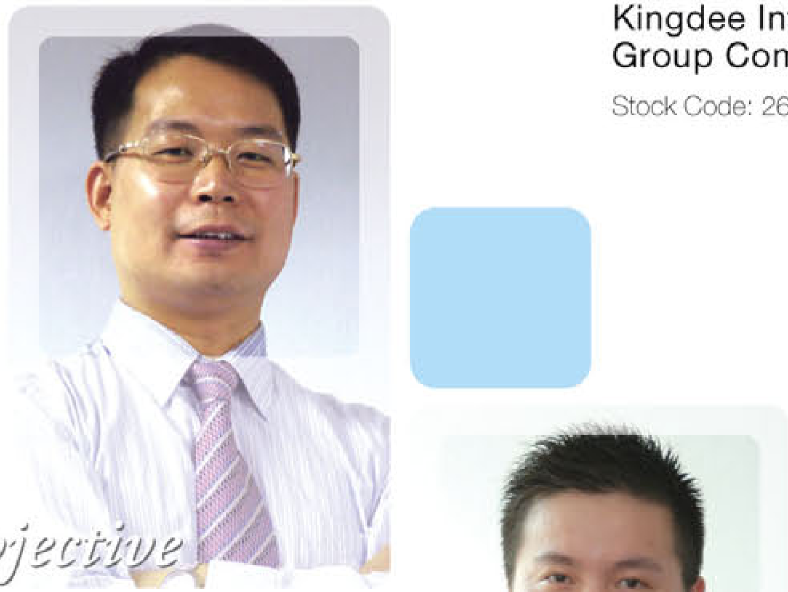
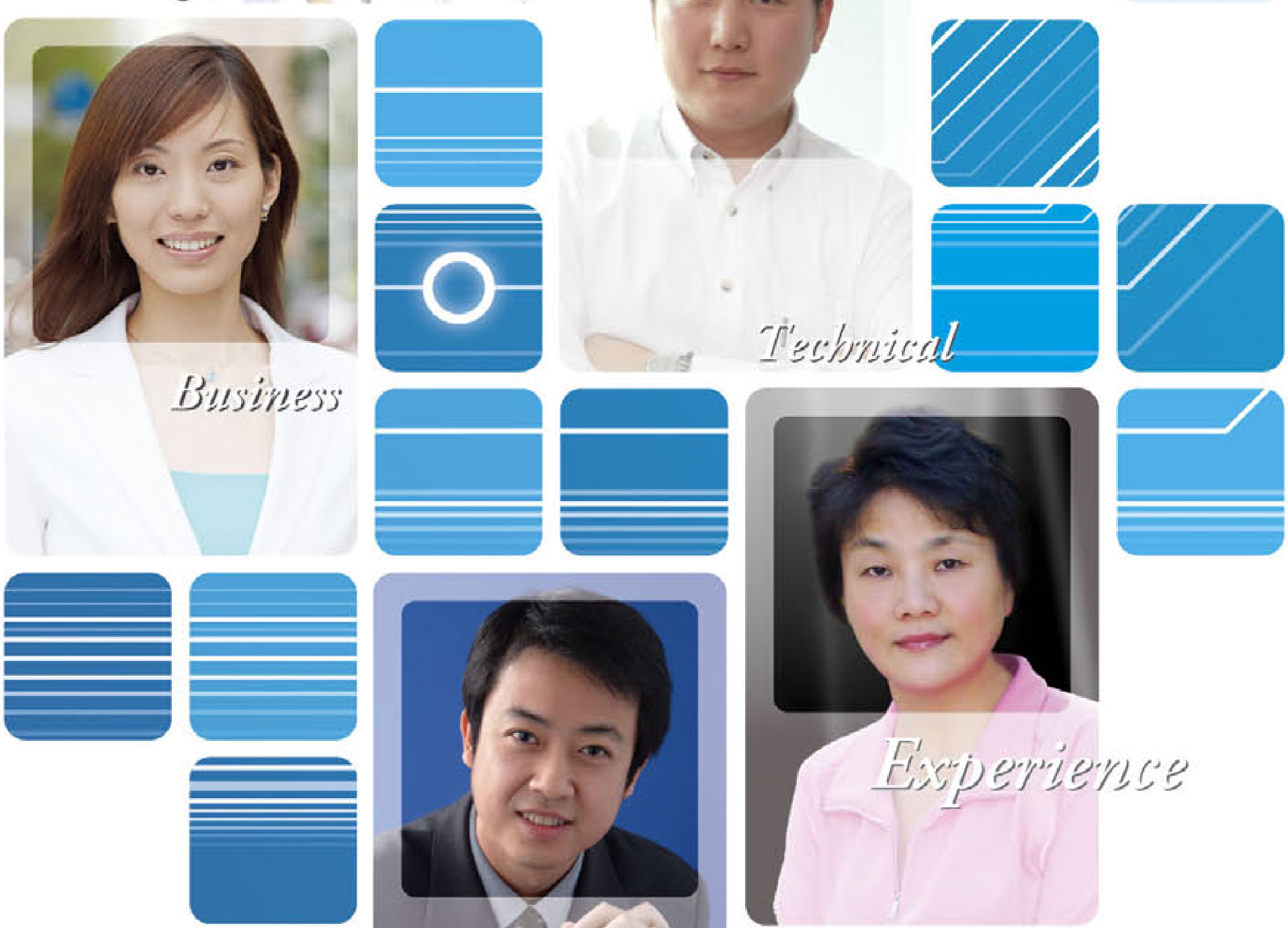
2007 Annual Report

Kingdee International Software
Group Company Limited

Stock Code: 268





Kingdee

Enterprise
Management
Expert

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Corporate Introduction

Kingdee International Software Group Company Limited (www.kingdee.com) is a listed company on the Main Board of the Hong Kong Stock Exchange (HK Stock Code: 268). It is a leader in the China software industry, a distinguished enterprise management software and middleware provider in Asia-Pacific region and a world renowned online management and e-business application solution service provider. Its mission is to lead advancement of management model of enterprises, encourage e-business and enable customers' success. Currently, Kingdee provides informatization services to over 500,000 enterprises, government departments and organizations around the world. It has been recognized by IDC as the biggest player in SME management software market in China in terms of market share for four consecutive years and made on Forbes Asia's "200 Best Under a Billion Companies" for two consecutive years. Further, it has been recognized by Gartner as one of the 19 major Next Generation SOA service providers in the world. In 2007, IBM and Lehman Brothers jointly invested in the Group and became its strategic shareholders. Kingdee and IBM have also formed global alliance, cooperating in various aspects, including SOA, marketing and sales, consultation and application management services (AMS) and software as a service (SaaS), etc.

Headquartered in Shenzhen, China, Kingdee International Software Group Company Limited was founded in August 1993, and publicly listed on the Main Board of the Hong Kong Stock Exchange on 20 July 2005. The Group has 40 branches engaging in selling software products and providing services, as well as over 1,200 business partners for consulting, technology, implementation service and distribution. Kingdee's sales network spans across four regions, namely Southern, Eastern, Northern and Western China, covering a total of 261 cities and districts. The Group employs about 4,000 staff serving more than 500,000 customers around the world, including Mainland China, Hong Kong, Taiwan, Singapore, Malaysia, Indonesia, Thailand, etc.

The Group has made many "first" in China software industry. It developed the first WINDOWS-based accounting software and small enterprise management software (Kingdee KIS), the first pure Java-based middleware product (Kingdee Apusic and Kingdee BOS) and the first three-tier ERP system (Kingdee K/3). Currently, the Group owns three ERP products. They are K/3 and KIS, which mainly target at small to mid-size enterprises, and EAS for mid-size to large enterprises. The ERP products facilitate enterprise financial management, supply-chain management, customer relationship management, human resources management, knowledge management and business intelligence gathering, etc. They also enable collaboration among enterprises and integration with e-business applications.

Providing timely response to customer requests and offering all-life-cycle service has been the driving force for the Group. It is the strategic goal of the Group to build a strong software team in China that can provide excellent software services and create values to customers. Working together with customers, the Group will promote the China management model to the world, with its long-term vision to become a leader in the global enterprise management software and e-business service market.

Corporate Information

Executive Directors

Mr. Xu Shao Chun, Chairman and Chief Software Architect

Mr. Ho Ching-Hua, CEO

Mr. Chen Deng Kun, Vice-president and CFO

Non-executive Directors

Mr. James Ming King

Mr. Zhao Yong (resigned on 12 September 2007)

Mr. Hugo Shong (resigned on 31 March 2008)

Mr. Charles Po-shun Wu (appointed on 31 March 2008)

Independent Non-executive Directors

Ms. Yang Zhou Nan

Mr. Wu Cheng

Mr. Yeung Kwok On

Mr. Gary Clark Biddle

Company Secretary

Ms. Ngan Lin Chun, Esther *ACS*

Qualified Accountant

Mr. Ho, Ka Man Barry *CPA*

Audit Committee of the Board

Ms. Yang Zhou Nan (Chairman)

Mr. Zhao Yong (resigned on 12 September 2007)

Mr. Wu Cheng

Mr. Gary Clark Biddle

Authorised Representatives

Mr. Xu Shao Chun

Mr. Chen Deng Kun

Auditor

PricewaterhouseCoopers

22nd Floor, Prince's Building

Central, Hong Kong

Legal Advisors

Hong Kong:

DLA Piper

40/F, Bank of China Tower

1 Garden Road

Central, Hong Kong

PRC:

Sincere Partner & Attorneys

24th Floor, City Tower

Tianmian, Futian District

Shenzhen, the PRC

Cayman Islands:

Maples and Calder Asia

Suite 1002, One Exchange Square

8 Connaught Place

Central, Hong Kong

Principal Bankers

PRC:

China Merchants Bank

Bank of China

Industrial and Commercial Bank of China

Bank of Communications

Shenzhen Development Bank

Hong Kong:

The Hongkong and Shanghai Banking Corporation Limited

Registered Office

P.O. Box 309
Ugland House
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

Company Website

www.kingdee.com

Principal Share Registrar

Bank of Butterfield International (Cayman) Ltd.
P.O. Box 705
Butterfield House
Fort Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Public Relations

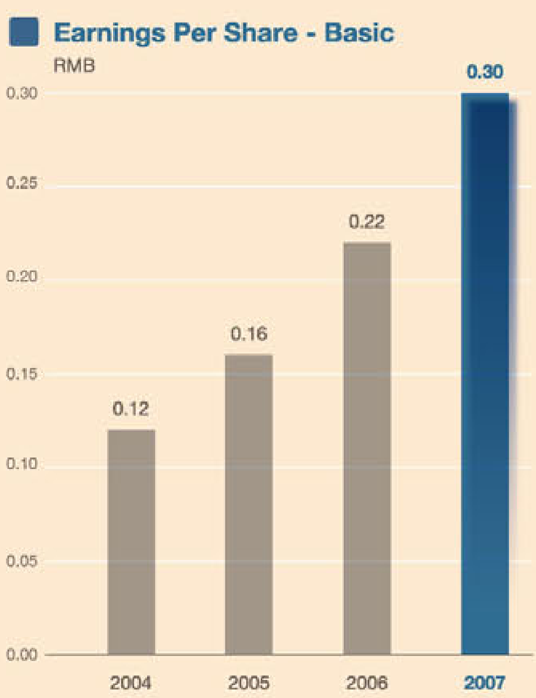
Strategic Financial Relations (China) Limited
Unit A, 29/F., Admiralty Centre I
18 Harcourt Road
Hong Kong

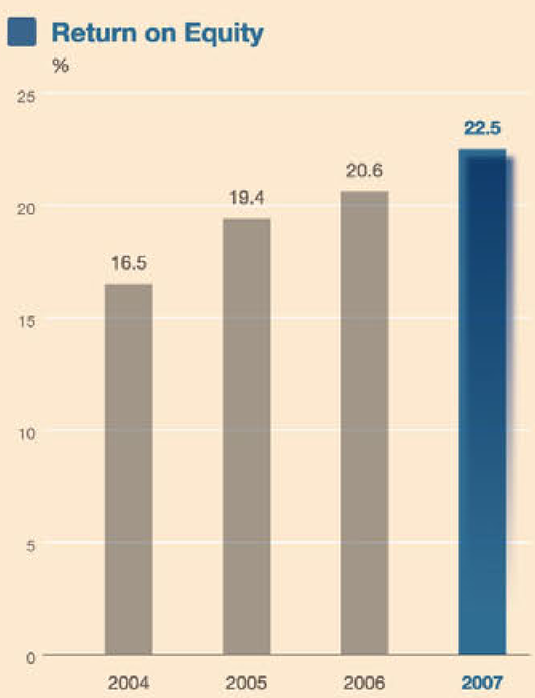
Main Board Stock Code

268

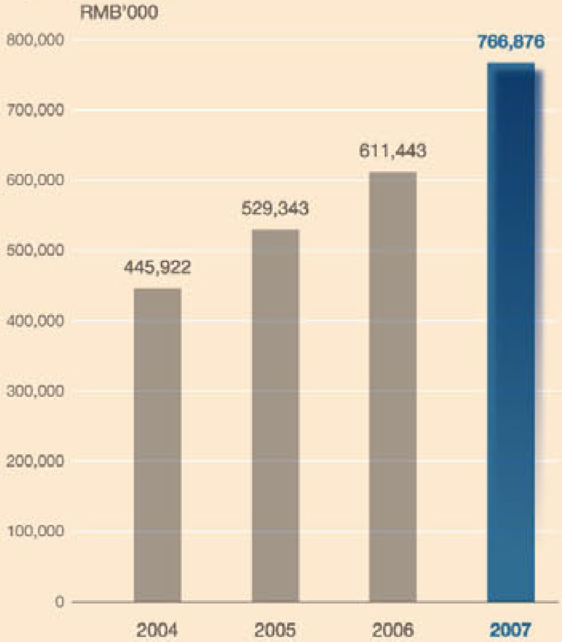
Financial Highlights

	2007 RMB'000	2006 RMB'000
Turnover	**766,874**	611,443
Profit attributable to equity holders of the Company	**136,476**	97,377
Dividends per share	**HKD0.085**	HKD0.065
Earnings per share		
- basic	**RMB0.30**	RMB0.22
- diluted	**RMB0.28**	RMB0.21

