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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 2010**

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 2010, together with the comparative audited consolidated figures for the year ended 31 December 2009 are as follows:

Financial highlights for the year ended 31 December 2010

- Turnover increased by approximately 44.1% over 2009 to approximately RMB1,436,621,000.
- Profit attributable to equity holders of the Company increased by approximately 27.9% over 2009 to approximately RMB271,710,000.
- Basic earnings per share increased by approximately 22.6% over 2009 to approximately RMB0.1312.
- The Board of Directors recommended a final dividend of HK\$0.034 per share.

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED BALANCE SHEET

| | Note | As at 31 December | |
|--|------|-------------------------|-------------------------|
| | | 2010 | 2009 |
| | | RMB'000 | RMB'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Land use rights | | 79,449 | 81,785 |
| Property, plant and equipment | | 350,632 | 327,045 |
| Intangible assets | 4 | 377,236 | 193,916 |
| Investment properties | 5 | 289,162 | 236,511 |
| Available-for-sale financial assets | 6 | 10,000 | - |
| Other non-current assets | | 3,520 | - |
| | | <u>1,109,999</u> | <u>839,257</u> |
| Current assets | | | |
| Inventories | | 1,987 | 2,023 |
| Trade and other receivables | 7 | 272,895 | 200,692 |
| Due from customers on implementation contracts | | 119,834 | 89,696 |
| Pledged bank deposits | | 5,070 | 175 |
| Short-term bank deposits | | 117,017 | 111,490 |
| Cash and cash equivalents | | 631,456 | 519,790 |
| | | <u>1,148,259</u> | <u>923,866</u> |
| Total assets | | <u><u>2,258,258</u></u> | <u><u>1,763,123</u></u> |

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

| | Note | As at 31 December | |
|---|------|-------------------|------------------|
| | | 2010 | 2009 |
| | | RMB'000 | RMB'000 |
| EQUITY | | | |
| Capital and reserves attributable to equity holders of the Company | | | |
| Share capital | 8 | 54,653 | 53,812 |
| Share premium | 8 | 425,358 | 381,374 |
| Other reserves | | 427,323 | 388,119 |
| Retained earnings | | | |
| - Proposed final dividend | | 60,320 | 39,776 |
| - Others | | 566,400 | 379,264 |
| | | <u>1,534,054</u> | <u>1,242,345</u> |
| Non-controlling interest | | <u>14,271</u> | <u>9,715</u> |
| Total equity | | <u>1,548,325</u> | <u>1,252,060</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 10 | <u>190,000</u> | <u>-</u> |
| Current liabilities | | | |
| Trade and other payables | 9 | 315,238 | 283,982 |
| Borrowings | 10 | - | 57,378 |
| Due to customers on implementation contracts | | 60,359 | 82,002 |
| Deferred income | | 115,499 | 78,091 |
| Deferred income tax liabilities | | 28,837 | 9,610 |
| | | <u>519,933</u> | <u>511,063</u> |
| Total liabilities | | <u>709,933</u> | <u>511,063</u> |
| Total equity and liabilities | | <u>2,258,258</u> | <u>1,763,123</u> |
| Net current assets | | <u>628,326</u> | <u>412,803</u> |
| Total assets less current liabilities | | <u>1,738,325</u> | <u>1,252,060</u> |

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended 31 December | | |
|---|-------------------------------|----------------|----------------|
| | Note | 2010 | 2009 |
| | | RMB'000 | RMB'000 |
| Profit for the year | | 276,266 | 213,414 |
| Fair value change of owner-occupied land and buildings before transferred to investment properties, net of tax | | 14,950 | 26,846 |
| Total comprehensive income for the year | | <u>291,216</u> | <u>240,260</u> |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Company | | 286,660 | 239,325 |
| Non-controlling interest | | 4,556 | 935 |
| | | <u>291,216</u> | <u>240,260</u> |

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | | Attributable to equity holders of the Company | | | | | |
|------|---|---|---------|----------|--------------|-----------|--------------|
| | | Share | Share | Other | Retained | Non | |
| | | capital | premium | reserves | earnings | Total | -controlling |
| | | interest | | | Total equity | | |
| Note | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | Balance at 1 January 2009 | 50,923 | 241,194 | 343,160 | 261,887 | 897,164 | 905,944 |
| | Comprehensive income | | | | | | |
| | Profit for the year | - | - | - | 212,479 | 212,479 | 213,414 |
| | Other comprehensive income | - | - | 26,846 | - | 26,846 | 26,846 |
| | Total comprehensive income | - | - | 26,846 | 212,479 | 239,325 | 240,260 |
| | Transactions with owners | | | | | | |
| | Employees share option scheme: | | | | | | |
| | - value of employee services | 8 | 15,859 | - | - | 15,859 | 15,859 |
| | - proceeds from shares issued | 8 | 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 | | - | - | - | (37,213) | (37,213) |
| | Total transactions with owners | | 2,889 | 140,180 | 18,113 | (55,326) | 105,856 |
| | Balance at 31 December 2009 | 53,812 | 381,374 | 388,119 | 419,040 | 1,242,345 | 1,252,060 |
| | Balance at 1 January 2010 | 53,812 | 381,374 | 388,119 | 419,040 | 1,242,345 | 1,252,060 |
| | Comprehensive income | | | | | | |
| | Profit for the year | - | - | - | 271,710 | 271,710 | 276,266 |
| | Other comprehensive income | - | - | 14,950 | - | 14,950 | 14,950 |
| | Total comprehensive income | - | - | 14,950 | 271,710 | 286,660 | 291,216 |
| | Transactions with owners | | | | | | |
| | 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 | 17 | - | - | - | (39,776) | (39,776) |
| | Total transactions with owners | | 841 | 43,984 | 24,254 | (64,030) | 5,049 |
| | Balance at 31 December 2010 | 54,653 | 425,358 | 427,323 | 626,720 | 1,534,054 | 1,548,325 |

