.9% from approximately RMB59,618,000 for the three months ended 31st March, 2003 to approximately RMB72,699,000 for the three months ended 31st March, 2004. The gross profit margin was approximately 82.4% for the three months ended 31st March, 2004 (the three months ended 31st March, 2003: 85.9%). The Group's profit attributable to shareholders for the three months ended 31st March, 2004 increased by approximately 29.2% to approximately RMB6,099,000 (the three months ended 31st March, 2003: RMB4,721,000).



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

As at 31st March, 2004, 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 the required standard of dealings by directors of the Company as referred to in Rule 5.46 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> )	38.60%
	12,710,140	Interests of controlled corporation ( <i>Note 2</i> )	
	6,562,880	Beneficial owner	
	9,500,000	Other/Share option ( <i>Note 3</i> )	
<i>Aggregate:</i>	<i>170,689,270</i>		
Luo Ming Xing	1,825,000	Beneficial owner	0.54%
	525,000	Other/Share Option ( <i>Note 3</i> )	
<i>Aggregate:</i>	<i>2,350,000</i>		
James Ming King	1,000,000	Other/Share Option ( <i>Note 3</i> )	0.23%
<i>Aggregate:</i>	<i>1,000,000</i>		
Hugo Shong	5,250,000	Beneficial owner	1.19%
<i>Aggregate:</i>	<i>5,250,000</i>		
Zhao Yong	57,373,750	Beneficial owner	12.98%
<i>Aggregate:</i>	<i>57,373,750</i>		

#### Notes:

- 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.
- 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. 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 31st March, 2004, 12,710,140 shares are subject to this arrangement.
- Details of the share options are set out in the paragraph headed "Share Option Schemes".

Save as disclosed in this paragraph, as at 31st March, 2004, 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 the required standard of dealings by directors of the Company as referred to in Rule 5.46 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 31st March, 2004, 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 Mr. Luo Ming Xing, executive director of the Company) 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.

At the board meeting of the Company held on 30th December, 2003, options to subscribe for a total of 1,000,000 shares at a subscription price of HK\$2.69 per share were granted to Mr. James Ming King, executive director of the Company, pursuant to the New Scheme.

At the board meeting of the Company held on 23rd March, 2004, the Board recommended and resolved with the approval of the Directors (including independent non-executive Directors but excluding Mr. Xu Shao Chun who was required to abstain from voting under the Articles of Association of the Company), to grant options to subscribe for 8,000,000 Shares to Mr. Xu Shao Chun under the Share Option Scheme and was approved by Independent Shareholders at the extraordinary general meeting held on 16th April, 2004.

Details of the share options as at 31st March, 2004 which had been granted under the Old Scheme and the New Scheme were as follows:

	Options held at 1st January, 2004	Options granted during the reporting period	Options exercised during the reporting period	Options held at 31st March, 2004	Exercise price HK\$	Grant date
Xu Shao Chun	1,500,000	–	–	1,500,000	1.78	15/05/2002 <sup>(5)</sup>
Luo Ming Xing	400,000 <sup>(1)</sup>	–	100,000	300,000	1.39	20/02/2003 <sup>(7)</sup>
	300,000	–	75,000	225,000	1.78	15/05/2002 <sup>(5)</sup>
James Ming King	1,000,000 <sup>(3)</sup>	–	–	1,000,000	2.69	30/12/2003 <sup>(9)</sup>
Continuous contract employees	4,740,000 <sup>(2)</sup>	–	–	4,740,000	2.05	08/08/2003 <sup>(8)</sup>
	7,130,000 <sup>(1)</sup>	–	281,000	6,849,000	1.39	20/02/2003 <sup>(7)</sup>
	3,571,000	–	112,500	3,458,500	1.78	15/05/2002 <sup>(5)</sup>
	1,585,000 <sup>(4)</sup>	–	132,500	1,452,500	1.49	27/09/2001 <sup>(6)</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) At the date immediate before the options were granted (i.e. 29th December, 2003), the closing price of the share was HK\$2.675.
- (4) The share options were granted in pursuant to the Old Scheme.
- (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 15th May, 2003.
- (6) 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.

- (7) 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.
- (8) 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.
- (9) 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 30th December, 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 31st March, 2004 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 31st March, 2004, 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

Name	Number of Shares/underlying shares (where appropriate)	Capacity	Percentage of issued share capital
Oriental Gold Limited	83,606,250 12,710,140	Beneficial owner Other ( <i>Note 1</i> )	
<i>Aggregate:</i>	<i>96,316,390</i>		<i>21.78%</i>
Billion Ocean Limited	58,310,000	Beneficial owner	
<i>Aggregate:</i>	<i>58,310,000</i>		<i>13.19%</i>

#### Notes:

- 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. 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 31st March, 2004, 12,710,140 shares are subject to this arrangement.

Save as disclosed in this paragraph, as at 31st March, 2004, 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 16th April, 2004 ("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 31st March, 2004.

## **CHANGE OF DIRECTORS**

Mr. Xu Wen Hui has resigned from his office as an executive director, compliance officer, authorized representative and member of the Audit Committee of the Company of the Company at the board meeting on 10th March, 2004.

In view of the above, the Board has appointed Mr. James Ming King as compliance officer, Mr. Luo Ming Xing as authorized representative, Mr. Zhao Yong as member of the Audit Committee of the Company on the Board meeting on 10th March, 2004.

Ms. Yang Zhou Nan, Independent Non-executive Director, retired by rotation in accordance with Article 116 of the Articles of Association of the Company, and offered herself for re-election at AGM.

Mr. Yeung Kwok An, Independent Non-executive Director, and Mr. James Ming King, Executive Director, retired in accordance with Article 99 of the Articles of Association of the Company, and offered themselves for re-election as Directors at AGM.

## **COMPETING INTEREST**

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

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

The directors considered that the Company has complied with the requirement of the Boards practices and procedures of Rules 5.34 to 5.45 of the GEM Listing Rules during the period of three months ended 31st March, 2004.

## **AUDIT COMMITTEE AND ITS DUTIES**

As at 31st March, 2004, the audit committee of the Company comprises of Mr. Zhao Yong, a non-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 2004 were convened and held on 10th March, 2004 and 11th May, 2004 to review the accounts and reports of the Group and to provide financial advices and recommendations to the Board.

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

Shenzhen, The People's Republic of China, 11th May, 2004

*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).*

*As at the date of this announcement, the executive Directors are Mr. Xu Shao Chun, Mr. Luo Ming Xing and Mr. James Ming King; the non-executive Directors are Mr. Zhao Yong and Mr. Hugo Shong; and the independent non-executive Directors are Mr. Zhou Nan Yang, Mr. Wu Cheng and Mr. Yeung Kwok On.*