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**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)**

**PROPOSED GRANT OF AN OPTION TO  
AN ASSOCIATE OF A SUBSTANTIAL SHAREHOLDER AND EXECUTIVE  
DIRECTOR AND REFRESHMENT OF SCHEME MANDATE LIMIT  
UNDER THE SHARE OPTION SCHEME**

The Board wishes to seek Independent Shareholders' approval of a proposed grant of an option to Oriental Gold, a company wholly owned by Mr. Xu, the chairman of the Board and a substantial shareholder of the Company, to subscribe for 4,000,000 Shares, representing approximately 0.90% of the existing issued share capital of the Company as at the date of this announcement, under the Share Option Scheme.

The Board also wishes to take this opportunity to seek the approval of the Shareholders to refresh the Scheme Mandate Limit, following the Grant.

A circular containing details of the number of and the terms of the Grant, the recommendation from the independent non-executive Directors to the Independent Shareholders as to voting, the refreshment of the Scheme Mandate Limit and other particulars as required by the GEM Listing Rules will be despatched to the Shareholders as soon as practicable after the date of publication of this announcement.

On 12 January 2005, the Board resolved with the approval of the Directors (including independent non-executive Directors but excluding Mr. Xu, the chairman of the Board and a substantial shareholder of the Company, who was required to abstain from voting under the articles of association of the Company), but subject to approval by the Independent Shareholders at the EGM, to grant an option to subscribe for 4,000,000 Shares to Oriental Gold, a company wholly owned by Mr. Xu under the Share Option Scheme.

Particulars of the Grant are as follows:

Date of grant:	12 January 2005
Grantee:	Oriental Gold, a company wholly owned by Mr. Xu, who directly and indirectly held approximately 33.57% of the entire issued share capital of the Company and directly held options to subscribe for 5,500,000 Shares, representing approximately 1.24% of the share capital of the Company as at the date of this announcement, under the Share Option Scheme
Exercise price:	HK\$2.065, being the higher of the closing price of the Shares of HK\$2.050 as quoted on the Stock Exchange on 12 January 2005, being the date of the grant, and the average closing price of the Shares of HK\$2.065 from 5 January 2005 to 11 January 2005, being the five trading days immediately preceding the date of the grant
Exercise period:	12 January 2005 to 11 January 2010, both days inclusive
Number of Shares in respect of which the option is granted:	4,000,000 Shares, representing approximately 0.90% of the existing issued share capital of the Company as at the date of this announcement
Condition:	subject to approval by Independent Shareholders by way of poll at the EGM. There will not be any minimum holding period for the options granted.

## **REASONS FOR GRANTING THE OPTIONS**

Mr. Xu is the chairman of the Board and a substantial shareholder of the Company and is chiefly responsible for the management and daily operations of the Company. In view of the growth and development of the business of the Group that has been achieved since the listing of the shares of the Company on the GEM on 15 February 2001 (For instance, the 32.36% increase in the profit attributable to the Shareholders for the nine months ended 30 September 2004 as compared to the same period in 2003 as disclosed in the unaudited third quarterly results published by the Company on 3 November 2004), the Company intends to provide greater incentive to Mr. Xu. The Directors (including independent non-executive Directors) are of the opinion that Mr. Xu's continuing contribution will be important to the future developments of the Group and it is in the best interests of the Company and the Shareholders as a whole to provide incentive to Mr. Xu by way of grant of option to subscribe Shares. The Directors confirmed that neither Mr. Xu nor Oriental Gold is required to meet any particular targets under the Share Option Scheme before Mr. Xu or Oriental Gold can exercise any of the options granted to Oriental Gold under the Grant.

## CURRENT STATUS OF THE OPTIONS OF THE COMPANY

As at the date of this announcement, there were options to subscribe for 29,523,000 Shares granted and yet to be exercised under the 2001 Scheme and the Share Option Scheme which did not exceed 30 per cent of the issued share capital of the Company of 443,258,408 Shares as at the date of this announcement. The Directors confirm that (i) the Company had issued options to subscribe for an aggregate of 1,720,000 Shares under the 2001 Scheme, and (ii) as at the date of this announcement the Company had issued options to subscribe for an aggregate of 45,222,500 Shares under the Share Option Scheme (of which options to subscribe for 7,248,000 Shares have lapsed pursuant to the terms of the Share Option Scheme), which did not exceed 10 per cent of the issued share capital of the Company of 440,886,908 Shares as at the date of adoption of the Share Option Scheme, i.e. 26 April 2002.

