Kingdee Software Park – Shenzhen

Kingdee Software Park – Shanghai

KINGDEE,
ENTERPRISE MANAGEMENT EXPERT

ANNUAL REPORT 2009

Kingdee

Kingdee International Software Group Company Limited

Stock Code: 268

Kingdee Software Park – Shenzhen

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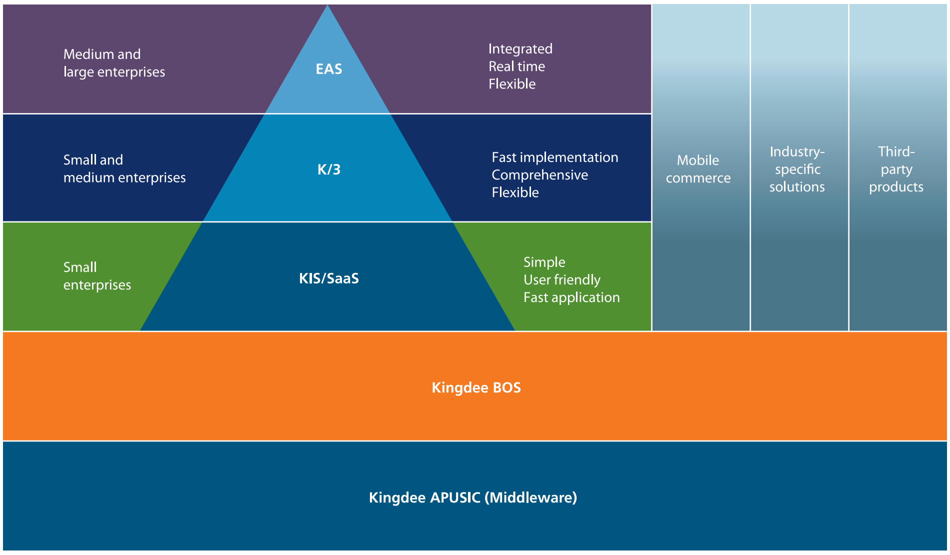
CORPORATE INTRODUCTION

Kingdee International Software Group Company Limited (stock code: 0268) is a leading software corporation in China specialising in delivering cutting edge enterprise management software and middleware in the Asia Pacific region. It is also one of the fastest-growing independent software providers at the global forefront in providing online management and e-commerce services. Kingdee sees as its mission driving progress in management standards through its software, fostering e-commerce, serving its customers and promoting the China management model to the world. Customer-first attitude, continuous innovation, integrity and responsibility are enshrined as the Group's core values. Kingdee serves the informatisation needs of enterprises and government organizations around the world through its 54 branches focusing on marketing and services and more than 1,500 partners engaging in consultation, technical and implementation services and distribution. Kingdee was named by IDC as the leader in the SME ERP market in China for five consecutive years, by Forbes Asia as one of "Asia's Best Under A Billion" for four consecutive years, "Best Capability in Software Award", "Highest Capability Management Software in China", "Best Technological Innovation in Software Award" and etc. In 2007, IBM invested in Kingdee to become its strategic shareholder. IBM has collaborated with the Group in areas including products, technology, consultation and marketing.

Fast Configuration, Fast Implementation, Fast Application and Result



CORPORATE INFORMATION

Executive Directors
Mr. Xu Shao Chun, Chairman and CEO
Mr. Chen Deng Kun , Senior Vice President and CFO

Non-executive Directors
Mr. James Ming King
Mr. Ho Ching Hua

Independent Non-executive Directors
Ms. Yang Zhou Nan
Mr. Wu Cheng
Mr. Yeung Kwok On
Mr. Gary Clark BIDDLE

Company Secretary
Ms. Ngan Lin Chun, Esther ACS

Qualified Accountant
Mr. Ho Ka Man, Barry CPA

Audit Committee of the Board
Ms. Yang Zhou Nan (Chairman)
Mr. Wu Cheng
Mr. Gary Clark BIDDLE

Authorised Representative
Mr. Xu Shao Chun
Mr. Chen Deng Kun

Auditor
PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

Legal Advisors
Hong Kong:
DLA Piper
17/F, Edinburgh Tower
The Landmark
15 Queen's Road
Central
Hong Kong
Cayman Islands:
Maples and Calder Asia
Suite 1002, One Exchange Square
8 Connaught Place
Central, Hong Kong

Principal Bankers
PRC:
China Merchants Bank
Bank of China
Industrial and Commercial Bank of China
Bank of Communications
Shenzhen Development Bank
Hong Kong:
The Hongkong and Shanghai Banking Corporation Limited

CORPORATE INFORMATION

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

Head Office and Principal Place of Business in the PRC
Kingdee Software Park
No. 2 Kejinan 12 Road
South District
Hi-Tech Industrial Park
Nanshan District
Shenzhen, Guangdong Province
The PRC

Principal Place of Business in Hong Kong
1902 MassMutual Tower
38 Gloucester Road
Wanchai
Hong Kong

Company Website
www.kingdee.com

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

Hong Kong Branch Share Registrar and Transfer Office
Computershare Hong Kong Investor Services
Room 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

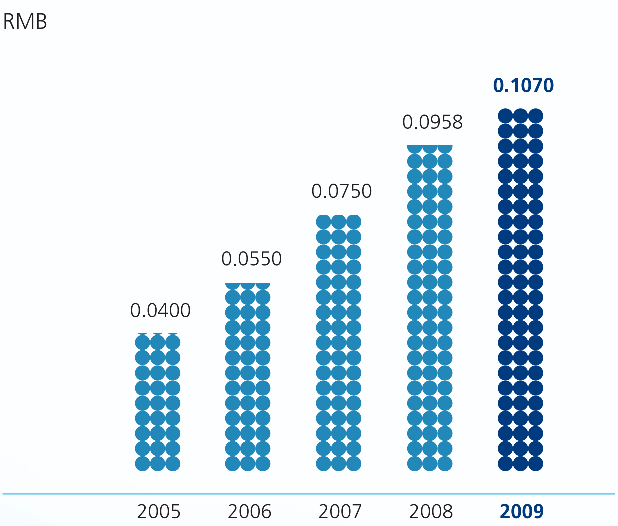
Public Relations
Strategic Financial Relations (China) Limited
Unit A, 29/F., Admiralty Centre I
18 Harcourt Road
Hong Kong

Main Board Stock Code
268

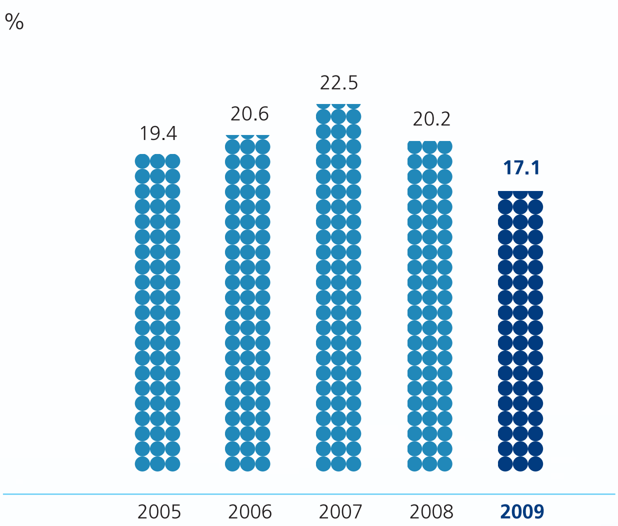
FINANCIAL HIGHLIGHTS

	2009 **RMB'000**	2008 RMB'000
Turnover	**996,810**	875,300
Profit attributable to equity holders of the Company	**212,479**	181,546
Dividends per share	**HKD 0.0220**	HKD 0.0220
Earnings per share		
– basic	**RMB 0.1070**	RMB 0.0958
– diluted	**RMB 0.1027**	RMB 0.0906