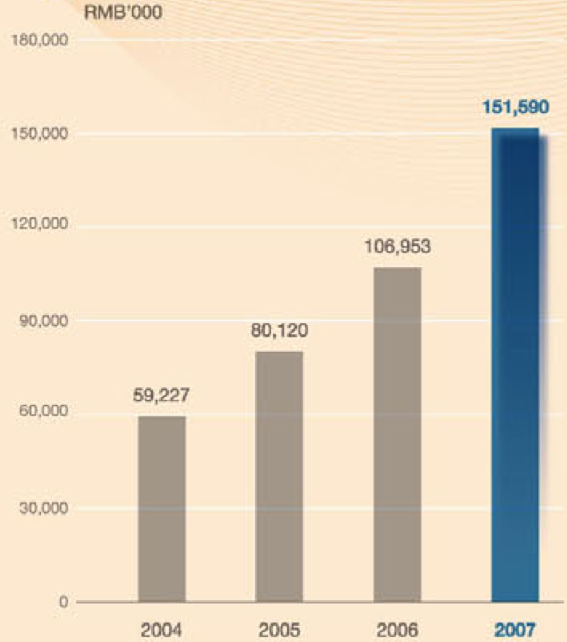




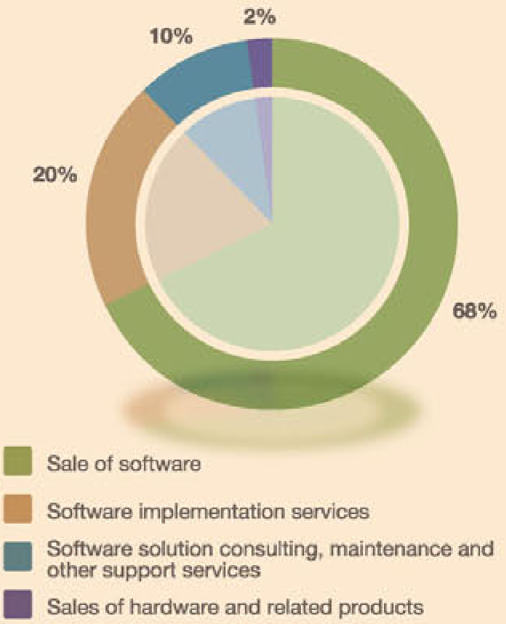
Turnover



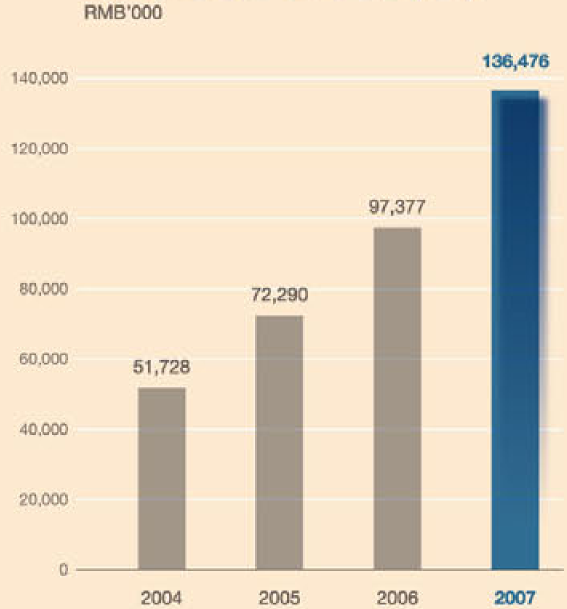
Operating Profit



Turnover Breakdown by Business



Profit Attributable to Equity Holders of the Company



Chairman's Statement

2007 was an extraordinary year, a year with rapid transformation and brilliant achievements.

On behalf of the Board, I hereby present the financial and operating results of Kingdee International Software Group Company Limited for the year ended 31 December 2007 to shareholders for review.

During the year ended 31 December 2007, the Group's turnover grew rapidly to approximately RMB766,876,000, representing an increase of 25% as compared with previous year. Profit attributable to equity holders of the Company increased by 40% year-on-year to approximately RMB136,476,000. With the Group continuing to enjoy economies of scale, profit margin for the year grew to 17.8%, 2% more than in 2006. Basic earnings per share were approximately RMB0.30, up 36% from that of the previous year. Proposed dividend was HK$0.085 per share.

2007 was an extraordinary year, a year with rapid transformation and brilliant achievements.

The potential growth of China ERP industry is huge. To cater to the enormous demand for ERP software in the China market, during the year under review, the Group focused on raising its operational capabilities. It made good progress with expanding sales channels in the low-end market, strengthening delivery capabilities for the mid to high-end markets and accelerating growth of high-end products. Fast growth in revenue and profit achieved by the Group during the year not only allowed it to sustain leadership in the market, but had also attracted investment from IBM and Lehman Brothers, with IBM becoming a global strategic ally and committing to cooperating with the Group in extensive business development.

During the reporting period, on the foundation braced by its thriving ERP products, we stepped into the new business area of providing one-stop e-business services, thereby extending our service scope from internal management to business-to-business cooperation and ultimately to interaction between business community participants. Capitalizing on our Youshang.com platform and online management services, the Group hopes to develop a China No. 1 and global advanced e-business platform.

The next three years will be prime time of rapid growth for the ERP and e-business sectors. The Group will strive to establish itself the strongest software flagship in the country and raise the value of its software services. It will progress by the year in achieving breakthroughs in distribution network expansion, product offerings and service provision, to facilitate transformation of the Group from a product supplier into a service provider. In addition, it will build up its image of enterprise management expert and accelerate merger and acquisition efforts leveraging the mature capital market in order to consolidate its leading position in the global enterprise management software and e-business service market. We are confident of and ready to meet the challenges ahead.

Last but not least, I would like to express my gratitude to all staff for their dedication and contribution, the Board of Directors for its support and guidance and investors for their care and trust.

Chairman of Board of Directors

Xu Shaochun

Management Discussion and Analysis

Business Review

1. Enterprise Management Software

(1) Industry Overview

Though having been developing for many years until now, the enterprise management software market in China is still in infancy stage when compared with markets in Europe or the US. The penetration rate of the management software is still relatively low among SMEs. Software service income makes up only a small portion of software vendors' total income. Such are evidences of the development of the software industry which is still taking its shape.

The enterprise management software market in China had grown steadily in the past three years. In 2007, thanks to the thriving economy and government's efforts in pushing for informatization and industrialization, it reached a turning point and moved from steady development into fast growth. More and more enterprises instrumental to the prosperity of the economy are set up or have grown in scale, translating into a strong demand for management software to improve internal management and lower cost. The industry leaders' successful adoption of locally developed software has boosted recognition and enterprises' confidence in China management software at large.

(2) Market Position

During the reporting period, thanks for the excellent performance, strong brand influence and high quality products, the Group continued to maintain market leadership:

1. Biggest share in SME management software market in China (November 2007, IDC)
2. Named China Top Brand by General Administration of Quality Supervision, Inspection and Quarantine of the PRC (September 2007)
3. Made 2 times "500 Most Valuable Brands in China" of World Brand Lab (August 2006 and June 2007)
4. Named 2 times "Asia's Top 200 SME" by Forbes Asia (October 2006 and October 2007)
5. Received "Independent Innovative Software Enterprise and Product in China" award in an independent and innovative software report published by 21 Century Business Herald (June 2007)

(3) Business Review

During the reporting period, the Group continued to optimize its products and pursued technological innovation. Integrating ERP-based platform middleware, BOS and ERP, Kingdee continued to develop products according to clients' needs. It boosted the global standing of its products and earned the recognition of a number of world-renowned companies. It obtained various certificates including the IBM SOA and Microsoft's Windows Vista Logo certificates for Kingdee EAS and K/3 respectively.

During the reporting period, Kingdee EAS achieved breakthroughs in terms of management model, workflow optimization and specific functions. Its group control management model was highly recognized by the market, which braced rapid growth in sales. The Group landed more than 100 contracts with customers including South Champ Ltd., Perfect (China) Commodity Ltd., Shenzhen Zhongjin Lingnan Nonfemet Co., Ltd., China Merchants Securities Co., Ltd., China Mobile Group Guangdong Company Limited (Shenzhen branch), etc. Embedded with outstanding manufacturing and HR modules, Kingdee K/3 has enhanced its integration, application and standardization. The KIS Professional Edition improved its functions and supports for the new accounting standards in China, thus was welcomed by the market.

During the reporting period, the Group continued to execute its distribution strategy and started to see initial success. Its "partner success protection plan" (PSPP) allows business partners to simplify, standardize and systematize complicated business procedures, thus help its business partners enhance their capabilities and transform from performing sales functions into strong delivery channels. Through the innovative distribution model, KIS achieved breakthrough growth. The Group's Call Center extended coverage to the entire country at the end of the year and shortened response time to customers' requests at lower cost, which reflected the value of the service.

2. Middleware

During the reporting period, the Group launched a Web-based development framework called OperaMasks which targets individual independent software vendors (ISV) and system integrators, who have extensive needs for this technology to enhance efficiency of J2EEWeb development. Among only a few cornerstone platform manufacturers owning proprietary core technologies, Kingdee succeeded in entering the middleware market monopolized by foreign companies and meeting the needs of domestic partners in relation to infrastructure software platform.

During the reporting period, the Group's proprietary middleware technology earned it a place in Gartner's list of 19 major global manufacturers capable of providing next generation SOA service. It is the only Chinese software enterprise on the accreditation list. The Group also demonstrated its capability in e-government application. It won tenders in influential projects such as the super integrated application system - phase I of the country all-important Golden-Macro-Economic Project (Macroeconomic Information Management System) and the core project of the State Bureau for Letters and Calls (National Letters and Calls Information System).

3. Online Management Service and e-Business

During the reporting period, the Group announced its advance into one-stop e- business entailing the offer of e-business applications on the Internet through integrating online management services with e-commerce. This offer removed the barrier between internal management of an enterprise and its external markets, between different enterprises, and between internal management of up and down stream operations in the enterprise, and smoothened the transition process in business communication collaboration, realizing sharing of information and integration of resources. The Group's online management and e-business platform Youshang.com officially commenced operation. It collaborated with various e-business service partners to build a high quality enterprise value service chain, hence a reliable enterprise e-business community. With an established customer base, a solid technological foundation and the support of IBM, Kingdee is leading the one-stop e-business in China. Although still at the budding stage in China, the online software business (SaaS) has very bright prospects given a broad potential customer base of over 42 million small-to-medium enterprises in the country.

4. International Business

During the reporting period, the Group continued to explore overseas markets. It signed an agreement with a cooperative partner to set up a joint venture Kingdee Southeast Asia Software Group Co., Ltd., with the aim of expanding markets in the Asia Pacific region, particularly in Southeast Asia and for its management software products. The Group also continued to secure new customers in Hong Kong, Macau, Singapore, Malaysia and Indonesia and build an international customer base represented by anchor clients such as Singapore Pan Sun Hardware Pte Ltd.

5. Strategic Cooperation and Business Development

(1) Global Strategic Alliance

During the reporting period, IBM and Lehman Brothers jointly acquired 7.7% stake in the Group and became the Group's strategic investors and second largest shareholder. At the same time, the Group established global strategic alliance with IBM to work together on various aspects such as Service-Oriented Architecture (SOA), marketing and sales, consultation and application services and SaaS, etc. During the reporting period, the two parties implemented cooperation plans including establishment of the Kingdee SOA innovation center, research and development and strategy deployment of the Kingdee one-stop e-business system, expansion of high-end customer base, consultation and implementation of projects, detailed research by technological experts and implementation of high-end market activities. All these cooperative plans made satisfactory progress.

(2) Business Development

The Group continued to pursue appropriate merger and acquisition opportunities of software vendors to achieve vertical and horizontal expansion. During the reporting period, the Group entered into the government financial service business through acquiring Beijing Hungvision Technology Development Co., Ltd. and started providing innovative

management models and technological platforms to aid the government's financial reform and information infrastructure construction. This has raised the Group's influence in the government administration software sector in China.

6. Staff Development and Social Responsibility

The Group has always been emphasizing on nurturing talents and supporting career development of employees. During the reporting period, the Group stepped up professional training for its managers and continued to promote its "dual-path career development" system and optimize the "Kingdee Staff Capability model". It also organized training camp for the Group's potential managers. All these efforts have allowed the Group to groom a pool of capable backbone staff to meet its future development needs.

As a corporate citizen, the Group has actively taken up more social responsibilities in its course of development. During the reviewing period, the Group has setup ERP labs at nearly a hundred high schools. Also, to uphold the principles of elevating poverty by education, the Group subsidized educational magazine subscriptions for education institutions of poor counties in Guizhou Province and founded the "Kingdee Education Trust" for students in Nianyuan Jian of Hunan Province.

Management Discussion and Analysis

Financial Review

For the year ended 31 December 2007, the Group's turnover amounted to RMB766,874,000, representing an increase of 25% against 2006 (2006: RMB611,443,000). This was mainly attributable to strong growth of demand for enterprise application software from Chinese enterprises as well as effective implementation of the Group's operation strategies.

During the year, the Group realized revenue from software of RMB520,197,000, representing an increase of 26% against 2006 (2006: RMB413,114,000), and service revenue of RMB234,256,000, representing an increase of 26% against 2006 (2006: RMB186,144,000). During the year, the Group's cash flow generated from operating activities was RMB268,715,000, representing an increase of 28% over that of 2006 (2006: RMB210,124,000).

During the reporting period, the debtor turnover days was 70 days (the average of the debtor balance at the beginning and the end of the year divided by the total revenue of the year times 365 days) (2006: 81 days). During the reporting period, the Group made efforts to manage and recover receivables and hence maintained account receivables turnover at a reasonable level.

For the year ended 31 December 2007, profit attributable to equity holders of the Company was RMB136,476,000, representing an increase of 40% against 2006 (2006:RMB97,377,000). During the year, net profit margin was 18% (2006: 16%) and basic earnings per share were RMB0.30 (2006: RMB0.22). The improvement of net profit was attributed to the Group's appropriate control over the costs and expenses while maintaining growth in revenue, reflecting the Group's achievement in economies of scale.

Gross Profit

Gross profit of the Group increased by approximately 24% from RMB490,248,000 for the year 2006 to RMB607,175,000 for 2007. Gross profit margin for the year was stable at approximately 79% (2006: approximately 80%).

Selling and Marketing Expenses

Selling and marketing expenses for the year was approximately RMB327,981,000 (2006: RMB279,175,000), representing an increase of 17% against last year. Selling and marketing expenses accounted for a comparable 43% of turnover, compared to 46% in 2006. The lower proportion was owed to effective control on expenses and effect of economies of scale.

Administrative Expenses

Administrative expenses for 2007 amounted to RMB224,502,000 (2006: RMB180,679,000), representing an increase of approximately 24%. During the period, administrative expenses accounted for a comparable 29% of the turnover, compared to 30% in 2006. This was mainly due to the increase of investment in EAS, K/3 manufacturing and new business such as online and mobile commerce. The cost of R&D was approximately RMB86,363,000, representing an increase of 24% as compared with 2006 (2006: RMB69,858,000). Other administrative expenses were effectively controlled.

Capital Expenditure

For the year ended 31 December 2007, the Group's major capital expenditure included construction cost of the Shanghai and Shenzhen Research Centers of RMB105,802,000 (2006: RMB36,935,000), R&D capitalized expenses of RMB58,721,000 (2006: RMB53,356,000), and purchase of computer and related equipment in the amount of RMB7,085,000 (2006: RMB11,214,000).

Financial Resources and Liquidity

The Group was in a healthy cash flow position. As at 31 December 2007, the Group had cash and cash equivalents plus deposits amounting to approximately RMB438,595,000 (2006: RMB390,271,000). Current ratio was 2.02 (2006: 2.05) and gearing ratio (defined as the ratio of bank borrowings to shareholder equity) was approximately 0% (2006: 8%).

As at 31 December 2007, the Group did not have any short-term bank loan (2006: RMB37,150,000). As at 31 December 2007, the Group did not have any long-term bank loan.

As at 31 December 2007, the Group was not subject to any material exchange rate exposure, and had not entered into any foreign exchange futures contract to hedge against exchange rate fluctuation.

As at 31 December 2007, the Group did not have any material contingent liabilities (2006: nil).

Management Discussion and Analysis

Future Prospects

China is playing a more important role and enjoying steadily increasing prominence in the international market. The country is expected to experience rapid economic growth. To cope with their expansion, the Chinese enterprises will speed up informatization and enterprise management software will become a necessity. Enterprise management software and e-business service markets are expected to grow at increasing speed in the next three years.

