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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 of Hong Kong Limited ("GEM Listing Rules") for the purpose of giving information with regard to Kingdee International Software Group Company Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this 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.



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 RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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.

Financial highlights for the nine months ended 30 September 2004

- Turnover increased by 26.14% over the same period in 2003 to RMB315,909,000.
- Profit attributable to shareholders increased by 32.36% over the same period in 2003 to RMB24,922,000.
- Basic earnings per share increased by 31.92% over the same period in 2003 to RMB5.633 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 and nine months ended 30 September 2004, together with the comparative unaudited consolidated figures for the corresponding period of 2003 as follows:

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2004 Unaudited RMB'000	2003 Unaudited RMB'000	2004 Unaudited RMB'000	2003 Unaudited RMB'000
Turnover	2	111,245	91,051	315,909	250,441
Cost of sales		(17,459)	(15,103)	(61,517)	(47,303)
Gross profit		93,786	75,948	254,392	203,138
Other operating income	3	12,368	10,774	39,895	34,066
Selling expenses		(64,127)	(45,957)	(165,554)	(120,326)
General and administrative expenses		(34,044)	(37,745)	(97,632)	(98,061)
Other operating expenses		(966)	1,168	(1,172)	912
Profit from operations		7,017	4,188	29,929	19,729
Finance (expense) income, net	4	(139)	16	(101)	(47)
Share of results of associates		(280)	(619)	(1,685)	(1,215)
Profit before tax		6,598	3,585	28,143	18,467
Taxation	5	1,275	570	(1,914)	(416)
Profit after tax		7,873	4,155	26,229	18,051
Minority interest		(1,311)	150	(1,307)	778
Net profit attributable to shareholders		<u>6,562</u>	<u>4,305</u>	<u>24,922</u>	<u>18,829</u>
Dividends		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Earnings per share					
– Basic	6	<u>RMB1.481 cents</u>	<u>RMB0.976 cents</u>	<u>RMB5.633 cents</u>	<u>RMB4.270 cents</u>
– Diluted	6	<u>RMB1.476 cents</u>	<u>RMB0.976 cents</u>	<u>RMB5.612 cents</u>	<u>RMB4.270 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 30 September		Nine months ended 30 September	
	2004 unaudited RMB'000	2003 unaudited RMB'000	2004 unaudited RMB'000	2003 unaudited RMB'000
Sales of software	90,306	75,332	254,860	203,672
Sales of hardware and related products	961	136	1,500	1,452
Solution consulting and support service	14,880	10,261	42,524	28,998
Software implementation services	5,098	5,322	17,025	16,319
	<u>111,245</u>	<u>91,051</u>	<u>315,909</u>	<u>250,441</u>

3. Other operating income

	Three months ended 30 September		Nine months ended 30 September	
	2004 Unaudited RMB'000	2003 Unaudited RMB'000	2004 Unaudited RMB'000	2003 Unaudited RMB'000
VAT refund (<i>Note (a)</i>)	11,376	10,722	31,094	27,197
Subsidy for re-investment (<i>Note (b)</i>)	–	–	5,110	2,154
Others	992	52	3,691	4,715
	<u>12,368</u>	<u>10,774</u>	<u>39,895</u>	<u>34,066</u>

- (a) According to the current tax regulations in the PRC, the development and sales of computer software are subject to VAT with an applicable rate of 17%. In September 2000, the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs of the PRC jointly issued a circular regarding the Taxation Policy for Encouraging the Development of the Software and Integrated Circuits Industries (Cai Shui Zi [2000] No.25). Pursuant to the Circular, for the period from 24 June 2000 to 31 December 2010, software enterprises which engage in the sale of self-developed software in the PRC are entitled to a preferential taxation treatment which provides for the payment of VAT at the rate of 17% and the refund of any VAT paid for the sales of the software in the PRC which exceeds the VAT rate of 3%.
- (b) Amount represented income tax refund for re-investment in a subsidiary by way of capitalization of dividend.

