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KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

金蝶國際軟件集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 268)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009**

The board (the “Board”) of directors (the “Directors”) of Kingdee International Software Group Company Limited (“Kingdee International” or the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2009, together with the comparative audited consolidated figures for the year ended 31 December 2008 are as follows:

Financial highlights for the year ended 31 December 2009

- Turnover increased by approximately 13.9% over 2008 to approximately RMB996,810,000.
- Profit attributable to equity holders of the Company increased by approximately 17.0% over 2008 to approximately RMB212,479,000.
- Basic earnings per share increased by approximately 11.7% over 2008 to approximately RMB0.1070.
- The Board of Directors recommended a final dividend of HK\$0.022 per share.

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Land use rights		81,785	84,951
Property, plant and equipment		327,045	328,760
Intangible assets	4	193,916	115,458
Investment properties	5	236,511	53,903
Deferred income tax assets		-	5,749
		<u>839,257</u>	<u>588,821</u>
Current assets			
Inventories		2,023	2,773
Trade and other receivables	6	200,692	136,875
Due from customers on implementation contracts		89,696	57,827
Pledged bank deposits		175	2,213
Short-term bank deposits		111,490	95,247
Cash and cash equivalents		519,790	423,640
		<u>923,866</u>	<u>718,575</u>
Total assets		<u><u>1,763,123</u></u>	<u><u>1,307,396</u></u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	7	53,812	50,923
Share premium	7	381,374	241,194
Other reserves		388,119	343,160
Retained earnings			
- Proposed final dividend	16	39,776	37,213
- Others		379,264	224,674
		<u>1,242,345</u>	<u>897,164</u>
Non-controlling interest		<u>9,715</u>	<u>8,780</u>
Total equity		<u><u>1,252,060</u></u>	<u><u>905,944</u></u>
LIABILITIES			
Current liabilities			
Trade and other payables	8	283,982	263,091
Current income tax liabilities		-	7,071
Borrowings	9	57,378	9,500
Due to customers on implementation contracts		82,002	41,900
Deferred income		78,091	79,890
Deferred income tax liabilities		9,610	-
		<u>511,063</u>	<u>401,452</u>
Total equity and liabilities		<u><u>1,763,123</u></u>	<u><u>1,307,396</u></u>
Net current assets		<u><u>412,803</u></u>	<u><u>317,123</u></u>
Total assets less current liabilities		1,252,060	905,944

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2009	2008
		RMB'000	RMB'000
Turnover	10	996,810	875,300
Cost of sales	12	(218,785)	(184,455)
Gross profit		778,025	690,845
Selling and marketing expenses	12	(523,219)	(428,466)
Administrative expenses	12	(125,249)	(135,959)
Research and development costs	12	(90,581)	(90,971)
Other gains, net	11	180,264	147,624
Operating profit		219,240	183,073
Finance income	13	4,614	6,315
Finance costs	13	(761)	(97)
Finance income - net		3,853	6,218
Profit before income tax		223,093	189,291
Income tax expense	14	(9,679)	(4,264)
Profit for the year		213,414	185,027
Attributable to:			
Equity holders of the Company	15	212,479	181,546
Non-controlling interest		935	3,481
		213,414	185,027
Earnings per share for profit attributable to the equity holders of the Company during the year			
- basic	15	<u>RMB0.1070</u>	<u>RMB0.0958</u>
- diluted	15	<u>RMB0.1027</u>	<u>RMB0.0906</u>

	Note	Year ended 31 December	
		2009	2008
		RMB'000	RMB'000
Dividends	16	<u>39,776</u>	<u>37,213</u>

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
Note	2009	2008
	RMB'000	RMB'000
Profit for the year	213,414	185,027
Fair value change of land and buildings before transferred to investment properties, net of tax	26,846	-
Total comprehensive income for the year	240,260	185,027
Total comprehensive income attributable to:		
Equity holders of the Company	239,325	181,546
Non-controlling interest	935	3,481
	240,260	185,027

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

		Attributable to equity holders of the Company					Non-	
	Note	Share capital	Share premium	Other reserves	Retained earnings	Total	controlling interest	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2008								
		48,773	98,786	321,835	138,136	607,530	5,299	612,829
Comprehensive income								
Profit for the year		-	-	-	181,546	181,546	3,481	185,027
Total comprehensive income		-	-	-	181,546	181,546	3,481	185,027
Transactions with owners								
Employees share option scheme:								
- value of employee services	7	-	16,100	-	-	16,100	-	16,100
- proceeds from shares issued	7	397	8,661	-	-	9,058	-	9,058
Issue of shares		1,796	119,482	-	-	121,278	-	121,278
Repurchase of own shares	7	(43)	(1,835)	43	(43)	(1,878)	-	(1,878)
Appropriation to reserve funds		-	-	21,282	(21,282)	-	-	-
Dividend relating to 2007	16	-	-	-	(36,470)	(36,470)	-	(36,470)
Total transactions with owners		2,150	142,408	21,325	(57,795)	108,088	-	108,088
Balance at 31 December 2008								
		50,923	241,194	343,160	261,887	897,164	8,780	905,944
Balance at 1 January 2009								
		50,923	241,194	343,160	261,887	897,164	8,780	905,944
Comprehensive income								
Profit for the year		-	-	-	212,479	212,479	935	213,414
Other comprehensive income		-	-	26,846	-	26,846	-	26,846
Total comprehensive income		-	-	26,846	212,479	239,325	935	240,260
Transactions with owners								
Employees share option scheme:								
- value of employee services	7	-	15,859	-	-	15,859	-	15,859
- proceeds from shares issued	7	909	20,628	-	-	21,537	-	21,537
Issue of shares		1,980	103,693	-	-	105,673	-	105,673
Appropriation to reserve funds		-	-	18,113	(18,113)	-	-	-
Dividend relating to 2008	16	-	-	-	(37,213)	(37,213)	-	(37,213)
Total transactions with owners		2,889	140,180	18,113	(55,326)	105,856	-	105,856
Balance at 31 December 2009								
		53,812	381,374	388,119	419,040	1,242,345	9,715	1,252,060