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED CASH FLOW STATEMENT

| | Note | Year ended 31 December | |
|--|------|------------------------|-----------------------|
| | | 2010 | 2009 |
| | | RMB'000 | RMB'000 |
| Cash flows from operating activities | | | |
| Cash generated from operations | | 302,384 | 221,702 |
| Interest paid | | (6,858) | (660) |
| Income tax paid | | (1,189) | (5,697) |
| Net cash generated from operating activities | | <u>294,337</u> | <u>215,345</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (61,848) | (104,856) |
| Proceeds from sales of property, plant and equipment | | 854 | 9,364 |
| Payments for land use rights | | - | (2,111) |
| Increase in other non-current assets | | (3,520) | - |
| Additions of intangible assets | | (186,201) | (149,876) |
| Cash paid for business combination | | (30,460) | - |
| Purchases of available-for-sale financial assets | | (10,000) | - |
| Pledged bank deposits withdrawn | | 175 | 2,171 |
| Pledged bank deposits placed | | (5,070) | (133) |
| Short-term bank deposits withdrawn | | 66,984 | 50,741 |
| Short-term bank deposits placed | | (72,511) | (66,984) |
| Interest received | | 3,085 | 4,614 |
| Net cash used in investing activities | | <u>(298,512)</u> | <u>(257,070)</u> |
| Cash flows from financing activities | | | |
| Proceeds from issuance of ordinary shares | 8 | - | 105,673 |
| Proceeds from options exercised | 8 | 35,708 | 21,537 |
| Repurchase of own shares | 8 | (12,713) | - |
| Proceeds from borrowings | | 190,000 | 57,378 |
| Repayments of borrowings | | (57,378) | (9,500) |
| Dividends paid to the Company's shareholders | 17 | (39,776) | (37,213) |
| Net cash generated from financing activities | | <u>115,841</u> | <u>137,875</u> |
| Net increase in cash and cash equivalents | | 111,666 | 96,150 |
| Cash and cash equivalents at beginning of year | | <u>519,790</u> | <u>423,640</u> |
| Cash and cash equivalents at end of year | | <u><u>631,456</u></u> | <u><u>519,790</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 Company has its shares listed on The Stock Exchange of Hong Kong Limited.

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 15 March 2011.

2 Summary of significant accounting policies

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- IFRS 3 (revised), ‘Business combinations’, and consequential amendments to IAS 27, ‘Consolidated and separate financial statements’, IAS 28, ‘Investments in associates’, and IAS 31, ‘Interests in joint ventures’.
- IAS 17 (amendment), ‘Leases’.

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 first-time 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 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 2009 had been restated to conform to current year presentation in accordance with IFRS8.

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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 | 332,973 | (19,236) | (13,119) | 300,618 |
| Finance costs | (8,635) | (42) | (5) | (8,682) |
| Finance income | 2,670 | 415 | - | 3,085 |
| Finance income/(cost) – net | (5,965) | 373 | (5) | (5,597) |
| Profit before income tax | 327,008 | (18,863) | (13,124) | 295,021 |
| Income tax expense | (18,284) | (471) | - | (18,755) |
| Segment results | 308,724 | (19,334) | (13,124) | 276,266 |
| Segment assets | 1,595,240 | 100,981 | 562,037 | 2,258,258 |
| Segment liabilities | 629,575 | 51,506 | 28,852 | 709,933 |
| Additions to non-current assets (other than financial instruments and deferred tax assets) | 252,784 | (2,944) | 10,902 | 260,742 |
| Material non-cash expenses/(income) | | | | |
| Gain on bargain purchases | (39,370) | - | - | (39,370) |
| Depreciation and amortization | 140,876 | 294 | - | 141,170 |
| Provision for doubtful trade and other receivables | 87,565 | 2,176 | - | 89,741 |

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3 Segment information (continued)

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

| | Enterprise management software | | | The Group |
|--|--------------------------------|-------------------|------------------------|------------------|
| | business RMB'000 | Others RMB'000 | Unallocated RMB'000 | Total RMB'000 |
| Revenue (from external customers) | 968,163 | 28,647 | - | 996,810 |
| Operating profit | 231,811 | (6,100) | (6,471) | 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 | 235,114 | (5,548) | (6,473) | 223,093 |
| Income tax expense | (10,388) | 709 | - | (9,679) |
| Segment results | 224,726 | (4,839) | (6,473) | 213,414 |
| Segment assets | 1,334,571 | 60,111 | 368,441 | 1,763,123 |
| Segment liabilities | 494,189 | 6,810 | 10,064 | 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 amortization | 98,090 | 318 | - | 98,408 |
| Provision for doubtful trade and other receivables | 2,147 | 749 | - | 2,896 |

The entity is domiciled in China. The result of its total revenue from external customers is RMB1,436,621,000 (2009: RMB996,810,000), and the total of revenue from external customers from other countries is RMB20,692,000 (2009: RMB10,802,000) inclusive. The breakdown of the major component of the total of revenue from external customers from other countries is disclosed above.

