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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 2011**

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 2011, together with the comparative audited consolidated figures for the year ended 31 December 2010 are as follows:

**Financial highlights for the year ended 31 December 2011**

- Turnover increased by approximately 40.8% over 2010 to approximately RMB2,022,498,000.
- Profit attributable to equity holders of the Company decreased by approximately 46.6% over 2010 to approximately RMB144,988,000.
- Basic earnings per share decreased by approximately 47.2% over 2010 to approximately RMB0.0577.
- The directors did not recommend the payment of a final dividend in respect of the year ended 31 December 2011.

**KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**

**CONSOLIDATED BALANCE SHEET**

		<b>As at 31 December</b>	
	Note	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		RMB'000	RMB'000
<b>Non-current assets</b>			
Land use rights		<b>83,683</b>	79,449
Property, plant and equipment		<b>518,110</b>	350,632
Intangible assets	4	<b>585,175</b>	377,236
Investment properties	5	<b>496,925</b>	289,162
Available-for-sale financial assets	6	-	10,000
Other non-current assets		-	3,520
		<b>1,683,893</b>	<b>1,109,999</b>
<b>Current assets</b>			
Inventories		<b>4,036</b>	1,987
Trade and other receivables	7	<b>378,960</b>	272,895
Available-for-sale financial assets	6	<b>11,013</b>	-
Due from customers on implementation contracts		<b>292,467</b>	119,834
Pledged bank deposits		<b>11,032</b>	5,070
Short-term bank deposits		<b>16,490</b>	117,017
Cash and cash equivalents		<b>633,412</b>	631,456
		<b>1,347,410</b>	<b>1,148,259</b>
<b>Total assets</b>		<b>3,031,303</b>	<b>2,258,258</b>

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	As at 31 December	
		2011 RMB'000	2010 RMB'000
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	8	63,941	54,653
Share premium	8	405,730	425,358
Other reserves		436,023	427,323
Retained earnings			
- Proposed final dividend	17	-	60,320
- Others		703,600	566,400
		<u>1,609,294</u>	<u>1,534,054</u>
<b>Non-controlling interest</b>		<u>32,740</u>	<u>14,271</u>
<b>Total equity</b>		<u>1,642,034</u>	<u>1,548,325</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	10	597,500	190,000
Deferred income tax liabilities		46,967	28,837
Long term payables		37,548	-
		<u>682,015</u>	<u>218,837</u>
<b>Current liabilities</b>			
Trade and other payables	9	465,597	315,238
Due to customers on implementation contracts		64,514	60,359
Borrowings	10	20,000	-
Current income tax liabilities		7,798	-
Deferred income		149,345	115,499
		<u>707,254</u>	<u>491,096</u>
<b>Total liabilities</b>		<u>1,389,269</u>	<u>709,933</u>
<b>Total equity and liabilities</b>		<u>3,031,303</u>	<u>2,258,258</u>
<b>Net current assets</b>		<u>640,156</u>	<u>657,163</u>
<b>Total assets less current liabilities</b>		<u>2,324,049</u>	<u>1,767,162</u>

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2011 RMB'000	2010 RMB'000
Revenue	11	2,022,498	1,436,621
Cost of sales	13	(604,656)	(337,793)
<b>Gross profit</b>		<b>1,417,842</b>	<b>1,098,828</b>
Selling and marketing expenses	13	(1,229,721)	(785,715)
Administrative expenses	13	(254,485)	(162,161)
Research and development costs	13	(168,724)	(121,325)
Fair value gains of investment properties	5	135,658	29,172
Other gains, net	12	289,716	241,819
<b>Operating profit</b>		<b>190,286</b>	<b>300,618</b>
Finance income	14	3,524	3,085
Finance costs	14	(12,368)	(8,682)
Finance cost- net		(8,844)	(5,597)
<b>Profit before income tax</b>		<b>181,442</b>	<b>295,021</b>
Income tax expense	15	(28,280)	(18,755)
<b>Profit for the year</b>		<b>153,162</b>	<b>276,266</b>
<b>Attributable to:</b>			
Equity holders of the Company	16	144,988	271,710
Non-controlling interest		8,174	4,556
		<b>153,162</b>	<b>276,266</b>
<b>Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB cents per share)</b>			
- basic	16	<b>RMB5.77</b>	RMB10.93
- diluted	16	<b>RMB5.42</b>	RMB10.25
Dividends	17	-	60,320

**KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Year ended 31 December</b>	
	<b>2011</b>	<b>2010</b>
	RMB'000	RMB'000
Profit for the year	<b>153,162</b>	276,266
Other comprehensive income:		
Fair value change of owner-occupied land and buildings before transferred to investment properties, net of tax	-	14,950
Fair value change of available-for-sale financial assets, net of tax	<b>912</b>	-
	<b>912</b>	14,950
Total comprehensive income for the year	<b>154,074</b>	291,216
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	<b>145,900</b>	286,660
Non-controlling interest	<b>8,174</b>	4,556
	<b>154,074</b>	291,216

**KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Note	Attributable to equity holders of the Company					Non-controlling interest	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
<b>Balance at 1 January 2010</b>	53,812	381,374	388,119	419,040	1,242,345	9,715	1,252,060
<b>Comprehensive income</b>							
Profit for the year	-	-	-	271,710	271,710	4,556	276,266
Other comprehensive income	-	-	14,950	-	14,950	-	14,950
<b>Total comprehensive income</b>	-	-	14,950	271,710	286,660	4,556	291,216
<b>Transactions with owners</b>							
Employees share option scheme:							
- value of employee services	8	-	21,830	-	21,830	-	21,830
- proceeds from shares issued	8	914	34,794	-	35,708	-	35,708
Repurchase and cancellation of own shares		(73)	(12,640)	73	(12,713)	-	(12,713)
Appropriation to reserve funds		-	-	24,181	(24,181)	-	-
Dividend relating to 2009		-	-	-	(39,776)	-	(39,776)
<b>Total transactions with owners</b>		841	43,984	24,254	(64,030)	5,049	5,049
<b>Balance at 31 December 2010</b>	54,653	425,358	427,323	626,720	1,534,054	14,271	1,548,325
<b>Balance at 1 January 2011</b>	54,653	425,358	427,323	626,720	1,534,054	14,271	1,548,325
<b>Comprehensive income</b>							
Profit for the year	-	-	-	144,988	144,988	8,174	153,162
Other comprehensive income	-	-	912	-	912	-	912
<b>Total comprehensive income</b>	-	-	912	144,988	145,900	8,174	154,074
<b>Transactions with owners</b>							
Employees share option scheme:							
- value of employee services	8	-	24,667	-	24,667	-	24,667
- proceeds from shares issued	8	596	21,717	-	22,313	-	22,313
Issue of share		9,177	(9,177)	-	-	-	-
Repurchase and cancellation of own shares		(485)	(56,835)	485	(57,320)	-	(57,320)
Appropriation to reserve funds		-	-	7,303	(7,303)	-	-
Dividend relating to 2010	17	-	-	-	(60,320)	-	(60,320)
Non-controlling interests arising on business combination		-	-	-	-	10,295	10,295
<b>Total transactions with owners</b>		9,288	(19,628)	7,788	(68,108)	10,295	(60,365)
<b>Balance at 31 December 2011</b>	63,941	405,730	436,023	703,600	1,609,294	32,740	1,642,034

**KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT**

	Note	Year ended 31 December	
		2011 RMB'000	2010 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations		177,092	302,384
Interest paid		(23,386)	(6,858)
Income tax paid		(2,453)	(1,189)
Net cash generated from operating activities		<u>151,253</u>	<u>294,337</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(192,693)	(61,848)
Proceeds from sale of property, plant and equipment		3,620	854
Payments for land use rights		(10,014)	-
Purchases of investment property		(72,105)	-
Decrease/(increase) in other non-current assets		3,520	(3,520)
Additions of intangible assets		(264,352)	(186,201)
Cash paid for business combination, net of cash acquired		(47,535)	(30,460)
Purchases of available-for-sale financial assets		-	(10,000)
Pledged bank deposits withdrawn		5,070	175
Pledged bank deposits placed		(11,032)	(5,070)
Short-term bank deposits withdrawn		100,527	66,984
Short-term bank deposits placed		-	(72,511)
Interest received		3,524	3,085
Net cash used in investing activities		<u>(481,470)</u>	<u>(298,512)</u>
<b>Cash flows from financing activities</b>			
Proceeds from options exercised	8	22,313	35,708
Repurchase of own shares	8	(57,320)	(12,713)
Proceeds from borrowings		432,000	190,000
Repayments of borrowings		(4,500)	(57,378)
Dividends paid to the Company's shareholders	17	(60,320)	(39,776)
Net cash generated from financing activities		<u>332,173</u>	<u>115,841</u>
<b>Net increase in cash and cash equivalents</b>		<b>1,956</b>	<b>111,666</b>
Cash and cash equivalents at beginning of year		<u>631,456</u>	<u>519,790</u>
<b>Cash and cash equivalents at end of year</b>		<u><u>633,412</u></u>	<u><u>631,456</u></u>

## **KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**

### **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 enterprise management software products and provision of software-related technical services in the PRC.

The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited since 15 February 2001.

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 27 March 2012.

### **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 and available-for-sale financial assets, which are carried at fair value.

The new and amended accounting standards, which are mandatory for the financial year beginning on 1 January 2011, are not relevant or have no impact to the Group.



## KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

### 3 Segment information

The chief operating decision-maker has been identified as executive directors of the Company. The 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 executive directors consider the business from product perspective. Upon the adoption of IFRS 8 'Operating Segments', the Group has determined that the operating segments:

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

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3 Segment information (continued)

The segment information for the year ended 31 December 2011 is as follows:

	Enterprise management software business RMB'000	Others RMB'000	Unallocated RMB'000	The Group Total RMB'000
Revenue (from external customers)	1,931,117	91,381	-	2,022,498
Operating profit/(loss)	38,205	(8,014)	160,095	190,286
Finance costs	(12,285)	(83)	-	(12,368)
Finance income	2,971	553	-	3,524
<b>Finance income/(cost) – net</b>	<b>(9,314)</b>	<b>470</b>	<b>-</b>	<b>(8,844)</b>
<b>Profit/(loss) before income tax</b>	<b>28,891</b>	<b>(7,544)</b>	<b>160,095</b>	<b>181,442</b>
Income tax (expense)/credit	(9,600)	(2,670)	(16,010)	(28,280)
<b>Segment results</b>	<b>19,291</b>	<b>(10,214)</b>	<b>144,085</b>	<b>153,162</b>
<b>Segment assets</b>	<b>2,386,843</b>	<b>147,535</b>	<b>496,925</b>	<b>3,031,303</b>
<b>Segment liabilities</b>	<b>1,272,659</b>	<b>116,610</b>	<b>-</b>	<b>1,389,269</b>
Additions to non-current assets (other than financial instruments and deferred tax assets)	371,776	7,875	207,763	587,414
<b>Material non-cash expenses/(income)</b>				
Depreciation and amortisation	202,379	744	-	203,123
Provision for doubtful trade and other receivables	19,700	2,112	-	21,812

## KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

### 3 Segment information (continued)

The segment information for the year ended 31 December 2010 is as follows:

