



## 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 REPORT FOR THE THREE MONTHS ENDED 31ST MARCH 2005

**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.**

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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.*

### Financial highlights for the three months ended 31st March 2005

- Turnover increased by approximately 19.25% over the same period in 2004 to approximately RMB106,244,000.
- Profit for the period increased by approximately 53.04% over the same period in 2004 to approximately RMB9,046,000.
- Profit attributable to equity holders of the Company during the period increased by approximately 68.05% over the same period in 2004 to approximately RMB9,937,000.
- Basic earnings per share for profit attributable to the equity holders of the Company during the period increased by approximately 67.44% over the same period in 2004 to approximately RMB2.242 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 2005, together with the comparative unaudited consolidated figures for the corresponding periods in 2004 are as follows:

		<b>Three months ended 31st March</b>	
		<b>2005</b>	<b>2004 As restated (Note 1)</b>
		<b>Unaudited RMB'000</b>	<b>Unaudited RMB'000</b>
	<i>Notes</i>		
Turnover	2	106,244	89,095
Cost of sales		(22,111)	(17,815)
Gross profit		84,133	71,280
Other operating income	3	9,844	8,710
Selling expenses		(54,204)	(46,927)
General and administrative expenses		(28,739)	(25,611)
Other operating expenses		(37)	(622)
Profit from operations		10,997	6,830
Interest income		328	84
Finance expenses	4	(361)	(13)
Share of results of associates		(252)	(1,050)
Profit before taxation		10,712	5,851
Taxation	5	(1,666)	60
Profit for the period		<u>9,046</u>	<u>5,911</u>
Attributable to:			
Equity holders of the Company		9,937	5,913
Minority interest		(891)	(2)
		<u>9,046</u>	<u>5,911</u>
Dividends		–	–
Earnings per share for profit attributable to the equity holders of the Company during the period			
– basic	6	<u>RMB2.242 cents</u>	<u>RMB1.339 cents</u>
– diluted	6	<u>RMB2.235 cents</u>	<u>RMB1.313 cents</u>

Notes:

## 1. Basis of preparation

### (a) Basis of preparation

All significant intercompany balances and transactions, including intercompany profit, 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 (“IFRSs”) issued by the International Accounting Standards Board.

In 2005, the Group adopted the revised IAS and new IFRSs (collectively “new IFRSs”) below, which are relevant to its operations and effective for the accounting periods beginning on or after 1st January 2005. The 2004 accounts are amended as required, in accordance with the relevant requirements.

IAS 1 (revised 2003)	Presentation of Financial Statements
IAS 2 (revised 2003)	Inventories
IAS 8 (revised 2003)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (revised 2003)	Events after the Balance Sheet Date
IAS 16 (revised 2003)	Property, Plant and Equipment
IAS 17 (revised 2003)	Leases
IAS 21 (revised 2003)	The Effects of Changes in Foreign Exchange Rates
IAS 24 (revised 2003)	Related Party Disclosures
IAS 27 (revised 2003)	Consolidated and Separate Financial Statements
IAS 28 (revised 2003)	Investments in Associates
IAS 32 (revised 2003)	Financial Instruments: Disclosure and Presentation
IAS 33 (revised 2003)	Earnings per Share
IAS 39 (revised 2003)	Financial Instruments: Recognition and Measurement
IAS 40 (revised 2003)	Investment Property
IFRS 2 (issued 2004)	Share-based Payments
IFRS 4 (issued 2004)	Insurance Contracts
IFRS 5 (issued 2004)	Non-current Assets Held for Sale and Discontinued Operations

The adoption of IAS 1, 2, 8, 10, 16, 17, 21, 24, 27, 28, 32, 33, 39 and 40 (all revised 2003); and IFRS 4 and 5 did not result in substantial changes to the Group’s accounting policies. In summary:

- IAS 1 has affected the presentation of minority interest and other disclosures.
- IAS 2, 8, 10, 16, 27, 28, 32, 33, 39 and 40; and IFRS 4 and 5 had no effect on the Group’s policies except for additional disclosures required under these new IFRSs.
- IAS 17 has affected the reclassification of land element in buildings.
- IAS 21 had no effect on the Group’s policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.
- IAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of IFRS 2 has resulted in a change in the accounting policy for share-based payments. Under IFRS 2 “Share-based payment”, the Group is required to determine the fair value of all share-based payments to employees as remuneration and recognise an expense in the income statement. This treatment results in a reduction in profit as such items have not been recognised as expenses before 1st January 2005. Under the specific transitional provisions of IFRS 2, this treatment applies to equity-settled share-based payment transactions where shares, share options or other equity instruments were granted after 7th November 2002 and had not yet vested on 1st January 2005 and to liabilities arising from share-based payment transactions existing on 1st January 2005.