Revenues of approximately RMB42,416,000 (2009: RMB35,609,000) are derived from the 10 largest external customers. These revenues are attributable to the enterprise management software business segments. There is no single customer that attribute for over 10% of the Group's revenue for the year end 31 December 2010 and 2009.

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4 Intangible assets

| | Group | | | | Total RMB'000 |
|------------------------------------|------------------------------------|---------------------------------|--|--|------------------|
| | Goodwill RMB'000 | Development costs RMB'000 | Acquired license and copyright RMB'000 | Computer software for own use RMB'000 | |
| | Year ended 31 December 2009 | | | | |
| Opening net book amount | - | 110,243 | 5,000 | 215 | 115,458 |
| Additions | - | 125,016 | 22,000 | 2,860 | 149,876 |
| Amortization charge (Note 13) | - | (66,958) | (4,012) | (448) | (71,418) |
| Closing net book amount | - | 168,301 | 22,988 | 2,627 | 193,916 |
| At 31 December 2009 | | | | | |
| Cost | 25,560 | 379,514 | 27,000 | 8,263 | 440,337 |
| Accumulated amortization | (11,542) | (211,213) | (4,012) | (5,636) | (232,403) |
| Accumulated impairment | (14,018) | - | - | - | (14,018) |
| Net book amount | - | 168,301 | 22,988 | 2,627 | 193,916 |
| Year ended 31 December 2010 | | | | | |
| 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 |
| Amortization charge (Note 13) | - | (91,590) | (14,760) | (1,901) | (108,251) |
| Closing net book amount | - | 260,040 | 113,598 | 3,598 | 377,236 |
| At 31 December 2010 | | | | | |
| Cost | 25,560 | 562,843 | 132,370 | 11,135 | 731,908 |
| Accumulated amortization | (11,542) | (302,803) | (18,772) | (7,537) | (340,654) |
| Accumulated impairment | (14,018) | - | - | - | (14,018) |
| Net book amount | - | 260,040 | 113,598 | 3,598 | 377,236 |

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**5 Investment properties – Group**

| | 2010 | 2009 |
|--|-----------------------|-----------------------|
| | RMB'000 | RMB'000 |
| At 1 January | 236,511 | 53,903 |
| Transfer from construction in progress | - | 48,553 |
| Transfer from owner-occupied buildings | 23,479 | 54,986 |
| Transfer from land use rights | - | 1,482 |
| Fair value gains (Note 12) | <u>29,172</u> | <u>77,587</u> |
| At 31 December | <u><u>289,162</u></u> | <u><u>236,511</u></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, B1 on 4th floor of W1 building located in Hi-Tech Industrial Park of Shenzhen.

The Group obtains an independent valuation for its investment properties at least annually and at the date of the owner-occupied properties being transferred to investment properties. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

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

| | 2010 | 2009 |
|----------------------------------|-----------------------|-----------------------|
| | RMB'000 | RMB'000 |
| In the PRC, held on: | | |
| Leases of between 10 to 50 years | <u><u>289,162</u></u> | <u><u>236,511</u></u> |

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6 Available-for-sale financial assets – Group

| | <u>Group</u> RMB'000 |
|-----------------------------------|-------------------------|
| At 1 January 2009 and 2010 | - |
| Addition | <u>10,000</u> |
| At 31 December 2010 | <u>10,000</u> |

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 in 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.

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7 Trade and other receivables

| | Group | |
|---|--------------|-------------|
| | 2010 | 2009 |
| | RMB'000 | RMB'000 |
| Trade receivables (a) | 164,394 | 157,474 |
| Less: provision for impairment of receivables | (75,990) | (79,363) |
| Trade receivables – net | 88,404 | 78,111 |
| Notes receivable | 3,597 | 4,187 |
| Advances to employees | 21,774 | 6,273 |
| Amount due from a director | - | 18 |
| Prepayments | 79,594 | 61,553 |
| VAT recoverable | 63,664 | 32,322 |
| Amounts due from subsidiaries | - | - |
| Other receivables | 19,382 | 18,228 |
| | <hr/> | <hr/> |
| Less: non-current portion | (3,520) | - |
| | <hr/> <hr/> | <hr/> <hr/> |
| | 272,895 | 200,692 |

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.

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7 Trade and other receivables (continued)

- (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:

| | 2010 | 2009 |
|----------------|----------------|----------------|
| | RMB'000 | RMB'000 |
| 0 - 90 days | 64,389 | 41,797 |
| 91 - 180 days | 14,264 | 34,241 |
| 181 - 360 days | 19,661 | 14,041 |
| Over 360 days | 66,080 | 67,395 |
| | <u>164,394</u> | <u>157,474</u> |

All trade receivables were past due as at 31 December 2010 and they had been considered for impairment.