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December	
		2009	2008
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations		221,702	297,537
Interest paid	13	(660)	(312)
Income tax paid		(5,697)	(11,550)
Net cash generated from operating activities		<u>215,345</u>	<u>285,675</u>
Cash flows from investing activities			
Purchase of property, plant and equipment ("PPE")		(104,856)	(161,800)
Proceeds from sales of PPE		9,364	6,657
Payments for land use rights		(2,111)	(70,512)
Addition of intangible assets		(149,876)	(85,318)
Pledged bank deposits withdrawn		2,171	4,564
Pledged bank deposits placed		(133)	-
Short-term bank deposits withdrawn		50,741	-
Short-term bank deposits placed		(66,984)	(55,614)
Interest received	13	<u>4,614</u>	<u>6,315</u>
Net cash used in investing activities		<u>(257,070)</u>	<u>(355,708)</u>
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	7	105,673	121,278
Proceeds from exercised options	7	21,537	9,058
Repurchase of own shares	7	-	(1,878)
Proceeds from borrowings		57,378	9,500
Repayments of borrowings		(9,500)	-
Dividends paid to the Company's shareholders	16	<u>(37,213)</u>	<u>(36,470)</u>
Net cash generated from financing activities		<u>137,875</u>	<u>101,488</u>
Net increase in cash and cash equivalents		96,150	31,455
Cash and cash equivalents at beginning of year		<u>423,640</u>	<u>392,185</u>
Cash and cash equivalents at end of year		<u><u>519,790</u></u>	<u><u>423,640</u></u>

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 Kingdee Software Park, 2 Keji 12th Road South, Hi-tech industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People’s Republic of China (the “PRC”).

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the “Group”) 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 financial statements are presented in RMB, unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 24 March 2010.

2 Basis of preparation

The consolidated financial statements of the Group 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 investment properties, which are carried at fair value.

The group has adopted the following new and amended IFRSs as of 1 January 2009:

- IFRS 7 ‘Financial instruments- Disclosures’ (amendment).
- IAS 1 (revised). ‘Presentation of financial statements’.
- IAS 23 (revised), ‘Borrowing costs’.
- IFRS 2 (amendment), ‘Share-based payment’.
- IFRS 8, ‘Operating segments’.
- Amendment to IAS 40 ‘Investment property’.

3 Segment information

The chief operating decision-maker has been identified as the board of executive directors of the Company. The board of executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The board of executive directors considers the business from product perspective. On first-time adoption of IFRS 8 'Operating Segments', the Group determined that the operating segments are:

Enterprise Management Software business	-	the sales and implementation of enterprise management software, provision of other services and hardware related to enterprise management software arrangements.
Others	-	middleware business and online management services

The chief operating decision-maker assesses the performance of the operating segments based on the operating profit of each segment. Substantially all of the businesses of the Group are carried out in the PRC.

The segment information for the year ended 31 December 2008 had been restated to conform to current year presentation in accordance with IFRS8.

3 Segment information (continued)

The segment information for the year ended 31 December 2009 is as follows:

	Enterprise management software business	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue (from external customers)	968,163	28,647	-	996,810
Operating profit	155,730	(6,100)	69,610	219,240
Finance costs	(702)	(55)	(4)	(761)
Finance income	4,005	607	2	4,614
Finance income/(cost) – net	3,303	552	(2)	3,853
Profit before income tax	159,033	(5,548)	69,608	223,093
Income tax expense	(7,496)	709	(2,892)	(9,679)
Segment results	151,537	(4,839)	66,716	213,414
Segment assets	1,334,571	60,111	368,441	1,763,123
Deferred tax asset				-
Total assets				1,763,123
Segment liabilities	494,643	6,810	-	501,453
Deferred tax liabilities				9,610
Total liabilities				511,063
Additions to non-current assets (other than financial instruments and deferred tax assets)	249,579	7,264	107,417	364,260
Material non-cash expenses				-
Depreciation and amortisation	98,090	318	-	98,408
Provision for doubtful trade and other receivables	2,147	749	-	2,896

3 Segment information (continued)

The segment information for the year ended 31 December 2008 is as follows:

	Enterprise management software business	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue (from external customers)	849,087	26,213	-	875,300
Operating profit	141,784	15,474	25,815	183,073
Finance costs	(89)	(6)	(2)	(97)
Finance income	6,115	183	17	6,315
Finance income - net	6,026	177	15	6,218
Profit before income tax	147,810	15,651	25,830	189,291
Income tax expense	728	(1,126)	(3,866)	(4,264)
Segment results	148,538	14,525	21,964	185,027
Segment assets	1,186,264	42,940	72,443	1,301,647
Deferred tax asset				5,749
Total assets				1,307,396
Segment liabilities	391,629	9,823	-	401,452
Deferred tax liabilities				-
Total liabilities				401,452
Additions to non-current assets (other than financial instruments and deferred tax assets)	305,846	11,784	38,662	356,292
Material non-cash expenses				
Depreciation and amortisation	76,958	121	-	77,079
Provision for doubtful trade and other receivables	793	-	-	793