4. Finance income (costs), net

	Three months ended 30 September		Nine months ended 30 September	
	2004 unaudited RMB'000	2003 unaudited RMB'000	2004 unaudited RMB'000	2003 unaudited RMB'000
Interest income	244	148	821	404
Less: Interest expense on bank loans	(368)	(115)	(806)	(405)
Other	(15)	(17)	(116)	(46)
	<u>(139)</u>	<u>16</u>	<u>(101)</u>	<u>(47)</u>

5. Taxation

Taxation represents:

	Three months ended 30 September		Nine months ended 30 September	
	2004 unaudited RMB'000	2003 unaudited RMB'000	2004 unaudited RMB'000	2003 unaudited RMB'000
The Group				
– current income tax	(556)	222	1,851	2,686
– deferred income tax	(719)	(326)	63	(2,270)
	<u>(1,275)</u>	<u>(104)</u>	<u>1,914</u>	<u>416</u>

- (a) As the Group had no income assessable for profit tax in the Cayman Islands or in Hong Kong for the nine months ended 30 September 2004 (the nine months ended 30 September 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 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 RMB24,922,000 (2003: RMB18,829,000).

The basic earnings per share is based on the weighted average of 442,465,000 (2003: 440,917,000) ordinary shares in issue during the year. The diluted earnings per share is based on 444,046,000 (2003: 440,993,000) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average of 1,581,000 (2003: 76,000) 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 1 January 2003	440,887	44,089	47,171
Add: option exercise	225	23	24
	<u>441,112</u>	<u>44,111</u>	<u>47,195</u>
Share capital as of 30 September 2003	441,112	44,111	47,195
Share capital as of 1 January 2004	441,496	44,150	47,237
Add: option exercise (Note)	1,466	147	157
	<u>442,962</u>	<u>44,297</u>	<u>47,394</u>

Note: Increase in shares issued was due to the exercise of 1,466,000 options during 1 January to 30 September.

8. Statement of changes in equity

Statement of changes in equity of the Group for the Nine months ended 30 September 2004 is as follows:

	Share capital unaudited RMB'000	Share premium unaudited RMB'000	Reserves unaudited RMB'000	Total unaudited RMB'000
Balance at 1 July 2003	47,171	37,502	130,796	215,469
Net Profit	–	–	4,305	4,305
Option exercise	24	–	–	24
Translation adjustment	–	–	219	219
	<u>47,195</u>	<u>37,502</u>	<u>135,320</u>	<u>220,017</u>
Balance at 30 September 2003	47,195	37,502	135,320	220,017
Balance at 1 July 2004	47,381	40,468	188,827	276,676
Net Profit	–	–	6,562	6,562
Option exercise	12	181	–	193
Translation adjustment	–	–	73	73
	<u>47,393</u>	<u>40,649</u>	<u>195,462</u>	<u>283,504</u>
Balance at 30 September 2004	47,393	40,649	195,462	283,504
Balance at 1 January 2003	47,171	37,502	125,619	210,292
Net Profit	–	–	18,829	18,829
Option exercise	24	–	–	24
Translation adjustment	–	–	219	219
Final dividends for 2002	–	–	(9,347)	(9,347)
	<u>47,195</u>	<u>37,502</u>	<u>135,320</u>	<u>220,017</u>
Balance at 30 September 2003	47,195	37,502	135,320	220,017
Balance at 1 January 2004	47,237	38,376	175,541	261,154
Net Profit	–	–	24,922	24,922
Translation adjustment	–	–	(305)	(305)
Option exercise	156	2,273	–	2,429
Final dividends for 2003	–	–	(4,696)	(4,696)
	<u>47,393</u>	<u>40,649</u>	<u>195,462</u>	<u>283,504</u>
Balance at 30 September 2004	47,393	40,649	195,462	283,504

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Company continued to further pursue its competitive development strategy of “Product Leadership, Partners Oriented, Prompt Response and Capacity Oriented”. With products of advanced technology and stable performance, the Company fulfilled the needs of the customers, as well as cooperated with more partners in order to jointly explore the value-added market. Taking into consideration the characteristics that small-medium sized enterprises and growing enterprises were the major clients of the PRC enterprise informatization market, Kingdee International defined the global positioning for its products as “Speedy Installation, Implementation, Application and Effectiveness” and launched, during the Reporting Period, Kingdee K/3 V10.1, China’s first enterprise management software which can be installed promptly, to facilitate the rapid development of the growing enterprises in the PRC.