8 Share capital and premium - Group

| | Number of Issued shares (thousands) | Ordinary shares RMB'000 | Share premium RMB'000 | Total RMB'000 |
|---|---|-------------------------------|-----------------------------|------------------|
| At 1 January 2009 | 1,922,065 | 50,923 | 241,194 | 292,117 |
| Issue of shares | 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 |
| 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 (a) | (3,330) | (73) | (12,640) | (12,713) |
| At 31 December 2010 | <u>2,091,609</u> | <u>54,653</u> | <u>425,358</u> | <u>480,011</u> |

- (a) During 2010, 3,330,000 shares were repurchased by the Company on the Hong Kong Stock Exchange at an aggregate consideration of approximately RMB12,713,000 before expenses and they were then cancelled. The nominal value of these shares of RMB73,000 was credited to the capital redemption reserve. The nominal value of these shares of approximately RMB73,000 and the premium arising from such purchase of approximately 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

| | Group | |
|--|----------------|----------------|
| | 2010 | 2009 |
| | RMB'000 | RMB'000 |
| Trade payables (a)(b) | 15,605 | 20,428 |
| Salary and staff welfare payables | 39,511 | 27,807 |
| Advances from customers | 72,239 | 109,686 |
| VAT and business tax payable | 37,420 | 26,906 |
| Accrued expenses | 41,062 | 16,010 |
| Construction fee payable | 22,703 | 41,249 |
| Land use rights fee payable | 3,840 | 3,840 |
| Outstanding consideration for business combination | 39,200 | 10,100 |
| Deposits of distributors | 16,647 | 9,500 |
| Others | 27,011 | 18,456 |
| | <u>315,238</u> | <u>283,982</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 all denominated in RMB.

(b) At 31 December 2010, the ageing analysis of the trade payables based on invoice date is as follows:

| | 2010 | 2009 |
|----------------|---------------|---------------|
| | RMB'000 | RMB'000 |
| 0 - 180 days | 14,973 | 19,629 |
| 181 - 360 days | 314 | 110 |
| Over 360 days | 318 | 689 |
| | <u>15,605</u> | <u>20,428</u> |

10 Borrowings- Group

| | 2010 | 2009 |
|----------------------------|----------------|---------------|
| | RMB'000 | RMB'000 |
| Non-current | | |
| Bank borrowings, unsecured | 190,000 | - |
| Current | | |
| Bank borrowings, unsecured | - | 57,378 |
| | <u>190,000</u> | <u>57,378</u> |

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10 Borrowings- Group (continued)

Bank borrowings mature until 2013 and bear average interest rate of 5.13% annually (2009:4.51% annually).

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 (2009: within 3 months).

The fair value of the non-current borrowings as of 31 December 2010 is RMB 185,737,000, which is based on cash flows discounted using a rate based on the borrowing rate 6.10% (2009: Not applicable).

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

The Group's borrowings are all denominated in RMB.

11 Turnover

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

| | 2010 | 2009 |
|---|------------------|----------------|
| | RMB'000 | RMB'000 |
| Sales of software | 812,554 | 583,975 |
| Software implementation services | 352,307 | 235,077 |
| Software solution consulting and support services | 253,687 | 165,041 |
| Sales of computers and related products | 18,073 | 12,717 |
| | <u>1,436,621</u> | <u>996,810</u> |

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12 Other gains - net

| | 2010 | 2009 |
|---|----------------|----------------|
| | RMB'000 | RMB'000 |
| VAT refund (a) | 151,605 | 88,463 |
| Government grant | 27,187 | 7,744 |
| Fair value gain on investment properties (Note 5) | 29,172 | 77,587 |
| Rental income - net | 20,471 | 5,306 |
| Gain on bargain purchases of business combination | 39,370 | - |
| Others | 3,186 | 1,164 |
| | <u>270,991</u> | <u>180,264</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.

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13 Expenses by nature

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

| | 2010 | 2009 |
|--|-------------------------|-----------------------|
| | RMB'000 | RMB'000 |
| Research and development costs | | |
| Amounts incurred | 213,064 | 148,639 |
| Less: development costs capitalized | (183,329) | (125,016) |
| Add: amortization (Note 4) | 91,590 | 66,958 |
| | <u>121,325</u> | <u>90,581</u> |
| Employee benefit expenses | 865,066 | 592,043 |
| Less: amount included in development costs | (180,848) | (121,027) |
| | <u>684,218</u> | <u>471,016</u> |
| Depreciation | 30,583 | 26,116 |
| Less: amount included in development costs | (7,575) | (6,725) |
| | <u>23,008</u> | <u>19,391</u> |
| Cost of inventories consumed | 41,952 | 34,924 |
| Amortization of acquired license and copyright (Note 4) | 14,760 | 4,012 |
| Amortization of computer software for own use (Note 4) | 1,901 | 448 |
| Amortization of land use rights | 2,336 | 874 |
| Impairment of receivables | 1,782 | 2,896 |
| Loss on disposals of property, plant and equipment | 149 | 303 |
| Auditors' remuneration | 1,500 | 1,380 |
| Advertising costs | 134,546 | 86,519 |
| Sales promotion costs | 62,846 | 47,824 |
| Professional service costs | 16,429 | 11,429 |
| Traveling costs | 65,868 | 40,463 |
| Rental and utilities | 43,431 | 43,942 |
| Outsourcing services | 82,709 | 48,439 |
| Office expenses | 29,841 | 24,491 |
| Training expenses | 16,852 | 9,626 |
| Tax and surcharge | 20,266 | 10,976 |
| Others | 41,275 | 8,300 |
| | <u>41,275</u> | <u>8,300</u> |
| Total cost of sales, selling and marketing expenses, research and development costs and administrative expenses | <u><u>1,406,994</u></u> | <u><u>957,834</u></u> |