The adoption of IFRS 2 resulted in:

	<b>As at 31st December 2004</b>	
Increase in share premium		RMB3,934,000
Decrease in retained earnings		RMB3,934,000
	<b>For the three months ended 31st March</b>	
	<b>2005</b>	<b>2004</b>
Increase in general and administrative expenses	RMB971,000	RMB186,000
Decrease in basic earnings per share	RMB0.22 cents	RMB0.04 cents
Decrease in diluted earnings per share	RMB0.22 cents	RMB0.04 cents

*(b) Comparative figures*

In addition to the effect on the adoption of IFRS 2, the following comparative figures are restated:

- Tax and levies on main operation of RMB877,000 was reclassified from a deductible item of turnover to cost of sales.
- Expenditures arising from sales activities of RMB13,273,000 was reclassified from general and administrative expenses to selling expenses.
- services cost of RMB1,419,000 was reclassified from selling expenses to cost of sales.

**2. Turnover**

Turnover comprises the following:

	<b>Three months ended 31st March</b>	
	<b>2005</b>	<b>2004</b>
	<b>Unaudited</b>	<b>As restated (Note 1(b))</b>
	<i>RMB'000</i>	<b>Unaudited</b>
		<i>RMB'000</i>
Sales of software	83,571	71,834
Sales of computer and related products	1,413	34
Software solution consulting and support service	11,017	10,462
Software implementation services	10,243	6,765
	<u>106,244</u>	<u>89,095</u>

### 3. Other operating income

	Three months ended 31st March	
	2005 Unaudited RMB'000	2004 Unaudited RMB'000
VAT refund ( <i>Note (a)</i> )	9,583	7,925
Subsidy on development of new product ( <i>Note (b)</i> )	71	434
Others	190	351
	<u>9,844</u>	<u>8,710</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 those 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.

(b) The subsidy was granted by the local government authorities and included the portion of deferred subsidy income recognized during the period.

### 4. Finance expenses

	Three months ended 31st March	
	2005 Unaudited RMB'000	2004 Unaudited RMB'000
Interest expenses on bank loans	318	19
Others	43	(6)
	<u>361</u>	<u>13</u>

### 5. Taxation

Taxation represents:

	Three months ended 31st March	
	2005 Unaudited RMB'000	2004 Unaudited RMB'000
Mainland China income tax		
– Current income tax	1,459	210
– Deferred income tax	207	(270)
	<u>1,666</u>	<u>(60)</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 2005 (the three months ended 31st March 2004: 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.

## 6. Earnings per share for profit attributable to the equity holders of the Company

The calculation of basic and diluted earnings per share are based on the Group's profit attributable to equity holders of the Company of RMB9,937,000 for the three months ended 31st March 2005 (for the three months ended 31st March 2004: RMB5,913,000).

The basic earnings per share is based on the weighted average of 443,260,000 (for the three months ended 31st March 2004: 441,716,000) ordinary shares in issue during the reporting period. The diluted earnings per share is based on 444,675,000 (for the three months ended 31st March 2004: 450,268,000) ordinary shares which is the weighted average number of ordinary shares in issue during the reporting period plus the weighted average of 1,415,000 (for the three months ended 31st March 2004: 8,552,000) 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 2004	441,496	44,150	47,237
Add: option exercised	701	70	75
	<u>442,197</u>	<u>44,220</u>	<u>47,312</u>
Share capital as of 31st March 2004	442,197	44,220	47,312
Share capital as of 1st January 2005	443,259	44,326	47,424
Add: option exercised	25	2	3
	<u>443,284</u>	<u>44,328</u>	<u>47,427</u>