4 Intangible assets

	Goodwill RMB'000	Development costs RMB'000	Computer software RMB'000	Total RMB'000
Year ended 31 December 2008				
Opening net book amount	-	85,173	1,745	86,918
Additions	-	80,318	5,000	85,318
Amortisation charge (Note 12)	-	(55,248)	(1,530)	(56,778)
Closing net book amount	-	110,243	5,215	115,458
At 31 December 2008				
Cost	25,560	254,498	10,403	290,461
Accumulated amortisation	(11,542)	(144,255)	(5,188)	(160,985)
Accumulated impairment	(14,018)	-	-	(14,018)
Net book amount	-	110,243	5,215	115,458
Year ended 31 December 2009				
Opening net book amount	-	110,243	5,215	115,458
Additions	-	125,016	24,860	149,876
Amortisation charge (Note 12)	-	(66,958)	(4,460)	(71,418)
Closing net book amount	-	168,301	25,615	193,916
At 31 December 2009				
Cost	25,560	379,514	35,263	440,337
Accumulated amortisation	(11,542)	(211,213)	(9,648)	(232,403)
Accumulated impairment	(14,018)	-	-	(14,018)
Net book amount	-	168,301	25,615	193,916

5 Investment properties

	2009	2008
	RMB'000	RMB'000
At 1 January	53,903	-
Transfer from construction in progress	48,553	13,270
Transfer from buildings	54,986	-
Transfer from land use rights	1,482	1,971
Fair value gains(Note 11)	<u>77,587</u>	<u>38,662</u>
At 31 December	<u>236,511</u>	<u>53,903</u>

The investment properties represent the whole Block 2 and Block 3 of the Group's research and development center located in Shanghai, the south area on second floor of Block B, the sixth, seventh and eighth floors of Block B of the Group's research and development center located in Shenzhen.

They were revalued at 31 December 2009 on an open market value basis by an independent firm of professional qualified surveyor. Valuations were performed using discounted cash flow projections based on estimates of future cash flows derived from the terms of any existing lease and other contracts and from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group's interests in investment properties at their net book values are analysed as follows:

	2009	2008
	RMB'000	RMB'000
In the PRC, held on:		
Leases of between 10 to 50 years	<u>236,511</u>	<u>53,903</u>

6 Trade and other receivables

	Group	
	2009	2008
	RMB'000	RMB'000
Trade receivables (a)	157,474	126,277
Less: provision for impairment of receivables	(79,363)	(81,662)
Trade receivables – net	78,111	44,615
Notes receivable	4,187	3,169
Advances to employees	6,273	7,229
Amount due from a director	18	124
Prepayments	61,553	39,855
VAT recoverable	32,322	29,807
Other receivables	18,228	12,076
	<u>200,692</u>	<u>136,875</u>

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.

The credit quality of financial assets that are neither past due nor impaired are assessed by making reference to historical information about counterparty default rates, reputation, liquidity and other financial information.

- (a) Sales are generally made without prescribed credit terms in the sales contracts but customers usually take 1 to 3 months to settle the receivables. Trade receivables aged more than 3 months had been considered for impairment. The ageing analysis of trade receivables is as follows:

	2009	2008
	RMB'000	RMB'000
0 - 180 days	76,038	18,415
181 - 360 days	14,041	19,214
Over 360 days	67,395	88,648
	<u>157,474</u>	<u>126,277</u>

All trade receivables were past due as at 31 December 2009 and they had been considered for impairment.

7 Share capital and premium

	Number of Issued shares (thousands)	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2008	456,612	48,773	98,786	147,559
Issue of shares	20,000	1,796	119,482	121,278
Sub-division of shares	1,429,836	-	-	-
Employee share option scheme				
– Value of services provided	-	-	16,100	16,100
– Exercise of share options	17,575	397	8,661	9,058
Repurchase and cancellation of own shares	(1,958)	(43)	(1,835)	(1,878)
At 31 December 2008	1,922,065	50,923	241,194	292,117
Issue of shares (a)	90,000	1,980	103,693	105,673
Employee share option scheme				
– Value of services provided	-	-	15,859	15,859
– Exercise of share options	41,327	909	20,628	21,537
At 31 December 2009	2,053,392	53,812	381,374	435,186

- (a) On 11 June 2009, the issued share capital of the Company increased by approximately RMB1,980,000 by issuing 90,000,000 ordinary shares at a price of HKD1.37 per share through placement of shares to certain institutional investors under a placing and subscription agreement. These shares rank pari passu with the existing shares.

8 Trade and other payables

	Group	
	2009	2008
	RMB'000	RMB'000
Trade payables (a)	20,428	19,626
Salary and staff welfare payables	27,807	24,869
Advances from customers	109,686	112,303
VAT and business tax payable	26,906	26,091
Accrued expenses	16,010	22,168
Construction fee payable	41,249	30,108
Land use rights fee payable	3,840	14,102
Outstanding consideration for intangible assets	10,100	-
Deposits of distributors	9,500	-
Others	18,456	13,824
	<u>283,982</u>	<u>263,091</u>

- (a) 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.

- (b) At 31 December 2009, the ageing analysis of the trade payables based on invoice date is as follows:

	2009	2008
	RMB'000	RMB'000
0 - 180 days	19,629	18,960
181 - 360 days	110	288
Over 360 days	689	378
	<u>20,428</u>	<u>19,626</u>

9 Borrowings

	2009	2008
	RMB'000	RMB'000
Unsecured bank borrowings wholly due within 1 year	<u>57,378</u>	<u>9,500</u>

The effective interest rate of the borrowing at 31 December 2009 was 4.51%. The fair value of current borrowings approximates their carrying amount.