The Group, boasting mastery of comprehensive product technologies and extensive management experience, has strong capabilities to meet market needs. In 2008, the Group will focus on sales channel expansion to increase the proportion of income from distribution, maintain rapid growth of EAS and increase the proportion of income from service business. It will work hard on boosting the reputation of its high-end products, the image of management experts and software service provider. The Group will also increase effort in undertaking mergers and acquisitions and aiding industry consolidation, all for achieving its strategic goal effectively.

The Group is a leading and rapidly growing software enterprise in China. Upholding its core value of customer first, continual innovation, integrity and responsibility, the Group will continue to improve its management model, facilitate the development of e-business and help customers to succeed. It strives to become a leader in the global enterprise management software and e-business service market.

DIRECTORS

Executive Directors

XU Shao Chun (徐少春), aged 45, chairman, Chief Software Architect and founder of the Company. Mr.XU is a member of 9th central committee of China National Democratic Construction Association. Mr. XU has been awarded the Government Special Expert Allowance by the State Council and a senior economist of the PRC. Mr. XU graduated from Southeast University in computer science and obtained a master degree of Science and Research from Institute of Ministry of Finance and Master Business Administration from China Europe International Business School. Since the Company was founded by Mr. XU in 1991, he has been devoted himself to the enterprise application software career. He has profound comprehension in the strategy and management of enterprise operation. Moreover, he has led the company achieve three-time technology revolutions in Chinese management software by his advanced technological sensibility and accurate understanding in tendency of global management software industry. Mr. XU has been highly awarded for his outstanding innovation as well as technological transform to the development of Chinese software industry.

HO Ching-hua (何經華), aged 51. Mr. HO is appointed as Chief Executive Officer of the Company with effect from 1 January 2007 and appointed as an executive director of the Company with effect from 30 March 2007. Mr. HO is responsible for the comprehensive operation management of the Company. Mr. HO graduated from National Taiwan University in political science and obtained a master degree of Arts from National Chenchi University of Taiwan and a master degree of Science from University of Maryland of the United States. Prior to joining the Company, Mr. HO had been the major account director of Sybase Inc., the technical sales director of Oracle East Central Europe Limited, the managing director of Oracle Taiwan Inc, the CEO of UFIDA Software Co. Ltd. and the vice president and general manager of Great China & East Asia of Siebel Systems Inc. Mr. HO has abundant experience in sales channel operation and management of international and domestic well-known IT enterprises.

CHEN Deng Kun (陳登坤), aged 31, an executive Director, vice president and Chief Financial Officer of the Company. He is mainly responsible for financial, investment & business development and construction management of the Company. Mr. CHEN graduated from Anhui Institute of Finance and Trade (currently known as Anhui University of Finance and Economics). He is a member of China Institute Certified Public Accountants. Since Mr. CHEN joined the Company in 2000, he has been responsible for audit, administration, human resources and financial matters of the Company.

Non-executive Directors

James Ming KING (金明), aged 60, a non-executive Director. As the chief consultant of strategic committee of the Board, Mr. KING provided strategic consulting, training for staff and business partner of the Company and training and consultation services for strategic clients. Mr. KING obtained a master degree of science in institutional engineering in 1973 from Mississippi State University in the United States. Mr. KING has nearly thirty years extensive sales and marketing experiences within and outside the PRC. Prior to joining the Company, he had been the vice-president of sales and marketing for Dell Computer Asia Limited and he had been employed as the Director Sales/Country Manager by Novell, China. He has also worked in Hewlett-Packard Company for many years.

Charles Po-Shun WU (吳寶淳), aged 52, Mr.WU is appointed as a non-executive Director of the Company on 31 March 2008. Mr.WU is a vice president of IBM and managing partner of China Investment Fund in Great China area, an expansion fund created by IBM and Lehman Brothers. He graduated from University of Houston with a bachelor degree of Business Administration in Finance. He joined International Business Machines Corporation in the U.S. in 1978. In 1994, Mr.WU went to work in China by mission. Prior to his current position, he had been successively appointed as general manager of IBM East and Central China, general manager of e-Business Solution and Rising Enterprise department in Great China area, general manager of Software Group of IBM Greater China, and general manager of Strategy and Development department. Mr. WU has abundant experience in areas of banking, insurance, circulating, manufacturing, medical treatment and public sectors.

Directors and Senior Management

Hugo SHONG (熊曉鴿), aged 52, a non-executive Director of the Company, senior vice-president of IDG, president of IDG Asia, Inc and vice-chairman of IDGVC. Mr. SHONG graduated from Hunan University majored in English in 1981 and obtained a master degree of journalism from Boston University of the U.S. in 1987. Mr. SHONG has also completed the Advanced Management Program, the International Senior Managers' Program organized by the Graduate School of Business Administration of Harvard University in 1996. Mr. Shong has resigned as a non-executive director of the Company with effect from 31 March 2008.

Independent non-executive Directors

YANG Zhou Nan (楊周南), aged 70, an independent non-executive Director of the Company, a professor of the graduate school of the Institute of Fiscal Science of the Ministry of Finance and a people's representative to the Ninth National People's Congress of the PRC. Ms. YANG graduated from Nan Kai University with a master degree in mathematics. After graduation, Ms. YANG worked in Beijing Computing Centre as a researcher. Ms. YANG has approximately 20 years of research and teaching experience in the areas of finance, accounting and taxation.

WU Cheng (吳澄), aged 68, an independent non-executive Director of the Company, a professor of the Department of Automation, Tsinghua University, and an academician of Chinese Academy of Engineering. Mr. WU is also the director of State CIMS Engineering Technical Research Center. Mr. WU graduated from the Department of Electrical Engineering, Tsinghua University with a bachelor degree in 1963 and master degree in 1967. Mr. WU has participated in CIMS projects of 863 Programme, and appointed as the leader of CIMS expert group and chief scientist in automation field. He received a number of awards for his contributions to the technology development in the PRC.

YEUNG Kwok On (楊國安), aged 47, an independent non-executive Director of the Company, a professor of business administration and executive director of organizational effectiveness lab at the Ross School of Business at the University of Michigan, and also a professor of China Europe International Business School. Mr. YEUNG received a Ph.D. of Business Administration from University of Michigan in 1990. Mr. YEUNG worked in Acer Inc. as Chief Learning Officer and Chief Human Resources Officer from early 1999 to June 2002. During the same period of time, he simultaneously served as president of Aspire Academy under Acer Foundation. Mr. YEUNG is a member of editorial advisory board of Harvard Business Review (China) and an associate editor of Human Resource Management Journal of America. Mr. YEUNG is experienced in enterprises organizational construction, human resources strategy and human resources training. Mr. YEUNG was awarded the "2002 China Human Resources Annual Person" by SmartFortune Magazine of China and the "2004 China Human Resources Outstanding Achievement Award" jointly by Asia-Pacific Human Resources Research Association and SmartFortune Magazine (China) Co., Ltd.

Gary Clark BIDDLE, aged 57, an independent non-executive Director of the Company. Mr. BIDDLE is a PCCW Chair Professor, and Dean of Faculty of Business and Economics of University of Hong Kong. Mr. BIDDLE received his Ph.D. from University of Chicago. Mr. BIDDLE has also served as professor at University of Chicago and University of Washington, and as visiting professor at China Europe International Business School. Mr. BIDDLE is a member of American Chamber of Commerce in Hong Kong, American Institute of Certified Public Accountants, Hong Kong Society of Accountants, and Washington Society of Certified Public Accountants. Mr. BIDDLE published research articles on topics including performance measurement, valuation, and value creation were published in the world's leading journals and he has offered executive seminars around the region and world.

COMPANY SECRETARY

NGAN Lin Chun, Esther (顏連珍), aged 52, company secretary of the Company. Ms. Ngan is a chartered secretary and has over 20 years experience in the company secretarial field. Ms. Ngan is a director of WBC Secretaries Limited, which is a secretarial service company and has acted as company secretary of a few listed companies, which are Cosco International Holdings Limited (from January 1992 to June 1997), Star Cruise Limited (from October 2000 to May 2001) and VXL Capital Limited (from May to July 2005). Ms. Ngan is a fellow member of the Hong Kong Institute of Company Secretaries.

QUALIFIED ACCOUNTANT

HO, Ka Man Barry (何嘉文), aged 45, qualified accountant and General Manager of Corporate Finance and Business Development of the Company. Mr. HO joined us in June 2005. Mr. HO received a bachelor degree of Business Administration from the Chinese University of Hong Kong, a master degree of Applied Finance from Macquarie University of Australia and a master degree of Business Administration from Sydney University of Australia. Mr. HO 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. Mr. HO has rich experience in the financial industry, including in areas of treasury, fund management and securities. He has worked for local and foreign banks, fund houses, securities firm and Hong Kong Monetary Authority.

SENIOR MANAGEMENT

XU Shao Chun (徐少春) – see the paragraph under "Executive Directors" above.

HO Ching-hua (何經華) – see the paragraph under "Executive Directors" above.

CHEN Deng Kun (陳登坤)– see the paragraph under "Executive Directors" above.

JIN Zhuo Jun (金卓君), aged 46, senior vice president and Chief Consulting Officer of the Company. Ms. JIN is responsible for consulting business of the Company. Ms. JIN obtained a bachelor degree from Chongqing University in July 1982, and is a senior engineer in computer application. Ms. JIN joined us in the early 1999 and is responsible for customer service and marketing. She has been successively appointed as the vice general manager of K/3 department, general manager of the customer support centre and vice-president of Kingdee China.

TIAN Rong Ju (田榮舉), aged 37, senior vice president and Chief Technology Officer of the Company. Mr. Tian is responsible for products and R&D of the Company. Mr. TIAN graduated from Chongqing Yuzhou University. He has abundant experience in program, design, research and relevant profession in Chinese management software. After Mr. TIAN joined us in 1999, he has been responsible for products program, research and development and testing.

LI Guang Xue (李光學), aged 39, senior vice president of the Company. Mr. LI is responsible for whole business operation and management in China northern area of the Company. Mr. LI obtained a bachelor degree of Physics from Ocean University of Qingdao (currently known as Ocean University of China) in 1991. After joining us in 1995, Mr. LI has been engaged in the areas of research and development, service, sales, human resources and information management.

ZENG Liang (曾良), aged 35, vice president of the Company and general manager of Hong Kong branch. Mr. ZENG is responsible for international business development and operation management. Mr. ZENG obtained MBA degree and a master degree of Science in Engineering from Georgia Institute of Technology of the United States. Prior to his joining us in 2003, he worked for MicroStrategy in the United States. Mr. ZENG was appointed as the general manager of marketing department, Central South District and Asia Pacific of the Company.

HO, Ka Man Barry (何嘉文) – see the paragraph under "QUALIFIED ACCOUNTANT" above.

Report of Directors

The directors of the Company ("Directors") are pleased to present to the shareholders their report together with the audited financial statements of Kingdee International Software Group Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

Kingdee International Software Group Company Limited (www.kingdee.com) is listed on the Main Board of Hong Kong Exchanges and Clearing Limited (HK Stock Code: 268). It is a leader in China's software industry, a leading enterprise management software and middleware provider in Asia-Pacific region, and a world-leading online management and e-business application solution service provider. Its mission is to lead advancement of management model, encourage e-businesses and enable customers' success. The Group provides informatization services to over 500,000 enterprises and government departments and organizations all around the world.

The total revenue and profit attributable to the equity holders of the Company for the year ended 31 December 2007 were RMB 766,874,000 and RMB 136,476,000 respectively. Among which, approximately 68% was derived from the sales of software, approximately 30% was derived from the service income and 2% from sales of hardware and related products respectively. For details, please refer to the consolidated income statement set out on page 38.

During the reporting period, the sales and distribution network of the Group continued to expand, covering most of the provinces, autonomous regions and centrally administered municipalities in the PRC. As at 31 December 2007, the Group had around 40 branches and nationwide sales agents and 1200 distributors offering products and after-sale services to the customers of the Group.

RESULTS AND APPROPRIATIONS

The results for the year ended 31 December 2007 are set out in the consolidated income statement on page 38 and the appropriation is set out in Note 19 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2007, the profit attributable to equity holders of the Company is dealt within the financial statements of the Company to the extent of RMB77,132,000 (2006: RMB66,154,000).

FINAL DIVIDENDS

At the Annual General Meeting ("AGM") of the Company to be held on 8 May 2008 ("Forthcoming AGM"), the board of Directors (the "Board") will recommend a final dividend of HK\$0.085 per share (HK\$0.02125 per Subdivided Share (as defined below), subject to the share subdivision becoming effective) to the shareholders of the Company for the year ended 31 December 2007 (2006: HK\$0.065 per share).

The Company has on its announcement dated 31 March 2008 disclosed the Board's proposal that each of the existing issued and unissued shares of par value of HK\$0.1 each in the share capital of the Company be subdivided into four shares of par value of HK\$0.025 each ("Subdivided Shares"). Such share subdivision will become effective upon (i) the passing of an ordinary resolution by the shareholders of the Company at the extraordinary general meeting of the Company to be held on 8 May 2008; and (ii) the listing sub-committee of The Stock Exchange of Hong Kong Limited granting the approval for the listing of, and permission to deal in, the subdivided shares of the Company. Subject to such share subdivision becoming effective and the approval of shareholders at the Forthcoming AGM, each Subdivided Share will be entitled to HK\$0.02125 for the year ended 31 December 2007.

Subject to the approval of shareholders at the Forthcoming AGM, the final dividend will be payable on 26 June 2008 to shareholders whose names appear on the register of members of the Company on 8 May 2008.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Wednesday, 7 May 2008 to Thursday, 8 May 2008 (both days inclusive), and during which no transfer of shares will be affected. In order to qualify the shareholders of the Company to attend, act and vote at the Forthcoming AGM and to qualify the entitlement of the final dividends, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Tuesday, 6 May 2008.

MATERIAL INVESTMENT AND ACQUISITION

During the reporting period, the Group has no significant investment and acquisition activities.

BANK BORROWINGS

All borrowings have been paid during the year.

RESERVES

Details of movements in the reserves of the Group and the Company for the year ended 31 December 2007 are set out in the consolidated statement of changes in equity on page 38.

FIXED ASSETS

Details of the movements in the fixed assets of the Group for the year ended 31 December 2007 are set out in Note 6 to the financial statements.

INTERESTS OF THE DIRECTORS IN CONTRACTS

No Directors had any direct or indirect material interests in any contracts of significance to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party at the end of the year or at any time during the year ended 31 December 2007.

SHARE CAPITAL AND OPTIONS

- **Share Capital**

  Details of the movements in share capital of the Company for the year ended 31 December 2007 are set out in Note 17 to the financial statements.

- **Purchase, Sale or Redemption of Shares**

  Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2007.

- **Outstanding Share Option**

  The Company adopted a Share Option Scheme ("Share Option Scheme") on 11 July 2005. Under the rules of the Share Option Scheme, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes must not in aggregate exceed the general limit of the Share Option Scheme ("Scheme Limit"), which was 10% of the Shares in issue as at the date of approval of the Share Option Scheme. The Share Option Scheme is for a term of 10 years. At the AGM held on 26 April 2007, the Scheme Limit has been refreshed.

  The purpose of the Share Option Scheme is to allow more flexibility in providing additional incentives or rewards to eligible participants for their contribution to the Group and/or to recruit and retain high-caliber employees and attract human resources that are valuable to the Group.