The continued enhancement in product quality and service standard resulted in increasing customer satisfaction towards the Company. During the Reporting Period, Kingdee International’s financial, ERP and human resources management software respectively won the three major prizes, namely the “First Prize in Service Satisfaction” (服務滿意度第一), the “First Prize in Industry Application Satisfaction” (行業應用滿意度第一) and the “First Prize in General User Satisfaction” (用戶滿意度綜合第一), in the “China IT Customers Satisfaction Research” (中國IT用戶滿意度調查) organized by China Association of Quality User Committee and China Computer World Group and co-organized by the IT market research organization CCW Research, showing that Kingdee’s products were well recognized by customers.

During the Reporting Period, the Company had submitted application to the Hong Kong Stock Exchange to the proposed listing on the Main Board of the Stock Exchange of Hong Kong by way of introduction and the proposed voluntary withdrawal of listing on the Growth Enterprise Market of the Stock Exchange of Hong Kong. The main reason for applying for the change was that after years of rapid growth, the profit conditions of the Company had already met the listing requirements of the Main Board of the Hong Kong Stock Exchange. Listing on the Main Board will enhance the image of the Company and expand shareholder base.

Review of Major Events during the Reporting Period:

1. Launched Kingdee K/3 V10.1, China’s first enterprise management software which can be installed promptly, and the six software modules: Quick finance application, quick supply chain application, quick supply chain application (industrial), quick supply chain application (commercial), quick manufacturing application (foundations), quick manufacturing application and quick HR. This was the first time for the mainstream management software manufacturer to launch quickly installable application software packages with unified module and unified pricing. Kingdee K/3 V10.1 not only facilitates the speedy implementation, application and effectiveness of the products for the customers, but also comes with multilingual functions which support multilingual installation and speedy multilingual user interface conversion. It was an important milestone for the internationalization of the Kingdee’s products.
2. During the Reporting Period, the Company further consolidated its leading position in the informatization market of small-medium sized enterprises and growing enterprises by successfully entering into contracts with major customers such as 咸陽彩虹彩色顯像管公司 (Xian Yang IRICO Display Devices Company), 中化重慶涪陵化工有限公司

(Sinochem Chongqing Fuling Chemicals Co., Ltd.), Shanghai Zhongkai Corporate Group, 北京新東方教育科技(集團)有限公司(Beijing New Oriental Education & Technology (Group) Ltd.) and 天津一汽豐田汽車有限公司(Tianjin Yiqi Toyota Motor Co., Ltd.). Overseas clients included Arrow Asia and Veeko Fashion.

3. During the Reporting Period, the Company held the “2004 Kingdee Partnership Summit Forum” in Shanghai and discussed the way to explore the value-added services market of Kingdee’s products with its partners. Partners like Pan-China Schinda Certified Public Accountants also shared their successful cases of cooperating with Kingdee to provide informatization solution to their customers.

Prospect

Looking forward into the fourth quarter, the Company will continue to implement the development strategy of “Product leadership, Partners Oriented” in order to strive for better performance for our shareholders. Major specific business activities are as follows:

1. To launch the corporate version of Kingdee EAS4.0 targeting large scale corporations and helping them to meet the demand of “Integrated Management, Flexible Application”, so as to reach the targeted sales;
2. To greatly promote the marketing and sales of Kingdee K/3 V10.1, meeting customers’ demand by providing a comprehensive ERP solutions to small and medium sized companies;
3. To plan and develop new products: Kingdee K/3 V10.2.