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14 Finance costs - net

| | 2010 | 2009 |
|---------------------------|----------------|--------------|
| | RMB'000 | RMB'000 |
| Interest income | 3,085 | 4,614 |
| Bank charges | (489) | (320) |
| Interest expenses | (6,369) | (340) |
| Net foreign exchange loss | (1,824) | (101) |
| | <u>(5,597)</u> | <u>3,853</u> |

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:

| | 2010 | 2009 |
|------------------------------------|---------------|--------------|
| | RMB'000 | RMB'000 |
| PRC income tax | | |
| - Current income tax | - | - |
| - Under-provision in previous year | 1,189 | 1,169 |
| - Deferred income tax | 17,566 | 8,510 |
| | <u>18,755</u> | <u>9,679</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 2009, 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 2008. 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 2009 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 Pudong New Zone for the year ended 2010 was 22%(2009: 20%).
- (c) According to Cai Shui Zi [2008] No.1, Fa Gai Gao Ji [2009] No 3357 and Fa Gai Gao Ji [2011] No 342 issued by related tax authorities in the PRC, Kingdee China is qualified as national important software enterprises and it is entitled to a preferential enterprise income tax rate of 10% for the years ended 31 December 2009 and 2010 respectively.

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15 Income tax expense (continued)

- (d) According to Cai Shui Zi [2009] No.1 issued by related tax authorities in the PRC, Shanghai Kingdee Software Co., Ltd. was qualified as an approved software enterprise 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.

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

| | 2010 | 2009 |
|---|---------------|--------------|
| | RMB'000 | RMB'000 |
| Profit before tax | 295,021 | 223,093 |
| Tax at the statutory tax rate of 25% (2009: 25%) | 73,755 | 55,773 |
| – Effect of preferential tax rates | (54,770) | (39,066) |
| – Tax losses not recognised | 21,473 | 5,547 |
| – Expenses not deductible for tax purposes | 3,233 | 2,017 |
| – Income not subject to tax (a) | (18,141) | (10,610) |
| – Additional deductible allowance for research and development expenses | (7,984) | (5,151) |
| – Under-provision of income tax in previous year | 1,189 | 1,169 |
| | <u>18,755</u> | <u>9,679</u> |

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

16 Earnings per share

- (a) *Basic*

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

| | 2010 | 2009 |
|---|------------------|------------------|
| Profit attributable to equity holders of the Company (RMB'000) | 271,710 | 212,479 |
| Weighted average number of ordinary shares in issue (thousands) | <u>2,071,049</u> | <u>1,986,245</u> |
| Basic earnings per share (RMB per share) | <u>0.1312</u> | <u>0.1070</u> |

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16 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.

| | 2010 | 2009 |
|--|------------------|------------------|
| Profit attributable to equity holders of the Company (RMB'000) | 271,710 | 212,479 |
| Weighted average number of ordinary shares in issue (thousands) | 2,071,049 | 1,986,245 |
| Adjustments for | | |
| – share options (thousands) | <u>139,048</u> | <u>82,822</u> |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | <u>2,210,097</u> | <u>2,069,067</u> |
| Diluted earnings per share (RMB per share) | <u>0.1229</u> | <u>0.1027</u> |

17 Dividends

The directors recommend the payment of a final dividend in respect of the year ended 31 December 2010 of RMB0.029 (HKD0.034) per ordinary share, totaling RMB60,320,000 (HKD71,106,000). Such dividend is to be approved by the shareholders at the Annual General Meeting on 20 April 2011. These financial statements do not reflect this dividend payable.

| | 2010 | 2009 |
|--|---------------|---------------|
| | RMB'000 | RMB'000 |
| Proposed final dividend of RMB0.029 (2009: RMB0.019) per ordinary share | <u>60,320</u> | <u>39,776</u> |

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18 Commitments - Group

(a) Capital commitments

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

| | 2010 | 2009 |
|---------------------------------|---------------|---------------|
| | RMB'000 | RMB'000 |
| - Property, plant and equipment | 14,568 | 15,098 |
| - Acquisition of subsidiaries | 5,280 | - |
| | <u>19,848</u> | <u>15,098</u> |

(b) Operating lease commitments

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

| | 2010 | 2009 |
|---|---------------|---------------|
| | RMB'000 | RMB'000 |
| Not later than one year | 16,160 | 18,118 |
| Later than one year and not later than five years | 9,219 | 12,700 |
| | <u>25,379</u> | <u>30,818</u> |

19 Events after the balance sheet date

On 15 March 2011, the board of the Company proposed a conditional bonus issue to the shareholders of the Company, subject to certain potential exceptions for the holders of shares whose addresses as shown on the register of members are outside Hong Kong. The bonus issue is proposed to be made on the basis of two bonus shares for every ten existing ordinary shares held by the qualifying shareholders. The bonus issue will be credited as fully paid by way of capitalization of an amount in the share premium account of the Company. The proposed bonus issue is conditional upon, among other conditions, the approval by the shareholders of the Company at the Annual General Meeting on 20 April 2011. The earning per share information in this financial statement has not taken into effect of the proposed bonus issue.