Increase in shares issued was due to the exercise of 25,000 options during 1st January to 31st March (2004: 701,000)

## 8. Consolidated statement of changes in equity

Statement of changes in equity of the Group for the three months ended 31st March 2005 is as follows:

	Attributable to equity holders of the Company			Minority interest	Total
	Share capital unaudited RMB'000	Share premium unaudited RMB'000	Reserves unaudited RMB'000	unaudited RMB'000	unaudited RMB'000
At 1st January 2004, as previously reported	47,237	38,376	175,541	67	261,221
Change in accounting policy -accounting for the option granted as expenses ( <i>Note 1(a)</i> )	–	698	(698)	–	–
At 1st January 2004, as restated	47,237	39,074	174,843	67	261,221
Profit for the period	–	–	5,913	(2)	5,911
Employees share option scheme:					
– Proceeds from share issued	75	1,034	–	–	1,109
– Value of employee service	–	186	–	–	186
Translation adjustment	–	–	22	–	22
At 31st March 2004	<u>47,312</u>	<u>40,294</u>	<u>180,778</u>	<u>65</u>	<u>268,449</u>
At 1st January 2005, as previously reported	47,424	41,081	225,547	1,738	315,790
Change in accounting policy -accounting for the option granted as expenses ( <i>Note 1(a)</i> )	–	3,934	(3,934)	–	–
At 1st January 2005, as restated	47,424	45,015	221,613	1,738	315,790
Profit for the period	–	–	9,937	(891)	9,046
Employees share option scheme:					
– Proceeds from share issued	3	34	–	–	37
– Value of employee services	–	971	–	–	971
Translation adjustment	–	–	(34)	–	(34)
At 31st March 2005	<u>47,427</u>	<u>46,020</u>	<u>231,516</u>	<u>847</u>	<u>325,810</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group recognizes that the PRC management software industry is currently at the growth stage. During the reporting period, based on its comprehensive analysis of the existing development trend of the PRC application software market, the Group formulated the strategy of “Proactive service, Prompt response” which aimed at enhancing customer satisfaction. While actively penetrating into the small and medium enterprise application software market by strengthening cooperative relationship with partners, the Group further expanded the large and medium enterprise application software market. On the other hand, the Group endeavoured to design service products which are more standardized, establish a software service system and increased the revenue of its service business.

A review of the major events during the reporting period:

1. During the reporting period, the Group entered into a strategic cooperation agreement with IBM based on IBM’s Independent Software Vendors Advantage Agreement for small and medium business companies (IAA), pursuant to which both parties cooperate to further explore the PRC industrial and commercial enterprise market by capitalizing on both parties’ edges in their products, technologies, services and channels. Kingdee International becomes the first independent software developer in China to engage in multinational cooperation. According to the cooperation agreement, IBM will provide strong technical support, market development, sales and services support to the Group. This includes application framework design consultancy, technical evaluation, development and enhancement as well as technical training, technical certification and application transformation, development and technical support. In return, the Group will use IBM’s DB2 databases and eServer as its key infrastructure platform for its new generation of group management information system EAS (Enterprise Application Suite) product which targets at large and medium enterprises.
2. During the reporting period, the Group organized a nation-wide road show “Blue passion-touching China” with Intel introducing the integrated small enterprise management solutions of Kingdee and Intel. The show was held in more than a hundred cities, prefecture-level cities and county-level cities and involved a thousand cooperative partners. The show aimed at publicizing the “one-stop” solution of “software products+hardware+services” offered to fast growing small enterprises.
3. The Group consolidated its leading position in the small and medium enterprise application software market and continued to explore the large enterprise market on a selective basis.
  - (1) During the reporting period, the Group continued to consolidate its leading position in the PRC enterprise application software market, and successfully secured contracts with customers such as Guangzhou Toyota Motor Co., Ltd., Tangshan Guofeng Iron & Steel Co., Ltd. and Inner Mongolia Little Sheep Chain Restaurant Co., Ltd.;
  - (2) During the reporting period, the Group stepped up efforts to penetrate into the large enterprise application software market, and successfully secured contracts with a large enterprise Wuhan Tobacco (Group) Co., Ltd., demonstrating the technological edges of Kingdee EAS products in the industrial market and the tobacco industry.