Earnings Per Share – Basic



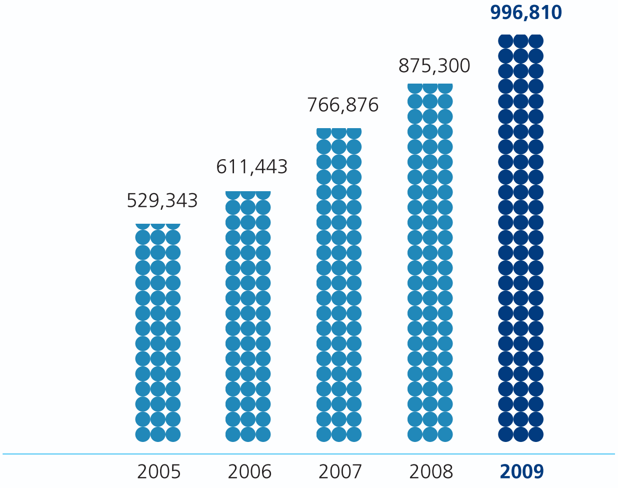
Return on Equity



FINANCIAL HIGHLIGHTS

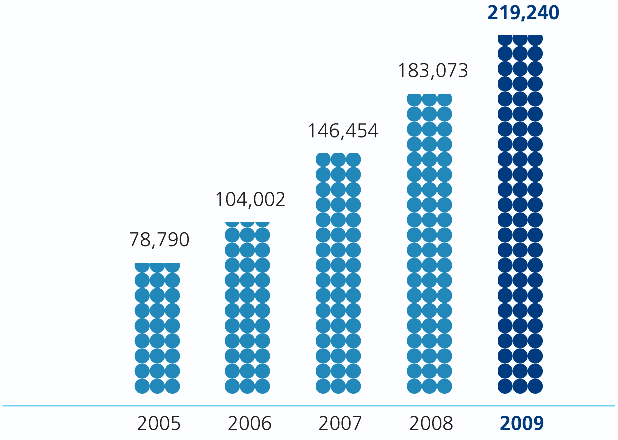
Turnover

RMB'000

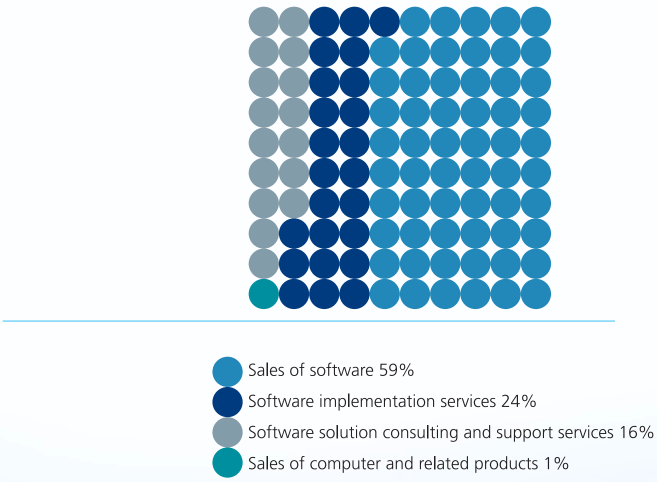


Operating Profit

RMB'000

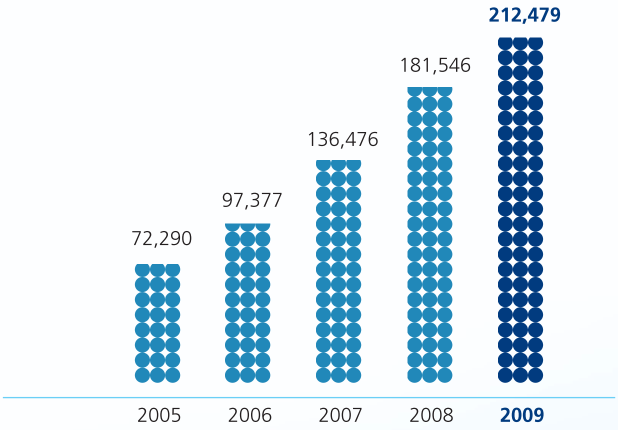


Turnover Breakdown by Business



Profit Attributable to Equity Holders of the Company

RMB'000



CHAIRMAN'S STATEMENT

"We intend to establish a Chinese Enterprise Management Practices Think Tank and refine and promote the "China Management Model"."

CHAIRMAN'S STATEMENT

On behalf of the Board, I hereby present the financial and operating results of Kingdee International Software Group Company Limited for the year ended 31 December 2009 to shareholders for review.

Revenue and net profit of the Group in 2009 continued to surge. However, with China's economy adversely affected by the global financial crisis, income growth of the Group was stable with turnover recording a 13.9% increase against the previous year to approximately RMB 996,810,000. Profit and comprehensive income attributable to the equity holders of the group grew by 17.0% and 31.8% to approximately RMB 212,479,000 and RMB 239,325,000 respectively. Basic earnings per share was about RMB 0.1070, 11.7% higher than that of the pervious year. The Board proposed a final dividend of HKD 0.022 per share.

2009 was a challenging year for Chinese enterprises, and SMEs were particularly hard hit. Despite this, the Group continued to execute its service transformation strategy, optimizing the mix of existing products while pushing ahead with the introduction of innovative service products and solutions. Many of the first-tier organizations were able to maintain growth despite the economic crisis. The innovative "China management model" promoted by Kingdee has been widely embraced by the business community and has helped strengthening the Company's brand image as an enterprise management expert.

With the launch of a variety of national initiatives to stabilize China's economy, encouraging indicators of the economic recovery have become more evident. The enterprise management software and service sector is poised to resume its rapid growth. After the crisis, SMEs in China have become more aware of the importance of management and e-business, generating a rebound of the demand in IT procurements. Meanwhile, more and more mid-size to large enterprises have initiated business and management transformation and reform which has spurred increasing demand for management consultation and integrated enterprise-wide management systems. As the economy continues its revival, new technology will certainly enable the creation of new business models, bringing the Group new development opportunities. In the reporting period, the Group has actively expanded its sales network by opening new branches and enlarged its scale by acquiring software companies. The Group is well positioned to grasp the opportunities brought by the economy recovery.

The Group laid down a new four-year development strategy which charted a new course for our strategic growth starting from 2010 to 2013. Our management team and the entire staffs are looking forward to entering a new phase of development. We intend to establish a Chinese Enterprise Management Practices Think Tank in China and refine and promote the "China management model", in order to strengthen our contribution to the development and recognition of China management model in other parts of the world.

Last but not least, I would like to express my gratitude to our customers, business partners and investors for their continuous support. My thanks also go to our dedicated staff for their hard work to overcome the difficulties and their contribution to facilitate the Group's development.

Chairman of Board of Directors
XU Shao Chun

MANAGEMENT DISCUSSION AND ANALYSIS

LOOK BEYOND

To expand through penetration in different industries;
To enhance core competencies;
High growth, high return.


Fu Xiao
Expert of Manufacturing


Shang Huihong
Expert of Group Management


Wang Chenguang
Expert of Group Management

MANAGEMENT DISCUSSION AND ANALYSIS

More enterprises have realized the significance of enterprise management software in enhancing management efficiency, reducing management cost and achieving collaborative development of their production processes.

BUSINESS REVIEW

1. Enterprise Management Software

(1) Industry Overview

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

(2) Market Position

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

(1) AAA grade in the "China Software Service Industry Credit Appraisal" by the China Software Industry Association, March 2009

(2) "Highest Customer Satisfaction in the SME Market in 2008" by CCW, April 2009

(3) "Highest Capability Management Software in China" by the China Enterprise Confederation, June 2009

(4) "Best Technological Innovation in Software Award" by the China Software Industry Association and the China Computer Society, June 2009

(5) Named as holding the largest Market Share of the SME ERP Sector in China for the fifth straight year by IDC, June 2009

(6) Inclusion as one of "The Power of Ten" by Computer World Hong Kong, October 2009

(7) Inclusion within "Asia's Best Under A Billion" for the fourth straight year by Forbes Asia, November 2009

(8) One of "Asia's Top 20 ICT Enterprises" by MIS Asia, the only IT ERP enterprise selected from China and Hong Kong, November 2009

MANAGEMENT DISCUSSION AND ANALYSIS

(3) Business Review

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

(1) Bolstered expansion of distribution network and market coverage

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

Lin Feng
Expert of Technology

(2) Large Enterprise and Industry Markets

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

(3) SME Market

During the reporting period, the revenue from KIS increased by 8.2% and the combined revenue for K/3 decreased by 7.7%. The Group released the KIS Professional version V10.0 and the K/3 Standard version V12.1. The KIS Professional V10.0 provides an excellent management execution solution tailored for the needs of Chinese industrial and commercial enterprises. It enhances coordination among various sales and procurement procedures, promoting better cooperation among sales, production, procurement and inventory departments. The K/3 Standard Version V12.1 incorporates powerful functionalities including: commercial intelligence, budgeting and expense management, supplier relationship management, customer relationship management, planner workbench, human resources cost analysis, internal control management, and OUTLOOK mail approval. The new functions assist customers in specific management practices, workflow control and

MANAGEMENT DISCUSSION AND ANALYSIS

objective management, thereby attracting many loyal customers to adopt it.

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

(4) *Services and Consultation*

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

Dai Baochun
Expert of Manufacturing

Qu Haiyan
Expert of Supply Chain

Quan Shunliang
Expert of Manufacturing

Lin Facheng
Expert of Group Management

MANAGEMENT DISCUSSION AND ANALYSIS

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

2. Middleware

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

3. Online Management Services and e-Business

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

4. Kingdee Consultancy Academy

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

5. Strategic Cooperation and Business Development

The Group has continued to collaborate with IBM in product and technology development as well as in implementing consulting services and support for distribution channels. On the product and technology front, the SaaS Cooperation Program and the Blue Wings Cooperation Program, have been debuted, marrying the

MANAGEMENT DISCUSSION AND ANALYSIS

Yu Jianping
Expert of Government Industry

Dong Zhihong
Expert of Technology

Cai Ying
Expert of Manufacturing

Chu Youhong
Expert of IT Service

Weng Xiaowen
Expert of Group Management

Yu Wenbo
Expert of Group Management

Fu Shiwei
Expert of IT Service

MANAGEMENT DISCUSSION AND ANALYSIS

leading technology and capability of IBM's hardware and SOA with Kingdee's advanced software to provide total solutions to the growing enterprises in the Mainland China.

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

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

6. Social Responsibility

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

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

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

FINANCIAL REVIEW

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

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

During the reporting period, account receivables turnover was 52.0 days (the average of the accounts receivable balance at the beginning and the end of the year divided by the total revenue of the year times 365 days) (2008: 57.6 days). In addition to an increase in the account receivables balance in the second half of 2009 due to the revenue growth in the period, there was a rise in the number of complex large-scale projects, leading to an increase in account receivables compared to the same period of the previous year.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

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

Selling and Marketing Expenses

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

Administrative Expenses and Research and Development Costs

Administrative expenses for 2009 amounted to RMB125,249,000 (2008: RMB 135,959,000), representing a decrease of approximately 7.9%. During the period, administrative expenses accounted for a comparable12.6% of the turnover, compared to 15.5% in 2008 due to effective control. The research and development cost was approximately RMB 90,581,000, representing a slight decrease of 0.4% as compared with 2008 (2008: RMB 90,971,000).

Capital Expenditure

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

Financial Resources and Liquidity

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

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

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

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

FUTURE PROSPECTS

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

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

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

XU Shao Chun (徐少春), aged 47, founder of the Group, chairman of the Board and Chief Executive Officer of the Company. Mr.XU has been awarded the Government Special Expert Allowance by the State Council. Mr. XU graduated from Southeast University in computer science and obtained Master of Accounting from Institute of Ministry of Finance and Master Executive of Business Administration from China Europe International Business School. He is a member of 9th central committee of China National Democratic Construction Association, a member of council of China Siyuan Poverty Alleviation Foundation, deputy director of China Software Industry Association and a member of Accounting Information Technology Committee of Finance Ministry. Mr. XU, with its advance technology sensitivity and accurate grasp of industry trends of global software industry, has been always been committed to leading the progress of China management mode and to promote e-commerce development. For his outstanding achievements, he has been awarded as "United Nations World Indigenous Entrepreneurs"," China Software Ten Outstanding Youth"," The 10 Outstanding Entrepreneurs"," Outstanding Leader for China's Information Industry "," Thirty Influential Economy Persons in the Thirty Years of Reform and Opening in Shenzhen "and" Shenzhen Science and Technology Innovation Mayor's Award " etc.

