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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 on Main Board: 268)

(Stock code on GEM: 8133)

ANNOUNCEMENT

**PROPOSED VOLUNTARY WITHDRAWAL OF LISTING
ON THE GROWTH ENTERPRISE MARKET OF
THE STOCK EXCHANGE OF HONG KONG LIMITED,
REDUCTION OF MINIMUM NOTICE PERIOD
IN RESPECT OF THE PROPOSED WITHDRAWAL,
ADOPTION OF THE PROPOSED SHARE OPTION SCHEME,
TERMINATION OF THE 2002 SCHEME,
ADOPTION OF THE PROPOSED ARTICLES OF
ASSOCIATION IN SUBSTITUTION
FOR THE ARTICLES OF ASSOCIATION
AND
DISCLOSURE OF CERTAIN FINANCIAL AND OTHER INFORMATION
AND
GRANT OF NEW GENERAL MANDATES AND
REVOCAION OF EXISTING GENERAL MANDATES TO ISSUE AND
REPURCHASE SHARES**

Sponsor



On 23 September 2004, the Company announced that it submitted an application to the Stock Exchange on the same day for the proposed listing of the Shares on the Main Board by way of introduction and its intention to voluntarily withdraw the listing of the Shares on GEM conditional upon, among other things, the approval of the application for the proposed listing of the Shares on the Main Board.

As part of the Introduction, the Directors propose to the Shareholders the proposed grant of new general mandates to issue and repurchase Shares in substitution for the Existing General Mandates, the proposed termination of the 2002 Scheme and adoption of the Proposed Share Option Scheme and the proposed adoption of the Proposed Articles of Association, for complying with the requirements under the Listing Rules.

14 June 2005, the Sponsor was notified that the Listing Committee of the Main Board granted an approval in principle of the proposed listing of the Shares on the Main Board. The Circular containing, amongst other matters, a notice of the EGM will be despatched to the Shareholders on 17 June 2005. The Listing Document issued in connection with the Introduction will also be despatched to the Shareholders, for information purposes only, on 17 June 2005.

Warning:

There is no assurance that permission will be obtained from the Stock Exchange for the Introduction. Shareholders and potential investors should be aware that the implementation of the Proposed Withdrawal and the Introduction are subject to the conditions set out below being fulfilled and thus may or may not become effective. Accordingly, the Introduction and the Proposed Withdrawal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

INTRODUCTION

On 23 September 2004, the Board announced that an advance booking form to the Stock Exchange for the Introduction was submitted and the Stock Exchange was also notified of the Company's intention to implement the Proposed Withdrawal subject to the conditions set out below. On 14 June 2005, the Sponsor was notified that the Listing Committee of the Main Board granted an approval in principle of the proposed listing of the Shares on the Main Board.

THE PROPOSED WITHDRAWAL AND THE INTRODUCTION

On 23 September 2004, the Sponsor, for and on behalf of the Company, submitted an application to the Stock Exchange for the listing on the Main Board of, and permission to deal on the Main Board in (i) the Shares in issue; and (ii) any Shares, representing not more than 10% of the total issued share capital of the Company as at the date of EGM, which may be issued upon the exercise of any options which were granted under the 2001 Scheme or have been or may be granted under the 2002 Scheme prior to its termination upon listing on the Main Board, or which may be issued upon the exercise of any options which may be granted under the Proposed Share Option Scheme or any other share option schemes of the Company. On 22 April 2005, the Sponsor, for and on behalf of the Company, submitted a new application to the Stock Exchange in respect of the Introduction as the original application has lapsed because it has been outstanding for more than 6 months. The Stock Exchange has informed the Sponsor that the Listing Committee has granted an approval in principle of the listing of, and permission to deal in, the Shares on the Main Board. Immediately prior to the listing of the Shares on the Main Board, the listing of the Shares on GEM will be withdrawn.

