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If you have sold or transferred all your shares in Kingdee International Software Group Company Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**

16 October 2006

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DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Beijing Case”	北京開思軟件技術有限公司 (Beijing Case Software Technology Co., Ltd.*), an equity joint venture enterprise established in the PRC on 20 October 1990
“Board”	the board of Directors
“Chengdu Kingdee”	成都金蝶軟件科技有限公司 (Chengdu Kingdee Software Technology Co., Ltd.*), a limited liability company established in the PRC on 16 September 1997
“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
“Guangdong Kingdee”	廣東金蝶軟件科技有限公司 (Guangdong Kingdee Software Technology Co., Ltd.*), a limited liability company established in the PRC on 6 April 1998
“Jinan Kingdee”	濟南金蝶軟件科技有限公司 (Jinan Kingdee Software Technology Co. Ltd.*), a limited liability company established in the PRC on 28 April 1998
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“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
“Latest Practicable Date”	11 October 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nanning Kingdee”	南寧金蝶軟件科技有限公司 (Nanning Kingdee Software Technology Co. Ltd.*), a limited liability company established in the PRC on 26 January 1999
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Case”	上海開思軟件有限公司 (Shanghai Case Software Co., Ltd.*), a limited liability company established in the PRC on 18 June 1996
“Shanghai Kingdee”	上海金蝶軟件科技有限公司 (Shanghai Kingdee Software Technology Co., Ltd.*), a limited liability company established in the PRC on 23 July 1998
“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 Kingdee Middleware”	深圳市金蝶中間件有限公司 (Shenzhen Kingdee Middleware Co., Ltd.*) (formerly known as 深圳市阿派斯軟件有限公司 (Shenzhen Apusic Software Co., Ltd.*)), a limited liability company established in the PRC on 29 August 2000

DEFINITIONS

“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
“Xiamen Kingdee”	廈門金蝶軟件科技有限公司 (Xiamen Kingdee Software Co., Ltd.*), a limited liability company established in the PRC on 16 April 1997
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“R&D”	research and development
“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.

** for identification purpose only*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Xu Shao Chun
Mr. Chen Deng Kun

Non-executive Directors:

Mr. Zhao Yong
Mr. Hugo Shong
Mr. James Ming King

Independent Non-executive Directors:

Ms. Yang Zhou Nan
Mr. Wu Cheng
Mr. Yeung Kwok On
Mr. Gary Clark Biddle

Registered Office:

Ugland House
P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

*Head Office and principal place
of business in the PRC:*

4th Level, Zone B, Block W1
Hi-Tech Industrial Park
Shennan Highway
Nanshan District
Shenzhen, Guangdong Province
The PRC

*Principal place of business
in Hong Kong:*

1902 MassMutual Tower
38 Gloucester Road
Wanchai, Hong Kong

16 October 2006

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
CONSTRUCTION AGREEMENT**

INTRODUCTION

By an announcement dated 25 September 2006, the Board announced 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

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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).

The Construction Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to provide Shareholders with further information on the Construction Agreement and other information in compliance with the requirements of the Listing Rules.

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

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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;

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- (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.

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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. All of the Group’s operations in Shenzhen will be relocated to Kingdee R&D Centre upon completion. 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 Board believes that the entering into of the Construction Agreement will not give rise to any material effect on the earnings and the assets and liabilities of the Group.

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 relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceed 5% but less than 25%, the Construction Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the Appendix to this circular.

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

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, which to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at the Latest Practicable Date, the interests of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO), as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any which they are taken or deemed to have under such provisions of the SFO), as recorded in the register required to be maintained by the Company under Section 352 of the SFO or as required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange 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	Interests of controlled corporation (<i>Note 1</i>)	
	4,962,880	Beneficial owner	
	10,400,000	Other/ share option	
<i>Aggregate:</i>	<i>157,279,130</i>		<i>34.96%</i>
Chen Deng Kun	2,452,000	Other/ share option	
<i>Aggregate:</i>	<i>2,452,000</i>		<i>0.55%</i>
Zhao Yong	50,010,750	Beneficial owner	
<i>Aggregate:</i>	<i>50,010,750</i>		<i>11.12%</i>

Notes:

- 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.

Save as disclosed in this paragraph, as at the Latest Practicable Date, none of the Directors and chief executive had any interests or 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 the Listing Rules.