Pursuant to the Share Option Scheme after the refreshment of the Scheme Limit, the Company was authorized to grant options to subscribe for up to 45,263,184 Shares, representing 10% of the total number of Shares in issue as at the date of approval of the refreshment of the Scheme Limit.

The subscription price for shares of the Company under the Share Option Scheme will be the highest of (i) the closing price of the shares of the Company on the granting date, (ii) a price being the average of the closing prices of the shares of the Company for the five business days immediately preceding the granting date, and (iii) the nominal value of a share of the Company.

OUTSTANDING SHARE OPTIONS UNDER THE 2001 SCHEME, 2002 SCHEME AND SHARE OPTION SCHEME

Pursuant to the share option scheme of the Company adopted on 30 January 2001 ("2001 Scheme"), an aggregate of 1,720,000 share options were granted, of which 947,500 share options were exercised, 717,500 were cancelled and 55,000 remained outstanding as at 31 December 2007.

Pursuant to the share option scheme of the Company adopted on 26 April 2002 ("2002 Scheme"), an aggregate of 48,462,500 share options were granted, of which 13,821,373 share options were exercised, 20,526,600 were cancelled and 14,114,527 remained outstanding as at 31 December 2007.

Both of the 2001 Scheme and 2002 Scheme were terminated by the Company. In the extraordinary general meeting of the Company convened on 11 July 2005, the Company adopted the Share Option Scheme. As at 31 December 2007, the Company has granted 47,140,000 shares options pursuant to the Share Option Scheme, of which 730,000 share options were exercised, 1,210,000 were cancelled and 45,200,000 remained outstanding.

As at 31 December, 2007, details of the outstanding options are as follows:

	Options held at 1st January 2007	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 December 2007	Exercise price HK$	Grant date
Xu Shao Chun	1,900,000	—	—	—	—	1,900,000	2.625	22/06/2006(9)
	3,000,000	—	—	—	—	3,000,000	1.55	21/04/2005(7)
	4,000,000	—	—	—	—	4,000,000	3.18	23/03/2004(4)
	1,500,000	—	—	—	—	1,500,000	1.78	15/05/2002(2)
Chen Deng Kun	—	680,000	—	—	—	680,000	7.23	08/06/2007(11)
	1,900,000	—	—	—	—	1,900,000	2.63	04/05/2006(9)
	375,000	—	244,846	—	—	130,154	2.65	01/06/2004(5)
	12,500	—	12,500	—	—	—	1.39	20/02/2003(2)
Ho Ching Hua	—	4,400,000	—	—	—	4,400,000	3.74	23/01/2007(11)
Non-executive directors	—	500,000	—	—	—	500,000	7.23	08/06/2007(11)

	Options held at 1st January 2007	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 December 2007	Exercise price HK$	Grant date
Continuous contract employees	—	3,760,000	—	60,000	—	3,700,000	6.83	05/06/2007(11)
	1,600,000	—	480,000	—	—	1,120,000	2.895	18/07/2006(10)
	4,150,000	—	—	700,000	—	3,450,000	2.61	28/04/2006(9)
	12,900,000	—	—	—	—	12,900,000	2.61	28/04/2006(9)
	5,550,000	—	—	450,000	—	5,100,000	2.61	28/04/2006(9)
	1,000,000	—	250,000	—	—	750,000	2.325	15/02/2006(8)
	756,000	—	363,500	55,000	—	337,500	2.05	27/12/2004(6)
	5,589,280	—	1,632,307	172,600	—	3,784,373	2.65	01/06/2004(5)
	1,694,000	—	750,000	—	—	944,000	2.05	08/08/2003(3)
	1,486,500	—	1,018,000	50,000	—	418,500	1.39	20/02/2003(2)
	125,000	—	25,000	100,000	—	—	1.78	15/05/2002(2)
	205,000	—	150,000	—	—	55,000	1.49	27/09/2001(1)
Project China Limited	4,400,000	—	—	—	—	4,400,000	2.625	22/06/2006(8)
Business partners	4,400,000	—	—	—	—	4,400,000	2.625	22/06/2006(8)
	80,000	—	80,000	—	—	—	1.55	21/04/2005(7)
Total	**56,623,280**	**9,340,000**	**5,006,153**	**1,587,600**	**—**	**59,369,527**		

Note:

(1) 2001 Scheme. All of these options have 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) 2002 Scheme. All of these options have 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) 2002 Scheme. All of these options have 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) 2002 Scheme. All of these options have 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) 2002 Scheme. All of these options have 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; and

(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) 2002 Scheme. All of these options have duration of 10 years from the date of grant and the options can be exercised from the date of grant.

(7) 2002 Scheme. All of these options have duration of 5 years from the date of grant and the options can be exercised from the date of grant.

(8) Share Option Scheme. All of these options have 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.

(9) Share Option Scheme. All of these options have duration of 10 years from the date of grant, and the options can be exercised upon the conditions.

(10) Share Option Scheme. All of these options have 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 30% and 60% of the options within 12 months and 24 months respectively from 1 year after the date of grant.

(11) Share Option Scheme. All of these options have duration of 10 years from the date of grant, and the options can be exercised upon the conditions.

DIRECTORS AND SERVICE CONTRACTS OF DIRECTORS

The compositions of the Board for the financial year ended 31 December 2007 were as follows:

Executive Directors and Managing Directors

Mr. Xu Shao Chun
Mr. Ho Ching Hua
Mr. Chen Deng Kun

Non-executive Directors

Mr. Hugo Shong (resigned on 31 March 2008)
Mr. James Ming King
Mr. Zhao Yong (resigned on 12 September 2007)
Mr. Charles Po-Shun Wu (appointed on 31 March 2007)

Independent Non-executive Directors

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

In accordance with Article 116 of the Company's Articles of Association, Mr. James Ming King, non-executive Director, and Ms. Yang Zhou Nan, Mr. Gary Clark Biddle, independent non-executive Director, would retire by rotation at the Forthcoming AGM, and would offer themselves for re-election as directors of the Company at the Forthcoming AGM.

Mr. Xu Shao Chun had entered into a service contract with the Company in relation to his appointment as an executive Director. The service contract was for an initial term of three years commencing on 1 January 2000, which had been renewed for another three years on 1 January 2004, and had been renewed for another three years on 1 January 2007, unless and until being terminated by either party with no less than three months' prior the written notice.

Mr. Ho Ching Hua had entered into a letter of appointment and acceptance as an executive director with the Company for a term of two years.

Mr. Charles Po-Shun Wu had entered into a letter of appointment and acceptance as a non-executive Director with the Company respectively for a term of two years with effect from 31 March 2008.

Each of Ms. Yang Zhou Nan, Mr. Wu Cheng, Mr. Yeung Kwok On and Mr. Gary Clark Biddle had entered into a letter of appointment and acceptance as an independent non-executive Director with the Company respectively for a term of two years.

Save as aforesaid, no Director had entered into any service contract with the Company.

The Company has received a written confirmation from each independent non-executive Director of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The Company considers all of the independent non-executive Directors are independent.

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

As at 31 December 2007, 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 ("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, 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 (Note 1)	
	4,962,880	Beneficial owner	
	10,400,000	Other/ Share option (Note 2)	
Aggregate:	*157,279,130*		*34.44%*
Ho Ching Hua	4,400,000	Other/ Share Option (Note 2)	
Aggregate:	*4,400,000*		*0.96%*
Chen Deng Kun	2,710,154	Other/ Share Option (Note 2)	
Aggregate:	*2,710,154*		*0.59%*
James Ming King	100,000	Other/ Share Option (Note 2)	
Aggregate:	*100,000*		*0.02%*
Gary Clark Biddle	100,000	Other/ Share Option (Note 2)	
Aggregate:	*100,000*		*0.02%*
Yang Kwok On	100,000	Other/ Share Option (Note 2)	
Aggregate:	*100,000*		*0.02%*
Yang Zhou Nan	100,000	Other/ Share Option (Note 2)	
Aggregate:	*100,000*		*0.02%*
Hugo Shong (resigned on 31 March 2008)	100,000	Other/ Share Option (Note 2)	
Aggregate:	*100,000*		*0.02%*

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 Capital and Options".

Save as disclosed in this paragraph, as at 31 December 2007, none of the Directors and chief executive of the Company had any 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 Par 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Capital and Options" above, none of the Directors or their respective associates (as defined under the 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 year ended 31 December 2007.

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

As at 31 December 2007, 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

Name	Number of Shares/ underlying shares (where appropriate)	Capacity	Percentage of issued share capital
Oriental Gold Limited	83,606,250	Beneficial owner	18.31%
Billion Ocean Limited	58,310,000	Beneficial owner	12.77%

Save as disclosed above, as at 31 December 2007, 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.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

PURCHASE, SALE OR REDEMPTION OF SHARES

At the 2006 annual general meeting of the Company held on 26 April 2007, an ordinary resolution was passed to grant a general mandate to the Directors to exercise the powers of the Company to purchase Shares up to a maximum of 10% of the issued share capital of the Company as at the date of passing the resolution.

None of the Company or any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the year ended 31 December 2007.

COMPETING INTEREST

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

CONNECTED TRANSACTIONS

During the year ended 31 December 2007, there was no transaction which needs to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major customers and supplies are as follows:

Sales	
– the largest customer	0.66%
– five largest customers combined	2.52%
Purchases	
– the largest supplier	17.87%
– five largest suppliers combined	52.40%

None of the Directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

CHANGE OF DIRECTORS

Mr. Ho Ching Hua was appointed as executive Director of the Company with effect from 30 March 2007 by the Board. Mr. Ho, an executive Director, would retire in accordance with Article 99 of the Company's Articles of Association, and would offer himself for re-election as a Director at the Forthcoming AGM.

Mr. Zhao Yong resigned from directorship as a non-executive Director of the Company with effect from 12 September 2007.

Mr. Charles Po-Shun Wu was appointed as non-executive Director of the Company with effect from 31 March 2008 by the Board. Mr. Charles Po-Shun Wu would retire in accordance with Article 99 of the Company's Articles of Association and would offer himself for re-election as a non-executive Director at the Forthcoming AGM.

Mr. Hugo Shong had tendered his resignation as a non-executive Director of the Company with effect from the conclusion of the Board Meeting on 31 March 2008 due to his personal reason.

In accordance with Article 116 of the Company's Articles of Association, Mr. James Ming King, a non-executive Director, Ms. Yang Zhou Nan and Mr. Gary Clark Biddle, the independent non-executive Directors, would retire by rotation, and would offer themselves for re-election as directors of the Company at the Forthcoming AGM.

Corporate Governance Report

As a leading provider in China's software industry, the Group dedicates to meet the increasing needs for the informatization of enterprise management by developing and offering enterprise management software and e-business application software, and providing management consultation, implementation and technical support services in relation to software products to customers around the world. At the same time, further improving the management, enhancing the transparency and accountability within the Group, and maintaining a good, solid and sensible framework of corporate governance has been and remains one of the Group's top priorities.

The Company has complied with all the code provisions of "Code on Corporate Governance Practices" (the "Code"), as set out in Appendix 14 of the Listing Rules throughout the financial year ended 31 December 2007.

In order to comply provisions A.2.1 in respect of the requirement for the segregation of the roles of the chairman of the Board (the "Chairman") and chief executive officer ("CEO") of the Code; and to enhance corporate governance level and play better roles of the Chairman and CEO, since 1 January 2007, Mr. Xu Shao Chun and Mr. Ho Ching Hua performed the roles of the Chairman and CEO respectively. Mr. Xu Shao Chun remained as the chief software architect of the Group. Accordingly, the roles of the Chairman and CEO have been segregated.

With respect to the compliance with Part A of the Code, the Company has carried out the following corporate governance practices:

The Company has held nine Board meetings during the financial year ended 31 December 2007. The Directors have been consulted to advise the agenda of the Board meeting. Sufficient notice of the Board meeting has been given to the Directors. Minutes of the Board and the Board Committees are recorded in sufficient details and kept by the Board secretaries for inspection at any reasonable time on reasonable notice by any Director. The composition of the Board is shown on page 25 of this report. Non-executive Directors of the Company have been appointed for a specific term, subject to re-election. At every annual general meeting, one-third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third shall retire from office. A Director appointed by the Board to fill a casual vacancy or as an addition shall hold office until the next general meeting or the next annual general meeting. The Company has established a nomination committee with specific written terms of reference, details of which set out in section "Board Committees" below.

Every Director is aware that he/she should give sufficient time and attention to the affairs of the Company. Most of the Directors have satisfactory attendance rates at Board meetings and Committee meetings, details of which are set out in the attendance form as shown below. For other details of the responsibilities of Directors, please refer to the section "Board of Directors" below. All Directors are entitled to have access to the minutes and other relevant documents.

With respect to the compliance with Part B of the Code, the Company has established a remuneration committee with specific written terms of reference, details of which are set out on page 31 of this report.

With respect to the compliance with Part C of the Code, the Company has carried out the following corporate governance practices:

Management has provided sufficient explanation and information to the Board as will enable the Board to make an informed assessment of financial and other information put before the Board for approval. The Company has announced the interim report of 2007 on 12 September 2007. The details of the internal controls of the Company and the audit committee are set out under the section "Internal Control" and "Board Committees".

With respect to the compliance with Part D of the Code, the Company has carried out the following corporate governance practices:

When the Board delegates aspects of its management and administration functions to management, it has given clear directions as to the powers of management, in particular, with respect to the circumstance where management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The Company has set up four committees, for details, please refer to the section "Board Committees" below.

With respect to the compliance with Part E of the Code, the procedures for demanding a poll by the shareholders were incorporated in every circular issued during the financial year ended 31 December 2007.

To ensure strict adherence to the Code, the Company has perfected the Board structure and standardized the rules of procedure of the Board (the "Board Rules").

BOARD OF DIRECTORS

In order to further enhance the Company's corporate governance framework, clearly define the duties and powers of the Board, and effectively implement the duties and responsibilities conferred by the shareholders on the Board and board committees, the Board adopted and implemented the "Rules and Procedures of Board Meetings".

The responsibilities of the Board set out in the Board Rules include the following:

(1) To convene the shareholders' meeting, report to the shareholders and implement the resolution of the meeting;

(2) To review and approve mid- and long-term strategic plan and management strategies of the Group;

(3) To review and approve critical investment projects and purchase, repurchase securities, consolidation, and dismiss plan;

(4) To review and approve financial policies, annual final budget, profit distribution and loss remedy of the Group;

(5) To review the internal control system and implement corporate governance policies of the Group;

(6) To appoint and dismiss senior managers and determine the salaries of the management team; and

(7) To hear the working report of the CEO and to review the work of the CEO.

The senior management team shall be responsible for the implementing the decisions reached at the Board meetings, all the team members shall be appointed by the Board. The CEO will be responsible for the operation management and shall report to the Board.

The Board consists of ten members, with three executive Directors, three non-executive Directors (including Mr. Zhao Yong, a non-executive Director resigned on 12 September 2007) and four independent non-executive Directors.