CHEN Deng Kun (陳登坤), aged 33, an executive Director, Senior Vice President and Chief Financial Officer of the Company. Mr. CHEN graduated from Anhui Institute of Finance and Trade (currently known as Anhui University of Finance and Economics) and obtained a bachelor of Administration. He is a member of China Certified Public Accountant and a people's representative of Nanshan district, Shenzhen. Mr. CHEN is studying at China Europe International Business School EMBA classes, and is serving as adjunct professor at Zhongnan University of Political Science, adjunct professor at Anhui University of Finance and adjunct social mentors for masters. Mr. CHEN joined the Company in 2000. He has been in charge of audit, administration and office support, human resources, quality management, accounting, corporate finance & business development, operation management and IT and infrastructure projects of the Company.

Non-executive Directors

HO Ching Hua (何經華), aged 53, a non-executive Director and Chief Strategy Consultant of the Strategy Committee of the Board. Mr. HO graduated from National Taiwan University in political science and obtained Master of Arts from National Chenchi University of Taiwan and Master of Science from University of Maryland of the United States. Prior to joining the Company, Mr. HO had been the major account director of Sybase Inc., the technical sales director of Oracle East Central Europe Limited, the general manager of Oracle Taiwan Inc, the CEO of UFIDA Software Co. Ltd. and the vice president and general manager of Greater China & East Asia of Siebel Systems Inc. Mr. HO has abundant experience in sales channel operation and management of international and domestic well-known IT enterprises. In 2008, Mr. HO resigned independent non-executive director of Xiamen Tsann Kuen Corporation Limited, a company listed on the Shenzhen Stock Exchange, Taiwan Securities Exchange, and Nasdaq of U.S.A. He is now an independent non-executive director of Jess-Link Products Corporation Limited, a company listed on Gre Tai Securities Market of Japan and Taiwan Securities Exchange and Camelot Information System (China) Corporation Limited.

James Ming KING (金明), aged 62, a non-executive Director, chairman of the Nominee Committee of the Board. Mr. KING provided strategic consulting, training for staff and business partners of the Company and training and consulting services for strategic clients. Mr. KING obtained master of science degree in institutional engineering in 1973 from Mississippi State University in the United States. Mr. KING has nearly thirty years extensive experiences of manufacturing, sales and marketing within and outside the PRC. He had been the vice-president of sales and marketing for Dell Computer Asia Limited. He is the first person who introduce Dell's direct sales model to China. He had been the first manager in China region of Novell and Anderson Consulting company in the United States. He has also been senior manager of Hewlett-Packard Company for more than a decade, mainly in charge of informatization work for customers in American and Aisa-Pacific region.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

YANG Zhou Nan (楊周南), aged 72, an independent non-executive Director of the Company, a professor of the graduate school of the Institute of Fiscal Science of the Ministry of Finance, doctoral tutor and a people's representative to the Eighth and Ninth National People's Congress of the PRC. Ms. YANG graduated from Nan Kai University with a master degree in mathematics. After graduation, Ms. YANG worked in Beijing Computing Centre as a researcher. Ms. YANG has 28 years of research and teaching experience in the areas of finance, accounting and taxation.

WU Cheng (吳澄), aged 70, an independent non-executive Director of the Company, a professor of the Department of Automation of Tsinghua University and an academician of Chinese Academy of Engineering. Mr. WU is also the Dean of State CIMS Engineering Technical Research Center. Mr. WU graduated from the Department of Electrical Engineering, Tsinghua University with bachelor degree in 1962 and master degree in 1966. Mr. WU has participated in CIMS projects of 863 Program, and has been appointed as the leader of CIMS expert group and chief scientist in automation field. He has received a number of awards for his contributions to the technology development in the PRC.

YEUNG Kwok On (楊國安), aged 49, an independent non-executive Director of the Company. Mr. YEUNG received a Ph.D. of Business Administration from University of Michigan. He is now a chair professor and subdean of Philip human resource administration of China Europe International Business School. He is also dean of human resource and organization administration research center and founder of CEO Learning Alliance. Mr. YEUNG had worked in Acer Inc. as Chief Human Resources Officer and Dean of Aspire Academy from early 1999 to June 2002. He had been in charge of pushing global organization revolution and leading development of Acer Group. Mr. YEUNG has published altogether eight books and more than 20 articles in China and abroad. He is also a member of the edit committee of five international periodicals. For his outstanding contribution in the aspect of senior managers' education, Mr. YEUNG has been awarded as one of "Executive Development Guru" by magazine of "Business Horizon" of America. He is also chairman judge of "Best Asian Employer"held by Hewitt in Asia-Pacific region.

Gary Clark BIDDLE, aged 58, an independent non-executive Director of the Company. Mr. BIDDLE is Hong Kong Telecom Chair Professor at the University of Hong Kong. Formerly he served as Dean of the Faculty of Business and Economics of University of Hong Kong and as Associate Dean and Council Member of the Hong Kong University of Science and Technology. Mr. BIDDLE received his Ph.D. and MBA degrees from University of Chicago. He has also served as professor at University of Chicago and University of Washington, and as visiting professor at China Europe International Business School and at IMD Business School in Switzerland. Mr. BIDDLE is a member of American Chamber of Commerce in Hong Kong, American Institute of Certified Public Accountants, Hong Kong Society of Accountants, and Washington Society of Certified Public Accountants. Mr. BIDDLE publishes research articles on topics including performance measurement, valuation, and value creation in the world's leading journals and he offers seminars and consultancy to leading companies around the region and world.

COMPANY SECRETARY

NGAN Lin Chun, Esther (顏連珍), aged 54, company secretary. Ms. Ngan is a chartered secretary and has over 20 years experience in the company secretarial field. Ms. Ngan is a director of WBC Secretaries Limited, which is a secretarial service company and has acted as company secretary of a few listed companies, including Cosco International Holdings Limited (from January 1992 to June 1997), Star Cruise Limited (from October 2000 to May 2001) and VXL Capital Limited (from May to July 2005). Ms. Ngan is a fellow member of the Hong Kong Institute of Company Secretaries.

QUALIFIED ACCOUNTANT

HO Ka Man, Barry (何嘉文), aged 47, qualified accountant and general manager of Corporate Finance and Business Development Department of the Company. Mr. HO joined the Company in June 2005. Mr. HO received a bachelor degree of Business Administration from the Chinese University of Hong Kong, a master degree of Applied Finance from Macquarie University of Australia and a master degree of Business Administration from Sydney University of Australia. Mr. HO is a member of the U.S. Institute of Chartered Financial Analysts, the Hong Kong Institute of Financial Planners, the Hong Kong Institute of Certified Public Accountants, Hong Kong Securities Institute and the Australian Institute of Banking and Finance. Mr. HO has rich experience in the financial industry, including in the areas of treasury, fund management and securities. He has worked for local and foreign banks, fund houses, securities firms and Hong Kong Monetary Authority.

SENIOR MANAGEMENT

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

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

TIAN Rong Ju (田榮舉), aged 38, senior vice president and Chief Technology Officer of the Company. Mr. Tian is mainly in charge of R&D of the Company. Mr. TIAN graduated from Chongqing Yuzhou University. He has abundant experience in program, design, research and relevant profession in Chinese management software. After Mr. TIAN joined the Company in 1999, he has been in charge of products program, research, development and testing.

ZENG Liang (曾良), aged 37, senior vice president of the Company and general manager of Large Enterprises and Industry Business Department, general manager of Asia-Pacific region, etc. Mr.ZENG is in charge of R&D and promotion of high end ERP products, industry development, international business development and operation management. Mr. ZENG obtained MBA degree from Georgia Institute of Technology of the United States and master degree of Science in Engineering from Tsinghua University. Prior to his joining the Company in 2003, he had worked for MicroStrategy in the United States. Mr. ZENG had been appointed as general manager of Marketing Department, general manager of Central South District and Asia Pacific of the Company.

LI Guang Xue (李光學), aged 41, senior vice president of the Company. From 2008 until now, Mr. LI has been in charge of business operation and management in China northern region of the Company. Mr. LI obtained a bachelor degree of Physics from Ocean University of China in 1991. After joining the Company in 1995, Mr. LI has been engaged in the areas of research and development, service, sales, human resources and information management.

ZHANG Yong (章勇), aged 33, senior vice president of the Company . Mr. ZHANG is in charge of whole business operation and management in China Eastern Region of the Company. Mr. ZHANG graduated from China Europe International Business School. After joining the Company in 1995, Mr. ZHANG has been appointed as the general manager of Shanghai Branch and East China District and engaged in the areas of marketing and business management. He has extensive experience in marketing, sales and team work management. Mr. ZHANG is a committee member of the 11th Chinese People's Political Consultative Conference of Putuo District, Shanghai Municipality.

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

REPORT OF DIRECTORS

The directors of the Company ("Directors") are pleased to present to the shareholders their report together with the audited financial statements of Kingdee International Software Group Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

Kingdee International Software Group Company Limited (www.kingdee.com) is listed on the Main Board of Hong Kong Exchanges and Clearing Limited (Stock Code: 268). It is a leader in China's software industry, a leading enterprise management software and middleware provider in the Asia-Pacific region, and a world-leading online management and e-Business application solution service provider. Its mission is to lead the advancement of management model, encourage e-businesses, contribute to its customers' success and assist its customers to achieve career dream. The Group provides management consultation and informatization services to enterprises and governments all around the world.

The total revenue and profit attributable to the equity holders of the Group for the year ended 31 December 2009 were RMB 996,810,000 and RMB 212,479,000 respectively. Among which, approximately 59% was derived from the sales of software, approximately 40 % was derived from the service income and 1% from sales of computers and related products respectively. For details, please refer to the consolidated income statement set out on page 40.

During the reporting period, the sales and distribution network of the Group continued to expand, covering most of the provinces, autonomous regions and centrally administered municipalities in the PRC. As at 31 December 2009, the Group had 54 branches in China, Hong Kong and Singapore and approximately 1,500 cooperation partners providing consultation, technical support, implementation services and distribution of its offering products and after-sale services to the customers of the Group. The Group's customers spread all over Asia-Pacific region, including mainland China, Hong Kong, Taiwan, Singapore, Malaysia, Indonesia, Thailand, etc.