FINANCIAL PERFORMANCE

The financial results of the Group for the nine months ended 30 September 2004 showed a remarkable growth as compared to the corresponding period in 2003. The Group’s turnover for the nine months ended 30 September 2004 was RMB315,909,000 representing an increase of 26.1% compared to the same period in 2003 (for the nine months ended 30 September 2003: RMB250,441,000).

Gross profit of the Group increased by 25.2% from RMB203,138,000 for the nine months ended 30 September 2003 to RMB254,392,000 for the nine months ended 30 September 2004. The gross profit margin was 80.5% for the nine months ended 30 September 2004 (the nine months ended 30 September 2003: 81.1%). The Group’s profit attributable to shareholders for the nine months ended 30 September 2004 increased by 32.4% to RMB24,922,000 (the nine months ended 30 September 2003: RMB18,829,000).

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

As at 30 September 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 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 6,562,880 9,500,000	Interests of controlled corporation (<i>Note 1</i>) Beneficial owner Other/ Share option (<i>Note 2</i>)	
<i>Aggregate:</i>	<i>157,979,130</i>		<i>35.66%</i>
Luo Ming Xing	1,885,000 1,425,000	Beneficial owner Other/ Share Option (<i>Note 2</i>)	
<i>Aggregate:</i>	<i>3,310,000</i>		<i>0.75%</i>
James Ming King	1,000,000	Other/ Share Option (<i>Note 2</i>)	
<i>Aggregate:</i>	<i>1,000,000</i>		<i>0.23%</i>
Hugo Shong	5,250,000	Beneficial owner	
<i>Aggregate:</i>	<i>5,250,000</i>		<i>1.19%</i>
Zhao Yong	54,910,750	Beneficial owner	
<i>Aggregate:</i>	<i>54,910,750</i>		<i>12.40%</i>

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. Details of the share options are set out in the paragraph headed "Share Option Schemes".

Save as disclosed in this paragraph, as at 30 September 2004, none of the Directors and chief executive had any 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 30 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. 15 February 2001) (“listing date”), provided that the options can only be exercised in respect of up to 25%, 50% and 75% of the underlying shares within 12 months, 24 months and 36 months respectively from the listing date.

As at 30 September 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 SCHEME

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

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

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

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

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

At the board meeting of the Company held on 8 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 30 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 23 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. At the extraordinary general meeting of the Company held on 16 April 2004, options to subscribe for a total of 8,000,000 shares at a subscription price of HK\$3.18 per share were granted to Mr. Xu Shao Chun, executive director of the Company, pursuant to the New Scheme.

At the board meeting of the Company held on 1 June 2004, options to subscribe for a total of 14,980,000 shares at a subscription price of HK\$2.65 per share were granted to 178 full-time employees (including the executive director, Mr. Luo Ming Xing) of the Group pursuant to the New Scheme.

Details of the share options as at 30 September 2004 which had been granted under the Old Scheme and the New Scheme were as follows:

	Options held at 1 January 2004	Options granted during the reporting period	Options exercised during the reporting period	Options held at 30 September 2004	Exercise price HK\$	Grant date
Xu Shao Chun	–	8,000,000	–	8,000,000	3.18	16/04/2004 ⁽¹⁰⁾
	1,500,000	–	–	1,500,000	1.78	15/05/2002 ⁽³⁾
Luo Ming Xing	–	900,000	–	900,000	2.65	01/06/2004 ⁽¹¹⁾
	400,000 ⁽¹⁾	–	100,000	300,000	1.39	20/02/2003 ⁽⁷⁾
	300,000	–	75,000	225,000	1.78	15/05/2002 ⁽⁵⁾
James Ming King	1,000,000 ⁽³⁾	–	–	1,000,000	2.69	30/12/2003 ⁽⁹⁾
Continuous contract employees	–	14,080,000	–	1,000,000	2.65	01/06/2004 ⁽¹¹⁾
	4,740,000 ⁽²⁾	–	20,000	4,720,000	2.05	08/08/2003 ⁽⁸⁾
	7,130,000 ⁽¹⁾	–	623,000	6,507,000	1.39	20/02/2003 ⁽⁵⁾
	3,571,000	–	423,000	3,148,000	1.78	15/05/2002 ⁽³⁾
	1,585,000 ⁽⁴⁾	–	225,000	1,360,000	1.49	27/09/2001 ⁽⁴⁾