The attendance of individual Directors at Board meeting and Board Committee meeting for the year ended 31 December 2007 are as follows:

Directors during the financial year ended 31 December 2007	Board	Board Committees Audit Committee	Remuneration Committee	Nomination Committee	Strategy Committee
Executive Directors					
Mr. Xu Shao Chun	7/9	N/A	N/A	N/A	1/1
Mr. Ho Ching Hua	6/9	N/A	N/A	N/A	1/1
Mr. Chen Deng Kun	9/9	2/2	3/3	N/A	1/1
Non-executive Directors					
Mr. Hugo Shong (resigned on 31 March 2008)	5/9	N/A	N/A	N/A	N/A
Mr. James Ming King	7/9	N/A	N/A	1/1	1/1
Mr. Zhao Yong (resigned on 12 September 2007)	2/9	N/A	N/A	N/A	N/A
Independent Non-executive Directors ("INED")					
Ms. Yang Zhou Nan	7/9	2/2	N/A	1/1	N/A
Mr. Wu Cheng	6/9	2/2	N/A	N/A	1/1
Mr. Yeung Kwok On	7/9	N/A	3/3	1/1	N/A
Mr. Gary Clark Biddle	8/9	2/2	3/3	N/A	N/A

BOARD COMMITTEES

The Board has set up four specialized committees, namely the Audit Committee, Remuneration Committee, Nomination Committee and Strategy Committee to oversee particular aspects of the Company's affairs. The terms of reference of these committees are set out in the Board Rules. These committees mainly consist of the independent non-executive Directors and non-executive Directors.

AUDIT COMMITTEE

The Audit Committee of the Company ("Audit Committee") comprises three independent non-executive Directors and one non-executive Director. The members of the Audit Committee are Ms. Yang Zhou Nan, Mr. Wu Cheng, Mr. Gary Clark Biddle and Mr. Zhao Yong (resigned on 12 September 2007). Ms. Yang Zhou Nan is the chairman of the Committee.

In particular, the Board Rules set out the scope of official duties of the Audit Committee, which include making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditors, and resignation or dismissal of the auditors, reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard, reviewing financial information of the Company, reviewing the financial report system and internal control procedures, in order to check the Company's financial statements and the procedures which the auditors audited independently and accounting policy, and supervise the Company's financial reporting system and internal control procedures.

During the financial year ended 31 December 2007, the Audit Committee has held two meetings. The Audit Committee has reviewed the Company's annual financial report for the year ended 31 December 2006 and the Company's interim financial statements of 2007.

The Audit Committee has reviewed the Company's annual financial report for the year ended 31 December 2007.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company ("Remuneration Committee") comprises two independent non-executive Directors and one executive Director. The members of the Remuneration Committee are Mr. Yeung Kwok On, Mr. Gary Clark Biddle and Mr. Chen Deng Kun. Mr. Yeung Kwok On is the chairman of the Committee.

The responsibilities of the Remuneration Committee set out in the Board Rules are as follows:

a) To make suggestions to the board on the remuneration structures of Directors of board and management and to establish formal and transparent remuneration policies;

b) To have the delegated responsibility to draft the specific remuneration packages of all executive directors and senior management and make suggestions on the remuneration of the non-executive directors to the board;

c) To review and approve the performance-based remuneration by reference to corporate goals and objectives resolved by the board from time to time;

d) To ensure that no director or any of his associates is involved in deciding his own remuneration;

e) A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

During the financial year ended 31 December 2007, the Committee held three meetings in April and June, for reviewing the Company's Share Incentive Plan in 2007 and the remuneration of the new CEO and the senior management respectively.

NOMINATION COMMITTEE

The Nomination Committee of the Company ("Nomination Committee") comprises two independent non-executive Directors and one non-executive Director. The members of the Nomination Committee are Ms. Yang Zhou Nan, Mr. James Ming King and Mr. Yeung Kwok On.

The responsibilities of Nomination Committee set out in the Board Rules are as follows:

a) To review the structure, size and composition of the board on a regular basis and make recommendation to the board;

b) Identify individuals suitably qualified to become board members;

c) To assess the independence of the independent directors;

d) To make recommendation to the board on relevant matters to the appointment or re-appointment of directors and succession planning for directors;

e) To audit and make recommendation on the appointment of other senior management.

During the financial year ended 31 December 2007, the Nomination Committee had a meeting in February 2007. The Nomination Committee recommended the appointment of Mr. Charles Po-Shun Wu as a Director.

STRATEGY COMMITTEE

The Strategy Committee of the Company ("Strategy Committee") comprises three executive Directors, two non-executive Directors and one independent non-executive Director. The members of the Strategic Committee are Mr. Xu Shao Chun, Mr. Ho Ching Hua, Mr. Chen Deng Kun, Mr. James Ming King, Mr. Zhao Yong (resigned on 12 September 2007) and Mr. Wu Cheng. Mr. Xu Shao Chun is the chairman of the Strategy Committee.

The responsibilities of Strategy Committee set out in the Board Rules are as follows:

a) To consider and draw out mid-term and long-term strategies of the Company;

b) To assess the effect of the implementation of the strategy;

c) To make recommendation on the critical issues prescribed in Corporate Provisions and issues must get the permission of the board, which includes investment, financing and etc.

During the year of 2007, the Strategy Committee has held a meeting in May for discussing a new strategic project with IBM. The Company agrees to establish a long term and all-sided strategic corporation relation with IBM in global software and e-business market in order to make corporation thoroughly and permanently in four aspects as globalization and SOA, marketing/sales/channels/customers, consultation and application management services (AMS), internet delivery business services and Software as a service (SaaS) and etc. Meanwhile, IBM and Lehman Brothers are investing in the Company with total investment amount of US$17,000,000 for acquiring 35,000,000 shares, approximately 7.7% of the issued share capital of the Company. The strategic collaboration with IBM will help the Company to consolidate the advantages of every party and ride on the trends of software services and tailor made software. It further improves the Company's corporate governance and speed up the progress of the Company to go into the global market. It ultimately enhances the competitiveness of both parties' clients in China and global markets.

INTERNAL CONTROL

The Company at all times places great importance on internal control and risk management. The Company's internal control and risk management system are carried out by the Board, the Audit Committee, and audit department and quality management department of the senior management. They regularly evaluate various risks of the Company and improve the management system and processing system in order to implement the strategies of the Company effectively.

During the year of 2007, the Company further strengthen the internal control via "three systems" (i.e., management systemization, business standardization, staff specialization), which can be demonstrated by the sales management rules, after service management rules, customer alliance rules in sales system and employee management rules, cost control method in internal management system, so as to improve the management system.

The Company understands its responsibility to comply the Listing Rules, including its obligation to disclose all price-sensitive materials. The Company strictly complies with the guide on disclosure of price-sensitive information, and has formed a series of work flows and internal management measures to disclose relevant information, in order to disclose information to shareholders correctly, properly and in time.

ADOPTION OF CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in Appendix 10 "Model Code for Securities Transactions by Directors of Listed Companies" to the Listing Rules. The Directors have complied with such code of conduct throughout the accounting period covered by this annual report.

EXTERNAL AUDITORS

PricewaterhouseCoopers was appointed as the external auditors of the Company for the year of 2007.

A resolution for re-appointment of PricewaterhouseCoopers as the auditors of the Company will be proposed at the Forthcoming AGM.

IMPROVING CORPORATE GOVERNANCE

The Company will regularly assess its corporate governance measures and practices to ensure that they are on par with the development of international governance structures and in light of the changing regulatory requirements and investors' needs. This will also help long term and continuous development of the Company, enhance corporate value.

APPRECIATION

The Board would like to express its sincere appreciation to its shareholders, customers, business partners, suppliers and bankers for their continued support to the Group. The Board also wishes to thank the Group's management and staff for achieving remarkable progress in the Group's business and their dedication and commitment for improving the Group's management.

On behalf of the Board

Xu Shao Chun
Chairman

Shenzhen, the People's Republic of China, 31 March 2008

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Kingdee International Software Group Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 35 to 77, which comprise the consolidated and company balance sheets as of 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 31 December 2007, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 31 March 2008

Consolidated Balance Sheet

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**206,992**	99,358
Lease prepayments	7	**18,211**	18,367
Intangible assets	8	**86,918**	88,936
Investments in associates	10	**—**	607
Deferred income tax assets	11	**3,841**	3,533
Available-for-sale financial assets	12	**—**	66
		315,962	210,867
Current assets			
Inventories	13	**2,313**	3,659
Trade and other receivables	14	**117,928**	112,973
Due from customers on implementation contracts	15	**27,852**	8,650
Pledged bank deposits	16	**6,777**	6,793
Short-term bank deposits	16	**39,633**	24,633
Cash and cash equivalents	16	**392,185**	358,845
		586,688	515,553
Total assets		**902,650**	726,420
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	17	**48,773**	48,282
Share premium	17	**98,786**	75,005
Other reserves	19	**321,835**	232,080
Retained earnings			
- Proposed final dividend	31	**36,470**	29,150
- Others		**101,666**	87,419
		607,530	471,936
Minority interest in equity		**5,299**	3,040
Total equity		**612,829**	474,976
LIABILITIES			
Current liabilities			
Trade and other payables	20	**159,106**	123,012
Current income tax liabilities		**11,227**	7,645
Borrowings	21	**—**	37,150
Due to customers on implementation contracts	15	**44,714**	23,221
Deferred income	22	**74,774**	60,416
		289,821	251,444
Total equity and liabilities		**902,650**	726,420
Net current assets		**296,867**	264,109
Total assets less current liabilities		**612,829**	474,976

Director *Director*

The notes on pages 40 to 77 are an integral part of these consolidated financial statements.

Balance Sheet

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Intangible assets	8	**663**	1,808
Investments in subsidiaries	9	**261,294**	192,733
Available-for-sale financial assets	12	**—**	6
		261,957	194,547
Current assets			
Trade and other receivables	14	**62,222**	53,893
Cash and cash equivalents	16	**5,537**	6,501
		67,759	60,394
Total assets		**329,716**	254,941
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	17	**147,559**	123,287
Other reserves	19	**—**	(3,727)
Retained earnings			
- Proposed final dividend	31	**36,470**	29,150
- Others		**145,672**	105,010
Total equity		**329,701**	253,720
LIABILITIES			
Current liabilities			
Trade and other payables	20	**15**	1,221
Total equity and liabilities		**329,716**	254,941

Director *Director*

The notes on pages 40 to 77 are an integral part of this financial statement.

Consolidated Income Statement

	Note	2007 RMB'000	2006 RMB'000
		Year ended 31 December	
Turnover	23	**766,874**	611,443
Cost of sales	25	**(159,699)**	(121,195)
Gross profit		**607,175**	490,248
Selling and marketing expenses	25	**(327,981)**	(279,175)
Administrative expenses	25	**(224,502)**	(180,679)
Other income	24	**96,898**	76,559
Operating profit		**151,590**	106,953
Finance costs - net	27	**(904)**	(149)
Share of loss of associates	10	**(607)**	(2,010)
Profit before income tax		**150,079**	104,794
Income tax expense	28	**(11,344)**	(7,463)
Profit for the year		**138,735**	97,331
Attributable to:			
Equity holders of the Company	29	**136,476**	97,377
Minority interest		**2,259**	(46)
		138,735	97,331
Earnings per share for profit attributable to the equity holders of the Company during the year			
- basic	30	**RMB 0.30**	RMB 0.22
- diluted	30	**RMB 0.28**	RMB 0.21
Dividends	31	**36,470**	29,150

The notes on pages 40 to 77 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Note	Attributable to equity holders of the Company						
		Share capital	Share premium	Other reserves	Retained earnings	Total	Minority interest	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2006		47,460	51,192	174,679	99,600	372,931	2,836	375,767
Net expense recognised directly in equity								
– Currency translation difference		—	—	(2,164)	—	(2,164)	—	(2,164)
Profit for the year		—	—	—	97,377	97,377	(46)	97,331
Total recognised income and expense for 2006		—	—	(2,164)	97,377	95,213	(46)	95,167
Capitalisation of retained earnings of a subsidiary		—	—	50,000	(50,000)	—	—	—
Employees share option scheme:								
– value of employee services	17	—	6,448	—	—	6,448	—	6,448
– proceeds from shares issued	17	822	14,973	—	—	15,795	—	15,795
Share options granted to related parties	17	—	2,392	—	—	2,392	—	2,392
Capital contributed by minority shareholder		—	—	—	—	—	250	250
Appropriation to reserve funds		—	—	9,565	(9,565)	—	—	—
Dividend relating to 2005	31	—	—	—	(20,843)	(20,843)	—	(20,843)
Balance at 31 December 2006		48,282	75,005	232,080	116,569	471,936	3,040	474,976
Balance at 1 January 2007		48,282	75,005	232,080	116,569	471,936	3,040	474,976
Net income recognised directly in equity								
– Currency translation difference		—	—	3,996	—	3,996	—	3,996
Profit for the year		—	—	—	136,476	136,476	2,259	138,735
Total recognised income and expense for 2007		—	—	3,996	136,476	140,472	2,259	142,731
Capitalisation of retained earnings of a subsidiary		—	—	65,000	(65,000)	—	—	—
Employees share option scheme:								
– value of employee services	17	—	10,968	—	—	10,968	—	10,968
– proceeds from shares issued	17	491	10,333	—	—	10,824	—	10,824
Share options granted to related parties	17	—	2,480	—	—	2,480	—	2,480
Appropriation to reserve funds		—	—	20,759	(20,759)	—	—	—
Dividend relating to 2006	31	—	—	—	(29,150)	(29,150)	—	(29,150)
Balance at 31 December 2007		48,773	98,786	321,835	138,136	607,530	5,299	612,829

The notes on pages 40 to 77 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2007 RMB'000	2006 RMB'000
Cash flows from operating activities			
Cash generated from operations	32	**277,246**	217,030
Interest paid		**(140)**	(70)
Income tax paid		**(8,391)**	(6,836)
Net cash generated from operating activities		**268,715**	210,124
Cash flows from investing activities			
Purchase of property, plant and equipment ("PPE")		**(108,965)**	(53,431)
Proceeds from disposals of PPE	32	**404**	393
Payments for lease prepayments		**(235)**	(2,584)
Addition of intangible assets		**(59,221)**	(55,753)
Pledged bank deposits withdrawn/(placed)		**16**	(1,793)
Short-term bank deposits (placed)/withdrawn		**(15,000)**	14,936
Interest received		**3,835**	2,951
Net cash used in investing activities		**(179,166)**	(95,281)
Cash flows from financing activities			
Proceeds from issuance of shares	17	**10,824**	15,795
Proceeds from borrowings		**—**	57,150
Repayments of borrowings		**(37,150)**	(50,000)
Dividends paid to the Company's shareholders		**(29,150)**	(20,843)
Net cash (used in)/generated from financing activities		**(55,476)**	2,102
Net increase in cash and cash equivalents		**34,073**	116,945
Cash and cash equivalents at beginning of year	16	**358,845**	242,053
Exchange losses on cash and cash equivalents		**(733)**	(153)
Cash and cash equivalents at end of year	16	**392,185**	358,845

The notes on pages 40 to 77 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Kingdee International Software Group Company Limited (the "Company") was incorporated in the Cayman Islands in 1999 as an exempted company with limited liability. The address of its office is 4th Level, Zone B, Block W1, Hi-tech industrial Park, Shennan Highway, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China (the "PRC").

The Company is an investment holding company. The principal activities of its subsidiaries are developing, manufacturing and selling of software products and provision of software-related technical services in the PRC.

The Company has its shares listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements have been approved for issue by the Board of Directors on 31 March 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Standards, amendment and interpretations effective in 2007

IFRS 7, "Financial instruments: Disclosures", and the complementary amendment to IAS 1, "Presentation of financial statements – Capital disclosures", introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

IFRIC - Int 8, "Scope of IFRS 2", requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Group's financial statements.