The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates at the balance sheet dates are within 3 months.

10 Turnover

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

	2009	2008
	RMB'000	RMB'000
Sales of software	583,975	555,254
Software implementation services	235,077	198,806
Software solution consulting and support services	165,041	108,761
Sales of computers and related products	<u>12,717</u>	<u>12,479</u>
	<u>996,810</u>	<u>875,300</u>

11 Other gains - net

	2009	2008
	RMB'000	RMB'000
VAT refund (a)	88,463	89,548
Government grant	7,744	12,708
Fair value gain on investment properties (Note 5)	77,587	38,662
Others	<u>6,470</u>	<u>6,706</u>
	<u>180,264</u>	<u>147,624</u>

- (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 VAT refund to the extent that the effective VAT rate of the sales of the software in the PRC does not exceed 3% of the sales amounts.

12 Expenses by nature

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

	2009 RMB'000	2008 RMB'000
Research and development costs		
Amounts incurred	148,639	116,041
Less: development costs capitalised (Note 4)	(125,016)	(80,318)
Add: amortisation(Note 4)	66,958	55,248
	<u>90,581</u>	<u>90,971</u>
Employee benefit expenses	592,043	490,262
Less: amount included in development costs	(121,027)	(91,928)
	<u>471,016</u>	<u>398,334</u>
Cost of inventories consumed	34,924	18,625
Depreciation	26,116	18,500
Amortisation of computer software (Note 4)	4,460	1,530
Amortisation of land use rights	874	1,801
Impairment of receivables(Note 6)	2,896	793
Loss on disposals of PPE	303	1,605
Auditors' remuneration	1,380	1,600
Advertising costs	86,519	54,875
Sales promotion costs	47,824	50,320
Professional service costs	11,429	12,766
Traveling costs	40,463	30,587
Rental and utilities	43,942	38,332
Outsourcing services	48,439	41,810
Others	46,668	77,402
Total cost of sales, selling and marketing expenses, research and development costs and administrative expenses	<u>957,834</u>	<u>839,851</u>

13 Finance costs - net

	2009 RMB'000	2008 RMB'000
Interest income	4,614	6,315
Bank charges	(320)	(312)
Interest expenses	(340)	-
Net foreign exchange gains/(loss)	(101)	215
	<u>3,853</u>	<u>6,218</u>

14 Income tax expense

Taxation on the PRC profits is calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC.

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the principal rate of the PRC enterprise income tax as follows:

	2009	2008
	RMB'000	RMB'000
PRC income tax		
- Current income tax	-	7,075
- Under-provision/(over-provision) in previous year	1,169	(903)
- Deferred income tax	8,510	(1,908)
	<u>9,679</u>	<u>4,264</u>

- (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) Effective from 1 January 2008, the subsidiaries of the Group are subject to the corporate income tax in accordance with the Corporate Income Tax Law of the People's Republic of China (hereinafter "the new CIT Law") as approved by the National People's Congress on 16 March 2007. According to the new CIT Law and the relevant regulations, the enterprise income tax rate applicable to the subsidiaries of the Group is 25%. Preferential rates are applicable for foreign investment enterprise established in Special Economic Zone in the PRC for transitional period of 5 years from 2008 in which the tax rate will be changed to 18%, 20%, 22% 24% and 25% from the five years from 2008 to 2012 respectively. Accordingly, the applicable tax rate for certain subsidiaries of the Group for the year ended 2009 was 20%.
- (c) According to Cai Shui Zi [2008] No.1 and Fa Gai Gao Ji [2009] No 3357 issued by related tax authorities in the PRC, subsidiaries of the group which are qualified as national important software enterprises were entitled to a preferential enterprise income tax rate of 10% for the year ended 31 December 2008 and 2009 respectively.

14 Income tax expense (continued)

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

	2009 RMB'000	2008 RMB'000
Profit before tax	223,093	189,291
Tax at the statutory tax rate of 25% (2008: 25%)	55,773	47,323
– Effect of preferential tax rates	(39,066)	(33,061)
– Tax losses not recognised	5,547	1,971
– Expenses not deductible for tax purposes	2,017	1,195
– Income not subject to tax (a)	(10,610)	(10,302)
– Additional deductible allowance for research and development expenses	(5,151)	(1,959)
– Under-provision/(Over-provision) of income tax in previous year	1,169	(903)
	<u>9,679</u>	<u>4,264</u>

- (a) Income not subject to tax includes the VAT refund and certain government grants which are not subject to tax.

15 Earnings per share

As described in Note 8 (b), the Company undertook a share subdivision in 2008. The calculation of 2009 and 2008 earnings per share had been computed as if the ordinary share had been subdivided to a par value of HK\$ 0.025 each as at the beginning of 1 January 2008.

- (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.

	2009	2008
Profit attributable to equity holders of the Company (RMB'000)	212,479	181,546
Weighted average number of ordinary shares in issue (thousands)	<u>1,986,245</u>	<u>1,894,201</u>
Basic earnings per share (RMB per share)	<u>0.1070</u>	<u>0.0958</u>

15 Earnings per share (continued)

(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 above is compared with the number of shares that would have been issued assuming the exercise of the share options. The exercises of share options which would result in an anti-dilutive impact would not been taken into account in the diluted earnings per share calculation.