Waiver From Strict Compliance with Minimum Notice Period in respect of the Proposed Withdrawal

Pursuant to Rule 9.19 of the GEM Listing Rules, an issuer that has an alternative listing on another stock exchange or securities market recognised for this purpose by the Stock Exchange may not voluntarily withdraw its listing on GEM unless:–

- (a) the prior approval of the shareholders of the issuer has been obtained by way of an ordinary resolution passed at a duly convened meeting of the shareholders of the issuer; and
- (b) the issuer has given its shareholders at least three months' notice of the proposed withdrawal of listing. This minimum notice period must run from the date on which the shareholders approve the voluntary withdrawal of listing and such notice must include details of how to transfer securities to and trade those securities on the alternative market.

Pursuant to the news release issued by the Stock Exchange on 16 January 2002 regarding the notice period of proposed withdrawal of listing and in connection with the Proposed Withdrawal, the Company has applied to and has obtained from the Stock Exchange a waiver from strict compliance with the minimum three months' notice required under the GEM Listing Rules, subject to the fulfilment of the following conditions:–

- (i) prior approval shall have been obtained from the Shareholders for the reduction of the notice period for the Proposed Withdrawal to a minimum of five clear Business Days;
- (ii) in respect of the Shares, there is no change in the board lot size or the share certificates, the share registrar, and the trading currency in connection with the proposal to transfer its listing status. For easy reference, the Shares will continue to be traded in board lots of 2,000 shares each, the existing share certificates in respect of the Shares will continue to be good evidence of legal title, the principal share registrar and the Hong Kong branch share registrar will continue to be Bank of Butterfield International (Cayman) Ltd. and Computershare Hong Kong Investor Services respectively, and the trading currency will continue to be Hong Kong dollars; and
- (iii) there is no other fact that leads the Stock Exchange to believe that the reduced notice period is not feasible.

Accordingly, the EGM is convened to seek the approval of the Shareholders for, among other things, the Proposed Withdrawal and the reduction of the notice period for the Proposed Withdrawal. After such approval shall have been obtained, a notice of the Proposed Withdrawal will be published no less than five clear Business Days before the Effective Date.

The Directors consider that it is in the best interest of the Shareholders and the Company as a whole that the notice period for the Proposed Withdrawal be reduced so that the Proposed Withdrawal and the Introduction can be carried out as soon as practicable after obtaining the relevant approvals from the Shareholders at the EGM.

CONDITIONS OF THE PROPOSED WITHDRAWAL

Implementation of the Proposed Withdrawal will be conditional on, among other things:–

- (a) the passing of an ordinary resolution by the Shareholders at the EGM to approve the Proposed Withdrawal;
- (b) The Stock Exchange granting a waiver from strict compliance with minimum three months' notice period requirement for the Proposed Withdrawal;
- (c) the publication of a notice of the Proposed Withdrawal as required by the GEM Listing Rules after the approval of the Shareholders for the Proposed Withdrawal shall have been obtained at the EGM on a date that is no less than five clear Business Days prior to the Effective Date; and
- (d) the granting by the Listing Committee of the Stock Exchange of listing on the Main Board of, and permission to deal on the Main Board in (i) the Shares in issue; and (ii) any Shares, representing not more than 10% of the total issued share capital of the Company as at the date of EGM, which may be issued upon the exercise of any options which were granted under the 2001 Scheme or have been or may be granted under the 2002 Scheme prior to its termination upon listing on the Main Board, or which may be issued upon the exercise of any options which may be granted under the Proposed Share Option Scheme or any other share option schemes of the Company.

EFFECTS OF THE PROPOSED WITHDRAWAL

It is expected that dealings in the Shares on GEM will cease at 9:30 a.m. on the Effective Date and dealings in the Shares on the Main Board will commence at 9:30 a.m. on the Effective Date. The Company will make a further announcement after the EGM to publish the results of the EGM and the information relating to the Proposed Withdrawal and the trading arrangement of the Shares in respect of the Proposed Withdrawal and the Introduction.