4. During the reporting period, the technology of APUSIC application server, the Group's middleware product is maturing, and beginning to establish its presence in the e-government sector. APUSIC application server, the Group's middleware product won the bid from the Ministry of Civil Affairs for its e-government system and this signifies another important progress of Kingdee's middleware after it was adopted by the People's Bank of China and Guangdong Administration for Industry and Commerce.

## **FUTURE PROSPECTS**

In 2005, the Group will continue to increase the market share of its small and medium enterprise application software. By implementing the strategy of "Proactive service, Prompt response", the Group is committed to providing services that can satisfy the basic and diverse needs of its customers and achieve customer satisfaction, so as to improve enterprises' performance, optimize their management and enhance their core competitiveness, and the Group also endeavours to increase its profit by providing after-sales maintenance services. Meanwhile, the Group is actively identifying merging and acquisition opportunities, expanding its application software business targeting at industries with competitive advantages and further enhancing its competitiveness. As regards middleware, the Group will continue to develop middleware products for application in e-government services in an attempt to increase the sales revenue of middleware products. In addition, the Group will capitalize fully on its own advantages and continue to explore business opportunities in its software outsourcing business.

## **FINANCIAL PERFORMANCE**

The financial results of the Group for the three months ended 31st March 2005 showed remarkable growth as compared to the corresponding period in 2004. During the period under review, total revenue amounted to approximately RMB106,244,000, representing an increase of approximately 19.25% over the corresponding period of 2004 (the three months ended 31st March 2004: RMB89,095,000). The increase was mainly contributed by the substantial increase in revenue of selling ERP software.

The Group's gross profit increased by approximately 18.03% from RMB71,280,000 for the corresponding period of 2004 to approximately RMB84,133,000 for the three months ended 31st March 2005. Profit for the period of the Group for the three months ended 31st March 2005 was RMB9,046,000, representing an increase of approximately 53.04% over the corresponding period of 2004 (the three months ended 31st March 2004: RMB5,911,000). Profit for the period increased significantly because the Group enhanced service management, internal control and cost control which brought visible benefits to the Group during the reporting period. Profit attributable to equity holders of the Company for the three months ended 31st March 2005 was RMB9,937,000, representing an increase of approximately 68.05% over the corresponding period of 2004 (the three months ended 31st March 2004: RMB5,913,000). Basic earnings per share for profit attributable to the equity holders of the Company during the period amounted to RMB2.242 cents (the three months ended 31st March 2004: RMB1.339 cents).

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

As at 31st March 2005, 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")), which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46-5.68 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 7,162,880 <u>5,500,000</u>	Interests of controlled corporation ( <i>Note 1</i> ) Beneficial owner Other/ share option ( <i>Note 2</i> )	
<i>Aggregate:</i>	154,579,130		34.87%
Luo Ming Xing	1,885,000 <u>1,425,000</u>	Beneficial owner Other/ share option ( <i>Note 2</i> )	
<i>Aggregate:</i>	3,310,000		0.75%
Hugo Shong	<u>5,250,000</u>	Beneficial owner	
<i>Aggregate:</i>	5,250,000		1.18%
Zhao Yong	<u>54,910,750</u>	Beneficial owner	
<i>Aggregate:</i>	54,910,750		12.39%

#### 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 31st March 2005, none of the Directors and chief executive had any 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), which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46-5.68 of the GEM Listing Rules

## **PRE-IPO SHARE OPTION SCHEME**

Pursuant to the pre-IPO share option scheme (“Pre-IPO Share Option Scheme”) adopted by the Company on 30th January 2001, share 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 employees 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 2005, 475,000 shares options were exercised, 825,000 shares options were canceled and no more options remained outstanding under the Pre-IPO Share Option Scheme.

## **SHARE OPTION SCHEMES**

Pursuant to the share option scheme (the “Old Scheme”) of the Company adopted on 30th January 2001, 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, 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 pursuant to the Old Scheme.

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 Mr. Xu Shao Chun and Mr. Luo Ming Xing, both being executive directors) 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, an executive director) 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, a non-executive Director, 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, an executive Director 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 New Scheme. At the extraordinary general meeting of the Company held on 16th April 2004, the proposed grant of options to subscribe for a total of 8,000,000 shares to Mr. Xu Shao Chun, pursuant to the New Scheme, was approved by the shareholders of the Company.