	2009	2008
Profit attributable to equity holders of the Company (RMB'000)	212,479	181,546
Weighted average number of ordinary shares in issue (thousands)	1,986,245	1,894,201
Adjustments for— share options (thousands)	82,822	109,468
Weighted average number of ordinary shares for diluted earnings per share (thousands)	2,069,067	2,003,669
Diluted earnings per share (RMB per share)	0.1027	0.0906

16 Dividends

The dividends paid in 2009 were approximately RMB37,213,000 (HKD42,407,000) ((RMB0.019 per share) (HKD0.022 per share)) and approximately RMB36,470,000 (HKD38,951,000) (As disclosed in Note8(b), share price before sub-division is RMB0.075(HKD0.085) per share, and RMB0.019(HKD0.021) per share after sub-division) respectively. The directors recommend the payment of a final dividend of RMB0.019 (HKD0.022) per ordinary share, totaling RMB39,776,000(HKD45,175,000). Such dividend is to be approved by the shareholders at the Annual General Meeting on 12 May 2010. These financial statements do not reflect this dividend payable.

	2009 RMB'000	2008 RMB'000
Proposed final dividend of RMB0.019 (2008: RMB0.019 (post-split) per ordinary share)	39,776	37,213

17 Commitments

(a) Capital commitments

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

	2009 RMB'000	2008 RMB'000
- Property, plant and equipment	15,098	64,429
- Land use rights	-	14,102
	<u>15,098</u>	<u>78,531</u>

(b) Operating lease commitments

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

	2009 RMB'000	2008 RMB'000
Not later than one year	18,118	11,918
Later than one year and not later than five years	12,700	10,209
	<u>30,818</u>	<u>22,127</u>

18 Subsequent event

On 19 January 2010 and 11 February 2010, the Group entered into two acquisition agreements with two third party vendors, in order to acquire a real estate management software business and a product life management software business, respectively. Up to the date of this report, the acquisitions had not yet been completed. The maximum purchase consideration payable for the two transactions are RMB16,000,000 and RMB14,500,000, respectively subject to certain conditions to be fulfilled by the vendors, as defined in the agreements. These conditions include contingent payments to be made to the vendors and the employees of the two acquire companies. The directors of the Company are still assessing the implication of the transactions to the financial statements.

FINAL DIVIDENDS

At the Annual General Meeting ('AGM') of the Company to be held on 12 May 2010 ("Forthcoming AGM"), the Board of Directors (the "Board") will recommend a final dividend of HK\$0.022 per share (2008: HK\$ 0.022 per share) for the year ended 31 December 2009. Subject to the approval of shareholders at the Forthcoming AGM, the final dividend will be payable on 28 June 2010 to shareholders whose name appears on the register of members of the Company on 12 May 2010.

CLOSURE OF REGISTER

The register of shareholders of the Company will be closed from Friday, 7 May 2010 to Wednesday, 12 May 2010 (both days inclusive), during which time no transfer of shares will be affected. In order to qualify to be 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 Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 6 May 2010.

Management Discussion and Analysis

Business Review

1. Enterprise Management Software

(1) Industry Overview

The global economic crisis has slowed growth of the enterprise management software industry, as numerous enterprises cut their costs and expenditure, deferring the procurement of IT products and services in the first half of 2009. However, as the crisis has receded, more enterprises have realized the significance of enterprise management software in enhancing management efficiency, reducing management cost and achieving collaborative development of their production processes. Added impetus was provided when the Chinese government announced the Electronic Information Industry Revitalization Plan (電子信息產業振興規劃) during the first half of 2009 in a bid to boost the innovative capability of local vendors of proprietary software, and to encourage resource consolidation and information technology applications in large enterprises. Thus, the enterprise management software industry experienced faster growth in the second half of 2009.

(2) Market Position

During the reporting period, not only did the Group maintain steady growth despite the economic crisis but we also garnered a number of awards including:

- (1) AAA grade in the “China Software Service Industry Credit Appraisal” by the China Software Industry Association, March 2009
- (2) “Highest Customer Satisfaction in the SME Market in 2008” by CCW, April 2009
- (3) “Highest Capability Management Software in China” by the China Enterprise Confederation, June 2009
- (4) “Best Technological Innovation in Software Award” by the China Software Industry Association and the China Computer Society, June 2009
- (5) Named as holding the largest Market Share of the SME ERP Sector in China for the fifth straight year by IDC, June 2009
- (6) Inclusion as one of “The Power of Ten” by ComputerWorld HongKong, October 2009
- (7) Inclusion within “Asia’s Best Under A Billion” for the fourth straight year by Forbes Asia, November 2009
- (8) One of “Asia’s Top 20 ICT Enterprises” by MIS Asia, the only IT ERP enterprise selected from China and Hong Kong, November 2009

(3) Business Review

The Group expanded in a challenging time during the reporting period. It has aggressively opened new branch offices, increased R&D investment and secured more business partners. While stepping up efforts to consolidate resources, the Group has confirmed a number of acquisition proposals and promoted its brand as a source for corporate management expertise. The Group has launched a wide array of products tailored for both SMEs and large enterprises to boost their operating efficiencies and to better cope with challenging times. These initiatives enabled the Group to maintain its solid share in the SME market and increase its presence in the large enterprise sector.

(1) Bolstered expansion of distribution network and market coverage

During the reporting period, the Group accelerated its expansion in southern, northern and eastern China through establishing nine new branch offices, increasing the total number of branch offices nationwide to 52 and enlarging its coverage in China's enterprise informatization market. The Group continued to extend its distribution channels and foster its implementation partners with greater capability. Meanwhile, the Group has actively expanded its market reach in the Asia Pacific Region. During the period under review, it also opened a new branch office in Singapore, added to its business presence in Malaysia, Thailand, Singapore, and Hong Kong, and achieved rapid revenue growth in the region.