The Proposed Withdrawal and the Introduction will not have any effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and will not involve any transfer or exchange of the existing share certificates. No new share certificates with new stock code will be issued. No change will be made to the board lot size, trading currency of the Shares and the share registrars of the Company in connection with the Proposed Withdrawal and the Introduction. Shares will continue to be traded in board lots of 2,000 Shares each following the Introduction. **If and when the Shares are listed on the Main Board upon implementation of the Introduction, you may be required to sign a new client agreement with your stockbrokers.**

The continuing obligations of listed issuers under the Listing Rules and the GEM Listing Rules are not the same. For example, the principal means of information dissemination by listed issuers on GEM is publication on the internet website operated by the Stock Exchange whilst the principal means of information dissemination by listed issuers on the Main Board is through newspapers. In addition, listed issuers on the Main Board are not required to publish quarterly reports. **Upon its listing on the Main Board, our Company will cease the practice of quarterly reporting and will follow the relevant requirement of the Listing Rules which include, among other things, through paid announcements on newspapers generally circulated in Hong Kong, publish its interim results and the annual results within three months and four months from the end of relevant period or financial year-end respectively.** Upon the listing of the Shares on the Main Board, the Company will comply with all the disclosure requirements of the Listing Rules and will make any disclosures as required under the Listing Rules. Our Directors are of the view that quarterly results may not reflect the our full year performance, as they are bound to be affected by various matters beyond our control, such as the market strategies of the various participants in the market and the holidays in a particular quarter. Our Directors are of the view that following the reporting requirements under the Listing Rules will provide investors and shareholders a relatively complete picture of our performance during the relevant period without being affected by the factors described above.

REASONS FOR THE PROPOSED WITHDRAWAL

Since the listing of the Company on GEM in February 2001, the business of the Group has been growing rapidly, with turnover of approximately RMB294.5 million for the financial year ended 31 December 2002 increased to approximately RMB445.9 million for the financial year ended 31 December 2004.

The track record of the Group for the latest three financial years ended 31 December 2004 met the minimum profit requirement as stipulated in the Listing Rules. With the anticipated continuous economic development in the PRC and the rapid development of the software market in the PRC, the Directors believe that the business of the Group will continue to grow further and listing on the Main Board will enhance the profile of the Group, resulting in more research coverage from industry analysts that will lead to more trading liquidity of the Shares. All of these will benefit the Group's future business development and increase its financial flexibility.

The Group will continue to pursue its current business of developing and providing enterprise application software and related services in the PRC.

The Introduction will involve no issue of new Shares by the Company.

EXPECTED TIMETABLE

The expected timetable for the Proposed Withdrawal and the Introduction is set forth below:–

Despatch of circular, notice of the EGM and related forms of proxy for the EGM to the Shareholders	Friday, 17 June 2005
Despatch of the listing document in relation to the Introduction	Friday, 17 June 2005
Latest time for lodgement of forms of proxy for the EGM	2:00 p.m. on Saturday, 9 July 2005
EGM	2:00 p.m. on Monday, 11 July 2005
Date of the announcement of results of the EGM, notice of the Proposed Withdrawal to be published in The Standard (in English), Hong Kong Economic Times (in Chinese) and on the GEM website	Tuesday, 12 July 2005
Last day of dealings in the Shares on GEM	Tuesday, 19 July 2005
Withdrawal of listing of the Shares on GEM effective from	9:30 a.m. on Wednesday, 20 July 2005
Commencement of dealings in the Shares on the Main Board	9:30 a.m. on Wednesday, 20 July 2005

Note: All times and dates refer to Hong Kong local times and dates.

FINANCIAL INFORMATION OF THE GROUP

Indebtedness

Borrowings

As at the close of business 30 April 2005, being the latest practicable date for this indebtedness statement prior to the printing of this document, the Group had unsecured and unguaranteed short-term bank loans of approximately RMB24 million (approximately HK\$23 million). The bank loans were fully repaid in May 2005.