RESULTS AND APPROPRIATIONS

The results for the year ended 31 December 2009 are set out in the consolidated income statement on page 40 and the appropriation is set out in Note 30 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2009, the retained earnings of the Company attributable to equity holders were RMB124,868,000 (2008: RMB132,797,000).

FINAL DIVIDENDS

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

CLOSURE OF REGISTER

The register of shareholders of the Company will be closed from Friday, 7 May 2010 to Wednesday, 12 May 2010 (both days inclusive), during which time no transfer of shares will be 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 Thursday, 6 May 2010.

MATERIAL INVESTMENT AND ACQUISITION

In 2009, the Company completed the acquisition of retail chain industry software supplier Shenzhen Sunsoft Technology Company Ltd., apparel industry software supplier Guangzhou Qisheng Software Ltd, a tax integration software supplier Nanjing Tongmeng Company Ltd, and ERP channels vendor Xuzhou Si Bi De Software Company Ltd. These acquisitions will strengthen the Company's comprehensive ability of managing information solutions and accelerate the expansion of information market in various industries.

BANK BORROWINGS

Details of bank borrowings for the year ended 31 December 2009 are set out in Note 20 to the financial statements..

RESERVES

Details of movements in the reserves of the Group and the Company for the year ended 31 December 2009 are set out in the consolidated statement of changes in equity on page 42.

FIXED ASSETS

Details of the movements in the fixed assets of the Group for the year ended 31 December 2009 are set out in Note 7 to the financial statements.

INTERESTS OF THE DIRECTORS IN CONTRACTS

None of the Directors had any direct or indirect material interests in any contracts of significance to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party at the end of the year or at any time during the year ended 31 December 2009.

SHARE AWARD PLAN

The Board on 25 March, 2009 (the "Adoption Date") has adopted the Share Award Plan (the "Share Award Plan"). All eligible persons of the Group (excluding directors and connected persons) are entitled to participate in the Share Award Plan. The Share Award Plan shall be valid and effective for the period commencing from the Adoption date and ending on 31 December 2019.

Under the Share Award Plan, the Board shall select eligible persons to participate and determine the number of the award shares ("Award Shares"). The Award Shares shall be purchased by an independent trustee. Costs associated with the creation, management and implementation of the Share Award Plan shall be paid by the Company. The Share Award Plan recognizes and rewards the contribution of employees to the growth and development of the Company.

SHARE CAPITAL AND OPTIONS

- **Share Capital**

Details of the movements in share capital of the Company for the year ended 31 December 2009 are set out in Note 16 to the financial statements.

- **Placing of Existing Shares and Subscription for New Shares**

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

- **Outstanding Share Option**

Outstanding share options under the 2001 Scheme, 2002 Scheme and 2005 Scheme

The Share Option Scheme is to encourage and reward the contribution of eligible persons to the Company. The eligible persons include employees (include executive directors), consultants, non-executive directors, suppliers and customers of the Company.

Pursuant to the share option scheme of the Company adopted on 30 January 2001 ("2001 Scheme"), an aggregate of 6,880,000 share options were granted, of which 3,790,000 share options were exercised, 2,870,000 were cancelled and 220,000 remained outstanding as at 31 December 2009.

Pursuant to the share option scheme of the Company adopted on 26 April 2002 ("2002 Scheme"), an aggregate of193,850,000 share options were granted, of which 81,526,421 share options were exercised, 84,316,834 were cancelled and 28,006,745 remained outstanding as at 31 December 2009.

Both of the 2001 Scheme and 2002 Scheme were terminated by the Company on 30 June 2005. In the extraordinary general meeting of the Company convened on 11 July 2005, the Company adopted a new Share Option Scheme ("2005 Scheme"). The validity period is ten years. As at 31 December 2009, the Company has granted 272,010,000 shares options pursuant to the 2005 Scheme, of which 35,586,300 share options were exercised, 33,508,000 were cancelled and 202,915,700 remained outstanding. Under the 2005 Scheme, the Company may further grant 80,584,106 share options, which is 3.92% of the issued share capital at 2009 year end.

The maximum number of shares issuable upon exercise of the options granted under the 2005 Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each eligible participant in any 12-month period is limited to 1% of the shares of the Company in issue as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company (and if required, the holding company) and the shareholders' approval of the Company (and if required, the approval of the shareholders of the holding company) at a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to the approval in advance by the independent non-executive directors of the Company (and if required, the independent non-executive directors of the holding company), excluding the independent non-executive director of the Company and the holding company who is/are the grantee(s) of the options. In addition, any share option granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue as at the date of grant and with an aggregate value (based on the closing price of the shares of the Company as at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to the issue of a circular by the Company (and if required, the holding company) and the shareholders' approval of the Company (and if required, the approval of the shareholders of the holding company) in advance at a general meeting.

The granted options can be exercised during the valid period of the respective Share Option Scheme.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares of the Company.

Details of the share options under the 2001 Scheme, 2002 Scheme and 2005 Scheme are set out in Note 17 to the financial statements. Details of the outstanding share options are included in the table as follows:

Name or category of participants	Grant Date	Exercise price HK$	Options held at 1 January 2009	Options granted during the reporting period	Options exercised during the reporting period	Options lapsed during the reporting period	Options held at 31 December 2009
Directors							
Xu Shao Chun	23/03/2004	0.795	16,000,000	—	—	—	16,000,000
	21/04/2005	0.3875	12,000,000	—	12,000,000	—	—
	22/06/2006	0.65625	7,600,000	—	7,600,000	—	—
	19/11/2008	0.95	5,000,000	—	—	—	5,000,000
Chen Deng Kun	01/06/2004	0.6625	153,116	—	—	—	153,116
	04/05/2006	0.6575	6,600,000	—	1,000,000	—	5,600,000
	08/06/2007	1.8075	2,720,000	—	—	—	2,720,000
	01/08/2008	1.75	2,000,000	—	—	—	2,000,000
Ho Ching Hua	23/01/2007	0.935	17,600,000	—	2,200,000	13,200,000	2,200,000
James Ming King	08/06/2007	1.8075	400,000	—	—	—	400,000
Gary Clark Biddle	08/06/2007	1.8075	400,000	—	—	—	400,000
Yeung Kwok On	08/06/2007	1.8075	400,000	—	—	—	400,000
Yang Zhou Nan	08/06/2007	1.8075	400,000	—	—	—	400,000
Wu Cheng	08/06/2007	1.8075	400,000	—	—	—	400,000
Other employees in aggregate			184,729,482	33,000,000	18,527,042	3,733,111	195,469,329
Total			**256,402,598**	**33,000,000**	**41,327,042**	**16,933,111**	**231,142,445**

Note: During the reporting period, the Company granted 3,000,000 share options on 14 April 2009 with exercise price of HK$1.16 and 30,000,000 share options on 17 September 2009 with exercise price of HK$1.37. Closing price of the Shares immediately before the two dates of grant of options was HK$1.16 and HK$1.33 respectively.

DIRECTORS AND SERVICE CONTRACTS OF DIRECTORS

The compositions of the Board for the financial year ended 31 December 2009 were as follows:

Executive Directors

Mr. Xu Shao Chun
Mr. Chen Deng Kun

Non-executive Directors

Mr. James Ming King
Mr. Ho Ching Hua

Independent Non-executive Directors

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

In accordance with Article 116 of the Company's Articles of Association, Mr. Xu Shao Chun, Mr. Chen Deng Kun as executive Directors, and Ms. Yang Zhou Nan, as independent non-executive Director, would retire by rotation at the Forthcoming AGM, and would offer themselves for re-election as directors of the Company at the Forthcoming AGM.

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

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

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

As at 31 December 2009, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules Appendix 10 "Model Code for Securities Transactions by Directors of Listed Issuers"(" Model Code"), were as follows:

Long positions in shares/ underlying shares of the Company

Name of Directors	Number of Shares/ underlying shares (where appropriate)	Types of interests	Percentage of issued share capital
Xu Shao Chun	567,665,000	Interests of controlled corporation (Note 1)	
	62,701,520	Beneficial owner	
	21,000,000	Other/ Share option (Note 2)	
Aggregate:	651,366,520		31.72%
Chen Deng Kun	10,473,116	Other/ Share option (Note 2)	
Aggregate:	10,473,116		0.51%
Ho Ching Hua	600,000	Beneficial owner	
	2,200,000	Other/ Share option (Note 2)	
Aggregate:	2,800,000		0.14%
James Ming King	400,000	Other/ Share option (Note 2)	
Aggregate:	400,000		0.02%
Gary Clark Biddle	400,000	Other/ Share option (Note 2)	
Aggregate:	400,000		0.02%
Yeung Kwok On	400,000	Other/ Share option (Note 2)	
Aggregate:	400,000		0.02%
Yang Zhou Nan	400,000	Other/ Share option (Note 2)	
Aggregate:	400,000		0.02%
Wu Cheng	400,000	Other/ Share option (Note 2)	
Aggregate:	400,000		0.02%

Notes:

1. Of the 651,366,520 shares, 334,425,000 shares were held through Oriental Gold Limited and 233,240,000 shares were held through Billion Ocean Limited. Oriental Gold Limited and Billion Ocean Limited are controlled by Mr. Xu Shao Chun. Therefore, Mr. Xu Shao Chun is deemed to be interested in those 567,665,000 shares.

2. Details of the share options are set out in the paragraph headed "Outstanding Share Option".

Save as disclosed in this paragraph, as at 31 December 2009, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) , which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Par XV of the SFO or which will be required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Capital and Options" above, none of the Directors or their respective associates (as defined under the Listing Rules) was granted by the Company, or any of its subsidiaries to any rights or options to acquire shares or debentures in the Company during the year ended 31 December 2009.

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

As at 31 December 2009, as far as the Directors were aware, the following persons (other than the Directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Part XV of the SFO and required to be recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares/ underlying shares of the Company

Name	Number of Shares/ underlying shares (where appropriate)	Capacity	Percentage of issued share capital
Oriental Gold Limited	334,425,000	Beneficial owner	16.29%
Billion Ocean Limited	233,240,000	Beneficial owner	11.36%

Save as disclosed above, as at 31 December 2009, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest and short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PUBLIC FLOAT

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

PURCHASE, SALE OR REDEMPTION OF SHARES

At the 2008 annual general meeting of the Company held on 12 May 2009, an ordinary resolution was passed to grant a general mandate to the Directors to exercise the powers of the Company to purchase Shares up to a maximum of 10% of the issued share capital of the Company as at the date of passing the resolution.