	Enterprise management software business RMB'000	Others RMB'000	Unallocated RMB'000	The Group Total RMB'000
Revenue (from external customers)	1,371,770	64,851	-	1,436,621
Operating profit/(loss)	270,211	(19,236)	49,643	300,618
Finance costs	(8,640)	(42)	-	(8,682)
Finance income	2,670	415	-	3,085
<b>Finance income/(cost) – net</b>	<b>(5,970)</b>	<b>373</b>	<b>-</b>	<b>(5,597)</b>
<b>Profit/(loss) before income tax</b>	<b>264,241</b>	<b>(18,863)</b>	<b>49,643</b>	<b>295,021</b>
Income tax expense	(13,320)	(471)	(4,964)	(18,755)
<b>Segment results</b>	<b>250,921</b>	<b>(19,334)</b>	<b>44,679</b>	<b>276,266</b>
<b>Segment assets</b>	<b>1,868,115</b>	<b>100,981</b>	<b>289,162</b>	<b>2,258,258</b>
<b>Segment liabilities</b>	<b>658,427</b>	<b>51,506</b>	<b>-</b>	<b>709,933</b>
Additions to non-current assets (other than financial instruments and deferred tax assets)	207,515	(2,944)	52,651	257,222
<b>Material non-cash expenses/(income)</b>				
Gain on bargain purchases	(39,370)	-	-	(39,370)
Depreciation and amortisation	140,876	294	-	141,170
Provision for doubtful trade and other receivables	1,469	313	-	1,782

The Company is domiciled in Cayman Island while the Group mainly operates its businesses in the PRC. The result of its total revenue from external customers is RMB2,022,498,000 (2010: RMB1,436,621,000), and the total of revenue from external customers from other countries is RMB31,050,000 (2010: RMB20,692,000) inclusive.

There is no single customer that contributed for over 10% of the Group's revenue for the years end 31 December 2011 and 2010.

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4 Intangible assets

	Goodwill RMB'000	Development costs RMB'000	Acquired licenses and copyrights RMB'000	Computer software for own use RMB'000	Total RMB'000
<b>Year ended 31 December 2010</b>					
Opening net book amount	-	168,301	22,988	2,627	193,916
Additions	-	183,329	-	2,872	186,201
Acquired in business combination	-	-	105,370	-	105,370
Amortisation charge	-	(91,590)	(14,760)	(1,901)	(108,251)
<b>Closing net book amount</b>	<b>-</b>	<b>260,040</b>	<b>113,598</b>	<b>3,598</b>	<b>377,236</b>
<b>At 31 December 2010</b>					
Cost	25,560	562,843	132,370	11,135	731,908
Accumulated amortisation	(11,542)	(302,803)	(18,772)	(7,537)	(340,654)
Accumulated impairment	(14,018)	-	-	-	(14,018)
<b>Net book amount</b>	<b>-</b>	<b>260,040</b>	<b>113,598</b>	<b>3,598</b>	<b>377,236</b>
<b>Year ended 31 December 2011</b>					
Opening net book amount	-	260,040	113,598	3,598	377,236
Additions	-	258,209	14,300	3,221	275,730
Acquired in business combination	89,042	-	7,806	-	96,848
Amortisation charge(note 13)	-	(132,061)	(30,066)	(2,512)	(164,639)
<b>Closing net book amount</b>	<b>89,042</b>	<b>386,188</b>	<b>105,638</b>	<b>4,307</b>	<b>585,175</b>
<b>At 31 December 2011</b>					
Cost	114,602	821,051	154,476	14,356	1,104,485
Accumulated amortisation	(11,542)	(434,863)	(48,838)	(10,049)	(505,292)
Accumulated impairment	(14,018)	-	-	-	(14,018)
<b>Net book amount</b>	<b>89,042</b>	<b>386,188</b>	<b>105,638</b>	<b>4,307</b>	<b>585,175</b>

Amortisation charge of RMB32,578,000(2010: RMB16,661,000) has been included in administrative expenses, and RMB132,061,000 (2010:RMB91,590,000) in research and development costs.

## KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

### 5 Investment properties

	<b>2011</b>	<b>2010</b>
	RMB'000	RMB'000
<b>At 1 January</b>	<b>289,162</b>	236,511
Addition	<b>72,105</b>	-
Transfer from owner-occupied buildings	-	23,479
Fair value gains	<b>135,658</b>	29,172
<b>At 31 December</b>	<b>496,925</b>	289,162

As at 31 December 2011, the investment properties included 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, B1 on 4th floor of W1 building located in Hi-Tech Industrial Park of Shenzhen, all of which are completed properties and have been under lease. In addition, the Group commenced the construction of its new research and development center located in Beijing ("Beijing New R&D center") during the current year. Management had assessed the utilisation of the floor area for the Group's own use, and decided to lease out the third, fourth, fifth and sixth floors of the Block 1 upon completion of construction in order to maximise the economic benefit to be brought to the Group. Therefore, the associated costs incurred for the respective floor areas of the Block 1 of the Beijing New R&D center, which were under construction as at the end of 2011, were accounted for the investment properties.

At the end of each reporting period, the directors will assess the fair value of each investment property, taking into account the most recent assessment results indicated in independent valuations. The directors determine a property's fair value within a range of reasonable fair value estimates.

In the current year, the Group appointed an independent valuer, GuanghengXingyue Asset Appraisal Company Limited, to assess the fair value of all its investment properties as at 31 December 2011.

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

	<b>2011</b>	<b>2010</b>
	RMB'000	RMB'000
In the PRC, held on:		
Leases of between 10 to 50 years	<b>496,925</b>	289,162

**KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**

**6 Available-for-sale financial assets**

	<b>2011</b>	<b>2010</b>
	RMB'000	RMB'000
<b>At 1 January</b>	<b>10,000</b>	-
Addition	-	10,000
Net fair value gains recognised in other comprehensive income	<b>1,013</b>	-
<b>At 31 December</b>	<b>11,013</b>	10,000

The available-for-sale financial assets of the Group represented the Group's investment in a trust investment through a third party trust company. The underlying assets of the trust are loans extended to a real estate company located in northern China. The investment has a maturity date on 1 May 2012 with a fixed beneficial rate of 8.1% per annum, subject to deduction of 0.83% management fee per annum. The fair values of the investment in the trust are determined based on cash flows discounted using market interest rate and the risk premium specific to the trust investment. The maximum exposure to credit risk at the reporting date is the carrying value of the investment. The financial asset is not past due or impaired.

**KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**

**7 Trade and other receivables**

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
	RMB'000	RMB'000
Trade receivables (a)	<b>228,135</b>	164,394
Less: provision for impairment of receivables	<b>(93,392)</b>	(75,990)
Trade receivables – net	<b>134,743</b>	88,404
Notes receivable	<b>27,279</b>	3,597
Advances to employees	<b>33,863</b>	21,774
Prepayments	<b>83,323</b>	79,594
VAT recoverable	<b>61,603</b>	63,664
Other receivables	<b>38,149</b>	19,382
Less: non-current portion	-	(3,520)
	<b>378,960</b>	272,895

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

The carrying amounts of the Group's trade and other receivables are all 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:

	<b>2011</b>	<b>2010</b>
	RMB'000	RMB'000
0 - 90 days	<b>68,061</b>	64,389
91 - 180 days	<b>30,787</b>	14,264
181 - 360 days	<b>49,932</b>	19,661
Over 360 days	<b>79,355</b>	66,080
	<b>228,135</b>	164,394

All trade receivables were past due as at 31 December 2011 and they had been considered for impairment.

**KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**

**8 Share capital and premium**

	Number of Issued shares (thousands)	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
<b>At 1 January 2010</b>	2,053,392	53,812	381,374	435,186
Employee share option scheme				
– Value of services provided	-	-	21,830	21,830
– Exercise of share options	41,547	914	34,794	35,708
Repurchase and cancellation of own shares (Note (b))	(3,330)	(73)	(12,640)	(12,713)
<b>At 31 December 2010</b>	2,091,609	54,653	425,358	480,011
Bonus issue of shares(Note (a))	<b>417,123</b>	<b>9,177</b>	<b>(9,177)</b>	-
Employee share option scheme				
– Value of services provided	-	-	<b>24,667</b>	<b>24,667</b>
– Exercise of share options	<b>27,064</b>	<b>596</b>	<b>21,717</b>	<b>22,313</b>
Repurchase and cancellation of own shares (Note (b))	<b>(22,044)</b>	<b>(485)</b>	<b>(56,835)</b>	<b>(57,320)</b>
<b>At 31 December 2011</b>	<b>2,513,752</b>	<b>63,941</b>	<b>405,730</b>	<b>469,671</b>

(a) As approved by the shareholders of the Company at the Annual General Meeting on 20 April 2011, the Group issued bonus shares on the basis of two bonus shares for every ten existing ordinary shares held by the qualifying shareholders. The bonus issue was credited as fully paid by way of capitalisation of an amount in the share premium account of the Company.

(b) During 2011, 22,044,000 shares(2010: 3,330,000 shares) were repurchased by the Company on the Hong Kong Stock Exchange at an aggregate consideration of approximately RMB57,320,000(2010: RMB12,713,000) and they were then cancelled. The nominal value of these shares of RMB485,000(2010: RMB73,000)was credited to the capital redemption reserve. The capital redemption reserve of RMB485,000 (2010: RMB73,000) and the premium arising from such purchase of approximately RMB56,835,000(2010: RMB12,640,000)were paid out of the Company's retained earnings and share premium account, respectively.



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**9 Trade and other payables**

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
	RMB'000	RMB'000
Trade payables (a)(b)	<b>35,308</b>	15,605
Salary and staff welfare payables	<b>75,313</b>	39,511
Advances from customers	<b>71,157</b>	72,239
VAT and business tax payable	<b>57,574</b>	37,420
Accrued expenses	<b>82,639</b>	41,062
Construction fee payable	<b>11,062</b>	22,703
Land use rights fee payable	-	3,840
Outstanding consideration for business combination	<b>82,395</b>	39,200
Deposits of distributors	<b>22,078</b>	16,647
Others	<b>28,071</b>	27,011
	<b>465,597</b>	315,238

(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 all denominated in RMB.

(b) At 31 December 2011, the ageing analysis of the trade payables based on invoice date is as follows:

	<b>2011</b>	<b>2010</b>
	RMB'000	RMB'000
0 - 180 days	<b>31,631</b>	14,973
181 - 360 days	<b>1,033</b>	314
Over 360 days	<b>2,644</b>	318
	<b>35,308</b>	15,605

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**10 Borrowings- Group**

	<b>2011</b>	<b>2010</b>
	RMB'000	RMB'000
<b>Non-current</b>		
Long-term bank borrowings, unsecured	<b>597,500</b>	190,000
<b>Current</b>		
Current portion of long-term borrowings, unsecured	<b>8,000</b>	-
Short-term bank borrowings, unsecured	<b>12,000</b>	-
	<u><b>617,500</b></u>	<u>190,000</u>

The Group's bank borrowings mature until 2014 (2010: 2013) and bear average interest rate of 7.05% annually (2010: 5.13% annually) and are wholly repayable within 5 years.

At 31 December 2011, the Group's borrowings were repayable as follows:

	<b>Bank borrowings</b>	
	<b>2011</b>	<b>2010</b>
	RMB'000	RMB'000
Within 1 year	<b>20,000</b>	-
Between 1 and 2 years	<b>195,900</b>	-
Between 2 and 5 years	<b>401,600</b>	190,000
	<u><b>617,500</b></u>	<u>190,000</u>

The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates at the balance sheet dates are within 1 year (2010: within 1 year).

The fair value of the non-current borrowings as of 31 December 2011 is RMB618,077,000, which is based on cash flows discounted using a rate based on the borrowing rate 6.56% (2010: 6.10%).

The fair value of the current borrowings equal their carrying amount as the impact of discount is not significant.

The Group's borrowings are all denominated in RMB.