Commitments

As at 30 April 2005, the Group had operating lease commitments of approximately RMB32 million (approximately HK\$30 million).

Disclaimers

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding at the close of business on 30 April 2005.

Save for disclosed above, the Directors confirm that there have been no material changes in the Group's indebtedness and contingent liabilities since 30 April 2005.

Liquidity, Financial Resources and Capital Structure

Liquidity

The following table summarises the Group's cash flows for the three financial years ended 31 December 2004:–

	Financial year ended 31 December		
	2002	2003	2004
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	39,158	105,817	116,686
Net cash used in investing activities	(54,313)	(56,671)	(68,558)
Net cash generated from/(used in) financing activities	21,136	(16,263)	2,401
Effect of foreign exchange rate change	14	149	(268)
	<hr/>	<hr/>	<hr/>
Net increase in cash and cash equivalents	5,995	33,032	50,261
Cash and cash equivalents at 1 January	125,431	131,426	164,458
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at 31 December	<u>131,426</u>	<u>164,458</u>	<u>214,719</u>

The Group's primary sources of liquidity have been capital contributions from Shareholders, proceeds of borrowings from banks, cash flow from operations, which represents net income adjusted for changes in working capitals and non-cash items, primarily depreciation, amortisation and provision for doubtful debts.

Net cash flows from operating activities for the financial year ended 31 December 2002 amounted to approximately RMB39 million (approximately HK\$37 million), notwithstanding that the Group's profit before taxation was approximately RMB43 million (approximately HK\$40 million). The difference of approximately RMB4 million (approximately HK\$3 million) was primarily attributable to the net effect of (i) the adjustments for non-cash item such as depreciation, amortisation and provision for doubtful debts; and (ii) increase in trade receivables.

Net cash from operating activities for the financial year ended 31 December 2003 amounted to approximately RMB106 million (approximately HK\$100 million), notwithstanding that the Group's profit before taxation was approximately RMB68 million (approximately HK\$64 million). The difference of approximately RMB38 million (approximately HK\$36 million) was primarily attributable to the adjustments for non-cash item such as depreciation, amortization and provision for doubtful debts. The increase in net cash generated from operating activities of approximately RMB67 million (approximately HK\$63 million) from 2002 mainly due to the increase in cash received from customers on more sales made during 2003.

Net cash from operating activities for the financial year ended 31 December 2004 amounted to approximately RMB117 million (approximately HK\$110 million). The Group's profit before taxation was approximately RMB60 million (approximately HK\$56 million). The difference of approximately RMB57 million (approximately HK\$54 million) was primarily attributable to the adjustments for non-cash item such as depreciation, amortization and provision for doubtful debts. The increase in net cash generated from operating activities of approximately RMB11 million (approximately HK\$10 million) from 2003 was mainly due to the increase in cash received from customers on more sales made during 2004. The increase in net cash generated from operating activities of approximately RMB11 million is smaller than the increase in sales of approximately RMB80 million in 2004 as it took more time in 2004 to collect money from its customers who are in the property development, securities and steel industries whose operating environment were adversely affected by the austerity measures taken by the PRC government such as the tightening of credit policy on bank loan applications during the same year.

Cash used in investing activities has been used primarily to make capital expenditure for the purchase of property, plant, equipment and intangible assets as well as investment in subsidiaries and joint ventures. The significant net cash used in investing activities in 2003 and 2004 was primarily due to the investment in research and development.

For the year ended 31 December 2004, net cash generated from financing activities was approximately RMB2 million (approximately HK\$2 million). The net cash used in financing activities in 2003 was primarily due to the repayment of bank loan of approximately RMB47 million (approximately HK\$44 million). The cash generated from financing activities in 2002 of approximately RMB21 million (approximately HK\$20 million) was mainly resulted from the new bank loan of RMB25 million (approximately HK\$24 million) taken up by us.