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

COMPETING INTEREST

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

CONNECTED TRANSACTIONS

During the year ended 31 December 2009, there was no transaction which needs to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

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

Sales	
— the largest customer	1.76%
— five largest customers combined	4.09%
Purchases	
— the largest supplier	14.39%
— five largest suppliers combined	40.69%

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

CORPORATE GOVERNANCE REPORT

GOVERNANCE OF PRACTICES

The Group consistently promotes good corporate governance, pursuing the five principles of ensuring the rights and interests of shareholders, abiding by the directives of the Board and management, promoting full disclosure and transparency, supporting the equal treatment of stakeholders, and strengthening internal controls and supervision. The Company always endeavors to enhance its enterprise value, ensure the Company's long-term and stable development and benefit its shareholders. The following summarizes the Company's detailed corporate governance practices.

The Company has complied with all the code provisions of "Code on Corporate Governance Practices" (the "Code"), as set out in Appendix 14 of the Listing Rules throughout the financial year ended 31 December 2009 except A 2.1. Please refer to the below section of "the Chairman and Chief Executive Officer" for details.

BOARD OF DIRECTORS

I. The responsibilities of the Board

The Board is the core of corporate governance. Its major responsibilities are as follows:

(1) To convene shareholders' meetings, report to shareholders and see to the implementation of shareholder resolutions;

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

(3) To review and approve critical investment and acquisition projects, the issuance and repurchase of securities, other financings, and plans for consolidation, compensation, hirings and dismissals;

(4) To review and approve the Group's budget plans, profit distribution plans and loss remedy plans of the Group;

(5) To draft amendments to the articles of association, registered capital changes, the issuance of securities and the Listing Rules;

(6) To approve directors' remuneration plans authorized by shareholders;

(7) To listen to the working report of the CEO and to review the work of the CEO;

(8) To review and approve Share Award Plan and Share Option Scheme.

The Board shall empower the senior management team to implement the decisions of the Board and all senior management team members shall be appointed by the Board. The CEO will be responsible for operational management and report to the Board. In entrusting management and administrative functions to the management team, the Board provides clear instructions regarding the powers delegated to management, and requires the prior approvals of the Board before reporting or making keys decision and commitments on behalf of the Company.

II. Composition of the Board

The Board consists of eight members, with two executive directors, two non-executive directors and four independent non-executive directors. The number of independent non-executive directors exceeds 1/3 of the Board. The Directors of the Company have professional financial, technology and management background. They have extensive experience and independent views in their respective areas of expertise so that they can provide professional advice for the long-term development of the Company. Names and biography of the Directors are set out in "Directors and Senior Management" section on Page 17 of this Annual Report.

The terms of service of the Directors is two years. According to the Articles of Association, each Director shall retire by rotation at least once every three years. And all the retiring directors can be re-elected on the Annual General Meeting in that year. At the forth coming Annual General Meeting, three directors of the Company, Mr. Xu Shao Chun, Mr. Chen Deng Kun and Ms. Yang Zhou Nan, will be retired by rotation and propose for re-election.

All the independent non-executive directors have made independent confirmation under Rule 3.13 of the Listing Rules of the independence of the assessment guidelines.

III. Board Meeting

For the year ended 31 December 2009, the Company has convened three Board meetings. Directors were consulted in advance regarding the agenda items and the Company provided advance notices of meetings in accordance with the Company's Articles of Association and Listing Rules. The agenda and relevant documents were sent to the Directors at least three days before each meeting. Minutes of Board meetings are recorded in detail, edited by members and are well kept by the Secretary of the Board.

Each Director is aware of their need to allocate adequate time to deal with the Company's affairs. The rate for attending Board meetings and Board committee meetings of majority of the directors is satisfactory. Please refer to the presence table listed below. All Directors are entitled to consult the agendas, papers and minutes of meetings and all other relevant documents. The following table shows the directors' attendance details to Board meetings and committee meetings for the year ended 31 December 2009:

Directors during the financial year ended 31 December 2009	Attending time/Meeting time			
		Board Committees		
	Board	Audit Committee	Remuneration Committee	Strategy Committee
Executive Directors				
Mr. Xu Shao Chun	3/3	N/A	N/A	2/2
Mr. Chen Deng Kun	3/3	N/A	2/2	2/2
Non-executive Directors				
Mr. James Ming King	3/3	N/A	N/A	1/2
Mr. Ho Ching Hua	3/3	N/A	N/A	1/2
Independent Non-executive Directors("INED")				
Ms. Yang Zhou Nan	3/3	3/3	2/2	N/A
Mr. Wu Cheng	2/3	2/3	N/A	N/A
Mr. Yeung Kwok On	3/3	N/A	2/2	N/A
Mr. Gary Clark Biddle	3/3	3/3	N/A	N/A

IV. Measures to ensure Directors Responsibilities

1. The Company has arranged for regular liability training for Directors to assist them to understand the Listing Rules and other related laws and regulations in relation to the liability of directors via real cases. The Company keeps directors informed on a timely basis regarding developments and briefed on the operations of the Company.

2. When Directors are asked to express their views to the Company regarding related transactions, award programs, internal controls, etc., the Company retains auditors, financial advisers and lawyers and other relevant independent professionals to provide independent professional advice to assist Directors in fulfilling their responsibilities.

3. With regard to legal actions the Company may face in relation to directors' fulfillment of responsibilities, on 22 May 2009, the Board signed a "Liability Insurance Contract of Directors, Supervisors and Officers" for a period of one year with Huatai Insurance.

BOARD COMMITTEES

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

AUDIT COMMITTEE

The Audit Committee of the Company ("Audit Committee") comprises three independent non-executive Directors. The members of the Audit Committee are Ms. Yang Zhou Nan, Mr. Wu Cheng, and Mr. Gary Clark Biddle. Ms. Yang Zhou Nan is chairman of the Audit Committee.

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

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

1. The Audit Committee reviewed the Company's annual financial report and internal control report for fiscal year 2008, and submitted them to the Board for approval.

2. The Audit Committee reviewed the Company's half-year financial report of 2009 and internal control report, and submitted them to the Board for approval.

3. The Audit Committee communicated with the auditor regarding the 2009 annual audit work and audit plans.

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

REMUNERATION COMMITTEE

The Remuneration Committee of the Company ("Remuneration Committee") is comprised of two independent non-executive Directors and one executive Director. Members of the Remuneration Committee are Mr. Yeung Kwok On, Ms. Yang Zhou Nan and Mr. Chen Deng Kun. Mr. Yeung Kwok On is chairman of the Committee.

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

1. To make suggestions to the Board on the remuneration structures of Directors and management and to establish formal and transparent remuneration policies;

2. To have the delegated responsibility to draft the specific remuneration packages of all executive Directors and senior management and make suggestions on the remuneration of the non-executive Directors to the Board;

3. To review and approve the performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

4. To ensure that no Director or any of his associates is involved in deciding his own remuneration;

5. To ensure that a significant proportion of executive directors' remuneration is structured so as to link rewards to corporate and individual performance.

During the financial year ended 31 December 2009, the Committee held two meetings to review the remuneration of the senior management, the Company's Share Award Plan and Share Option Scheme for 2009. Details have been set out in the sections entitled "Share Award Plan" and "Share Capital and Options" of the "Report of Directors".

NOMINATION COMMITTEE

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

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

1. To review the structure, size and composition of the Board on a regular basis and make recommendations to the Board;

2. Identify individuals suitably qualified to become board members;

3. To assess the independence of the independent directors;

4. To make recommendations to the Board on relevant matters related to the appointment or re-appointment of Directors and succession planning for directors;

5. To audit and make recommendation on the appointment of other members of senior management.

During the fiscal year ended 31 December 2009, the Nomination Committee did not meet. However, the Group will review the organization of the Board and consider nominees as necessary.

CORPORATE GOVERNANCE REPORT

STRATEGY COMMITTEE

The Strategy Committee of the Company ("Strategy Committee") is comprised of two executive Directors and two non-executive Directors. The members of the Strategy Committee are Mr. Xu Shao Chun, Mr. Chen Deng Kun, Mr. James Ming King and Mr. Ho Ching Hua. Mr. Xu Shao Chun is chairman of the Strategy Committee.

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

1. To consider and draw out mid-term and long-term strategies of the Company;
2. To assess the effects of the strategy implementations;
3. To make recommendations regarding critical issues prescribed in the Corporate Provisions and other issues requiring permissions from the Board, including those related to investments, financings, etc.

During the year of 2009, the Strategy Committee had held two meetings. Its major work included reviewing the share placement and initiating a 2010 strategic discussion conference.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the period of this report, Mr. Xu Shao Chun had 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.

ADOPTION OF CODE OF CONDUCT REGARDING DIRECTOR's SECURITIES TRANSACTIONS

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

The provisions governing the holding securities of the Company by Directors are set out in "Directors' and Chief Executive's Interests or Short Positions in the Shares, Underlying Shares or Debentures" of the "Report of Directors" on page 25 of this annual report.

INTERNAL CONTROL

The Company has always placed great emphasis on internal controls and risk management, and the Board of the Company has established the Audit Committee to oversee these activities. The Company has adopted the internal control framework recommended by COSO (Committee of Sponsoring Organizations) and promoted the safe and efficient operations through auditing and supervising functions in order to ensure the investment value of shareholders and asset value of the Company.

Integrating the COSO internal control framework, the "Basic Norms of Enterprise Internal Control" requirement in China, and the five elements of internal control, namely the control environment, risk assessment, control activities, information and communication, and supervision, the Company has created an internal control management system that is relatively sound and complete, and in accordance with the relevant national laws and regulations and environment of the Company to ensure that critical risks are under control.

Control environment – The Company has established a good environment of internal control. It has a clear organizational framework and has trained the management team to perform different business functions. Management team also has been made aware of the importance of risk control, and fully is supported in internal control management. The management team regularly discusses and approves business strategies, plans and budgets developed by each of the business units.