Management Discussion and Analysis

I. Business Review

Subsequent to the financial crisis, China's management consultancy and software service industries have entered a rapid growth stage fueled by business transformation of enterprises throughout China. In 2010, we kicked off our four-year development plan "New Four-year Plan, New Journey". The Group has been transforming from a software product company to a management and IT integrated solutions and services provider with a focus on introducing innovative management concepts and models for the purpose of supporting the business transformation of local companies and upgrading of their performance. The Group has continued to increase its penetration within different vertical industries while accelerating the establishment of branch offices and securing more distribution partners. In this way it has strengthened its direct sales capability and extended distribution coverage, so a more localized "management consultancy + management software + IT service" package could be provided for customers to facilitate their transformation and upgrade, as well as adding value to their management.

During the reporting period, the Group entered another stage of fast growth and earned a number of accolades and achievements, including: the largest market share of the SME ERP Sector in China for the sixth straight year (IDC, May 2010); youshang.com achieving "The Largest Market Share of 2009 Online Management Service Sector" (China Computer World, June 2010); our middleware subsidiary included among the "Asia Pacific Deloitte Technology Fast 500" (Deloitte, November 2010); ranking among "Asia's Top 20 ICT Enterprises" for the second straight year (MIS Asia, November 2010); 2010 Most Popular Employer in IT Industry (51job.com, December 2010); and "The Best Technological Innovation in Software Award 2010" (China Software Industry Association and China Computer Education Newspaper, June 2010), etc.

1、 Management consultancy and enterprise management software business

During the reporting period, the Group continued to commercialize and diversify its services. While the income of maintenance service continued to grow steadily, that of consultancy service grew rapidly, placing the Group among the leaders in the consultancy services sector in China. The Group's consultancy service is designed to provide group management, IT planning and consulting services for customers. By applying numerous best management practices and advanced management concepts, the Group has developed outstanding diagnosis models, group management consultancy methodologies, industry benchmarking analysis methodologies, and IT planning methodologies, etc. The consultancy service segment has won new contracts with China Eastern Airlines, PDA Corporation and Nanfang

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Media Group, etc. The Group's solutions here have set an industry benchmark as well as supporting its transformation from a product company to a management and integrated IT solutions and services provider.

During the period under review, the Group continued to enhance its core competencies by increasing the number of its branch offices in China from 52 in late 2009 to 98 in 2010. More talents were recruited and professional training was provided to strengthen the direct sales team. While it was expanding the coverage of direct sales offices, the Group also actively strengthened collaboration with partners by encouraging them into value-added service providers. By expanding the direct sales and distribution network and strengthening its capability, the Kingdee K/3 business unit has achieved rapid growth. The launch of the Kingdee K/3 WISE innovative management platform and K/3 RISE products extended the Group's coverage to the informatisation market in both domestic manufacturing and service industries and enlarged the Group's market share in the SME sector.

To further reinforce industry specific operation, the Group has set up Construction and Property Industry Department, the Retail and Circulation Industry Department, the Metallurgy and Mining Industry Department, the Transportation Department and more during the reporting period, striving to strengthen inputs in high-end markets. The Group also launched EAS V7.0 and secured many large customers including China Railway Construction Corporation, Xiwang Group, Jingya Group, Ningbo Port, Huakan Group, Tianjin Sunac and Gree Real Estate, to boost its influence in the large enterprises and industrial markets.

To tap markets elsewhere in Asia Pacific, the Group opened an R&D center in Singapore during the period to strengthen operations in Southeast Asia and initiate the development of business from this region.

2、 Middleware business

During the period under review, the Group's middleware enjoyed No.1 market share in the local application server middleware market. As one of the core fundamental software applications in the internet era, Kingdee's middleware is highly regarded by the Chinese government and was granted support within the key national technology scheme "Core Electronic Parts, High-end Chips and Basic Software Products" ("核高基"). In terms of technology, Kingdee owned a complete product platform based on service-oriented architecture (SOA). In other new technology areas, the Group also made a technological breakthrough in cloud computing, with the first-ever cloud computing software with independent intellectual property right in China. The Group continued to develop innovations with an aim to deliver more integrated solutions for corporate governance and IT system consolidation. During the period under review, Kingdee has continued to rapidly develop its middleware and won contracts with the corporate application center project of China Railway Construction Corporation, the Ministry of Environmental Protection, China's Golden Auditing Project, the Shanghai Municipal Commission of Economy and Informatisation, the Guangdong

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Provincial Public Security Department, Shenyang Aircraft Industries Group, The Chinese Communist Party Committee of Hunan Province, Shenyang Information Center, China Telecom, Northern China Iron and Steel Trade Center, Zhongsheng Group, and more.

3 · Online management service and E-commerce service

Kingdee youshang.com is a leading small enterprise management software and e-commerce service platform. The youshang.com e-business unit has created an innovative business model to combine the operations of Youshang.com and Kingdee KIS (small enterprise management software) into a management software and e-commerce integrated services package for small enterprises, “Small Enterprise’s Home” (小企業之家). This is a one-stop e-commerce services platform that combines software applications and professional services. At the end of the reporting period, customers of youshang.com came from throughout Greater China encompassing Mainland China, Hong Kong, Macau and Taiwan, and included over one million registered users. Paid users exceeded 100,000. The online business achieved highest growth for Kingdee KIS since its debut in 2003. Also, Kingdee youshang collaborated with several municipal governments, including Zhuzhou, to establish SME e-business service platforms. This collaboration aimed to provide an interactive information platform that gather local governments and other civil organizations together with an upstream and downstream business chain, industrial associations and financial service providers for SMEs via a sophisticated and stable SaaS transaction model.