For the three financial years ended 31 December 2004, the Group had arranged a number of short-term bank loans to satisfy its financing needs. As at the Latest Practicable Date, the Group had not experienced any difficulty in raising funds by short-term bank loans from various banks in the PRC, and the Group had not experienced any liquidity problems in settling the Group's payables in the normal course of business and repaying its bank loans when they fall due.

For further details of the Group's debt financing, please refer to the paragraphs under "Indebtedness" above.

Financial resources and capital structure

The Group generally finance its operations through a combination of shareholders' equity, internally generated cash flows and bank borrowings. The Directors believe that on a long-term basis, the Group's liquidity will be funded from operations and, if necessary, additional equity financing or bank borrowings.

The Group's net gearing ratio was approximately 9 per cent., 5 per cent. and 5 per cent. as at 31 December 2002, 2003 and 2004, respectively. The bank loans of our Company as at 31 December 2002, 2003 and 2004 were approximately RMB28 million (approximately HK\$26 million), RMB20 million (approximately HK\$19 million) and RMB24 million (approximately HK\$23 million), respectively.

The Group's Directors are of the opinion that, taking into consideration the financial resources available to us, the Group have sufficient funding for the Group's present capital and operating requirements.

The gearing ratio in 2002 was relatively high compared to that of 2003 and 2004 as our asset size has been growing since 2003. We finance our operations and expansion primarily through internal financial resources and did not have any significant bank borrowings during the three financial years ended 31 December 2004.

The bank loans of approximately RMB24 million (approximately HK\$23 million) and the cash balances of approximately RMB215 million (approximately HK\$203 million) as at 31 December 2004 were mainly used to finance the recurring needs of business operations.

WORKING CAPITAL

The Directors after due and careful enquiry are of the opinion that, taking into consideration the financial resources available to us including the Group's internally generated funds, the Group have sufficient working capital for its requirements in the next 12 months commencing from the date of this document.

PROPOSED SHARE OPTION SCHEME

In connection with the Introduction, the Directors propose to seek the approval of the Shareholders for the adoption of the Proposed Share Option Scheme, the provisions of which will comply with the requirements of the Listing Rules. The terms of the Proposed Share Option Scheme provide that in granting options under the Proposed Share Option Scheme, the Board can determine whether there is any minimum holding period, and whether there is any performance target which must be achieved, before an option granted under the Proposed Share Option Scheme can be exercised. The Board will also determine the option price per Share payable on the exercise of an option according to the terms of the Proposed Share Option Scheme. Subject to the Proposed Share Option Scheme becoming effective, the Board intends to exercise its powers under the Proposed Share Option Scheme during the Scheme Period with the objective of serving the purposes of the Proposed Share Option Scheme.

The Board considers that it is not appropriate to state the value of all options that can be granted under the Proposed Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the option value have not been determined. Such variables include the exercise price, exercise period, lock up period (if any), performance targets set (if any) and other relevant variables. The Board believes that any calculation of the value of any option which might have been granted on the Latest Practicable Date would be based on a number of speculative assumptions and would therefore not be meaningful but would be misleading to the Shareholders.

The 2002 Scheme will be terminated and replaced by the Proposed Share Option Scheme when the Proposed Share Option Scheme shall have conditionally been approved and adopted by the Shareholders and such adoption shall have become unconditional.

OUTSTANDING SHARE OPTIONS

The Company adopted the Pre-IPO Share Option Scheme and the 2001 Scheme on 30 January 2001, and the 2002 Scheme on 26 April 2002.

Outstanding share options under the Pre-IPO Share Option Scheme (which had been terminated upon the listing of the Shares on GEM on 15 February 2001)

As at the Latest Practicable Date, an aggregate of 1,300,000 share options were granted, of which 475,000 share options were exercised, 825,000 share options were cancelled and no more option remained outstanding under the Pre-IPO Share Option Scheme.

