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Kingdee

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: 268)

DISCLOSEABLE TRANSACTION CONSTRUCTION AGREEMENT

The Board announces that on 2 September 2005, Kingdee China, a wholly-owned subsidiary of the Company, entered into the Construction Agreement with No. 4 Works Bureau, an Independent Third Party, pursuant to which Kingdee China has agreed to engage No. 4 Works Bureau to perform certain construction, installation, decoration and exterior overall work of Kingdee Software Research and Development Station (金蝶研發基地). The construction site is located at Chenhui Road, Zhangjiang High-Technology Park Zone, Pudong New Zone, Shanghai City (上海市浦東新區張江高科技園區晨暉路). Total consideration for the construction, installation, decoration and exterior overall work under the Construction Agreement amounts to approximately RMB30,000,000 (equivalent to approximately HK\$28,301,887).

Particulars of the Construction Agreement are set out in the paragraph headed "Construction Agreement" of this announcement.

The Construction Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing, among other things, details of the Construction Agreement will be despatched to the Shareholders as soon as practicable.

CONSTRUCTION AGREEMENT

The principal terms of the Construction Agreement are as follows:

- Date : 2 September 2005
- Parties : (1) Kingdee China, a wholly-owned subsidiary of the Company
(2) No. 4 Works Bureau, an Independent Third Party

Particulars

Pursuant to the Construction Agreement, Kingdee China has agreed to engage No. 4 Works Bureau to perform certain construction, installation, decoration and exterior overall work of Kingdee Research and Development Station (金蝶研發基地). The construction site is located at Chenhui Road, Zhangjiang High-Technology Park Zone, Pudong New Zone, Shanghai City (上海市浦東新區張江高科技園區晨暉路), which was acquired by the Company from Shanghai Zhangjiang Wei Dian Zi Gang Co., Ltd. (上海張江微電子港有限公司), in January 2003 at a consideration of US\$1,372,041 (equivalent to approximately HK\$10,701,918). Shanghai Zhangjiang Wei Dian Zi Gang Co., Ltd. and its ultimate beneficial owners are Independent Third Parties. The Construction Agreement is expected to be completed within 270 days from the date of the Construction Agreement.

Consideration

The total consideration for construction, installation, decoration and exterior overall work under the Construction Agreement in the sum of approximately RMB30,000,000 (equivalent to approximately HK\$28,301,887), is payable by Kingdee China to No. 4 Works Bureau in the manner as set out under the paragraph headed “Payment terms” below.

The consideration for the Construction Agreement was determined on an arm’s length basis between the parties by reference to various factors including a cost estimate for the construction, installation, decoration and exterior overall work of Kingdee Research and Development Station prepared by Consideration Consultancy Centre of China Construction Bank Shanghai Branch (中國建設銀行上海分行造價諮詢中心) and will be financed by the internal resources of the Group.

Payment terms

75% of the total consideration under the Construction Agreement in the sum of approximately RMB22,500,000 (equivalent to approximately HK\$21,226,415) will be paid by monthly instalments according to the percentage of construction work completed which will be determined by the Company having reviewed the monthly progress report submitted by No. 4 Works Bureau.

Another 5% of the total consideration of the Construction Agreement in the sum of approximately RMB1,500,000 (equivalent to approximately HK\$1,415,094) will be paid upon examination and satisfactory receipt of the completed construction works by the Company.

Another 15% of the total consideration of the Construction Agreement in the sum of approximately RMB4,500,000 (equivalent to approximately HK\$4,245,283) will be paid upon the Company and Shanghai Tongji Construction Supervisory Consultancy Company Limited, which is the supervisory company of the construction works, have carried out the audit of the completed construction works.

The remaining 5% of the total consideration of the Construction Agreement is payable upon the expiry of the quality guarantee period, which will be determined by the quality guarantee agreement to be entered into between the Company and No. 4 Works Bureau at a later stage.

Information on the Group

The Group is principally engaged in (i) the development and sale of a series of enterprise application software targeting enterprises to meet their management, strategic planning and business requirements; (ii) the development and sale of Java-based middleware; and (iii) the provision of software-related customer service.

Information on Kingdee China

Kingdee China is principally engaged in the business of developing, manufacturing and selling software and hardware products and providing software-related technical services.

Information on No. 4 Works Bureau

No. 4 Works Bureau is principally engaged in the business of construction. No. 4 Works Bureau is a state-owned enterprise and established in the PRC on 14 June 1991.

Reasons and benefits of the Construction Agreement

The Construction Agreement was entered into to consolidate the resources of the Group to expand its business in Shanghai and the eastern part of the PRC and to attract outstanding personnel to join the Group. Kingdee Research and Development Station will provide a more centralized, convenient and effective working environment to the employees of the Group, which in turn will enhance corporate image, increase the productivity and competitiveness of the Group. All of the Group’s operations in Shanghai will be relocated to Kingdee Research and Development Station upon completion.

The appointment of No. 4 Works Bureau was made after a competitive public tendering process through which the Company performed an overall assessment on ten independent bidders. Since No. 4 Works Bureau was established in 1991, the Directors consider it reasonable to believe that No. 4 Works Bureau is capable to undertake the construction, installation, decoration and exterior overall work of Kingdee Software Research and Development Station.

The Directors consider that the terms of Construction Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Based on the aggregate consideration payable by Kingdee China to No. 4 Works Bureau under the Construction Agreement, the Construction Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

A circular containing, among other things, details of the Construction Agreement will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Kingdee International Software Group Company Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange
“Construction Agreement”	an agreement dated 2 September 2005 and conditionally entered into between Kingdee China and No. 4 Works Bureau relating to the provision of construction, installation, decoration and exterior overall work services subject to the terms and conditions contained therein
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	to the best of the directors’ knowledge, information and belief having made all reasonable enquiry, party(ies) who is (are) independent from the Company and connected persons (as defined in the Listing Rules) of the Company
“Kingdee China”	金蝶軟件（中國）有限公司 (Kingdee Software (China) Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC and wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“No. 4 Works Bureau”	中國建築第四工程局（滬）(China Construction No. 4 Works Bureau (Hu)), a state-owned enterprise and established in the PRC on 14 June 1991
“PRC”	the People’s Republic of China
“Share(s)”	shares in the share capital of the Company, with a nominal value of HK\$0.10 each, which are listed on the Stock Exchange
“Shareholder(s)”	holder(s) of the shares of the Company
“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
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

For the purpose of this announcement, conversion of RMB into HK dollars is calculated at the exchange rate of HK\$1.00 to RMB1.06 and conversion of US dollars into HK dollars is calculated at the exchange rate of HK\$7.80 to US\$1.00.

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

Shenzhen, the PRC, 2 September 2005

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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.

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 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.

** for identification purpose only*

“Please also refer to the published version of this announcement in The Standard.”