Risk assessment – The Company has identified, assessed and rated the possible key risks and their potential effects on the Company's financial status and operations. They are an important basis for the design of internal controls to ensure the effective allocation of the Company's resources and operational efficiency.

Control activities – In a clear mandate following the principles of transaction authorization, allocation responsibility and information disclosure control, the Company has set guidelines for business functions and processes that include approval, accreditation, certification, recommendation, performance review, asset-guarantee and segregation of duties in order to achieve the objectives of corporate control.

Information and communication – The written work system of the Company set out the Company's operational processes and requirements for important decision authorizations and approvals. The Company achieves control of its workflow through its internal information systems.

Supervision – The Company's workflow is subject to supervision and inspection requirements. The Company has established an internal Audit Department, which reports directly to the Board of Directors and its Audit Committee, in order to fully guarantee the independence and objectivity of the internal Audit Department. The Audit Department focuses on supervising high-risk areas of the Company's operations. It also audits matters and projects identified by the Board and by management for special attention. The Company also has implemented a self-assessment review of internal controls whereby employees of the headquarters and branches are periodically assessed and informed regarding monitoring procedures, in order to assess and manage business risks.

When the Board of Directors reviewed the performance of the Company in 2009, they considered the resources of the Company's accounting and financial reporting functions, staff qualification and experience as adequate, and as budgets permit, employee training courses.

In 2009, facing the economic crisis, the Company adjusted authorization levels to enhance operational efficiencies. The Company also strengthened internal controls, enhanced risk management and re-optimized and integrated internal control processes. With the continual upgrade of its information system and ongoing optimization of its production processes, the Company has promoted the smooth operation of its businesses and rationality its control nodes.

In accordance with the Listing Rules, and applying prudent principles regarding the flow and management of price-sensitive information, the Company has abided by the "Guide on Disclosure of Price-Sensitive Information" of the Stock Exchange, and has implemented a system of internal processing and internal control measures to ensure the timely, accurate and appropriate disclosure of relevant information to shareholders and regulatory agencies.

INVESTOR RELATIONS

The Company pays close attention to maintaining good relations with investors. Within the reporting period, the Company actively participated in various investor forums and provided investors with the information necessary to form their own judgments and provide feedback to management in order to improve operations and corporate governance of the Company. To promote transparency, the Company has reported measures of operational status to shareholders and other persons of interest. These disclosures include: (1) publishing interim and annual reports; (2) publishing newsletters; (3) sending out business development reports quarterly to shareholders; (4) meeting regularly with investors; (5) disclosing the Company's analyst research reports; and (6) conducting market consultations.

The Company also has paid attention to communications with shareholders for the AGM. Directors have attended the meetings in person and have communicated with shareholders face-to-face. The Company understands that increasing transparency, capital market participants will improve corporate governance and be beneficial to the long-term development of the Company. The Company welcomes investors and shareholders to share advise and suggestions for the development of the Company via the Company's investors relation team via email or telephone.

EXTERNAL AUDITORS

PricewaterhouseCoopers was appointed as the external auditors of the Company for the year of 2009, and to ensure independence, PricewaterhouseCoopers provides only audit services. During this year, the Company has paid altogether RMB 1,380,000 to the PricewaterhouseCoopers for the audit fee. A resolution for re-appointment of PricewaterhouseCoopers as the auditors of the Company will be proposed at the Forthcoming AGM.

IMPROVING CORPORATE GOVERNANCE

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

APPRECIATION

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

On behalf of the Board
Xu Shao Chun
Chairman

Shenzhen, the People's Republic of China, 24 March 2010

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of Kingdee International Software Group Company Limited (the "Company") and its subsidiaries (together, the "Group"))set out on pages 37 to 93, which comprise the consolidated and Company balance sheets as of 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 31 December 2009, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2010

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CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Land use rights	6	**81,785**	84,951
Property, plant and equipment	7	**327,045**	328,760
Intangible assets	8	**193,916**	115,458
Investment properties	9	**236,511**	53,903
Deferred income tax assets	11	**—**	5,749
		839,257	588,821
Current assets			
Inventories	12	**2,023**	2,773
Trade and other receivables	13	**200,692**	136,875
Due from customers on implementation contracts	14	**89,696**	57,827
Pledged bank deposits	15	**175**	2,213
Short-term bank deposits	15	**111,490**	95,247
Cash and cash equivalents	15	**519,790**	423,640
		923,866	718,575
Total assets		**1,763,123**	1,307,396

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2009 RMB'000	2008 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	**53,812**	50,923
Share premium	16	**381,374**	241,194
Other reserves	18	**388,119**	343,160
Retained earnings			
– Proposed final dividend	30	**39,776**	37,213
– Others		**379,264**	224,674
		1,242,345	897,164
Non-controlling interest		**9,715**	8,780
Total equity		**1,252,060**	905,944
LIABILITIES			
Current liabilities			
Trade and other payables	19	**283,982**	263,091
Current income tax liabilities	27	**—**	7,071
Borrowings	20	**57,378**	9,500
Due to customers on implementation contracts	14	**82,002**	41,900
Deferred income	21	**78,091**	79,890
Deferred income tax liabilities	11	**9,610**	—
		511,063	401,452
Total equity and liabilities		**1,763,123**	1,307,396
Net current assets		**412,803**	317,123
Total assets less current liabilities		**1,252,060**	905,944

The notes on pages 44 to 93 are an integral part of these consolidated financial statements.

The financial statements on pages 37 to 43 were approved by the board of directors on 24 March 2010 and were signed on its behalf.

Director *Director*

BALANCE SHEET

	Note	As at 31 December 2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	10	**328,604**	314,359
		328,604	314,359
Current assets			
Trade and other receivables	13	**105,095**	92,148
Cash and cash equivalents	15	**126,852**	18,465
		231,947	110,613
Total assets		**560,551**	424,972
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	**53,812**	50,923
Share premium	16	**381,374**	241,194
Other reserves	18	**43**	43
Retained earnings			
– Proposed final dividend	30	**39,776**	37,213
– Others		**85,092**	95,584
Total equity		**560,097**	424,957
LIABILITIES			
Current liabilities			
Trade and other payables	19	**454**	15
Total equity and liabilities		**560,551**	424,972

The notes on pages 44 to 93 are an integral part of these consolidated financial statements.

The financial statements on pages 37 to 43 were approved by the board of directors on 24 March 2010 and were signed on its behalf.

Director *Director*

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2009 RMB'000	2008 RMB'000
Turnover	22	**996,810**	875,300
Cost of sales	24	**(218,785)**	(184,455)
Gross profit		**778,025**	690,845
Selling and marketing expenses	24	**(523,219)**	(428,466)
Administrative expenses	24	**(125,249)**	(135,959)
Research and development costs	24	**(90,581)**	(90,971)
Other gains, net	23	**180,264**	147,624
Operating profit		**219,240**	183,073
Finance income	26	**4,614**	6,315
Finance costs	26	**(761)**	(97)
Finance income – net	26	**3,853**	6,218
Profit before income tax		**223,093**	189,291
Income tax expense	27	**(9,679)**	(4,264)
Profit for the year		**213,414**	185,027
Attributable to:			
Equity holders of the Company	29	**212,479**	181,546
Non-controlling interest		**935**	3,481
		213,414	185,027
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic	29	**RMB0.1070**	RMB0.0958
– diluted	29	**RMB0.1027**	RMB0.0906
Dividends	30	**39,776**	37,213

The notes on pages 44 to 93 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2009 RMB'000	2008 RMB'000
Profit for the year		**213,414**	185,027
Fair value change of land and buildings before transferred to investment properties, net of tax	18	**26,846**	—
Total comprehensive income for the year		**240,260**	185,027
Total comprehensive income attributable to:			
Equity holders of the Company		**239,325**	181,546
Non-controlling interest		**935**	3,481
		240,260	185,027

The notes on pages 44 to 93 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at 1 January 2008		48,773	98,786	321,835	138,136	607,530	5,299	612,829
Comprehensive income								
Profit for the year		—	—	—	181,546	181,546	3,481	185,027
Total comprehensive income		—	—	—	181,546	181,546	3,481	185,027
Transactions with owners								
Employees share option scheme:								
– value of employee services	16	—	16,100	—	—	16,100	—	16,100
– proceeds from shares issued	16	397	8,661	—	—	9,058	—	9,058
Issue of shares		1,796	119,482	—	—	121,278	—	121,278
Repurchase of own shares	16	(43)	(1,835)	43	(43)	(1,878)	—	(1,878)
Appropriation to reserve funds		—	—	21,282	(21,282)	—	—	—
Dividend relating to 2007	30	—	—	—	(36,470)	(36,470)	—	(36,470)
Total transactions with owners		2,150	142,408	21,325	(57,795)	108,088	—	108,088
Balance at 31 December 2008		50,923	241,194	343,160	261,887	897,164	8,780	905,944
Balance at 1 January 2009		**50,923**	**241,194**	**343,160**	**261,887**	**897,164**	**8,780**	**905,944**
Comprehensive income								
Profit for the year		**—**	**—**	**—**	**212,479**	**212,479**	**935**	**213,414**
Other comprehensive income		**—**	**—**	**26,846**	**—**	**26,846**	**—**	**26,846**
Total comprehensive income		**—**	**—**	**26,846**	**212,479**	**239,325**	**935**	**240,260**
Transactions with owners								
Employees share option scheme:								
– value of employee services	16	**—**	**15,859**	**—**	**—**	**15,859**	**—**	**15,859**
– proceeds from shares issued	16	**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	30	**—**	**—**	**—**	**(37,213)**	**(37,213)**	**—**	**(37,213)**
Total transactions with owners		**2,889**	**140,180**	**18,113**	**(55,326)**	**105,856**	**—**	**105,856**
Balance at 31 December 2009		**53,812**	**381,374**	**388,119**	**419,040**	**1,242,345**	**9,715**	**1,252,060**