IFRIC - Int 10, "Interim financial reporting and impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- IFRIC - Int 7, "Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies"; and

- IFRIC - Int 9, "Re-assessment of embedded derivatives".

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

- IAS 1 (revised 2007), "Presentation of Financial Statements" (effective from 1 January 2009). The revised standard requires presentational changes and further disclosures in the financial statements but does not change the recognition and measurement of specific transactions. The Group will apply this standard from 1 January 2009, but it is not expected to result in substantial impact on the Group's financial statements.

- IAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amended) from 1 January 2009 but is expected not to have any impact on the Group's financial statements.

- IFRS 8, "Operating segments" (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009. The impact is still being assessed in detail by management.

- IFRIC - Int 11, "IFRS 2 – Group and treasury share transactions" (effective from 1 March 2007). IFRIC - Int 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. The Group will apply IFRIC - Int11 from 1 January 2008 but it is not expected to have any impact on the Group's financial statements.

- IAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply IAS 27 (Revised) from 1 January 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (Continued)

- IFRS 3 (Revised) "Business Combination" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other IFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply IFRS 3 (Revised) from 1 January 2010.

Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

- IFRIC - Int 12, "service concession arrangements" (effective from 1 January 2008). IFRIC - Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC - Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.

- IFRIC - Int 13, "Customer loyalty programmes" (effective from 1 July 2008). IFRIC - Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC - Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

- IFRIC - Int 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008). IFRIC - Int 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. IFRIC-Int 14 is not relevant to the Group's operations because none of the Group's companies have any defined benefit asset.

- IAS 32 and IAS 1 Amendments "Puttable Financial Instruments and Obligations Arising on Liquidation" (effective from 1 January 2009). The amendment requires some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The Group will apply IAS 32 and IAS 1 Amendments from 1 January 2009, but it is not expected to have any impact on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.8). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (Note 2.7).

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses (Note 2.8). The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Groups entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

– Buildings	15-30 years
– Computer and related equipment	5 years
– Other office equipment	5 years
– Motor vehicles	5 years
– Leasehold improvements	over the lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction in progress represents properties and plant under construction and is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until the relevant assets are completed and put into operational use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and included in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Lease prepayments

Lease prepayments represent lease payments paid or payable for the land use rights less accumulated charges and are recognised as an expense in the income statement on a straight-line basis over the lease period of the land use rights.

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(b) Research and development expenditure

Research expenditures is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development cost previously recongised as an expense is not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over their estimated useful lives, not exceeding 30 months.

(c) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives, not exceeding 2 years.

2.8 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group only has financial assets classified as "loans and receivables" and "available-for-sale financial assets" during the year.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (Note 2.12).

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets are subsequently carried at fair value and loans and receivables are carried at amortised cost using the effective interest method.

Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the investees.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade and other receivables is described in Note 2.12.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.11 Implementation contracts

An implementation contract is a contract specifically negotiated for the implementation of a software or a combination of software that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

When the outcome of an implementation contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract, respectively, as revenues and expenses. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a given period; the stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract and the proportion of contract costs incurred for work performed to date bear to the estimated total costs for the contract. When it is probable total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of an implementation contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised when incurred.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to year-end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers on implementation contracts, under current assets. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on implementation contracts, under current liabilities.

2.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "selling and marketing expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "selling and marketing expenses" in the income statement.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between proceeds (net of transaction cost) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.17 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax, is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Employee benefits

(a) Retirement benefits

The Group provides defined contribution retirement plans based on local laws and regulations. The plans cover full-time employees and provide for contributions at certain percentage of salary as determined by the respective local government authorities. The Group's contributions to defined contribution plans are charged to the income statement in the year to which they relate.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to rest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to rest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

(a) Sales of goods

Sales of software, hardware and related products are recognised when a group entity has delivered products to the customer; the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Sales of services

Software implementation services

Sales of software implementation services are recognised under percentage-of-completion method (Note 2.11).

Software solution consulting, maintenance and other supporting services

Software solution consulting, maintenance and other supporting services are provided on fixed-price contracts. Sales of these services are recognised in the period the services are provided, using a straight-line basis over the term of the contract.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Operating leases

Lease in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating lease (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.22 Dividend distribution

Dividends distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's financial instruments include trade and other receivables, cash and cash equivalents, pledged and short-term bank deposits, available-for-sale financial assets, trade and other payables and bank loans. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The directors review and agree policies for managing each of these risks and they are summarised as follows:

(a) Market risk

Foreign exchange risk

The functional currency of the Company and major subsidiaries is RMB. Majority of the revenues of the Group are derived from operations in the PRC. The financial instruments of the Group are mainly denominated in RMB. The Group is not significantly exposed to currency risk, though the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Interest rate risk

The Group has no significant interest bearing financial instruments and it does not have any loans and borrowings. It has no significant exposure to interest rate risk.

Price risk

The Group does not hold equity securities traded publicly. It is not exposed to commodity price risk.

(b) Credit risk

The Group is exposed to credit risk in its cash and cash equivalents, pledged and short-term bank deposits and trade and other receivables.

The carrying amount of cash and cash equivalents, pledged and short-term bank deposits, trade and other receivables, represent the Group's maximum exposure to credit risk in relation to its financial assets.

To manage this risk, deposits are mainly placed in banks with high credit rankings. The Group has policies in place to ensure that certain percentage of sales amounts as deposit is received upon the sales contracts are agreed with customers. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Even so, certain amount of trade receivables cannot be recovered due to default and unexpected financial difficulties suffered by the customers from time to time. The Group has no significant concentration of credit risk in trade receivables and the balance of trade receivables is composed of numerous small items and the exposure spreads over a large number of customers. The Group regularly performs ageing analysis, assesses credit risks and estimates the recoverability of groups of trade receivables bearing similar credit risk based on historical data and cash collection history. The estimates are assessed at each year end in order to ensure that adequate impairment provision is made.

No other financial assets bear a significant exposure to credit risk.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

The Group exercised prudent liquidity risk management policy by maintaining sufficient cash level and the availability of adequate amount of committed credit facilities to ensure the availability of sufficient cash flows to meet any unexpected and material cash requirements in the course of ordinary business.

The Group has no significant exposure to liquidity risk.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, issue new shares or sell assets to reduce debt.

3.2 Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, such as estimated discounted cash flows. The Group was a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value of the cash-generating unit to which goodwill has been allocated. The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation, which uses cash flow projection based on a financial forecast covering a nine-year period and a discount rate of 13.8%. Based on the calculation, management recognised an impairment loss of RMB14,018,000 as at 31 December 2007 (Note 8).

4.2 Estimated impairment of trade receivables

Determination of impairment of trade receivables requires management estimate the present value of future cash flows. This estimate is made on group basis and based on the credit history of its customers and the current market condition. It could change significantly as a result of change in financial position of customers. The impairment of trade receivables would be appximately RMB6,300,000 lower or RMB6,300,000 higher were the actual present value of future cash flows to differ by 10% from management's estimates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

4.3 Estimated future economic benefits from internally developed software

Capitalisation of internal software development cost requires management estimate probable future economic benefits from selling the developed software. The probable future economic benefits have been determined based on a financial forecast covered a nine-year period and a discount rate of 13.8%. The directors consider capitalisation of internal software development cost is not sensitive to the assumption adopted in the estimate of the probable future economic benefits.

4.4 Estimated useful lives of internally generated software

The useful lives of internally generated software are estimated based on historical experiences, which include actual useful lives of similar assets and changes in technology.

4.5 Revenue recognition

The Group uses the percentage-of-completion method in accounting for its fixed-price contracts to deliver software implementation services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. Were the proportion of services performed to total services to be performed to differ by 10% from management's estimates, the amount of revenue recognised in the year would be increased by approximately RMB10,000,000 if the proportion performed was increased, or would be decreased by approximately RMB10,000,000 if the proportion performed was decreased.

5 SEGMENT INFORMATION

No segment information is presented as the Group operates in one single industry and one single segment. The Group operates within one geographic segment as its revenues are primarily generated in the PRC and its major assets are located in the PRC.

6 PROPERTY, PLANT AND EQUIPMENT - GROUP

	Buildings RMB'000	Computer and related equipment RMB'000	Other office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2006							
Cost	12,164	58,254	1,300	6,639	12,449	13,188	103,994
Accumulated depreciation	(3,441)	(30,480)	(946)	(3,311)	(12,449)	—	(50,627)
Net book amount	8,723	27,774	354	3,328	—	13,188	53,367
Year ended 31 December 2006							
Opening net book amount	8,723	27,774	354	3,328	—	13,188	53,367
Additions	—	11,214	507	8,475	—	36,935	57,131
Disposals (Note 32)	—	(239)	(1)	(391)	—	—	(631)
Depreciation (Note 25)	(437)	(8,509)	(285)	(1,278)	—	—	(10,509)
Closing net book amount	8,286	30,240	575	10,134	—	50,123	99,358
At 31 December 2006							
Cost	12,164	67,498	1,805	14,458	11,699	50,123	157,747
Accumulated depreciation	(3,878)	(37,258)	(1,230)	(4,324)	(11,699)	—	(58,389)
Net book amount	8,286	30,240	575	10,134	—	50,123	99,358
Year ended 31 December 2007							
Opening net book amount	8,286	30,240	575	10,134	—	50,123	99,358
Additions	52,365	7,085	989	5,192	2,873	53,437	121,941
Disposals (Note 32)	—	(20)	(136)	(601)	—	—	(757)
Depreciation (Note 25)	(1,599)	(7,302)	(1,128)	(2,992)	(529)	—	(13,550)
Closing net book amount	59,052	30,003	300	11,733	2,344	103,560	206,992
At 31 December 2007							
Cost	64,529	74,305	1,279	18,506	2,873	103,560	265,052
Accumulated depreciation	(5,477)	(44,302)	(979)	(6,773)	(529)	—	(58,060)
Net book amount	59,052	30,003	300	11,733	2,344	103,560	206,992

Depreciation expense of RMB6,320,000 (2006:RMB4,813,000) has been charged in selling and marketing expenses and RMB7,230,000 (2006: RMB5,696,000) in administrative expenses.

7 LEASE PREPAYMENTS - GROUP

	2007 RMB'000	2006 RMB'000
Opening net book amount	**18,367**	16,246
Additionas	**235**	2,584
Income statement charge (Note 25)	**(391)**	(463)
	18,211	18,367
Represented by:		
Cost	**19,527**	19,292
Accumulated charges	**(1,316)**	(925)
	18,211	18,367

Amounts were paid for obtaining land use rights in the PRC, which were granted for a period of 50 years. RMB391,000 (2006:RMB463,000) of lease prepayments has been charged in administrative expenses during 2007.

8 INTANGIBLE ASSETS

	Group				Company
	Goodwill RMB'000	Development costs RMB'000	Computer software RMB'000	Total RMB'000	Computer software RMB'000
At 1 January 2006					
Cost	25,560	144,493	5,012	175,065	—
Accumulated amortisation and impairment	(2,204)	(82,980)	(5,012)	(90,196)	—
Net book amount	23,356	61,513	—	84,869	—
Year ended 31 December 2006					
Opening net book amount	23,356	61,513	—	84,869	—
Additions	—	53,356	4,403	57,759	2,411
Impairment of goodwill (Note 25)	(9,338)	—	—	(9,338)	—
Amortisation charge (Note 25)	—	(43,005)	(1,349)	(44,354)	(603)
Closing net book amount	14,018	71,864	3,054	88,936	1,808
At 31 December 2006					
Cost	25,560	197,849	9,415	232,824	2,411
Accumulated amortisation and impairment	(11,542)	(125,985)	(6,361)	(143,888)	(603)
Net book amount	14,018	71,864	3,054	88,936	1,808
Year ended 31 December 2007					
Opening net book amount	14,018	71,864	3,054	88,936	1,808
Additions	—	58,721	1,000	59,721	—
Impairment of goodwill (Note 25)	(14,018)	—	—	(14,018)	—
Amortisation charge (Note 25)	—	(45,412)	(2,309)	(47,721)	(1,145)
Closing net book amount	—	85,173	1,745	86,918	663
At 31 December 2007					
Cost	25,560	174,180	5,403	205,143	2,411
Accumulated amortisation and impairment	(25,560)	(89,007)	(3,658)	(118,225)	(1,748)
Net book amount	—	85,173	1,745	86,918	663

Amortisation charge of RMB47,721,000 (2006: RMB44,354,000) and impairment charge of RMB14,018,000 (2006: RMB9,338,000) are included in administrative expenses.

Goodwill is allocated to one cash-generating unit ("CGU"). The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on estimated growth rates covering a nine-year period. Goodwill has been assessed to be impaired as a result of the changes in bushiness strategy.

9 INVESTMENTS IN AND LOANS TO SUBSIDIARIES - COMPANY

	2007 RMB'000	2006 RMB'000
Unlisted shares (a)		
Cost	**251,594**	183,033
Provision for impairment	**(5,300)**	(5,300)
	246,294	177,733
Loans to subsidiaries (b)	**15,000**	15,000
	261,294	192,733

(a) The following is a list of the principal subsidiaries at 31 December 2007, all of which are limited liability companies:

Name	Place of incorporation	Registered and paid-up capital	Interest held
Directly held			
Kingdee Software (China) Co., Ltd. ("Kingdee China")	the PRC	RMB240,000,000	100%
Kingdee International software Group (H.K.) Co., Ltd. ("Kingdee HK")	Hong Kong	HKD1,000,000	100%
Indirectly held			
Shenzhen Kingdee Middleware Co., Ltd.	the PRC	RMB10,000,000	65%
Shanghai Kingdee Software Co., Ltd.	the PRC	RMB10,000,000	90%
Beijng Kingdee System Technology Co., Ltd. (formerly known as "Beijing Case Software Technology Co., Ltd.")	the PRC	USD540,000	100%

The above subsidiaries operate in their respective place of incorporation and are engaged in development, manufacturing and selling of software and hardware products and provision of software-related services.

(b) The loans to subsidiaries are unsecured, interest free and made as part of the owner's fund.

10 INVESTMENTS IN ASSOCIATES - GROUP

	2007 RMB'000	2006 RMB'000
At beginning of year	**607**	2,617
Share of loss	**(607)**	(90)
Impairment of goodwill	**—**	(1,920)
At end of year	**—**	607
Represented by:		
Share of net assets	**—**	607
Goodwill		
- Cost	**1,920**	1,920
- Impairment provision	**(1,920)**	(1,920)
	—	607

11 DEFERRED INCOME TAX - GROUP

	2007 RMB'000	2006 RMB'000
At beginning of year	**3,533**	5,096
Credited/(Charged) to the income statement	**308**	(1,563)
At end of year	**3,841**	3,533
Deferred income tax assets:		
- to be recovered after more than 12 months	**1,895**	2,224
- to be recovered within 12 months	**1,946**	1,309
	3,841	3,533

Movements in deferred tax assets/(liabilities) are as follows:

	At 1 January 2006 RMB'000	Credited/ (Charged) to the income statement RMB'000	At 31 December 2006 RMB'000	Credited/ (Charged) to the income statement RMB'000	At 31 December 2007 RMB'000
Provision for bad and doubtful debts	6,052	36	6,088	767	**6,855**
Deferred income	4,485	146	4,631	739	**5,370**
Provisions	354	(354)	—	—	**—**
Deferred development costs	(5,795)	(1,391)	(7,186)	(1,205)	**(8,391)**
Accelerated accounting depreciation	—	—	—	7	**7**
	5,096	(1,563)	3,533	308	**3,841**

11 DEFERRED INCOME TAX - GROUP *(Continued)*

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The directors are not certain on whether future taxable profit would be available. The Group did not recognise deferred income tax assets of RMB24,557,000 (2006: RMB23,941,000) in respect of tax losses amounting to RMB99,142,000 (2006: RMB72,889,000) that can be carried forward against future taxable income.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), which is effective from 1 January 2008. Under the new CIT Law, the corporate income tax rate applicable to the Group starting from 1 January 2008 will be 25% for all the Company's subsidiaries in the PRC, replacing the current tax rate of 33%. The adoption of the new CIT Law has no significant impact on the carrying amount of the deferred income tax assets of the Group as at 31 December 2007.