Particulars of the options granted under the 2001 Scheme and the Share Option Scheme since their respective dates of adoption are as follows:

	(A)	(B)	(C)	(D)	(E)=(A-B-C-D)
	Total number of underlying Shares in respect of the options granted	Total number of underlying Shares in respect of the options exercised	Total number of underlying Shares in respect of the options lapsed	Total number of underlying Shares in respect of the options voluntarily given up by the grantees	Total number of underlying Shares in respect of the remaining unexercised options
2001 Scheme	1,720,000	385,000	542,500	0	792,500
Share Option Scheme	45,222,500	1,761,500	7,248,000	7,482,500	28,730,500
Total:	46,942,500	2,146,500	7,790,500	7,482,500	29,523,000

The Directors confirmed that no option had been cancelled under the 2001 Scheme and the Share Option Scheme as at the date of this announcement.

## OTHER INTERESTS OF MR. XU IN SHARES AND OPTIONS OF THE COMPANY

Mr. Xu is a substantial shareholder of the Company by virtue of the following interests (representing approximately 33.57% of the issued share capital) as at the date of this announcement:

1. 83,606,250 Shares held by Oriental Gold;
2. 58,310,000 Shares held by Billion Ocean; and
3. 6,872,880 Shares held by Mr. Xu directly.

As at the date of this announcement, Mr. Xu was also directly interested in options to subscribe for 5,500,000 Shares granted to him under the Share Option Scheme, particulars of such options are as follows:

Date of grant:	15 May 2002	23 March 2004
Exercise price:	HK\$1.78	HK\$3.18
Exercise period:	The option has a duration of 10 years from the date of grant, provided that the option 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.	The option has a duration of 10 years from the date of grant.
Number of Shares in respect of which the option is granted:	1,500,000	4,000,000

Mr. Xu did not hold any option under the 2001 Scheme. On the basis of 443,258,408 total issued Shares as at the date of this announcement, if the options to subscribe for 5,500,000 Shares held by Mr. Xu are fully exercised, Mr. Xu will be directly and indirectly interested in an aggregate of 154,289,130 Shares, representing approximately 34.38% of the issued share capital of the Company as enlarged after the allotment and issue of such 5,500,000 Shares.

As at the date of this announcement, Mr. Xu had not exercised any of the said options granted to him. The Board was informed that Mr. Xu has not yet decided whether or not to exercise any part of such options as at the date of this announcement.

The closing price of the Shares as at the date of this announcement was HK\$2.

## **REFRESHMENT OF SCHEME MANDATE LIMIT**

Under the existing Scheme Mandate Limit, the Directors were only authorised to grant options to subscribe for up to 44,088,690 Shares, i.e. 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme. In this connection, the Company could only make further grant of options to subscribe for 6,114,190 Shares to the eligible persons under the Share Option Scheme.

Given the growth in size of the Group, the number of employees of over 3,000 as at the date of this announcement as compared with approximately 2,000 employees when the Share Option Scheme was adopted and the fact that approximately 86.13% of the current Scheme Mandate Limit has been used up by the previous option grants, the Directors wish to retain the flexibility to be able to make new grants of options under the Share Option Scheme to the eligible persons going forward. Accordingly, the Board wishes to take this opportunity to seek the

approval of the Shareholders at the EGM to refresh the Scheme Mandate Limit, following the Grant. The Board considers that it is in the best interests of the Company to refresh the Scheme Mandate Limit.

Assuming that no further Shares are issued or repurchased prior to the date of the EGM, upon the approval of the refreshment of the Scheme Mandate Limit by the Shareholders at the EGM, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of the Company under the Scheme Mandate Limit as “refreshed” will be 44,325,840 Shares, being 10% of the Shares then in issue at the date of the EGM. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme and any other share option schemes of the Company or exercised options) will not be counted for the purpose of calculating the limit as “refreshed”.