The notes on pages 44 to 93 are an integral part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2009 RMB'000	2008 RMB'000
Cash flows from operating activities			
Cash generated from operations	31	**221,702**	297,537
Interest paid		**(660)**	(312)
Income tax paid		**(5,697)**	(11,550)
Net cash generated from operating activities		**215,345**	285,675
Cash flows from investing activities			
Purchase of property, plant and equipment ("PPE")		**(104,856)**	(161,800)
Proceeds from sales of PPE	31	**9,364**	6,657
Payments for land use rights		**(2,111)**	(70,512)
Additions of intangible assets		**(149,876)**	(85,318)
Pledged bank deposits withdrawn		**2,171**	4,564
Pledged bank deposits placed		**(133)**	—
Short-term bank deposits withdrawn		**50,741**	—
Short-term bank deposits placed		**(66,984)**	(55,614)
Interest received		**4,614**	6,315
Net cash used in investing activities		**(257,070)**	(355,708)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	16	**105,673**	121,278
Proceeds from options exercised	16	**21,537**	9,058
Repurchase of own shares	16	**—**	(1,878)
Proceeds from borrowings		**57,378**	9,500
Repayments of borrowings		**(9,500)**	—
Dividends paid to the Company's shareholders	30	**(37,213)**	(36,470)
Net cash generated from financing activities		**137,875**	101,488
Net increase in cash and cash equivalents		**96,150**	31,455
Cash and cash equivalents at beginning of year	15	**423,640**	392,185
Cash and cash equivalents at end of year	15	**519,790**	423,640

The notes on pages 44 to 93 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Kingdee International Software Group Company Limited (the "Company") was incorporated in the Cayman Islands in 1999 as an exempted company with limited liability. The address of its office is 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 "Gropu") are developing, manufacturing and selling of software products and provision of software-related technical services in the PRC.

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

These financial statements are presented in RMB, unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 24 March 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (''IFRS''). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair value.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group:

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

- IFRS 7 'Financial instruments- Disclosures' (amendment) - effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earning per share.

- IAS 1 (revised). 'Presentation of financial statements'- effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- IFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and Company has adopted IFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the group or company's financial statements.

- In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. This change does not have a material impact on the Group or the Company's financial statements.

- IFRS 8, 'Operating segments' (effective 1 January 2009). IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard on disclosures about segments of an enterprise and related information. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

Changes in accounting policy and disclosures *(Continued)*

(a) New and amended standards adopted by the Group: *(Continued)*

- As a result of the 2008 Improvements to IFRS, IAS 40, 'Investment property', has been amended to include within its scope property that is being constructed or developed for future use as investment property. Prior to the amendment such property under construction or development was within the scope of IAS 16 'Property, plant and equipment' until the construction or development was complete.

  Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

  The amendment to IAS 40 has been applied prospectively for annual periods beginning 1 January 2009 in accordance with the effective date and transitional provisions of the amendment. As at 1 January 2009 and 31 December 2009, the Group did not have any property that was being constructed or developed as investment property.

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

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group and Company will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the Group or Company's financial statements.

- IAS 27(revised),'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27(revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- IFRS 3(revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3(revised) prospectively to all business combinations from 1 January 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

Changes in accounting policy and disclosures *(Continued)*

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

- IAS 38 (amendment), 'Intangible Assets' (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in April 2009 and the Group and Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible assets acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The Group will adopt this new amendment for the future measurement of intangible assets acquired in a business combination.

- IFRS 5(amendment), 'Measurement of non-current assets (or disposal groups) classified as 'held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group and Company will apply IFRS 5 (amendment) from 1 January 2010. It's not expected to have a material impact on the Group or Company's financial statements.

- IAS 1(amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and Company will apply IAS1 (amendment) from 1 January 2010. It is not expected to have impact on the Group or Company's financial statements as the Group and Company currently do not have such financial instrument.

- IFRS 2 (amendments), 'group cash-settled and share-based payment transactions' (effective from 1 January 2010). In addition to incorporating IFRIC -Int 8. 'Scope of IFRS 2', and IFRIC -Int 11, 'IFRS 2- group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(Continued)*

Changes in accounting policy and disclosures *(Continued)*

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

- IFRS 9, 'Financial Instruments' (effective from 1 January 2013). Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss. All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment. The Group and Company did not early adopt IFRS 9 for the year ended 31 December 2009. It is not expected to have a material impact on the Group or Company's financial statements.

2.2 Consolidation

(a) Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement (Note 2.8).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.9). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Consolidation *(Continued)*

(b) Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group and are recorded in the consolidated income statement. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other gains - net.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.5 Property, plant and equipment

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

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

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

– Buildings	15-40 years
– Computer and related equipment	5 years
– Office equipment	5 years
– Motor vehicles	5 years
– Leasehold improvements	over the lease term (unless greater than useful lives)

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'Other (loss)/gains-net' in the income statement.

2.6 Investment property

Investment property, principally comprising land use rights and office buildings, is held for long-term rental yields and is not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. Investment property is initially measured at cost, including related transaction costs. After initial recognition at cost, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by valuers. Fair value change of land and buildings before transferred to investments property are recorded in the statement of changes in equity as "other reserves". Subsequent changes in fair values are recorded in the income statement as valuation gain or loss in "other gains."

2.7 Land-use rights

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(b) Research and development expenditure and web site development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) or expenditures incurred in the development of a web site related to the application and infrastructure development are recognised as intangible assets when the following criteria are met:

— it is technically feasible to complete the software product so that it will be available for use;

— management intends to complete the software product and use or sell it;

— there is an ability to use or sell the software product;

— it can be demonstrated how the software product will generate probable future economic benefits;

— adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

— the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised include the employee costs relating to software development and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense is not recognised as an asset in a subsequent period.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over their estimated useful lives not exceeding 3 years.

(c) Computer software

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.9 Impairment of investments in subsidiaries and non-financial assets

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

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.10 Financial assets

2.10.1 Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (Note 2.13).

2.10.2 Recognition and measurement

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.11 Impairment of financial assets

Asset carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for software sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.15 Share capital

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

Where any group companies purchases the Company's share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.17 Borrowings

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

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.18 Current and deferred income tax *(Continued)*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxed assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

(a) Retirement benefits

The Group provides defined contribution retirement plans based on local laws and regulations. The plans cover full-time employees and provide for contributions at certain percentage of salary as determined by the respective local government authorities. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.20 Share-based payment

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save.)

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

The cash subscribed for the share issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.21 Provision

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group's turnover includes, separately or in combination, the sales of software, sales of hardware, the provision of implementation services (including sale sales of software with significant modification or customisation), maintenance services, customer support services, upgrade services and other services.

(a) Sales of standard software and hardware

Sales of standard software, hardware and related products, including those distributed via distributors, are recognised when a group entity has delivered the products to a end customer; the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Software implementation contracts

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

The Group uses the 'percentage of completion method' to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.22 Revenue recognition *(Continued)*

(b) Software implementation contracts *(Continued)*

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that would have been agreed with the customer and are capable of being reliably measured.

Contract costs are recognised as expenses in the period in which they are incurred.

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

When the outcome of an implementation contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group presents as an asset, the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers are included within 'trade and other receivables'.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

(c) Software solution consulting, maintenance, upgrading, training, subscription for online management services, and other supporting services.

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

(d) Multiple element arrangements

The Group offers certain arrangements whereby a customer can purchase software together with certain of the related implementation or other services as discussed above. When such multiple element arrangements exist, the total arrangement consideration is allocated to each element based on their relative fair values, as determined based on the current market price of each of the elements when sold separately. The revenue relating to the service elements, which represent their relative fair value in relation to the fair value of each of the elements in the arrangement, are recognised on a percentage-of-completion basis over the service period.

(e) Interest income

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

(f) Rental income

Rental income from investment properties is recognised in the income statement on a straight-line basis over the term of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.23 Operating leases

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

2.24 Government grants

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

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

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

2.25 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

Foreign exchange risk

The functional currency of the Company and major subsidiaries is RMB. Majority of the revenues of the Group are derived from operations in the PRC. The financial instruments of the Group are mainly denominated in RMB. As at 31 December 2009, cash and cash equivalents of RMB131,649,000 (2008: RMB21,290,000) were denominated in Hong Kong Dollar ("HKD"). Apart from this, the Group does not have significant exposure to currency risk. However, the conversion of RMB into foreign currencies for the purpose of dividends is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

At 31 December 2009, if the RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, profit before tax for the year would have been RMB6,582,000 higher/lower (2008: RMB1,064,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of HKD-denominated cash and cash equivalents.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(a) Market risks *(Continued)*

Interest rate risk

Apart from cash and cash equivalents, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Fluctuation of market rates does not have significant impact to operating cash flows.

The Group's borrowings are short term in nature and the directors are of the opinion the interest rate risk as at 31 December 2009 is immaterial.

Price risk

The Group is not exposed to commodity price nor equity security price risk as it does not hold any equity securities traded publicly.

(b) Credit risk

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

The management manages the credit risk of cash and cash equivalents, pledged bank deposits, by transacting with state-owned financial institutions and reputable commercial banks which are all high-credit-quality financial institutions in the PRC and Hong Kong.

In relation to trade receivables, the Group has policies in place to ensure that a certain percentage of the contracted sales amounts have been received as deposits upon agreeing the related sales contracts with customers. The credit quality of the counterparties is assessed by taking into account their financial position, credit history and other factors. Individual credit limits are set based on the assessment of credit quality. It also undertakes certain monitoring procedures on an individual customer basis to ensure that proper follow-up action is taken to recover overdue debts. Nevertheless, certain amounts of trade receivables cannot be recovered due to default and unexpected financial difficulties suffered by customers from time to time. The Group has no significant concentration of credit risk in trade receivables and the balance of trade receivables is composed of numerous small items and the exposure spreads over a large number of customers. The Group regularly performs ageing analysis, assesses credit risks and estimates the recoverability of groups of trade receivables bearing similar credit risk based on historical data and cash collection history. The estimates are assessed at each year end in order to ensure that adequate impairment provision is made.

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

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

The Group exercises prudent liquidity risk management by reviewing forecasted cash balances on a quarterly basis to maintain sufficient cash levels and the availability of an adequate amount of committed credit facilities to ensure the availability of sufficient cash flows to meet any unexpected and material cash requirements in the course of ordinary business. The group has no significant exposure to liquidity risk.