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### 11 Revenue

Turnover consists of sale of software, software implementation service, software solution consulting and support service and sale of computer and related products. Revenue is stated net of applicable value-added tax ("VAT") in the PRC and comprises the following:

	<b>2011</b>	<b>2010</b>
	RMB'000	RMB'000
Sales of software	<b>1,088,015</b>	812,554
Software implementation services	<b>509,289</b>	352,307
Software solution consulting and support services	<b>346,577</b>	253,687
Sales of computers and related products	<b>78,617</b>	18,073
	<b><u>2,022,498</u></b>	<u>1,436,621</u>

### 12 Other gains - net

	<b>2011</b>	<b>2010</b>
	RMB'000	RMB'000
VAT refund (a)	<b>183,419</b>	151,605
Government grant	<b>82,433</b>	27,187
Rental income - net	<b>24,437</b>	20,471
Gain on bargain purchases of business combination	-	39,370
Re-measurement of the contingent consideration for business combinations	<b>(3,740)</b>	-
Others	<b>3,167</b>	3,186
	<b><u>289,716</u></b>	<u>241,819</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 2011, the State Department issued a circular regarding the "Taxation Policy for Encouraging the development of Software and Integrated Circuits Industry" (Guo Fa [2011] No.4). Pursuant to the Circular, 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.

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**13 Expenses by nature**

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

	<b>2011</b>	<b>2010</b>
	RMB'000	RMB'000
Research and development costs		
Amounts incurred	<b>294,872</b>	213,064
Less: development costs capitalised	<b>(258,209)</b>	(183,329)
Add: amortisation(Note 4)	<b>132,061</b>	91,590
	<b>168,724</b>	121,325
Employee benefit expenses	<b>1,439,931</b>	865,066
Less: amount included in development costs	<b>(228,172)</b>	(180,848)
	<b>1,211,759</b>	684,218
Depreciation	<b>36,544</b>	30,583
Less: amount included in development costs	<b>(8,586)</b>	(7,575)
	<b>27,958</b>	23,008
Cost of inventories consumed	<b>98,927</b>	41,952
Amortisation of acquired licenses and copyrights (Note 4)	<b>30,066</b>	14,760
Amortisation of computer software for own use (Note 4)	<b>2,512</b>	1,901
Amortisation of land use rights	<b>1,940</b>	2,336
Impairment of receivables	<b>21,812</b>	1,782
Loss on disposals of property, plant and equipment	<b>511</b>	149
Auditors' remuneration	<b>1,600</b>	1,500
Advertising costs	<b>124,807</b>	134,546
Sales promotion costs	<b>88,662</b>	62,846
Professional service costs	<b>22,195</b>	16,429
Traveling costs	<b>83,931</b>	65,868
Rental and utilities	<b>60,254</b>	43,431
Outsourcing services	<b>158,954</b>	82,709
Office expenses	<b>43,210</b>	29,841
Training expenses	<b>13,524</b>	16,852
Tax and surcharge	<b>46,547</b>	20,266
Others	<b>49,693</b>	41,275
<b>Total cost of sales, selling and marketing expenses, research and development costs and administrative expenses</b>	<b>2,257,586</b>	1,406,994

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### 14 Finance costs - net

	2011 RMB'000	2010 RMB'000
Interest income	3,524	3,085
Bank charges	(189)	(489)
Net foreign exchange loss	(911)	(1,824)
Interest on borrowings wholly repayable within 1 year	(25,958)	(6,369)
Less: interest capitalised in construction in progress		
	<u>14,690</u>	<u>-</u>
	<u>(8,844)</u>	<u>(5,597)</u>

During 2011, the capitalisation rate applied to funds borrowed generally and used for the construction in progress was approximately 7.05% (2010: Nil) per annum

### 15 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:

	2011 RMB'000	2010 RMB'000
PRC income tax		
- Current income tax	10,251	-
- (Over)/Under-provision in previous year	-	1,189
- Deferred income tax	18,029	17,566
	<u>28,280</u>	<u>18,755</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) According to the Corporate Income Tax Law of the People's Republic of China (hereinafter "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 to foreign investment enterprises established in Special Economic Zones in the PRC for a transitional period of 5 years from 2008 in which the income tax rate will be changed to 18%, 20%, 22% 24% and 25% from the five years from 2008 to 2012 respectively. Accordingly, the applicable income tax rate of the subsidiaries of the Group established in Shenzhen Special Economic Zone, Xiamen Special Economic Zone and PudongNew Zone for the year ended 2011 was 24%(2010: 22%).

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**15 Income tax expense(continued)**

- (c) According to CaiShuiZi [2009] No.1 issued by relevant tax authorities in the PRC, Shanghai Kingdee Software Co., Ltd. was qualified as an approved software enterprise in Feb 2011 and was entitled to be exempted from enterprise income tax from year 2009 to year 2010 and a 50% deduction of income tax rate from year 2011 to year 2013.
- (d) In accordance with the Hi-tech enterprises Certification Regulation which was jointly issued by Department of Science and Technology, Ministry of Finance and the State Administration of Taxation in 2008, Shenzhen Kingdee Middleware Co., Ltd. and Guangzhou Wisetop Computer Co.,Ltd were recognized as a Hi-tech enterprise in 2011 and entitled to a preferential enterprise income tax rate of 15%.

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

	<b>2011</b>	<b>2010</b>
	RMB'000	RMB'000
Profit before tax	<b>181,442</b>	295,021
Tax at the statutory tax rate of 25% (2010: 25%)	<b>45,361</b>	73,755
– Effect of preferential tax rates	<b>(34,531)</b>	(54,770)
– Tax losses not recognised	<b>44,916</b>	21,473
– Expenses not deductible for tax purposes	<b>4,847</b>	3,233
– Income not subject to tax (a)	<b>(19,512)</b>	(18,141)
– Additional deductible allowance for research and development expenses	<b>(12,801)</b>	(7,984)
– Under-provision of income tax in previous year	-	1,189
	<b>28,280</b>	18,755

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

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**16 Earnings per share**

(a) *Basic*

Basic earnings per share are 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.

	<b>2011</b>	<b>2010</b>
Profit attributable to equity holders of the Company (RMB'000)	<b>144,988</b>	271,710
Weighted average number of ordinary shares in issue (thousands)	<u><b>2,513,194</b></u>	<u>2,485,259</u>
Basic earnings per share (RMB cents per share)	<u><b>5.77</b></u>	<u>10.93</u>

(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 be taken into account in the diluted earnings per share calculation.