Outstanding share options under the 2001 Scheme and 2002 Scheme

The 2001 Scheme was adopted by the Company on 30 January 2001 and was terminated by the Company upon the adoption of the 2002 Scheme on 26 April 2002.

As at the date of adoption of the 2002 Scheme, an aggregate of 43,775,000 share options, representing 10% of the issued share capital of the Company as at the date thereof, were authorised to granted pursuant to 2002 Scheme.

As at the Latest Practicable Date, an aggregate of 1,720,000 share options were granted pursuant to 2001 Scheme, of which 385,000 share options were exercised, 672,500 were cancelled and 662,500 remained outstanding.

As at the Latest Practicable Date, an aggregate of 48,462,500 share options were granted pursuant to 2002 Scheme, of which 1,788,500 share options were exercised, 15,525,500 were cancelled and 31,148,500 remained outstanding.

Details of these outstanding options are as follows:

Date of grant	No. of outstanding Share options as at the Latest Practicable Date	No. of employees	Subscription price per share	Option period HK\$	Share Option Scheme
27/9/2001	662,500	11	1.49	27/9/2001 – 26/9/2010 (Note 1)	2001 Scheme
15/5/2002	2,995,000	4	1.78	15/5/2002 – 14/5/2012 (Note 2)	2002 Scheme
20/2/2003	4,631,500	38	1.39	20/2/2003 – 19/2/2013 (Note 2)	2002 Scheme
8/8/2003	3,122,000	1,561	2.05	8/8/2003 – 7/8/2013 (Note 3)	2002 Scheme
23/3/2004	4,000,000	1	3.18	23/3/2004 – 22/3/2014 (Note 4)	2002 Scheme
1/6/2004	9,882,500	150	2.65	1/6/2004 – 31/5/2014 (Note 5)	2002 Scheme
27/12/2004	3,277,500	149	2.05	27/12/2004 – 26/12/2014 (Note 6)	2002 Scheme
21/4/2005	3,240,000	4	1.55	21/4/2005 – 20/4/2010 (Note 7)	2002 Scheme
Total	31,811,000	–	–	–	–

Notes:–

- All of these options have a duration of 10 years from the date of grant, provided that the options may not be exercised in respect of more than 25%, 50% and 75% of the options within 12 months, 24 months and 36 months respectively from the date of grant.

2. All of these options have a duration of 10 years from the date of grant, provided that the options may not be exercised within 12 months from the date of grant and that the options may not be exercised in respect of more than 25%, 50% and 75% of the options within 12 months, 24 months and 36 months respectively from 1 year after the date of grant.
3. All of these options have a duration of 10 years from the date of grant, provided that the options can only be exercised from the date of 8 August 2004.
4. All of these options have a duration of 10 years from 23 March 2004, provided that the options may not be exercised in respect of more than 50% of the options prior to the date of 31 December 2004.
5. All of these options have a duration of 10 years from the date of grant, provided that
 - (i) the options cannot be exercised within 1 year from the date of grant;
 - (ii) the number of options that can be exercised within the 2 years from the date of grant cannot be more than 25% of the revenue ratio for the financial year of 2004;
 - (iii) the number of options that can be exercised within the 3 years from the date of grant cannot be more than 25% of the aggregate revenue ratios for the financial years of 2004 and 2005;
 - (iv) the number of options that can be exercised within the 4 years from the date of grant cannot be more than 25% of the aggregate revenue ratios for the financial years of 2004, 2005 and 2006;
 - (v) the number of options that can be exercised after 4 years from the date of grant cannot be more than 25% of the aggregate revenue ratios for the financial years of 2004, 2005, 2006 and 2007;

“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.

6. All of these options have a duration of 10 years from the date of grant and the options can be exercised from the date of grant.
7. All of these options have a duration of 5 years from the date of grant.