Application will be made to the Stock Exchange for granting the approval of the listing of and permission to deal in the Shares (up to the refreshed Scheme Mandate Limit) which may be issued pursuant to the exercise of the options under the Share Option Scheme.

## **REQUIREMENTS UNDER THE SHARE OPTION SCHEME AND THE GEM LISTING RULES**

As Oriental Gold is an associate of Mr. Xu by virtue of it being a company wholly owned by Mr. Xu, the chairman of the Board and a substantial shareholder of the Company and the Grant exceeds 0.1% of the Shares in issue and has an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK\$5,000,000, the Grant is required to be approved by Independent Shareholders by way of a poll under Clause 9.02 of the Share Option Scheme and Rule 23.04 of the GEM Listing Rules.

Pursuant to Clause 8.03 of the Share Option Scheme and Note 1 to Rule 23.03(3) of the GEM Listing Rules, the Company is required to seek approval by the Shareholders in general meeting for refreshing the Scheme Mandate Limit.

## **EGM**

The Company will convene the EGM for considering and, if thought fit, passing the resolutions for the approval of (i) the Grant by the Independent Shareholders by way of a poll and (ii) the refreshment of the Scheme Mandate Limit by the Shareholders.

The Directors confirm that all the Connected Persons will abstain from voting in favour at the EGM in respect of the resolution for the approval of the Grant pursuant to the GEM Listing Rules.

## **GENERAL**

A circular containing details of the number of and the terms of the Grant, the recommendation from the independent non-executive Directors to the Independent Shareholders as to voting, the refreshment of the Scheme Mandate Limit and other particulars as required by the GEM Listing Rules will be despatched to Shareholders as soon as practicable after the date of publication of this announcement.

## DEFINITIONS

In this announcement, the following expressions have the meanings as set out below unless the context requires otherwise:

“2001 Scheme”	the share option scheme adopted by the Company on 30 January 2001 which was terminated and replaced by the Share Option Scheme
“associate(s)”	shall have the meaning as prescribed under the GEM Listing Rules
“Billion Ocean”	Billion Ocean Limited, a company incorporated in the British Virgin Islands and is wholly owned by Mr. Xu
“Board”	the board of Directors
“Company”	Kingdee International Software Group Company Limited, a company incorporated in the Cayman Islands with limited liability and which shares are listed on the GEM
“Connected Persons”	shall have the meaning as prescribed under the GEM Listing Rules and shall, for the purpose of the EGM to approve the Grant, include Mr. Xu, Mr. Luo Ming Xing, Mr. Hugo Shong and Mr. Zhao Yong, all being the Directors and Shareholders, and Oriental Gold and Billion Ocean, which are interested in the Shares and are companies wholly owned by Mr. Xu, and their respective associates
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting to be convened and held by the Company to consider the Grant and the refreshment of Scheme Mandate Limit, and any adjournment thereof, details of which will be contained in the notice of EGM to be despatched together with the circular as soon as practicable
“GEM”	Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Grant”	the option to subscribe for 4,000,000 Shares granted by the Company to Oriental Gold on 12 January 2005 under the Share Option Scheme, subject to the approval of Independent Shareholders at the EGM pursuant to the GEM Listing Rules

“Group”	the Company and its subsidiaries
“Independent Shareholders”	Shareholders other than the Connected Persons
“Mr. Xu”	Mr. Xu Shao Chun, the chairman of the Board and a substantial shareholder of the Company, who is directly and indirectly interested in approximately 33.57% of issued share capital of the Company as at the date of this announcement
“options”	options to subscribe for the Shares granted to the grantees of the 2001 Scheme and the Share Option Scheme
“Oriental Gold”	Oriental Gold Limited, a company incorporated in the British Virgin Islands and is wholly owned by Mr. Xu
“Scheme Mandate Limit”	the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholders”	the shareholders of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 26 April 2002
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	shall have the meaning as prescribed under the GEM Listing Rules

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

Shenzhen, the PRC, 13 January 2005

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

*This announcement, 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:– (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) 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.*

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