(2) Large Enterprise and Industry Markets

During the reporting period, revenue from EAS products grew by 49.1%. The Group launched its EAS 6.0 product which was well received by customers in high-end market. This was followed in December 2009 with the debut of EAS 7.0 that was promoted as "driving the boundaryless information flow" of information across boundaries. Boasting nine innovative features, the product supports four platforms and provides 70 levels and industries solutions in 15 categories. The outstanding corporate management function and comprehensive operating capabilities in different industries of EAS have maintained the Group's leadership in a variety of sectors including construction, port development, transportation, furniture manufacture, energy and mining and real estate. Contracts were signed with customers including Daming Mining, Guangzhou City Construction & Development General Corporation, China Union Pay, Bohai Securities, Guangxi Road & Bridge Engineering Corporation, Shenzhen Airlines, Haiya Department Store in Shenzhen and Shenzhen CATIC Real Estate Corporation Ltd., etc.

(3) SME Market

During the reporting period, the revenue from KIS increased by 8.2% and the combined revenue for K/3 decreased by 7.7%. The Group released the KIS Professional version V10.0 of and the K/3 Standard version V12.1. The KIS Professional V10.0 provides an excellent management execution solution tailored for the needs of Chinese industrial and commercial enterprises. It

enhances coordination among various sales and procurement procedures, promoting better cooperation among sales, production, procurement and inventory departments. The K/3 Standard Version V12.1 incorporates powerful new functionalities including: commercial intelligence, budgeting and expense management, supplier relationship management, customer relationship management, planner workbench, human resources cost analysis, internal control management, and OUTLOOK mail approval. The new functions assist customers in specific management practices, workflow control and objective management, thereby attracting many loyal customers to adopt it.

During the reporting period, the Group also opened a new frontier through a 3G mobile ERP product that allows users to employ their smart phones as an application terminal and to implement mobile management through a 3G networks. The new product allows web based access through handsets with a variety of operating systems and notebooks supporting 3G internet access.

(4) Services and Consultation

During the reporting period, the Group recorded a surge in turnover from maintenance services despite the global economic downturn. The portion of service fees paid by loyal customers continued to rise. The Group adjusted its service product structure by introducing standard and advanced support services for Kingdee EAS, K/3 and KIS, a Kingdee upgrade relocation service package and a Kingdee BOS service module, building an all-round Kingdee service system. During the reporting period, the Group also launched three innovative products including Enterprise Examination, System Checking and ERP Application Assessment packages, broadening Kingdee's scope of service products. All Kingdee's products provide integrated online services. Customers can get online service conveniently by connecting with Kingdee's online customer service centre while running the software. These initiatives to broaden Kingdee's menu of services have reduced the cost of service delivery while boosting customer satisfaction.

The Group's consulting service provides group management and IT planning and consulting services to strategic customers. This is accomplished by combining best management practices with advanced management concepts to develop a highly effective performance assessment mode and industry target analysis methods. Therefore, Kingdee's management and consultation services can optimize the consultation methodology of IT planning as it relates to The Open Group Architecture Framework ("TOGAF"). The Group has successfully signed service contracts with strategic customers including China Merchants Group, Chongqing General Trading Group, Shandong Zhaojin Group, CIMC Vehicle Group, Haiya Department Store, CNPL, Beijing PYPO, Luminous Resort and so on demonstrated its leading position and laid a solid foundation for continued development of its service capabilities.

2. Middleware

During the reporting period, the Group's middleware ranked first in the local application server middleware market in terms of market share. Revenue of the business grew by 20.1%. The Group's middleware has been cited in the "Gartner Magic Quadrant" for four consecutive years, and also earned awards for the Group including "The Most Capable and Innovative Software Enterprise in China" in 2009, "Top 5 in the Chinese SOA Sector in 2009". The "Four Databases and Twelve Operating Systems", a national IT adoption project, has given renewed impetus to the use of enterprise and infrastructure software domestically. During the reporting period, the Group secured an additional contract for the Golden Insurance Project, following related application covering the Macroeconomics System, the Golden Agriculture Project, the Golden Quality Project and a national geographic database system, all under the aegis of the "Four Databases and Twelve Operating Systems".

The Group joined The Open Group board of directors representing the Asia Pacific Region, and as the first Chinese platinum member promoted training and certification for The Open Group Architecture Framework (TOGAF) within the Mainland China. As the leading domestic middleware brand, Kingdee also actively promoted the Apusic SOA solution, a true implementation of SOA that complies with TOG specifications within China.

3. Online Management Services and e-Business

During the reporting period, Kingdee's youshang.com was awarded "The Most Innovative SaaS Provider" by CCW in June 2009. It continued to offer one stop e-business service solutions in the areas of marketing, service and technological collaboration to SMEs on an open platform. Aligning with the efforts of various communities and public authorities including governments, banks and agencies, a corporate credit service system and a secure and comprehensive e-business service community has been built, providing all-round one stop e-business service for SMEs. During the period under review, youshang.com signed agreements to build an SME e-commerce service platform with Zhuhai Municipal Government, to install an SaaS online management service in Lenovo's Yangtian Commercial PC series, and to launch the online finance software for enterprise e-banking with Industrial and Commercial Bank of China. As at the end of the reporting year, online management service customers of youshang.com have come from Asia Pacific region and the Greater China region covering the mainland China, Hong Kong, Macau and Taiwan, and the number of registered users was about one million.