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
Unlisted investments:				
At beginning of year	**66**	66	**6**	6
Provision for impairment (Note (25))	**(66)**	—	**(6)**	—
At end of year	**—**	66	**—**	6

These investments are companies established in the PRC and principally engaged in selling of software products and provision of software-related technical services. The Group has 3% to 19% equity interests in these companies.

As these companies are in loss position, the directors are in the opinion that the carrying values of these investments cannot be recovered in the future and have made full provision against these investments.

13 INVENTORIES - GROUP

	2007 RMB'000	2006 RMB'000
Raw materials	**1,182**	1,450
Finished goods	**1,131**	2,209
	2,313	3,659

The cost of inventories recognised as expense and included in cost of sales amounted to RMB27,361,000 (2006: RMB25,882,000) (Note 25).

14 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
Trade receivables (Note (a))	**149,489**	143,329	**—**	—
Less: provision for impairment of receivables (Note (b))	**(86,202)**	(77,084)	**—**	—
Trade receivables – net	**63,287**	66,245	**—**	—
Notes receivable	**2,456**	1,828	**—**	—
Advances to employees (Note (c))	**5,450**	5,803	**80**	80
Prepayments	**5,942**	4,561	**—**	—
VAT recoverable (Note 24)	**27,930**	20,358	**—**	—
Re-investment refund receivable	**3,993**	3,706	**3,993**	3,706
Amounts due from subsidiaries (Note (d))	**—**	—	**54,754**	50,107
Others	**8,870**	10,472	**3,395**	—
	117,928	112,973	**62,222**	53,893

The fair values of trade and other receivables approximate their carrying amounts.

The carrying amounts of the Group's trade and other receivables are mainly denominated in RMB.

(a) Sales of the Group are generally made with no credit term. The ageing analysis of trade receivables is as follows:

	2007 RMB'000	2006 RMB'000
0 - 180 days	**58,852**	66,859
181 - 360 days	**16,356**	13,548
Over 360 days	**74,281**	62,922
	149,489	143,329

All trade receivables have past due and have been considered for impairment.

(b) Movement on the provision for impairment of trade receivables are as follows:

	2007 RMB'000	2006 RMB'000
At 1 January	**(77,084)**	(65,658)
Provision for impairment (Note 25)	**(16,621)**	(24,076)
Written off as uncollectible	**7,503**	12,650
At 31 December	**(86,202)**	(77,084)

The provision for impaired receivables has been included administrative expenses (Note 25). The other classes within trade and other receivables do not contain significant impaired assets. The Group does not hold any collaterals as security.

14 TRADE AND OTHER RECEIVABLES *(Continued)*

(c) The amounts advanced to employees are interest free, unsecured and repayable on demand.

(d) Amounts due from subsidiaries are unsecured, interest free and repayable on demand.

15 IMPLEMENTATION CONTRACTS – GROUP

	2007 RMB'000	2006 RMB'000
Contract costs incurred	**55,207**	42,213
Contract profit recognised	**84,054**	70,558
Billings	**(156,123)**	(127,342)
Work in progress at end of the year	**(16,862)**	(14,571)
Represented by:		
Due to customers on implementation contracts	**(44,714)**	(23,221)
Due from customers on implementation contracts	**27,852**	8,650
	(16,862)	(14,571)
Advance received on implementation contracts included in customers' deposits	**8,802**	2,654
Due from customers on implementation contracts billed included in trade receivables	**31,998**	34,344

16 CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
Cash at bank and in hand (Note (a))	**438,595**	390,271	**5,537**	6,501
Less: Short-term bank deposits (Note (b))	**(39,633)**	(24,633)	**—**	—
Pledged bank deposits (Note (c))	**(6,777)**	(6,793)	**—**	—
	392,185	358,845	**5,537**	6,501

16 CASH AND CASH EQUIVALENTS *(Continued)*

(a) Cash at bank and in hand denominated in the following currencies:

	Group		Company	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
RMB	**379,982**	344,541	**—**	—
Hong Kong Dollar	**11,943**	10,493	**5,537**	6,291
United States Dollar	**260**	3,811	**—**	210
	392,185	358,845	**5,537**	6,501

(b) The effective interest rate on short-term bank deposits was 2.25% (2006: 2.25%). These deposits have an average maturity of six months.

(c) The bank deposits were pledged to bank as performance guarantee relating to construction in progress.

17 SHARE CAPITAL AND PREMIUM

	Number of issued shares (thousands)	**Ordinary Share RMB'000**	**shares premium RMB'000**	**Total**
At 1 January 2006	443,597	47,460	51,192	98,652
Employee share option scheme				
– Value of services provided	—	—	6,448	6,448
– Exercise of share options	8,009	822	14,973	15,795
Share options granted to related parties	—	—	2,392	2,392
At 31 December 2006	451,606	48,282	75,005	123,287
Employee share option scheme				
– Value of services provided	—	—	10,968	10,968
– Exercise of share options	5,006	491	10,333	10,824
Share options granted to related parties	—	—	2,480	2,480
At 31 December 2007	**456,612**	**48,773**	**98,786**	**147,559**

The total authorised number of ordinary shares is 1,000 million shares (2006: 1,000 million shares) with a par value of HK$ 0.1 per share (2006: HK$0.1 per share). All issued shares are ranked pari passu in all respects.

18 SHARE OPTIONS

Details of the share options granted and movements in the number of share options outstanding are as follows:

Date of grant	27/09/ 2001	15/05/ 2002	20/02/ 2003	08/08/ 2003	23/03/ 2004	01/06/ 2004	27/12/ 2004	21/04/ 2005	15/02/ 2006	28/04/ 2006	04/05/ 2006	22/06/ 2006	22/06/ 2006	18/07/ 2006	23/01/ 2007	05/06/ 2007	08/06/ 2007	
Exercise price	HK$ 1.49	HK$ 1.78	HK$ 1.39	HK$ 2.05	HK$ 3.18	HK$ 2.65	HK$ 2.05	HK$ 1.55	HK$ 2.235	HK$ 2.61	HK$ 2.63	HK$ 2.625	HK$ 2.625	HK$ 2.895	HK$ 3.74	HK$ 6.83	HK$ 7.23	
Granted to employees	33 employees	2 directors and 20 employees	2 directors and 74 employees	2,370 employees	1 director	1 director and 177 employees	1 director and 154 employees	1 director and 3 business partners	1 employees	75 employees	1 director	1 director	2 related parties	3 employees	1 director	357 employees	6 directors	
Exercisable period	10 years	10 years	10 years	10 years	10 years	10 years	10 years	5 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	
Note	(a)	(b)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(i)	(i)	(h)	(j)	(k)	(l)	(k)	TOTAL
At 1 January 2006	647,500	2,620,000	3,823,500	2,672,000	4,000,000	8,175,000	2,725,000	3,240,000	—	—	—	—	—	—	—	—	—	27,903,000
Granted	—	—	—	—	—	—	—	—	1,000,000	22,600,000	1,900,000	1,900,000	8,800,000	1,600,000	—	—	—	37,800,000
Exercised	(412,500)	(970,000)	(2,132,000)	(792,000)	—	(1,648,220)	(1,894,000)	(160,000)	—	—	—	—	—	—	—	—	—	(8,008,720)
Lapsed due to resignation	(30,000)	(25,000)	(192,500)	(186,000)	—	(562,500)	(75,000)	—	—	—	—	—	—	—	—	—	—	(1,071,000)
At 31 December 2006	205,000	1,625,000	1,499,000	1,694,000	4,000,000	5,964,280	756,000	3,080,000	1,000,000	22,600,000	1,900,000	1,900,000	8,800,000	1,600,000	—	—	—	56,623,280
Granted	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4,400,000	3,760,000	1,180,000	9,340,000
Exercised	(150,000)	(25,000)	(1,030,500)	(750,000)	—	(1,877,153)	(363,500)	(80,000)	(250,000)	—	—	—	—	(480,000)	—	—	—	(5,006,153)
Lapsed due to resignation	—	(100,000)	(50,000)	—	—	(172,600)	(55,000)	—	—	(1,150,000)	—	—	—	—	—	(60,000)	—	(1,587,600)
At 31 December 2007	**55,000**	**1,500,000**	**418,500**	**944,000**	**4,000,000**	**3,914,527**	**337,500**	**3,000,000**	**750,000**	**21,450,000**	**1,900,000**	**1,900,000**	**8,800,000**	**1,120,000**	**4,400,000**	**3,700,000**	**1,180,000**	**59,369,527**

18 SHARE OPTIONS *(Continued)*

(a) All of these options have 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.

(b) All of these options have 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.

(c) All of these options have duration of 10 years from the date of grant, provided that the options can only be exercised from the date of 8 August 2004.

(d) All of these options have 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.

(e) All of these options have duration of 10 years from the date of grant, provided that

(1) The options cannot be exercised within 1 year from the date of grant.

(2) The number of options that can be exercised within 2 years from the date of grant cannot be more than 25% of the revenue ratio for the financial year of 2004.

(3) The number of options that can be exercised within 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.

(4) The number of options that can be exercised within 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; and

(5) 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.

(f) All of these options have duration of 10 years from the date of grant and the options can be exercised from the date of grant.

(g) All of these options have duration of 5 years from the date of grant and the options can be exercised from the date of grant.

(h) All of these options have 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.

(i) These options includes three batches with duration of 10 years from the date of grant and with different exercise conditions.

(j) All of these options have 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 30% and 60% of the options within 12 months and 24 months respectively from 1 year after the date of grant

(k) All of these options have 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 24 months, 36 months and 48 months respectively from the date of grant.

(l) These options have duration of 10 years from the date of grant, and the options can be exercised from 1 year after the date of grant.

18 SHARE OPTIONS *(Continued)*

Movement in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2007		2006	
	Average exercise price in HK$ per share	**Options (thousands)**	Average exercise price in HK$ per share	Options (thousands)
At 1 January	**2.52**	**56,623**	2.20	27,903
Granted	**5.42**	**9,340**	2.62	37,800
Exercised	**2.20**	**(5,005)**	1.93	(8,009)
Lapsed	**2.66**	**(1,588)**	2.62	(1,071)
At 31 December	**3.00**	**59,370**	2.52	56,623

Out of the 59,370,000 outstanding options (2006: 56,623,000 options), 10,425,000 options (2006: 18,324,210 options) were exercisable as at 31 December 2007. The related weighted average share price at the time of exercise was HK$2.28 (2006: HK$3.02) per share.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

		Number of Shares	
Expiry date within	Range of exercise prices (HK$ per share)	**2007 (thousands)**	2006 (thousands)
2010	1.55	**3,000**	3,080
2011	1.49	**55**	1,830
2012	1.78	**1,500**	1,499
2013	1.39 - 2.05	**1,363**	1,694
2014	2.05 - 3.81	**8,252**	10,720
2016	2.235 - 2.895	**35,920**	37,800
2017	3.74 - 7.23	**9,280**	—
		59,370	56,623

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model was HK$2.01 per option (2006: HK$1.16 per option). The significant inputs into the model were a weighted average share price of HK$5.39 (2006: HK$2.61) at the grant date, the exercise price shown above, volatility of 46% (2006: 46%), expected dividend paid out of HK$0.085 per share (2006: HK$0.058), an expected option life of 5 years (2006: 8 years) and an annual risk-free interest rate of 4.10% (2006: 4.20%). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the period from the ending of the locking period to the grant date of share options.

19 OTHER RESERVES

Group	Merger reserve RMB'000 Note (a)	Capital reserve RMB'000 Note (b)	Statutory surplus reserve fund RMB'000 Note (c)	Exchange fluctuation reserve RMB'000	Total RMB'000
Balance at 1 January 2006	6,570	132,197	37,559	(1,647)	174,679
Capitalisation of retained earnings of a subsidiary	—	50,000	—	—	50,000
Appropriation to reserve funds	—	—	9,565	—	9,565
Currency translation difference	—	—	—	(2,164)	(2,164)
Balance at 31 December 2006 and 1 January 2007	6,570	182,197	47,124	(3,811)	232,080
Capitalisation of retained earnings of a subsidiary	—	65,000	—	—	65,000
Appropriation to reserve funds	—	—	20,759	—	20,759
Currency translation difference	—	185	—	3,811	3,996
Balance at 31 December 2007	**6,570**	**247,382**	**67,883**	**—**	**321,835**

Company	Exchange fluctuation reserve RMB'000
Balance at 1 January 2006	(1,812)
Currency translation difference	(1,915)
Balance at 31 December 2006 and 1 January 2007	(3,727)
Currency translation difference	3,727
Balance at 31 December 2007	**—**

(a) The merge reserve represents the difference between the amount of the capital of the subsidiaries at the date on which they were acquired by the Company and the nominal amounts of the Company's share issued as consideration for the acquisition.

(b) The capital reserve represents mainly the amounts of retained earnings capitalised on re-investment in subsidiaries.

(c) The Company's subsidiaries in the PRC are required to follow the laws and regulations of the PRC and their articles of association. These subsidiaries are required to allocate at least 10% of their net profit to the reserve fund until the balance of such fund has reached 50% of their registered capital. The reserve fund can only be used, upon approval by the relevant authorities, to offset accumulated losses or increase capital.

20 TRADE AND OTHER PAYABLES

	Group		Company	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
Trade payables (Note (a))	**32,412**	21,578	**—**	1,206
Salary and staff welfare payable	**21,245**	14,408	**—**	—
Customers' deposits	**55,034**	44,006	**—**	—
VAT and business tax payable	**27,392**	22,289	**—**	—
Accrued expenses	**17,188**	12,383	**—**	—
Others	**5,835**	8,348	**15**	15
	159,106	123,012	**15**	1,221

The fair values of trade and other payables approximate their carrying amounts.

The carrying amounts of the Group's trade and other payables are mainly denominated in RMB.

(a) At 31 December 2007, the ageing analysis of the trade payables is as follows:

	2007 RMB'000	2006 RMB'000
0 - 180 days	**30,767**	20,648
181 - 360 days	**972**	86
Over 360 days	**673**	844
	32,412	21,578

21 BORROWINGS

All borrowings had been paid during the year.

22 DEFERRED INCOME - GROUP

	2007 RMB'000	2006 RMB'000
Deferred sales (Note (a))	**65,174**	57,216
Deferred government grant (Note (b))	**9,600**	3,200
	74,774	60,416

(a) The amount represents revenues billed to or received from customers in relation to software maintenance service which had not yet been recognised by the Group as the service periods extend beyond the financial year end.