	<b>2011</b>	<b>2010</b>
Profit attributable to equity holders of the Company (RMB'000)	<b>144,988</b>	271,710
Weighted average number of ordinary shares in issue (thousands)	<b>2,513,194</b>	2,485,259
Adjustments for – share options (thousands)	<u><b>162,791</b></u>	<u>166,858</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u><b>2,675,985</b></u>	<u>2,652,117</u>
Diluted earnings per share (RMB cents per share)	<u><b>5.42</b></u>	<u>10.25</u>

2010 earnings per share (both basic and diluted) have been adjusted to reflect the effect of bonus issue of share mentioned in Note 8(a) as if the bonus issue of shares occurred at 1 January 2010.

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### 17 Dividends

The directors did not recommend the payment of a final dividend in respect of the year ended 31 December 2011 (2010: RMB0.029 (HKD0.034) per ordinary share, totaling RMB60,320,000 (HKD71,106,000)).

### 18 Commitments - Group

#### (a) Capital commitments

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

	<b>2011</b> RMB'000	<b>2010</b> RMB'000
- Property, plant and equipment	<b>256,934</b>	14,568
- Acquisition of subsidiaries	-	5,280
	<b>256,934</b>	<b>19,848</b>

#### (b) Operating lease commitments

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

	<b>2011</b> RMB'000	<b>2010</b> RMB'000
Not later than one year	<b>30,694</b>	16,160
Later than one year and not later than five years	<b>30,473</b>	9,219
	<b>61,167</b>	<b>25,379</b>

### 19 Events after the balance sheet date

The Group has no significant events after balance sheet date.



## Management Discussion and Analysis

### I. Business Review

With the Chinese government accelerating the transformation pace of economic model, transition has become the mainstream trend of Chinese enterprises. Driven by demand from Chinese companies seeking to upgrade their business model by using the latest technologies such as cloud computing, mobile internet and commercial social networking, the domestic management consultation and IT service market is expected to enter a new phase of rapid growth. In 2011, based on the basic strategy of “Transformation, Integration, High growth”, the Group continued to focus on enterprise management and IT integration solutions, small enterprise Internet application services and middleware businesses, though it also entered the medical healthcare, equipment manufacturing and small loan industries through mergers and acquisitions or other ways. The Group further sought to explore emerging market opportunities such as cloud computing and mobile internet. During the reporting year, the Group achieved high revenue growth of over 40.8%, although profit during the year dropped sharply, which was due to rapid rise in costs from strategic investments and business expansion, and weak macro economy. The Group nevertheless maintained its leading presence in the market, while earning numerous accolades and achievements as listed below.

- 1 ) The Largest Market Share of the SME ERP Sector in China for the seventh straight year (*IDC*, August 2011)
- 2 ) The Best Provider of Enterprise Resources Planning Software (*Hong Kong Capital* magazine, March 2011)
- 3 ) Shenzhen Kingdee Middleware Co., Ltd (“Kingdee Middleware”) was accredited with the “Award for Promoting Chinese Enterprise Informatisation” (jointly presented by the magazine *IT Managers’ World* and *IDC*, January 2011)
- 4 ) Kingdee Middleware was selected as one of the Excellent SOA Models and Top 10 Solutions in 2010 (at the 4th China SOA Standardisation Seminar, June 2011)
- 5 ) Kingdee’s YouShang.com was recognised as “The Best Small Enterprise SaaS Service Platform” (*Analysis International* and the *APEC E-Commerce Business Alliance*, March 2011)
- 6 ) “The Best Innovative Products” by Top Ten Internet Enterprises Software Expo (China Software Expo, May 2011)

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- 7 ) Top 20 Asian ICT Enterprise (MIS Asia, November 2011)
- 8 ) The Best Provider of HR Management Software in Greater China Region (Human Resources Management, March 2011)
- 9 ) 2011 Top Ten Self-branded Software Companies in China (Ministry of Industry and Information Technology of the PRC, June 2011)
- 10 ) 2011 China's Most Influential Companies of the Copyright Industry Award (Copyright Society of China, November 2011)

### **1. Enterprise Management and IT Integration Services**

#### **Small and Medium Enterprise Product Market**

During the period under review, the Group observed that an increasing need for manufacturing companies to transform and upgrade in the face of rapid development of the modern service industry, as well as the integration of the traditional IT service industry with internet technology would become the driving force behind the informatization of SME, which was also the result of .To address these market demands, the Group released K/3 WISE innovation management platform V12.3; enhanced the client-oriented PLM management system; and optimized the supply chain e-commerce applications and CRM service management, among other key processes. In addition, introduction of the e-menu (iPad version) on the K/3 WISE management platform for the catering industry accelerated the Group's expansion into the catering and hospitality market. At the same time, the Kingdee small loan integrated business management system 2.0 also enabled the Group to enter the small loan and mortgage segment.

During the review period, the Group continued to boost its distribution network and bolster its market share among county-level cities. To expand its market coverage, the Group partnered with more distributors, in particular, industry- specific value-added resellers, to sell specific products. The Group also sought to enhance its core competitiveness by working with selling-and-service-creation providers and value-added business partners under the "Cloud + Terminal" product system. The Group believes that such efforts can help consolidate its distribution channels while assisting partners to become more professional, thereby establishing a complete distribution chain.

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### **Large Enterprises Product and Industry Market**

During the reporting period, the Group observed large and medium enterprises seeking to transform their businesses, which included expanding and enhancing management, standardizing practices and raising efficiency. With greater concern among companies about risk management and internal controls, this has created a stronger need for business intelligence (BI). Consequently, innovative technologies such as cloud computing and mobile technology are expected to bring about changes in business and management structure and practices.

The Group has continued to expand its financial management and production application services, and applied Kingdee EAS Management and IT Integration Solutions across a range of industries including manufacturing, property, retail, garment and 4S shops within the automobile industry. Such utilisation of advanced solutions has helped large enterprises in China to realize value chain management, business transformation and upgrade their management and business practices. The Group has launched risk and internal control information system V2.0 to help large enterprises achieve all-round risk control. It also launched EAS Enterprise Mobile Application Solutions to complement the new era of work mobility brought about by wireless communications and the Internet.