4. Kingdee Consultancy Academy

As a leading provider of enterprise management software in China, the Group has identified a huge demand for professional expertise to provide pre-sale and after-sale consultation to support the fast growing informatization industry. To address this need, the Group has established Kingdee Consultancy Academy comprising more than 50 experts and has recruited students from the public. These initiatives are fostering an enterprise management consulting profession and developing systematic professional training to better serve business and the public sector as well as Kingdee's internal needs.

5. Strategic Cooperation and Business Development

The Group has continued to collaborate with IBM in product and technology development as well as in implementing consulting services and support for distribution channels. On the product and technology front, the SaaS Cooperation Program and the Blue Wings Cooperation Program, have been debuted, marrying the leading technology and capability of IBM's hardware and SOA with Kingdee's advanced software to provide total solutions to the growing enterprises in the Mainland China.

During the reporting period, the Group completed the acquisition of Shenzhen Sunsoft Technology, gaining entry into the fast-growing informatization market of the retail chain sector. Another acquisition Nanjing Tongmeng, is a one-stop finance and taxation software provider that has significantly enriched the financial services product mix of Kingdee. The acquisition of Guangzhou Qisheng Software Limited which provides ERP software for the garment industry in Guangdong has brought Kingdee squarely into the informatization market of the apparel sector.

The Group has also completed the foundation laying ceremony of Kingdee Software Park in Beijing during the period. This new facility will enable the Group to leverage its advantageous location and spur software development and provide management experts for the potentially lucrative Northern China market.

6. Social Responsibility

The Group has steered a steadfast course in fulfilling its commitment to social responsibility. Closest to its business, the Group helped SMEs and enterprises of all sizes to transform and upgrade their IT systems and applications to counter the impact of the financial crisis. Towards this end, on 8 June 2009, under the guidance of The Ministry of Industry and Information Technology, Kingdee has joined hands with IBM, Baidu, Shenzhen Development Bank, CCN86.com, the China Association of Small and Medium Enterprises and Qihoo360 to announce the "The Kingdee Aid Programme for the Transition and Upgrade for Small and Medium Enterprises." This programme aims to assist SMEs in using IT to overcome the worst effects of the financial crisis.

During the reporting period, the Group has continued to sponsor the China Outstanding Management Evaluation Committee in promoting the second "China Outstanding Management Model Award" in the country. In 2009, the winners included China Merchants Bank, Zijin Mining, Transfer Group, EBOHR, Little Sheep, Guangdong Wens, Shanxi Shiyang, West Hope Group, Guangdong East Power and Shantou Truly Semiconductors. The award aims to provide the best practice examples to promote Chinese enterprise management and information management implementations.

The Group has also collaborated with the China e-Education Standing Committee under the Ministry of Education to organize the "2009 National Student Business Start-ups Competition". More than 50 high school teams from ten provinces and cities including Beijing, Tianjin and Shandong Province participated in the final stage of the competition. By providing an opportunity for students to enhance their educations and provide practical experience in establishing their own enterprises, the competition elicited positive comments from the Ministry of Education.

Financial Review

For the year ended 31 December 2009, the Group's turnover amounted to RMB 996,810,000, representing an increase of 13.9% over 2008 (2008: RMB 875,300,000). China's economy was still under the haze of the global financial crisis in the first half of 2009. However, the recovery of the economy in the second half sped up revenue growth.

During the year, the Group realized revenue from software of RMB 583,975,000, representing an increase of 5.2% against 2008 (2008: RMB 555,254,000), and service revenue of RMB 400,118,000, representing an increase of 30.1% against 2008 (2008: RMB 307,567,000). During the year, the Group's cash flow generated from operating activities was RMB 215,345,000, representing an decrease of 24.6% over that of 2008 (2008: RMB 285,675,000).

During the reporting period, accounts receivable turnover was 52.0 days (the average of the accounts receivable balance at the beginning and the end of the year divided by the total revenue of the year times 365 days) (2008: 57.5 days). In addition to an increase in the accounts receivable balance in the second half of 2009 due to the revenue growth in the period, there was a rise in the number of complex large-scale projects, leading to an increase in accounts receivables compared to the same period of the previous year.

For the year ended 31 December 2009, profit attributable to equity holders of the Company was RMB 212,479,000, representing an increase of approximately 17.0% against 2008 (2008: RMB 181,546,000). Comprehensive income attributable to equity holders of the Company reached RMB 239,325,000, representing an increase of 31.8% compared to the same period in 2008 (2008: 181,546,000). During the year, net profit margin was 21.3% (2008: 20.7%) and basic earnings per share were RMB 0.1070 (2008: RMB0.0958).

Gross Profit

Gross profit of the Group increased by approximately 12.6% from RMB 690,845,000 for 2008 to RMB 778,025,000 for 2009. Gross profit margin for the year was stable at approximately 78.1% (2008: approximately 78.9%).

Selling and Marketing Expenses

Selling and marketing expenses for the year were approximately RMB 523,219,000 (2008: RMB 428,466,000), representing an increase of 22.1% against last year (2008: 30.6%). Selling and marketing expenses accounted for a comparable 52.5% of turnover, compared to 49.0% in 2008. This higher proportion of revenues was attributable to the Group's execution of its expansion strategy to increase the number of branch offices and acquisitions compared to the corresponding period of last year.

Administrative Expenses and Research and Development Costs

Administrative expenses for 2009 amounted to RMB125,249,000 (2008: RMB 135,959,000), representing a decrease of approximately 7.9%. During the period, administrative expenses accounted for a comparable 12.6% of the turnover, compared to 15.5% in 2008 due to effective control. The research and development costs were approximately RMB 90,581,000, representing a slight decrease of 0.4% as compared with 2008 (2008: RMB 90,971,000).