Notwithstanding the termination of the 2001 Scheme and the proposed termination of the 2002 Scheme, the outstanding options previously granted but unexercised under the 2001 Scheme and 2002 Scheme mentioned above will remain valid and exercisable in accordance with the provisions of the 2001 Scheme and the 2002 Scheme respectively and the respective terms of granting such options.

Conditions of the Proposed Share Option Scheme

The adoption of the Proposed Share Option Scheme will be conditional upon:–

- (A) the passing of an ordinary resolution by the Shareholders at a general meeting to approve the termination of the 2002 Scheme, to approve and adopt the Proposed Share Option Scheme, and to authorise the Directors to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of any options granted under the Proposed Share Option Scheme;

- (B) the Listing Committee of the Stock Exchange granting approval to the listing of, and permission to deal on the Main Board in (i) the Shares in issue; (ii) any Shares, representing not more than 10% of the total issued share capital of the Company as at the date of Extraordinary General Meeting, which may be issued upon the exercise of any options which were granted under the 2001 Scheme or have been or may be granted under the 2002 Scheme prior to its termination upon listing on the Main Board, or which may be issued upon the exercise of any options which may be granted under the Proposed Share Option Scheme or any other share option scheme of the Company; and
- (C) the commencement of dealing in the Shares on the Main Board.

PROPOSED ARTICLES OF ASSOCIATION

In connection with the Introduction and to remove references to GEM and to make other changes (including the clarification of the article regarding rotation and retirement of directors) in the Articles of Association, the Directors propose to seek the approval of the Shareholders for the adoption of the Proposed Articles of Association at the EGM, the provisions of which will comply with the requirements of the Listing Rules.

The provisions of the Proposed Articles of Association are in all material respects identical to the Articles of Association. The Articles of Association will be substituted by the Proposed Articles of Association when the Proposed Articles of Association shall have conditionally been approved and adopted by the Shareholders at the EGM and such adoption shall have become unconditional.

Conditions of the Proposed Articles of Association

The adoption of the Proposed Articles of Association will be conditional upon:–

- (a) the passing by the Shareholders at the EGM of the special resolution approving the adoption of the Proposed Articles of Association in substitution for the Articles of Association; and
- (b) the listing of the Shares on the Main Board.

GENERAL MANDATES

The Directors are of the view that as the Existing General Mandates make specific references to GEM, in connection with the Introduction and to cater for the situation that the Shares are listed on GEM or the Main Board, ordinary resolutions will be proposed at the EGM to revoke the Existing General Mandates and to grant new general mandates to the Directors (i) to allot, issue and deal with Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the relevant resolution; and (ii) to repurchase Shares with an aggregate nominal amount up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the relevant resolution. Both new general mandates will expire on the earliest of: (a) the conclusion of the next annual general meeting of the Company (“AGM”); (b) the expiration of the period within which the next AGM is required by the articles of association

of the Company or any applicable laws of the Cayman Islands to be held; or (c) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors by the relevant resolutions.

Another ordinary resolution will also be proposed at the EGM to add to the new general mandate to be granted to the Directors to allot, issue and deal with Shares by an amount representing the aggregate nominal amount of the share capital of the Company (up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the relevant resolution) repurchased under the Share Repurchase Mandate.

The Directors confirm that they have not exercised the Existing General Mandates to issue Shares and repurchase Shares respectively after they have been granted to the Directors on 27 April 2005 and that they have no present intention to exercise such general mandates prior to the proposed listing of the Shares on the Main Board.

THE EGM

The EGM is convened to be held at 4th Level, Zone B, Block W1, Hi-Tech Industrial Park, Shennan Highway, Nanshan District, Shenzhen, Guangdong Province, the PRC on Monday, 11 July 2005 at 2:00 p.m., or any adjournment thereof, at which ordinary resolutions will be proposed to consider and, if thought fit, approve, among other matters, the following:–

- (a) the Proposed Withdrawal and the reduction of the notice period for the Proposed Withdrawal;
- (b) the adoption of the Proposed Share Option Scheme and the termination of the 2002 Scheme;
- (c) the revocation of the Existing General Mandates and the granting of new general mandates to issue and repurchase Shares.