3. DISCLOSEABLE INTEREST UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the persons, other than a Director or chief executive of the Company, who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, were as follows:

Long positions in shares/underlying shares of the Company

Name	Number of Shares/ underlying share (where appropriate)	Capacity	Percentage of issued shares capital
Oriental Gold Limited	83,606,250	Beneficial owner	18.59%
Billion Ocean Limited	58,310,000	Beneficial owner	12.97%

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the persons, other than a Director or chief executive of the Company, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities or in any options in respect of such capital were as follows:

Name of Subsidiaries	Number of shareholders	Number and class of shares held	Percentage of shareholding
Shanghai Case	Zou Jin	Total registered capital is RMB1,000,000, of which RMB100,000 is held by Zou Jin	10%
Xiamen Kingdee	Lin Dong Hai	Total registered capital is RMB300,000, of which RMB90,000 is held by Lin Dong Hai	30%

Name of Subsidiaries	Number of shareholders	Number and class of shares held	Percentage of shareholding
Chengdu Kingdee*	Zou Jin	Total registered capital is RMB800,000, of which RMB80,000 is held by Zou Jin	10%
Guangdong Kingdee	Zou Jin	Total registered capital is RMB500,000, of which RMB50,000 is held by Zou Jin	10%
Jinan Kingdee**	Song Yong Peng	Total registered capital is RMB500,000, of which RMB135,000 is held by Song Yong Peng	27%
Shanghai Kingdee	Zou Jin	Total registered capital is RMB10,000,000, of which RMB1,000,000 is held by Zou Jin	10%
Nanning Kingdee# (Note 1)	Yan Yi Li Guo Fang	Total registered capital is RMB500,000, of which RMB150,000 and RMB50,000 are held by Yan Yi and Li Guo Fang respectively	30% 10%
Shenzhen Kingdee Middleware	Yuan Hong Gang	Total registered capital is RMB5,000,000, of which RMB1,750,000 is held by Yuan Hong Gang	35%
Beijing Kingdee*	Zou Jin	Total registered capital is RMB1,000,000, of which RMB100,000 is held by Zou Jin	10%

* The Directors confirm that the relevant company is in the process of applying for cancellation (注銷) of registration of legal entity as the Group is in the process of streamlining its corporate structure. The Directors also confirm that the cancellation (注銷) will not cause any adverse effect on the Group.

The business licence of the relevant company is cancelled (吊銷) because the relevant company has been dormant since the year of 2003. The Directors confirm that the cancellation (吊銷) will not cause any adverse effect on the Group.

Notes:

1. The total registered capital of Nanning Kingdee is RMB500,000, of which RMB260,000, RMB150,000, RMB50,000 and RMB40,000 is held by Kingdee Chian, Yan Yi, Li Guo Fang and Xiang Feng, respectively.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Directors, none of the Shareholders, other than a Director or chief executive of the Company, had any interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or had, directly or indirectly, any interests in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. LITIGATION

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation is pending or threatened against any member of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered or has proposed to enter into any service agreements with any members of the Group (other than contracts expiring or determinable by the employer within one year).

6. COMPETING BUSINESS

None of the Directors and their respective associates has any interests in a business which compete or may compete with the business of the Group as at the Latest Practicable Date.

7. GENERAL

- (a) The registered office of the Company is Ugland House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (b) The head office of the Group is 4th Level, Zone B, Block W1, Hi-Tech Industrial Park, Shennan Highway, Nanshan District, Shenzhen, Guangdong Province, The PRC.
- (c) The Company's principal place of business in Hong Kong is 1902 MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong.
- (d) The principal share registrar and transfer office is Bank of Butterfield International (Cayman) Ltd., P.O. Box 705, Butterfield House, Fort Street, George Town, Grand Cayman, Cayman Islands, British West Indies and the

Hong Kong branch share registrar and transfer office is Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road Central East, Hong Kong.

- (e) The company secretary of the Company is Ms. Ngan Lin Chun, Esther who is a chartered secretary.
- (f) The qualified accountant of the Company appointed pursuant to Chapter 3.24 of the Listing Rules is Mr. Ho, Ka Man Barry, who is a member of the U.S. Institute of Chartered Financial Analysts, the Hong Kong Institute of Financial Planners, the Hong Kong Institute of Certified Public Accountants, Hong Kong Securities Institute and the Australian Institute of Banking and Finance.
- (g) The English text of this circular shall prevail over the Chinese text.