Note:

- (1) At the date immediate before the options were granted (i.e. 19 February 2003), the closing price of the share was HK\$1.36.
- (2) At the date immediate before the options were granted (i.e. 7 August 2003), the closing price of the share was HK\$2.00.
- (3) At the date immediate before the options were granted (i.e. 29 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 15 May 2003.

- (6) These options have 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 20 February 2004.
- (8) All of these options have duration of 10 years from the grant date, provided that the options can only be exercised from the date of 8 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 30 December 2004.
- (10) All of these options have duration of 10 years from the grant date, provided that the options can only be exercised no more than 50% of the underlying shares from the grant day to the date of 30 December 2004. While the options can totally be exercised after the date of 30 December 2004.
- (11) 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%*Revenue Ratio for the financial year 2004, 25%*(Revenue Ratio for the financial year 2004+Revenue Ratio for the financial year 2005), 25%*(Revenue Ratio for the financial year 2004+Revenue Ratio for the financial year 2005+Revenue Ratio for the financial year 2006) of the underlying shares within 12 months, 24 months and 36 months respectively from the date of 1 June 2005. (Note: Revenue Ration shall equal to the actual revenue of the Group divided by the estimated revenue of the Group as determined by the Board for a particular financial year.)

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 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 and Chief Executives in Equity Securities", "Share Option Scheme" and "Pre-IPO Share Option Scheme", at no time during the year ended 30 September 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 30 September 2004, the following persons (other than the directors and chief executives 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	Beneficial owner	18.88%
Billion Ocean Limited	58,310,000	Beneficial owner	13.17%
Schroder Investment Management (Singapore) Ltd	31,716,000	Beneficial owner	7.16%

Save as disclosed above, as at 30 September 2004, the directors were not aware of any other person (other than the directors and chief executives 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 16 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 any of its subsidiaries had purchased, sold or redeemed any of its listed securities for the nine months ended 30 September 2004.

CHANGE OF DIRECTORS

Mr. Xu Wen Hui resigned, due to personal reasons, from his office as an executive director, compliance officer, authorized representative and member of the Audit Committee of the Company at the board meeting held on 10 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 at the Board meeting held on 10 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 was re-elected at the AGM on 16 April 2004.

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 were re-elected at the AGM on 16 April 2004.

Mr. Gary Clark Biddle was appointed as an Independent Non-executive Director and member of the Audit Committee of the Company on 28 September 2004.

COMPETING INTEREST

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

BOARD PRACTICES AND PROCEDURES

During the nine months ended 30 September 2004, the Company was in compliance with Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the nine months ended 30 September 2004. The Company had also made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

AUDIT COMMITTEE AND ITS DUTIES

As at 30 September 2004, the audit committee of the Company comprises of Mr. Zhao Yong, a non-executive director, Ms. Yang Zhou Nan, Mr. Wu Cheng and Mr. Gary Clark Biddle, all are 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 2 November 2004 to review the accounts and reports of the Group for the nine months ended 30 September 2004 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

Shenzhen, The People's Republic of China, 3 November 2004

As at the date hereof, the executive Directors are Mr. Xu Shao Chun (Chairman of the Company), Mr. James Ming King and Mr. Luo Ming Xing; the non-executive Directors are Mr. Zhao Yong and Mr. Hugo Shong; and the independent non-executive Directors are Ms. Yang Zhou Nan, Mr. Wu Cheng and Mr. Yeung Kwok On and Mr. Gary Clark Biddle.

This announcement will remain on the "Latest Company Announcement" page of the GEM Website at www.hkgem.com for 7 days from the date of its publication and the website of the Company at www.kingdee.com.