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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 22 September 2006, Kingdee China, a wholly-owned subsidiary of the Company, entered into the Construction Agreement with China Railway, an Independent Third Party, pursuant to which Kingdee China has agreed to engage China Railway to perform certain construction, installation, drainage, and electricity work of Kingdee R&D Centre (金蝶研發中心大廈). The construction site is located at Keji South Shier Road, Nanshan District, Shenzhen City (深圳市南山區科技南十二路). The total consideration for the construction, installation, drainage, and electricity work under the Construction Agreement amounts to approximately RMB61,000,000 (equivalent to approximately HK\$59,774,620).

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 major terms of the Construction Agreement are as follows:

- Date : 22 September 2006
- Parties : (1) Kingdee China, a wholly-owned subsidiary of the Company
(2) China Railway, an Independent Third Party

Particulars

Pursuant to the Construction Agreement, Kingdee China has agreed to engage China Railway to perform certain construction, installation, drainage, and electricity work of Kingdee R&D Centre (金蝶研發中心大廈). The construction site is located at Keji South Shier Road, Nanshan District, Shenzhen City (深圳市南山區科技南十二路), which was acquired by the Company from Shenzhen Municipal Bureau of Plan and Land Resources (深圳市規劃與國土資源局) (currently known as Shenzhen Municipal Bureau of Land Resources and Housing Management) (現為深圳市國土資源和房產管理局) in June 2004 at a consideration of RMB5,043,800 (equivalent to approximately HK\$4,942,479). Shenzhen Municipal Bureau of Land Resources and Housing Management is an Independent Third Party. The Construction Agreement is expected to be completed within 335 days from 1 October 2006.

Consideration

The total consideration for construction, installation, drainage, and electricity work under the Construction Agreement amounts to approximately RMB61,000,000 (equivalent to approximately HK\$59,774,620), is payable by Kingdee China to China Railway 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, drainage, and electricity work of Kingdee R&D Centre prepared by Shenzhen Peter, an Independent Third Party. Shenzhen Peter is a Grade-II Construction Consideration Consultant (乙級工程造價諮詢企業)

recognised by the Shenzhen Construction Bureau (深圳市建設局) and a provider of construction and project management services, including cost and budget controls, scheduling and risk management. The Company decided to engage Shenzhen Peter to provide the cost estimate because of its extensive experience in the construction industry and its reputation for high quality. The Company determined the range of fair consideration for the Construction Agreement with reference to the cost estimate prepared by Shenzhen Peter.

The consideration for the Construction Agreement will be financed by the Group's cash on hand, and such payment by the Group will not cause any adverse effect on the Group's financial position.

Payment terms

The total consideration of the Construction Agreement will be paid in cash. The payment terms and schedules under the Construction Agreement are in line with similar construction agreements in the PRC and are as follow:

- (i) 70% of the total consideration of the Construction Agreement in the sum of approximately RMB42,700,000 (equivalent to approximately HK\$41,842,234) will be paid in cash according to the percentage of construction work completed (as set out in sub-paragraphs (a) to (e) below) which will be determined by progress reports of the principal part of the construction. Such progress reports will be prepared by China Railway on a monthly basis and will be tabled for discussions at the monthly progress meetings:
 - (a) 15% of the total consideration of the Construction Agreement will be paid within seven business days of completion of the basement of the Kingdee R&D Centre;
 - (b) 15% of the total consideration of the Construction Agreement will be paid within seven business days of completion of the first three floors of the Kingdee R&D Centre;
 - (c) 20% of the total consideration of the Construction Agreement will be paid within seven business days of completion of the first six floors of the Kingdee R&D Centre;
 - (d) 10% of the total consideration of the Construction Agreement will be paid within seven business days of the Kingdee R&D Centre being topped-off; and
 - (e) 10% of the total consideration of the Construction Agreement will be paid within seven business days of the scaffolding being dismantled;
- (ii) further 10% of the total consideration of the Construction Agreement in the sum of approximately RMB6,100,000 (equivalent to approximately HK\$5,977,462) will be paid upon examination and satisfactory receipt of the completed construction works by the Company;
- (iii) further 15% of the total consideration of the Construction Agreement in the sum of approximately RMB9,150,000 (equivalent to approximately HK\$8,966,193) will be paid upon the audit of the completed construction works. The Company will engage an Independent Third Party with appropriate audit experience and expertise to perform such audit when the construction works are closer to completion;
- (iv) the remaining 5% of the total consideration of the Construction Agreement is payable upon the expiry of the quality guarantee period (which lasts for 24 months from the date of examination and satisfactory receipt of the completed construction works), half of which will be paid after 12 months from the date of examination and satisfactory receipt of the completed construction works, and half of which will be paid after 24 months from the date of examination and satisfactory receipt of the completed construction works; and
- (v) if the construction works are delayed or discontinued for any reasons caused by China Railway, the Company will be entitled to claim for its loss or damage caused by such delay or stoppage under the Construction Agreement.

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 China Railway

China Railway is a state-owned enterprise established in the PRC on 18 December 1997. China Railway is principally engaged in the business of construction and specialises in industrial and residential infrastructure, railway, real estate development and exploration projects. China Railway was involved in various large scale construction projects in the PRC, and other parts of the world. The Company appointed

China Railway because of its reputation and extensive experience in the construction industry, particularly in Shenzhen City. The Directors believe that China Railway Construction Engineering Group is capable to undertake the construction, installation, drainage, and electricity work of Kingdee R&D Centre. Prior to the Construction Agreement, the Company had no previous dealings with China Railway.

Reasons and benefits of the Construction Agreement

Kingdee R&D Centre will be the R&D centre and Operation Management Headquarter of the Group in PRC. The construction of Kingdee R&D Centre will allow the Group to centralize the operation of central research institute, corporate application research, middleware research, new products research, such as internet, mobile commerce, etc., customers & partners laboratory and customers technology supporting centre, which are dispersive at present, and as a result increase the coordinated efficiency of R&D, it will also strengthen the synergies of business partners, and increase the competitiveness of the Group. In the meantime, Kingdee R&D Centre will be beneficial to the corporate image, and create an “innovative, win-win, harmonious and happy” working environment for employees of the Group, which in turn will maintain and attract outstanding personnel, and reduce present lease expenses. The Construction Agreement was entered into with China Railway after a competitive public tendering process, which commenced on 17 July 2006 and ended on 18 August 2006, through which the Company has performed overall assessments on several independent bidders.

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 China Railway 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
“China Railway”	中鐵建工集團有限公司 (China Railway Construction Engineering Group Co., Ltd.), a state-owned enterprise established in the PRC on 18 December 1997, an Independent Third Party
“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 22 September 2006 entered into between Kingdee China and China Railway relating to the provision of construction, installation, drainage and electricity work 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
“PRC”	the People’s Republic of China
“R&D”	research and development

“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
“Shenzhen Peter”	深圳比得工程造價諮詢有限公司 (Shenzhen Peter Construction Consideration Consultancy Company Limited), a company established in the PRC and an Independent Third Party
“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

For the purpose of this announcement, conversion of RMB into HK dollars is calculated at the exchange rate of HK\$1.00 to RMB1.0205.

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

Shenzhen, the PRC, 25 September 2006

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. Chen Deng Kun; 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.

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