At the EGM, a special resolution will also be proposed to consider and, if thought fit, to approve the adoption of the Proposed Articles of Association in substitution for the Articles of Association.

RECOMMENDATION

The Board considers that the Proposed Withdrawal, the reduction of the notice period for the Proposed Withdrawal, the adoption of the Proposed Share Option Scheme, the termination of the 2002 Scheme, the adoption of the Proposed Articles of Association in substitution for the Articles of Association and the proposed grant of general mandates to issue and repurchase Shares in substitution for the Existing General Mandates are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board recommends that the Shareholders vote in favour of each of the resolutions set forth in the notice of the EGM.

DEFINITIONS

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

“Articles of Association”	the existing articles of association of the Company which were adopted on 27 April 2005
“Board”	the board of Directors
“Business Day(s)”	any day(s) on which the Stock Exchange is open for the business of dealings in securities
“Circular”	the circular to the Shareholders despatched by the Company on 17 June 2005
“Company”	Kingdee International Software Group Company Limited (金蝶國際軟件集團有限公司), a limited liability company incorporated in the Cayman Islands on 22 September 1999
“Companies Law”	the Companies Law, Cap 22 (2004 Revision) (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules which in the context of this document, refers to Mr. Xu Shao Chun, Oriental Gold Limited (a company wholly owned by Mr. Xu Shao Chun) and Billion Ocean Limited (a company wholly owned by Mr. Xu Shao Chun)
“Director(s)”	the director(s) of the Company
“Effective Date”	on or about 20 July 2005, the day on which the Proposed Withdrawal becomes effective
“EGM”	an extraordinary general meeting of our Company to be held at 4th Level, Zone B, Block W1, Hi-Tech Industrial Park, Shennan Highway, Nanshan District, Shenzhen, Guangdong Province, the PRC on Monday, 11 July 2005 at 2:00 p.m. or any adjournment thereof
“Existing General Mandates”	the general mandates to issue Shares and repurchase Shares granted to the Directors pursuant to resolutions nos. 5(A) and 5(B) respectively at the annual general meeting of the Company held on 27 April 2005
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Introduction”	the proposed listing of the Shares on the Main Board by way of introduction pursuant to the Listing Rules
“Latest Practicable Date”	10 June 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Committee”	the listing sub-committee of the directors of the Stock Exchange responsible for Main Board listing matters
“Listing Document”	the listing document of the Company dated 17 June 2005 in connection with the Introduction
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM and which stock market continues to be operated by the Stock Exchange in parallel with GEM
“Pre-IPO Share Option Scheme”	the share option scheme approved and adopted by our Company on 30 January 2001
“Proposed Articles of Association”	the proposed articles of association to be adopted by the Company at the EGM
“Proposed Share Option Scheme”	the proposed share option scheme to be conditionally adopted at the Extraordinary General Meeting
“Proposed Withdrawal”	the proposed voluntary withdrawal of the listing of the Shares on GEM
“Prospectus”	the prospectus of the Company dated 9 February 2001 for the listing on GEM on 15 February 2001
“2001 Scheme”	the share option scheme approved and adopted by our Company on 30 January 2001
“2002 Scheme”	the share option scheme approved and adopted by our Company on 26 April 2002
“Shareholder(s)”	holder(s) of Share(s)
“Sponsor”	DBS Asia Capital Limited, a licensed corporation under SFO permitted to engage in types 1, 4 and 6 of the regulated activities (as defined in SFO) which is appointed as the sponsor to the Introduction

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“per cent.”	percentage

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

Hong Kong, 17 June 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. Zhao Yong, Mr. Hugo Shong and Mr. James Ming King; 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.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at www.kingdee.com.