II. Strategic Collaboration and Acquisition

The Group continued to collaborate with IBM in implementing consulting services, product and technology development and support for distribution channels. During the reporting period, the Group and IBM have formed a specialized integrated software service team and expanded this team to provide comprehensive consultation, product and implementation solutions to Chinese enterprises in the coming four years. This initiative has led to a new business model with the combined resources of “Kingdee products” and “IBM’s implementation”. During the reporting period, the Group has also collaborated with IBM to provide total solutions for medical information technology systems. It has signed contracts with Guangzhou Red Cross Hospital and Beijing Chao Yang Hospital for the provision of one-stop resources management system in an effort to advance the reform of the healthcare system in China.

During the reporting period, the Group continued to enforce the strategy of acquisitions aggressively. The Group has completed the acquisition of Shenzhen Jama Network Information Technology Co., Ltd, a real estate software provider to substantially enhance information management system to the dynamic real estate sector. Moreover, it has acquired Guangzhou Pro Way Technology Limited, a Product Lifecycle Management (PLM) software provider to improve the capability of the manufacturing industry solution unit. In an initiative to boost its technology platform, the Group has also acquired Shenzhen Firstsoft Technology

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Development Company Limited to strengthen the collaborative platform concept of WORK-IN-ONE, providing an integrated solution to enterprises in all sectors for facilitating management of “Information, Business and System Collaboration”. The Group also acquired Zhongshan Eastsun Internet Technology Co. Ltd., a catering and entertainment software provider to speed up the development of management information system solutions targeted at the catering and entertainment industry.

III. Organization and Personnel Assurance

In 2010, to ensure the implementation of its industry and service transformation strategy, the Group has embarked on a strategic initiative with the launch of a training initiative for the support of the core team escalating its efforts to recruit and nurture industry experts and senior personnel. Thus, the proportion of senior personnel has risen and its overall human resource structure has been enhanced.

At the same time, the fast growing management software industry in China has driven a growing demand for professional expertise to provide pre-sale and implementation consultation to support the management information systems. During the reporting period, the Kingdee Consultancy Academy continued to recruit students from the public, attracted experts to form a taskforce, built up comprehensive operation team and designed a scientific education system. These initiatives are intended to foster an enterprise management consulting profession and to develop systematic professional training to serve the need for professional talents of Kingdee, Kingdee’s partners, customers and society.

During the reporting period, the Group has also begun management reform projects to enhance its operational control, financial control, and human resources control systems under the existing group management models, and come up with the core values – “Passion, Professionalism, Teamwork and Success” and to promote the Chinese management model to the world.

IV. Social Responsibility

During the reporting period, the Group has organized and promoted the third annual “China Outstanding Management Model Award”. The award aimed to honor the enterprises in China who have created an outstanding and innovative management philosophy. In the past three years, the influence and strategic importance of the “Chinese management model” have been increasing within the business community. The Group has also organized the Kingdee Pearl Club Committee Meeting. More than 500 renowned entrepreneurs from different regions of the country were invited to participate in the Chinese Management Model - Kingdee Pearl Club Meeting 2010, announcing the establishment of the Kingdee Pearl Club. Kingdee Pearl Club was also intended to examine the innovative management philosophies of enterprises.

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During the period under review, Kingdee worked together with more than 150 high schools in China to establish an “Innovative Management Laboratory” while continuing to promote the “National Student Business Start-ups Competition”. By providing an opportunity for students to experience practicing what they have learned and to advance their overall professionalism, the competition helped students to learn how to start their own business and grow in their chosen career path.

V. Financial Review

For the year ended 31 December 2010, the Group’s turnover amounted to RMB1,436,621,000, representing an increase of 44.1% against 2009 (2009: RMB996,810,000). The growth was mainly because the Group strengthened the market coverage, with additional 46 sales offices in China, penetrated into main industries and recruited high-end professionals and management experts. On the other hand, as the economy has recovered from the financial crisis, enterprises have increased IT spending.

During the year, the Group realized revenue from software of RMB812,554,000, representing an increase of 39.1% against 2009 (2009: RMB583,975,000), and service revenue of RMB605,994,000, representing an increase of 51.5% against 2009 (2009: RMB400,118,000). During the year, the Group’s net cash flow generated from operating activities was RMB294,337,000, representing an increase of 36.7% over that of 2009 (2009: RMB215,345,000).

During the reporting period, the trade receivables turnover was 40.9 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) (2009: 52.0 days), which decreased by 11.1 days.

For the year ended 31 December 2010, profit attributable to equity holders of the Company was RMB271,710,000, representing an increase of approximately 27.9% against 2009 (2009: RMB212,479,000). Comprehensive income attributable to equity holders of the Company reached RMB286,660,000, representing an increase of 19.8% compared to the same period in 2009 (2009: RMB239,325,000). During the year, net profit margin was 18.9% (2009: 21.3%) and basic earnings per share was RMB0.1312 (2009: RMB0.1070).

Gross Profit

Gross profit of the Group increased by approximately 41.2% from RMB778,025,000 in 2009 to RMB1,098,828,000 in 2010. Gross profit margin for the year was stable at approximately 76.5% (2009: 78.1%).