22 DEFERRED INCOME - GROUP *(Continued)*

(b) Movement of deferred government grant is as follows:

	2007 **RMB'000**	2006 RMB'000
At 1 January	**3,200**	3,854
Additions	**8,826**	1,800
Recognised in the income statement (Note 24)	**(2,426)**	(2,454)
At 31 December	**9,600**	3,200

Amount represents various subsidies granted by and received from local government authorities for financing of various research and development projects conducted by the Group.

23 TURNOVER

Turnover is stated net of applicable value-added tax ("VAT") in the PRC and comprises the following:

	2007 **RMB'000**	2006 RMB'000
Sales of software	**520,197**	413,114
Software implementation services	**153,833**	125,390
Software solution consulting, maintenance and other supporting services	**80,423**	60,754
Sales of hardware and related products	**12,421**	12,185
	766,874	611,443

24 OTHER INCOME

	2007 RMB'000	2006 RMB'000
Subsidy income		
VAT refund (Note (a))	**79,495**	61,558
Subsidy for research and development projects (Note 22)	**2,426**	2,454
Tax refund for re-investments (Note (b))	**3,993**	5,329
Others	**4,507**	3,905
	90,421	73,246
Interest income	**5,136**	2,951
Others	**1,341**	362
	96,898	76,559

(a) According to the current tax regulations in the PRC, the development and sales of computer software are subject to VAT with an applicable rate of 17%. In September 2000, the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs of the PRC jointly issued a circular regarding the Taxation Policy for Encouraging the Development of the Software and Integrated Circuits Industries (Cai Shui Zi [2000] No.25). Pursuant to the Circular, for the period from 24 June 2000 to 31 December 2010, software enterprises which engage in the sales of self-developed software in the PRC and pay VAT at a rate of 17% are entitled to a preferential taxation treatment that there will be VAT refund for the sales of the software in the PRC to the extent that the effective VAT rate does not exceed 3% of the sales amounts.

(b) Amount represents income tax refund for re-investment in a subsidiary by way of capitalisation of dividend.

25 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses and administrative expenses are analysed as follows:

	2007 RMB'000	2006 RMB'000
Research and development costs		
Amounts incurred	**99,672**	80,209
Less: amounts capitalised (Note 8)	**(58,721)**	(53,356)
Add: amortisation of capitalised costs (Note 8)	**45,412**	43,005
	86,363	69,858
Employee benefit expenses (Note 26)	**383,099**	301,328
Less: amount included in research and development costs	**(82,653)**	(63,697)
	300,446	237,631
Cost of inventories consumed (Note 13)	**27,361**	25,882
Depreciation (Note 6)	**13,550**	10,509
Amortisation of computer software (Note 8)	**2,309**	1,349
Charge of lease prepayments (Note 7)	**391**	463
Impairment of goodwill (Note 8)	**14,018**	9,338
Impairment of receivables (Note 14)	**16,621**	24,076
Impairment of available-for-sale financial assets (Note 12)	**66**	—
Loss on disposals of PPE (Note 32)	**353**	238
Auditors' remuneration	**1,750**	1,600
Advertising costs	**41,911**	38,001
Sales promotion costs	**38,140**	31,799
Share options granted to related parties (Note 17)	**2,480**	2,392
Professional service costs	**11,766**	12,413
Traveling costs	**25,953**	22,613
Rental and utilities	**31,373**	26,173
Outsourcing services	**32,570**	17,834
Others	**64,761**	48,880
Total cost of sales, selling and marketing expenses and administrative expenses	**712,182**	581,049

26 EMPLOYEE BENEFIT EXPENSE

	2007 RMB'000	2006 RMB'000
Wages, salaries and bonus	**284,878**	226,707
Commissions	**48,526**	36,977
Staff welfare	**10,365**	9,138
Pension scheme contributions (Note (a))	**28,362**	22,058
Share options granted to directors and employees (Note 17)	**10,968**	6,448
	383,099	301,328

(a) The Group participates in defined contribution retirement schemes organized by the relevant local government authorities in the PRC. The Group is required to make monthly contributions to the retirement scheme at rates ranging from 8% to 22.5%, depending on the location of the subsidiaries, based on the eligible employees' basic salaries. The local government authorities are responsible for the pension liabilities to retired employees. Forfeited contributions made by the Group on behalf of employees who leave the scheme prior to full vesting of the contributions may not be used by the employer to reduce the existing level of contributions.

(b) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2007 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Share options	Employer's contribution to pension scheme
Mr. Xu Shao Chun	100	949	468	—	18
Mr. Ho Ching Hua (i)	40	2,873	—	1,681	—
Mr. Chen Deng Kun	50	458	194	726	18
Mr. James Ming King	50	—	—	—	—
Mr. Zhao Yong (ii)	40	—	—	—	—
Mr. Hugo Shong (iii)	50	—	—	—	—
Mr. Yang Zhou Nan	100	—	—	—	—
Mr. Wu Cheng	50	—	—	—	—
Mr. Yeung Kwok On	100	—	—	—	—
Mr. Gary Clark Biddle	100	—	—	—	—

Notes:

(i) Appointed on 30 March 2007.

(ii) Resigned on 12 September 2007.

(iii) Resigned on 31 March 2008.

26 EMPLOYEE BENEFIT EXPENSE *(Continued)*

The remuneration of every Director for the year ended 31 December 2006 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Share options	Employer's contribution to pension scheme
Mr. Xu Shao Chun	100	888	468	1,688	17
Mr. Chen Deng Kun	50	387	163	282	17
Mr. James Ming King	50	—	—	—	—
Mr. Zhao Yong	50	—	—	—	—
Mr. Hugo Shong	50	—	—	—	—
Mr. Yang Zhou Nan	100	—	—	—	—
Mr. Wu Cheng	50	—	—	—	—
Mr. Yeung Kwok On	100	—	—	—	—
Mr. Gary Clark Biddle	100	—	—	—	—

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2006: one) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2006: four) individuals during the year are as follows:

	2007 RMB'000	2006 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,170**	2,779
Bonuses	**834**	1,167
Pension scheme contributions	**40**	55
Share options	**2,294**	1,623
	5,338	5,624

The emoluments fell within the following bands:

	2007	2006
Emolument bands		
HK$0-HK$1,000,000	**1**	—
HK$1,000,001-HK$1,500,000	**2**	2
HK$1,500,001-HK$2,000,000	**—**	2

27 FINANCE COSTS - NET

	2007 RMB'000	2006 RMB'000
Interest expense on bank borrowings	**140**	70
Net foreign exchange loss	**764**	79
	904	149

28 INCOME TAX EXPENSE

	2007 RMB'000	2006 RMB'000
PRC income tax		
– Current income tax	**10,239**	8,451
– Under-provision/(Over-provision) in previous year	**1,413**	(2,551)
– Deferred income tax (Note 11)	**(308)**	1,563
	11,344	7,463

(a) No provision for profits tax in the Cayman Islands and Hong Kong has been made as the Group has no income assessable for profits tax for the years in those 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 the subsidiaries are located. Under New CIT Law, these companies are subject to EIT at a rate of 25%, starting from 1 January 2008 (Note (11)).

(c) According to some circulars issued by related tax authorities in the PRC, subsidiaries of the Group which are qualified as national important software enterprises but are not in their tax holiday period are entitled to a preferential tax rate of 10%.

The reconciliation of the effective tax rate to the statutory tax rate is as follows:

	2007 RMB'000	2006 RMB'000
Profit before tax	**150,079**	104,794
Tax at the statutory tax rate of 33% (2006: 33%)	**49,525**	34,582
– Effect of preferential tax rates	**(34,518)**	(24,103)
– Tax losses not recognised	**2,412**	6,464
– Expenses not deductible for tax purposes	**3,937**	2,693
– Income not subject to tax	**(6,441)**	(5,594)
– Additional deductible allowance for research and development expenses	**(4,984)**	(4,028)
– Under-provision/(Over-provision) of income tax in previous year	**1,413**	(2,551)
	11,344	7,463

29 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt within the financial statements of the Company to the extent of RMB77,132,000 (2006: RMB66,154,000).

30 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007	2006
Profit attributable to equity holders of the Company (RMB'000)	**136,476**	97,377
Weighted average number of ordinary shares in issue (thousands)	**454,628**	447,867
Basic earnings per share (RMB per share)	**0.30**	0.22

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has just one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2007	2006
Profit attributable to equity holders of the Company (RMB'000)	**136,476**	97,377
Weighted average number of ordinary shares in issue (thousands)	**454,628**	447,867
Adjustments for – share options (thousands)	**32,879**	8,555
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**487,507**	456,422
Diluted earnings per share (RMB per share)	**0.28**	0.21

31 DIVIDENDS

The dividends paid in 2007 and 2006 were RMB29,150,000 (HK$29,447,000)((RMB0.064 per share) (HK$0.065per share) and RMB20,843,000 (HK$20,036,000) (RMB0.047 per share (HK$0.045 per share)) respectively. A dividend in respect of the year ended 31 December 2007 of RMB0.080 per share (HK$0.085 per share), amounting to a total dividend of RMB36,470,000 (HK$38,951,000), is to be proposed at the Annual General Meeting on 8 May 2008. These financial statements do not reflect this dividend payable.

32 CASH GENERATED FROM OPERATIONS

	2007 RMB'000	2006 RMB'000
Profit before income tax	**150,079**	104,794
Adjustments for:		
– Depreciation (Note 6)	**13,550**	10,509
– Loss on disposal of PPE (Note 25)	**353**	238
– Share of loss from associates (Note 10)	**607**	2,010
– Charge of lease prepayments (Note 7)	**391**	463
– Amortisation of intangible assets (Note 8)	**47,721**	44,354
– Goodwill impairment charge (Note 8)	**14,018**	9,338
– Interest income (Note 24)	**(5,136)**	(2,951)
– Interest expense (Note 27)	**140**	70
– Share option expenses		
Granted to directors and employees (Note 17)	**10,968**	6,448
Granted to related parties (Note 17)	**2,480**	2,392
– Impairment of available-for-sale financial assets (Note 12)	**66**	—
	235,237	177,665
Changes in working capital:		
– Inventories	**1,346**	301
– Trade and other receivables	**(3,654)**	(8,940)
– Provisions	**—**	(3,537)
– Deferred income	**14,358**	15,568
– Trade and other payables	**27,668**	27,968
– Due from/to customers on implementation contracts	**2,291**	8,005
Cash generated from operations	**277,246**	217,030

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2007 RMB'000	2006 RMB'000
Net book amount (Note 6)	**757**	631
Loss on disposal of PPE (Note 25)	**(353)**	(238)
Proceeds from disposal of PPE	**404**	393

33 COMMITMENTS - GROUP

(a) Capital commitments

The Group had capital expenditure contracted for but not recognised in the accounts as follows:

	2007 **RMB'000**	2006 RMB'000
Capital commitments	**55,417**	98,102

(b) Operating lease commitments

The Group had total minimum future lease payments under non-cancelable operating leases in respect of buildings as follows:

	2007 **RMB'000**	2006 RMB'000
Not later than one year	**13,387**	15,510
Later than one year and not later than five years	**14,944**	17,615
	28,331	33,125

34 ULTIMATE HOLDING COMPANY

The directors regard the Company has no ultimate holding company.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an Annual General Meeting ("Meeting") of Kingdee International Software Group Company Limited (the "Company") will be held at 4th Level, Zone B, Block W1, High-Tech Industrial Park, Shennan Highway, Nanshan District, Shenzhen, Guangdong Province, The People's Republic of China ("P.R.C.") on Thursday, 8 May, 2008 at 9:30 a.m. for the following purposes:

1. To receive and adopt the audited consolidated accounts, the report of the directors of the Company (the "Directors") and the report of the auditors of the Company for the year ended 31 December 2007;

2. To declare a final dividend for the year ended 31 December 2007;

3. (A) To re-elect Mr. Charles Po Shun Wu as a Director;

   (B) To re-elect Mr. James Ming King as a Director;

   (C) To re-elect Ms. Yang Zhou Nan as a Director;

   (D) To re-elect Mr. Gary Clark Biddle as a Director;

4. To authorize the board of Directors ("the Board") to fix the remuneration of the Directors;

5. To consider and approve the re-appointment of PricewaterhouseCoopers, the retiring auditor of the Company and to authorize the Board to fix their remuneration;

6. To consider and, if thought fit, pass the following resolutions with or without amendments as ordinary resolutions of the Company:

   (A) "THAT

   (i) subject to sub-paragraph (iii) of this resolution, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue or otherwise deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and securities or debentures convertible into such shares or options) which might require the exercise of such powers either during or after the Relevant Period, be and is hereby generally and unconditionally approved;

   (ii) the approval in paragraph (i) of this resolution shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;

   (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in sub-paragraph (i) of this resolution, otherwise than pursuant to (a) a Rights Issue (as defined below); (b) the exercise of warrants to subscribe for shares of the Company or any securities which are convertible into shares of the Company or the exercise of options granted under any share option schemes adopted by the Company; or (c) an issue of shares of the Company in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and this approval shall be limited accordingly; and

(A) "THAT *(Continued)*

(iv) for the purpose of this resolution:

"Relevant Period" means the period from the date of the passing of this resolution until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and

(c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution in general meeting of the Company.

"Rights Issue" means the allotment, issue, or grant of shares pursuant to an offer of shares of the Company open for a period fixed by the Directors to holders of shares in the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to overseas shareholders or fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory applicable to the company)."

(B) "THAT

(i) subject to paragraph (ii) below, the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to repurchase issued shares in the capital of the Company on the Stock Exchange or any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for such purpose, subject to and in accordance with all applicable laws and the requirements of the Listing Rules or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(ii) the aggregate nominal amount of shares of the Company which the Company is authorized to repurchase pursuant to the approval in sub-paragraph (i) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and this approval shall be limited accordingly; and

(iii) for the purpose of this resolution:

"Relevant Period" means the period from the date of passing of this resolution until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and

(c) the date on which the authority sets out for this resolution is revoked or varied by an ordinary resolution in general meeting of the Company."

(C) **"THAT** conditional upon ordinary resolutions nos.6(A) and 6(B) above being passed, the aggregate nominal amount of shares of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in ordinary resolution no.6(B) above shall be added to the aggregate nominal amount of share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to ordinary resolution no.6(A) above."

By order of the Board
KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED
Xu Shao Chun
Chairman

Shenzhen, the P.R.C., 15 April 2008

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

Principal place of business in the P.R.C.:
4th Level, Zone B, Block W1
High-Tech Industrial Park
Shennan Highway, Nanshan District
Shenzhen, Guangdong Province
The P.R.C.

Notes:

(i) A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote on his/her/its behalf. A proxy need not be a member of the Company.

(ii) In order to be valid, the proxy form together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of such power or authority), must be delivered to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the Meeting or any adjournment thereof.

(iii) Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the Meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.

(iv) The register of members of the Company will be closed from Wednesday 7 May 2008 to Thursday 8 May, 2008 (both days inclusive), during which period no transfer of Shares will be effected. All transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Tuesday 6 May 2008.

(v) An explanatory statement containing further details regarding ordinary resolution no.5(B) as required by the Listing Rules will be dispatched to the members of the Company together with the Company's annual report 2007.

As at the date hereof, the executive Directors are Mr. Xu Shao Chun (Chairman of the Company) , Mr. Ho Ching-hua and Mr. Chen Deng Kun; the non-executive Directors are Mr. Charles Po Shun Wu 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.

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.