At the board meeting of the Company held on 1st 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 Mr. Luo Ming Xing, an executive Director) of the Group pursuant to the New Scheme.

At the board meeting of the Company held on 27th December 2004, options to subscribe for a total of 3,352,000 shares at a subscription price of HK\$2.05 per share were granted to 155 full-time employees (including Mr. Luo Ming Xing, an executive Director) of the Group pursuant to the New Scheme.

Details of the share options as at 31st March 2005 which had been granted under the Old Scheme and the New Scheme were as follows:

	Options held at 1st January 2005	Options granted during the reporting period	Options exercised during the reporting period	Options lapsed during the reporting period	Options canceled during the reporting period	Options held at 31st March 2005	Exercise price HK\$	Grant date
Xu Shao Chun	4,000,000	-	-	-	-	4,000,000	3.18	23/03/2004 (8)
	1,500,000	-	-	-	-	1,500,000	1.78	15/05/2002 (4)
Luo Ming Xing	225,000	-	-	-	-	225,000	2.05	27/12/2004 (10)
	675,000	-	-	-	-	675,000	2.65	01/06/2004 (9)
	300,000	-	-	-	-	300,000	1.39	20/02/2003 (6)
	225,000	-	-	-	-	225,000	1.78	15/05/2002 (4)
Continuous contract employees	3,127,500	-	-	75,000	-	3,052,500	2.05	27/12/2004 (10)
	9,432,500	-	-	225,000	-	9,207,500	2.65	01/06/2004 (9)
	3,324,000	-	-	200,000	-	3,124,000	2.05	08/08/2003 (7)
	4,551,500	-	25,000	195,000	-	4,331,500	1.39	20/02/2003 (6)
	1,370,000	-	-	100,000	-	1,270,000	1.78	15/05/2002 (4)
	792,500	-	-	130,000	-	662,500	1.49	27/09/2001 (5)

*Note:*

- (1) At the date immediately before the options were granted (i.e. 19th February 2003), the closing price of the share was HK\$1.36.
- (2) At the date immediately before the options were granted (i.e. 7th August 2003), the closing price of the share was HK\$2.00.
- (3) The share options were granted pursuant to the Old Scheme.
- (4) 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.
- (5) 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.
- (6) 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.
- (7) 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.
- (8) All of these options have a 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 31st December 2004. The options to subscribe for the remaining 50% shares, i.e. 4,000,000 shares can be exercised after the date of 31st December 2004. As at 31st December 2004, 4,000,000 share options were voluntarily given up by the grantee.
- (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%\* 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 1st June 2005. (Note: Revenue Ratio 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.)
- (10) 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 27th December 2005. (Note: Revenue Ratio 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.)

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed in the sections headed "Interests of Directors in Equity Securities", "Share Option Scheme" and "Pre-IPO Share Option Scheme", none of the Directors or their respective associates (as defined under the GEM Listing Rules) was granted by the Company, or any of its subsidiaries to any rights or options to acquire shares or debentures in the Company during the period ended 31st March 2005.

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 31st March 2005, as far as the Directors were aware, 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 which would fall to be disclosed to the Company under the provisions of Part XV of the SFO and required to be recorded in the register required to be kept under Section 336 of the SFO:

### **Long Positions in Shares/Underlying Shares of the Company**

<b>Name</b>	<b>Number of Shares/underlying shares (where appropriate)</b>	<b>Capacity</b>	<b>Percentage of issued share capital</b>
Oriental Gold Limited	83,606,250	Beneficial owner	18.86%
Billion Ocean Limited	58,310,000	Beneficial owner	13.15%

Save as disclosed above, as at 31st March 2005, 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 SHARES**

None of the Company or the any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the period ended 31st March 2005.

### **COMPETING INTEREST**

None of the Directors or their respective associates (as defined in the GEM Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

### **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company had 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 three months ended 31st March 2005. The Company had also made specific enquiry of all the 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**

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 being the independent non-executive Directors. 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 audit committee had convened one meeting during the year ended 31st December 2004 to review the accounts and reports of the Group and to provide 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, 12th May 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 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).*