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Selling and Marketing Expenses

Selling and marketing expenses for the year was approximately RMB785,715,000 (2009: RMB523,219,000), representing an increase of 50.2% against last year. Selling and marketing expenses accounted for 54.7% of turnover, compared to 52.5% in 2009. The growth of selling and marketing expenses was mainly because the Group increased marketing spending, recruitment fees, and the number of new branches to strengthen the market coverage.

Administrative Expenses

Administrative expenses for 2010 amounted to RMB162,161,000 (2009: RMB125,249,000), representing an increase of approximately 29.5%. During the period, administrative expenses accounted for a comparable 11.3% of the turnover, compared to 12.6% in 2009. The increase was mainly due to the recruitment of high-end professionals and the improvement of staff benefits.

Capital Expenditure

For the year ended 31 December 2010, the Group's major capital expenditure mainly included R&D capitalized expenses of RMB183,329,000 (2009: RMB125,016,000) and purchase of computer and related equipment in the amount of RMB24,713,000 (2009: RMB14,046,000).

Financial Resources and Liquidity

The Group was in a healthy cash flow position. As at 31 December 2010, the Group had cash, cash equivalents and deposits amounting to approximately RMB753,543,000 (2009: RMB631,455,000). Current ratio was 2.2 (2009: 1.8) and gearing ratio (defined as the ratio of bank borrowings to shareholders equity) was approximately 12.3% (2009: 4.6%).

As at 31 December 2010, the Group did not have any short-term bank loan (2009: RMB57,378,000). As at 31 December 2010, the Group had three-year bank loan amounting to RMB190,000,000 (2009:nil).

As at 31 December 2010, the Group was not subject to any material exchange rate exposure, and had not entered into any foreign exchange futures contract to hedge against exchange rate fluctuation.

As at 31 December 2010, the Group did not have any material contingent liabilities (2009: nil).

VI. Future Prospects

The beginning of 2011 came with very favorable news for the software industry. "Specific Policies to Further Promote the Development of Software Industry and Integrated Circuit Industry" ("New Circular No. 18") demonstrated the Chinese Government's increased support

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to the software industry and its higher expectation for domestic software service providers. Continuing this trend, the Twelfth Five-Year Plan categorized the software industry as a strategic emerging industry. With the Government's strong emphasis on strategic emerging industries, the implementation of information systems is expected to continue across all industry sectors. As a result, management consultancy and enterprise management software, cloud computing and e-commerce should enter a golden decade in the years ahead.

The years from 2011 to 2013 are a critical period for the Group in its transformation into a management and integrated IT solution service provider. Currently, Kingdee has entered a new era of fast expansion and rapid growth. The Group is striving to create innovative management philosophies models to facilitate the transformation and advance of the enterprises as well as industries in China.

By pushing forward the "transformation, integration, high growth" business strategy in 2011, the Group continues to strengthen transformation into a service-base company. It will increase inputs in management consultation markets and strengthen its collaboration with international leaders such as IBM, continue to open more branch offices and forge more distribution partnerships, while enhancing the recruitment of talents and leadership of managers. The Group will also integrate the resources of the industrial chain through an open mutually-beneficial approach and foster and enhance its service capabilities. It will also step up acquisition and strategic investment, speed up development of innovative products and solutions while improving the entire customer service operation and the service life cycle. All these initiatives ultimately aim to provide more professional services to enterprises, government departments and non-profit organizations, helping them to create value in their business and continue to sustain high growth. In this, the Group is guided by its aspirations to become a leading management and IT integrated solutions and service provider in the world.

Final Dividends

At the Annual General Meeting ('AGM') of the Company to be held on 20 April 2011 ("Forthcoming AGM"), the Board of Directors (the "Board") will recommend a final dividend of RMB0.029 (HK\$0.034) per share (2009: RMB0.019 (HK\$0.022) per share) for the year ended 31 December 2010. Subject to the approval of shareholders at the Forthcoming AGM, the final dividend will be payable on 16 June 2011 to shareholders whose name appears on the register of members of the Company on 20 April 2011.

Closure of Register

The register of shareholders of the Company will be closed from Monday, 18 April 2011 to Wednesday, 20 April 2011 (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

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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, 15 April 2011.

Purchase, Sale or Redemption of Shares

During the year ended 31 December 2010, 3,868,000 shares were repurchased by the Company on the Hong Kong Stock Exchange and 3,330,000 shares were cancelled on 29 December 2010. The remaining 538,000 shares were cancelled on 21 January 2011.

Save as disclosed, the Company had not sold or redeemed any of its listed securities during the year ended 31 December 2010.

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 2010 except 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 2010 of the Company.

Auditor's Procedures Performed On This Results Announcement

The figures set out in the annual results announcement of the Group for the year ended 31 December 2010 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 was conducted in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" and with reference to Practice Note 730

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“Guidance for Auditors Regarding Preliminary Announcements of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants, and 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.

By order of the Board

**KINGDEE INTERNATIONAL
SOFTWARE GROUP COMPANY
LIMITED**

Xu Shao Chun
Chairman

Shenzhen, the PRC, 15 March, 2011

As at the date of this announcement, the Board comprises Mr. Xu Shao Chun (Chairman of the Board and Chief Executive Officer), Mr. Chen Deng Kun and Mr. Feng Guo Hua as executive directors; Mr. James Ming King and as a 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.