The Group has continued to vigorously develop consultancy-based integration services to assist Chinese enterprises transform, enjoy greater management and plan for the future, as well as better integrate their value chain via its “ERP+Consultancy” business model. During the reporting period, the Group secured several clients, including Shanghai Lima Group, Zhejiang Hengjiu Machinery Group, Guangdong Yantang Milk Group, Jiangxi Coal Group, Gemdale Group, Yincheng Real Estate Group Co., Ltd. and Shanghai Yongda Group.

### **Maintenance and IT Service**

The Group continued to promote and differentiate its service packages based on products in order to build a standardized cloud computing service platform; consequently integrating its online service network, optimizing its desktop system by cloud computing and integrating available resources. This enabled the Group to provide convenient and prompt cloud computing services to customers. In addition, the Group continued to enhance the classification of its services based on different levels of customer service, and thus better cater

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for the specific needs of large enterprises. It also strived to develop customized high value-added IT service solutions for customers; establish specialized regional marketing services and introduce professional service delivery teams. At the same time, Kingdee sought to offer one-stop IT services for small enterprises so as to support their rapid growth and demand for highly effective system maintenance service. To facilitate communications with customers, which is part of Kingdee's core value, a series of marketing events were organized, including "Kingdee Customers IT Skills Contest" and "IT Innovation, Kingdee's Motivation" national service seminars.

### **International Business**

During the reporting period, in order to boost business development in the Asia Pacific, the Group established an international business department and set up a Taiwan branch as well. Apart from launching the EAS English edition, the Group announced the introduction of the KIS international edition and established collaborative relations with more than 30 overseas partners. The Group also achieved continuously high growth through its involvement in foreign enterprises operating in mainland China and Chinese companies with global reach, as well as via its own business in overseas markets. Among the industry giants that the Group secured as its customers included Domtar Group (Canada), Leo Paper Group (Hong Kong) and RDM Group (Italy).

## **2. Middleware Business & Cloud Computing**

The Group continued to launch new solutions that leverage the SOA structure, cloud computing and Internet during the reporting year. The Group received acknowledgement from the State Internet of Things Project Development Fund and the State High-tech Development Plan (863 plans) as well as the project development fund supported by Guangdong Province and Shenzhen City. In addition, a national science and technology project, entitled "Core Electronic Parts, High-end Chips, Basic Software Products" undertaken by the Group, received approval from the Ministry of Industry and Information Technology. The Group was also designated the Deputy Leading Unit of the State Standard Cloud Computing Working Committee, affirming its leading position in the cloud computing and middleware platform industries.

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During the reporting year, Kingdee's middleware expanded into the military, national defense and telecommunication sectors. The Group also secured major customers, including China South Industries Group, Suzhou Industrial Park, Ordos Information Committee, Tong Hua Mining Group and China XD Group.

It is worth noting that the Group actively participated in the planning and implementation of national and local cloud computing strategies and received authorization to serve as one of the development units of the Cloud Computing Demonstration Project under the National Development and Reform Commission (NDRC).

### **3. YouShang.com**

The YouShang.com operation successfully integrated its application and services into traditional ERP software through the application platform. It also launched the KIS Cloud Platform Solution to small and petite enterprises, offering more than 200 cloud management applications, which has helped to substantially enhance customers' productivity and competitiveness. Also, YouShang.com stepped up its R&D efforts in internet application products, and launched several innovative products and applications including Kuaidi 100, Wise Note, Invoice Inquiries, Cash Flow Statement and Message 100.

YouShang.com continued to strengthen its strategic partnership with operators, banks, governments and schools during the reporting year. It provided highly effective, convenient and stable products and services to a broad user base in the business sector, collaborating with organizations on the use of various open platforms including the Internet and e-commerce websites.

## **II. Investment & M&A**

During the reporting period, the Group has acquired Guangzhou Wisetop Computer Company Limited, a well-known IT developer for the medical and hygiene industry in China. The company is well known in the field of hospital informatization and construction of a regional medical platform. This merger has transformed the Group into a leader in the IT systems integration within the medical and hygiene service market in China. Kingdee has also invested in Weamax Information Company, an emerging finance and IT services company, aiming at providing professional IT and management integration services to China's fast growing

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guarantee and small loan industry. By investing in Changsha Aolian Calculator Information Technology Development Co., Ltd., a specialised software developer for the equipment manufacturing industry, the Group has become more able to provide more vertical industry-specific management and IT integration solutions to the fast-growing equipment manufacturing industry and the automobile industry in China.

### **III. Social Responsibility**

During the reporting period, the Group continued to support the selection activities of the Fourth Chinese Management Model Outstanding Awards, and hold the “Chinese Management Global Forum”, as well as supported business schools and relevant research institutions to explore and develop a Chinese management theory and education system, thereby assisting Chinese enterprises to enhance their management standard and promoting their transformation.”

During the reporting period, the Group has continued to sponsor a scholarship in Southeast University, and has also signed strategic cooperation agreements with a number of renowned universities including Wuhan University, Nanjing Audit University and Northwest University to build joint labs, training bases and technical centres of original software in order to nurture more original software professionals for China and for enterprises as well.

### **IV. Financial Review**

For the year ended 31 December 2011, the Group’s turnover amounted to RMB2,022,498,000, representing an increase of approximately 40.8% against last year (2010: RMB1,436,621,000). Revenue from high-end market, service business, and products from third-parties recorded high rate of growth.

During the reporting period, the Group realised revenues from software of RMB1,088,015,000, representing a rise of approximately 33.9% against last year (2010: RMB812,554,000), and services revenue of RMB855,866,000, representing an increase of approximately 41.2% against 2010 (2010: RMB605,994,000). The Group’s net cash flow generated from operating activities was approximately RMB151,253,000, representing a drop of approximately 48.6% over that of last year (2010: RMB294,337,000).