Capital Expenditure

For the year ended 31 December 2009, the Group's major capital expenditures were the acquisition of land use rights in Beijing for RMB 2,111,000 (2008: RMB 70,512,000), the construction cost of the Shanghai and Shenzhen Research Centers of RMB 67,165,700 (2008: RMB 132,430,000), capitalized development expenses of RMB 125,016,000 (2008: RMB 80,318,000), and the purchase of computer and related equipment in the amount of RMB 14,046,000 (2008: RMB 17,099,000).

Financial Resources and Liquidity

The Group was in a healthy cash flow position during the reporting period. As at 31 December 2009, the Group had cash and cash equivalents plus deposits amounting to approximately RMB 631,455,000 (2008: RMB 521,100,000). Current ratio was 1.80 (2008: 1.80) and gearing ratio (defined as the ratio of bank borrowings to shareholder equity) was approximately 4.6% (2008: 1%).

As at 31 December 2009, the Group's short-term bank loans amounted to RMB 57,378,000 (2008: RMB 9,500,000). As at 31 December 2009, the Group did not have any long-term bank debt.

As at 31 December 2009, the Group was not subject to any material exchange rate exposure, and had not entered into any foreign exchange futures contracts to hedge against exchange rate fluctuation.

As at 31 December 2009, the Group did not have any material contingent liabilities (2008: nil).

Future Prospects

The country's economic stimulus measures, including plans to invigorate the electronic and information industry, began to take effect in the second half of 2009. In response to financial crisis, local enterprises have placed stronger emphasis on basic IT applications for internal management, e-commerce, informatization and industrial integration, business transformation and upgrade, while demand for IT consultation and services grew commensurately. The Chinese Government is also actively promoting the development of e-government infrastructure and supporting the development of the domestic software industry and informatization of the pharmaceutical industry. The coming four years are expected to be the time to harvest the fruits of these efforts and investments in the development of made-in-China applications software, middleware, e-business software, e-government software and medical and hospital management applications software.

In 2010, the Group is well positioned to capture the opportunities presented by the revival of the economy and the robust software industry. It will continue its plans of expansion, through penetration into different industry markets and further transformation into a service company, and extending operation for whole product lifecycles, thus enhancing its core competencies to provide customers with products and services of ever improving values. The Group will step up merger and acquisition activities to consolidate its leading presence in the enterprise management software and middleware sectors. The Group will also further develop its business on e-business, e-government and medical informatization. Also, while adhering to the China management model, the Group will strive to build up a global best Management Practice Think Tank in order to provide higher values to enterprises, governments departments and non-profit organizations in China.

Placing of Existing Shares and Subscription for New Shares

On 11 June 2009, Billion Ocean Limited, a substantial shareholder of the Company, placed a total of 90,000,000 placing shares to not less than six places at the placing price of HK\$1.37 per placing share. On 22 June 2009, the Company issued 90,000,000 new shares under the general mandate, which were subscribed by Billion Ocean Limited. These 90,000,000 placing shares represent approximately 4.67% of the issued share capital of the Company as at the date of completion of the placing, approximately 4.46% of the issued share capital of the Company as enlarged by the subscription of new shares by Billion Ocean Limited.

Purchase, Sale or Redemption of Shares

At the 2008 annual general meeting of the Company held on 12 May 2009, 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.

During the year ended 31 December 2009, the Company has not repurchased, sold or redeemed any of its listed securities during the year ended 31 December 2009.

CORPORATE GOVERNANCE

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 2009 except A 2.1. During the period of this report, Mr. Xu Shao Chun held the roles of both Chairman and CEO of the Company. The Board feels that Mr. Xu Shao Chun, as one of the main founders of the Company, has abundant knowledge of IT industry and unique strategic perspective. The Board feels that he can lead the Company to formulate effective strategies and react promptly to market changes. His continual service in both roles is beneficial to the stable and healthy development of the Company. However, the Board will review and make appropriate changes when necessary in order to enhance the level of corporate governance.

AUDIT COMMITTEE

During the financial year ended 31 December 2009, the Audit Committee held three meetings, at which:

- a) The Audit Committee reviewed the Company’s annual financial report and internal control report for fiscal year 2008, and submitted them to the Board for approval.
- b) The Audit Committee reviewed the Company’s half-year financial report of 2009 and internal control report, and submitted them to the Board for approval.
- c) The Audit Committee communicated with the auditor regarding the 2009 annual audit work and audit plans.

The Audit Committee has reviewed the Company’s annual financial report for fiscal year 2009.

EXTERNAL AUDITORS

PricewaterhouseCoopers was appointed as the external auditors of the Company for the year of 2009. A resolution for re-appointment of PricewaterhouseCoopers as the auditors of the Company will be proposed at the Forthcoming AGM.

AUDITORS' PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures set out in the annual results announcement of the Group for the year ended 31 December 2009 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements and consequently no assurance has been expressed by PricewaterhouseCoopers on the announcement.

APPRECIATION

The Board would like to express its sincere appreciation to its shareholders, customers, 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.

By order of the Board

**KINGDEE INTERNATIONAL
SOFTWARE GROUP COMPANY
LIMITED**

Xu Shao Chun

Chairman

Shenzhen, the PRC, 24 March, 2010

As at the date hereof, the executive directors of the Company are Mr. Xu Shao Chun (Chairman of the Company), Mr. Chen Deng Kun; the non-executive Directors are Mr. Ho Ching-hua, Mr. James Ming KING; and the independent non-executive directors of the Company are Ms. Yang Zhou Nan, Mr. Wu Cheng, Mr. Yeung Kwok On and Mr. Gary Clark Biddle.