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During the reporting period, the trade receivables turnover decreased by approximately 6 days to 35 days (the average of the trade receivables balance at the beginning and the end of the year divided by the total revenue of the year times 365 days) (2010: 41 days).

For the year ended 31 December 2011, profit attributable to equity holders of the Company was RMB144,988,000, representing a decrease of approximately 46.6% against 2010 (2010: RMB271,710,000). Comprehensive income attributable to equity holders of the Company reached RMB145,900,000, representing a decline of approximately 49.1% compared to the same period in 2010 (2010: RMB286,660,000). During the year, net profit margin was 7.2% (2010: 18.9%) and basic earnings per share was RMB 0.0577 (2010: RMB0.1093).

### **Gross Profit**

Gross profit of the Group rose by approximately 29.0% from RMB1,098,828,000 in 2010 to approximately RMB1,417,842,000 in 2011. Gross profit margin for the year decreased to approximately 70.1% (2010: approximately 76.5%), mainly due to the Group's promotion on sales integration of third-party products, as well as the products' rising cost.

### **Selling and marketing expenses**

Selling and marketing expenses for the year was approximately RMB1,229,721,000 (2010: RMB785,715,000), representing an increase of approximately 56.5% against last year. Selling and marketing expenses accounted for approximately 60.8% of turnover, compared to approximately 54.7% in 2010. The growth of selling and marketing expenses was mainly because of the rising costs brought by the forward-looking strategic investment and business expansion.

### **Administrative Expenses**

Administrative expenses for 2011 amounted to RMB254,485,000 (2010: RMB162,161,000), representing an increase of approximately 56.9%. During the period, administrative expenses increased to 12.6% of the turnover, comparable to that of 11.3% in 2010. The rise was mainly due to the increasing administrative expenses caused by the expansion in business and staff number.

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### **Capital Expenditure**

For the year ended 31 December 2011, the Group's major capital expenditure mainly included capitalised R&D expenses of RMB258,209,000 (2010: RMB183,329,000), purchase of computers and related equipments of RMB30,860,000 (2010: RMB24,713,000), and construction fees for Kingdee Software Park in the amount of RMB139,064,000(2010: RMB14,221,000).

### **Financial Resources and Liquidity**

As at 31 December 2011, the Group had cash, cash equivalents and deposits amounting to approximately RMB660,934,000 (2010: RMB753,543,000). The current ratio was 1.9 (2010: 2.3) and the gearing ratio (defined as the ratio of bank borrowings to shareholder equity) was 37.6% (2010: 12.3%).

As at 31 December 2011, the Group had short-term bank loans of RMB20,000,000 (2010: nil). As at 31 December 2011, the Group had a three-year bank loan amounting to RMB597,500,000 (2010: RMB190,000,000).

As at 31 December 2011, 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 fluctuations.

As at 31 December 2011, the Group did not have any material contingent liabilities (2010: nil).

## **V. Future Prospects**

Although the Group's profit decreased substantially in 2011, its business remained robust. The demand of Chinese enterprises for management and IT solutions services will revive after the impact of the adverse macroeconomic situation, and in turn allow for the respective markets to return to rapid growth. Based on the experience gained over the past year, the Group will optimize its "Transformation, Focus, High Value" strategy. Furthermore, the Group will consolidate its "ERP + Consulting" businesses by focusing on core products, improve competitiveness and profitability of such products; enhance the distribution business by focusing on delivering services that raise profitability; step up distribution efforts and raise the proportion of revenue from indirect sales; promote customer retention and loyalty and raise the proportion of income from maintenance services; and optimize the business structure to



## **KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**

improve and sustain profitability. At the same time, the Group will leverage the technology revolution that cloud-computing, mobile internet and commercial social networking represent; explore and strengthen new businesses such as "Terminal + Cloud services" and commercial social networking services; and become the leading provider of cloud-management services. The Group will continue to dedicate efforts toward nurturing its staff, generating internal synergies and collaborating closely with business partners that result in the advancement of customers' business and delivery of fair returns to shareholders.

### **Final Dividends**

At the Annual General Meeting of the Company to be held on 10 May 2012("AGM"), the Board of Directors (the "Board") will recommend on the declaration of final dividend for the year ended 31 December 2011. (2010: RMB0.029 (HK\$0.034) per share)

### **Closure of Register**

The register of shareholders of the Company will be closed from Monday, 7 May 2012 to Thursday, 10 May 2012 (both days inclusive), during which time no transfer of shares will be registered. 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 Friday, 4 May 2012.

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

During the year ended 31 December 2011, the Company has repurchased 22,356,000 shares and cancelled an aggregate of 22,044,000 shares (including 538,000 shares repurchased in 2010), 720,000 of which were cancelled on 21 January 2011, 5,834,000 of which were cancelled on 13 April 2011, and 15,490,000 of which were cancelled on 22 December 2011. The Company also cancelled 850,000 shares on 2 February 2012.

Save as disclosed, neither the Company, nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities during the year.

## **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 2011 except code provision A 2.1. During the reporting period, 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**

The Audit Committee of the Company (“Audit Committee”) comprises three independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Company, discussed auditing, internal control and financial reporting matters and reviewed the audited financial statements for the year ended 31 December 2011 of the Group.

## **Auditor’s Procedures Performed on This Results Announcement**

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2011 have been agreed by the Group’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 Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

**KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**

By order of the Board

**KINGDEE INTERNATIONAL  
SOFTWARE GROUP COMPANY  
LIMITED**

Xu Shao Chun  
*Chairman*

Shenzhen, the PRC, 27 March, 2012

*As at the date of this announcement, the Board comprises Mr. Xu Shao Chun (Chairman of the Board and Chief Executive Officer) and Mr. Chen Deng Kun as executive directors; and Mr. James Ming King as non-executive director; and Mr. Gary Clark Biddle, Mr. HO Ching-hua, Mr. Wu Cheng Ms. Yang Zhou Nan and Mr. Yeung Kwok On as independent non-executive directors.*