The table below analyses the Group's financial liabilities that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year RMB$'000
Group	
At 31 December 2009	
Bank borrowings	**57,378**
Trade and other payables	**283,982**
At 31 December 2008	
Bank borrowings	9,500
Trade and other payables	263,091
Company	
At 31 December 2009	
Trade and other payables	**454**
At 31 December 2008	
Trade and other payables	15

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2 Capital risk management

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

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

During 2009, the Group's strategy, which was unchanged from 2008, was to maintain gearing ratio below 10%. The gearing ratios at 31 December 2009 and 2008 were as follows:

	2009 **RMB'000**	2008 RMB'000
Total borrowings (Note 20)	**57,378**	9,500
Total equity	**1,252,060**	905,944
Total capital	**1,309,438**	915,444
Gearing ratio	**4.38%**	1.04%

3.3 Fair value estimation

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

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

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group did not have any financial instruments that are measured at fair value as at 31 December 2009.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount as described in note 9, within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

(i) Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Should the estimated future rental income to differ by 10% from management's estimates, the carrying value of the investment properties and the related fair value gain will differ by approximately RMB23,651,000.

Should the discount rate higher than management estimates by 10% with other variables held at constant, the Group would have decreased its other gains by RMB21,707,000.

(b) Revenue recognition

The Group uses the percentage-of-completion method in accounting for its fixed-price contracts to deliver software implementation services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. Were the proportion of services performed to total services to be performed to differ by 10% from management's estimates, the amount of revenue recognised in the year would be increased/decreased by approximately RMB22,935,000.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(CONTINUED)*

4.1 Critical accounting estimates and assumptions *(Continued)*

(c) Estimated impairment of trade receivables

Determination of impairment of trade receivables requires management to estimate the present value of future cash flows. This estimate is made on group basis and based on the credit history of its customers and the current market condition. It could change significantly as a result of change in financial positions of customers. The impairment of trade receivables would be approximately RMB3,906,000 lower/higher were the actual present value of expected cash flows arising from settlement of receivables to differ by 5% from management's estimates.

(d) Estimated useful lives of internally generated software

The useful lives of internally generated software are estimated based on historical experience, which include actual useful lives of similar assets and changes in technology. Were the estimated useful lives of internally generated software to differ by 5% from management's estimates, the amortisation charge of the year would be approximately RMB3,524,000 higher or RMB3,189,000 lower.

(e) Share-based payments

The fair value of options granted is estimated by management based on various assumptions on volatility, life of options, dividend paid out rate and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair value of share options at the date of grant.

Should the estimated fair value of the options granted to differ by 10% from management's estimates, the administrative expense and the change in equity will differ by approximately RMB1,586,000.

4.2 Critical judgment in applying the entity's accounting policies

Capitalisation of development costs incurred on upgrading of existing software products

Costs incurred in upgrading existing software products (primarily relating to upgrades of the existing features or additions of new features/ modules) are capitalised as intangible assets when recognition criteria as detailed in Note 2.8 (b) are fulfilled. Management has applied professional judgement in determining whether these software products could generate probable future economic benefits to the Group based on the historical experience of the success of the existing products and the prospects of the markets. Any severe change in market performance or technology advancement will have an impact on capitalisation of the development costs.

5 SEGMENT INFORMATION

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

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

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

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

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

5 SEGMENT INFORMATION *(CONTINUED)*

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

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

5 SEGMENT INFORMATION *(CONTINUED)*

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

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

6 LAND USE RIGHTS - GROUP

	2009	2008
	RMB'000	RMB'000
Opening net book amount	**84,951**	18,211
Additions	**2,111**	70,512
Transfer to buildings (Note 7)	**(2,921)**	—
Transfer to investment properties (Note 9)	**(1,482)**	(1,971)
Amortisation charge (Note 24)	**(874)**	(1,801)
	81,785	84,951
Represented by:		
Cost	**85,295**	88,068
Accumulated amortisation charges	**(3,510)**	(3,117)
	81,785	84,951

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2009	2008
	RMB'000	RMB'000
In the PRC, held on:		
Leases of between 10 to 50 years	**81,785**	84,951

7 PROPERTY, PLANT AND EQUIPMENT - GROUP

	Buildings	Computer and related equipment	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2008							
Opening net book amount	59,052	30,003	300	11,733	2,344	103,560	206,992
Additions	2,223	17,099	187	3,888	5,973	132,430	161,800
Disposals (Note 31)	(1,434)	(5,517)	(88)	(1,223)	—	—	(8,262)
Reclassifications	23,465	—	—	—	—	(23,465)	—
Transfer to investment properties (Note 9)	—	—	—	—	—	(13,270)	(13,270)
Depreciation (Note 24)	(2,829)	(9,263)	(53)	(3,299)	(3,056)	—	(18,500)
Closing net book amount	80,477	32,322	346	11,099	5,261	199,255	328,760
At 31 December 2008							
Cost	88,783	68,203	934	20,051	8,847	199,255	386,073
Accumulated depreciation	(8,306)	(35,881)	(588)	(8,952)	(3,586)	—	(57,313)
Net book amount	80,477	32,322	346	11,099	5,261	199,255	328,760
Year ended 31 December 2009							
Opening net book amount	**80,477**	**32,322**	**346**	**11,099**	**5,261**	**199,255**	**328,760**
Additions	**49,567**	**14,046**	**11,725**	**2,193**	**744**	**26,581**	**104,856**
Transfer from land use rights(Note 6)	**2,921**	**—**	**—**	**—**	**—**	**—**	**2,921**
Revaluation surplus before transferred to investment properties, credited to reserve(Note 18)	**29,830**	**—**	**—**	**—**	**—**	**—**	**29,830**
Disposals (Note 31)	**(6,806)**	**(2,189)**	**(69)**	**(603)**	**—**	**—**	**(9,667)**
Reclassifications	**173,778**	**—**	**—**	**—**	**—**	**(173,778)**	**—**
Transferred to investment properties (Note 9)	**(54,986)**	**—**	**—**	**—**	**—**	**(48,553)**	**(103,539)**
Depreciation (Note 24)	**(8,264)**	**(11,079)**	**(953)**	**(4,072)**	**(1,748)**	**—**	**(26,116)**
Closing net book amount	**266,517**	**33,100**	**11,049**	**8,617**	**4,257**	**3,505**	**327,045**
At 31 December 2009							
Cost	**278,574**	**73,455**	**12,505**	**20,410**	**9,591**	**3,505**	**398,040**
Accumulated depreciation	**(12,057)**	**(40,355)**	**(1,456)**	**(11,793)**	**(5,334)**	**—**	**(70,995)**
Net book amount	**266,517**	**33,100**	**11,049**	**8,617**	**4,257**	**3,505**	**327,045**

Depreciation expense of approximately RMB11,594,000 (2008: RMB8,628,000) has been charged in selling and marketing expenses, RMB 6,725,000 (2008: RMB3,625,000) in research and development costs, RMB7,797,000 (2008: RMB6,247,000) in administrative expenses.

8 INTANGIBLE ASSETS

	Group				Company
	Goodwill	Development costs	Computer software	Total	Computer software
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2008					
Opening net book amount	—	85,173	1,745	86,918	663
Additions	—	80,318	5,000	85,318	—
Amortisation charge (Note 24)	—	(55,248)	(1,530)	(56,778)	(663)
Closing net book amount	—	110,243	5,215	115,458	—
At 31 December 2008					
Cost	25,560	254,498	10,403	290,461	2,411
Accumulated amortisation	(11,542)	(144,255)	(5,188)	(160,985)	(2,411)
Accumulated impairment	(14,018)	—	—	(14,018)	—
Net book amount	—	110,243	5,215	115,458	—
Year ended 31 December 2009					
Opening net book amount	**—**	**110,243**	**5,215**	**115,458**	**—**
Additions (Note 24)	**—**	**125,016**	**24,860**	**149,876**	**—**
Amortisation charge (Note 24)	**—**	**(66,958)**	**(4,460)**	**(71,418)**	**—**
Closing net book amount	**—**	**168,301**	**25,615**	**193,916**	**—**
At 31 December 2009					
Cost	**25,560**	**379,514**	**35,263**	**440,337**	**2,411**
Accumulated amortisation	**(11,542)**	**(211,213)**	**(9,648)**	**(232,403)**	**(2,411)**
Accumulated impairment	**(14,018)**	**—**	**—**	**(14,018)**	**—**
Net book amount	**—**	**168,301**	**25,615**	**193,916**	**—**

Amortisation charge of RMB71,418,000 (2008: RMB56,778,000) has been included in administrative expenses.

9 INVESTMENT PROPERTIES - GROUP

	2009	2008
	RMB'000	RMB'000
At 1 January	**53,903**	—
Transfer from construction in progress (Note 7)	**48,553**	13,270
Transfer from buildings (Note 7)	**54,986**	—
Transfer from land use rights (Note 6)	**1,482**	1,971
Fair value gains (Note 23)	**77,587**	38,662
At 31 December	**236,511**	53,903

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

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

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

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

The following amounts have been recognised in the income statements of the Group:

	2009	2008
	RMB'000	RMB'000
Rental income	**5,306**	—
Direct operating expenses that did not generate rental income	**—**	—

The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	2009	2008
	RMB'000	RMB'000
Not later than 1 year	**21,559**	—
Later than 1 year and not later than 5 years	**19,141**	—
	40,700	—

10 INVESTMENTS IN AND LOANS TO SUBSIDIARIES - COMPANY

	Company	
	2009	2008
	RMB'000	RMB'000
Unlisted shares (a)		
Cost	**318,904**	304,659
Provision for impairment	**(5,300)**	(5,300)
	313,604	299,359
Loans to subsidiaries (b)	**15,000**	15,000
	328,604	314,359

(a) The following is a list of the principal subsidiaries at 31 December 2009, all of which are limited liability companies:

Name	Place of incorporation	Registered and paid-up capital	Interest held
Directly held			
Kingdee Software (China) Co., Ltd. ("Kingdee China")	The PRC	RMB280,000,000	100%
Kingdee International Software Group (H.K.) Co., Ltd. ("Kingdee HK")	Hong Kong	HKD1,000,000	100%
Caterton Group Limited	BVI	USD100	80.2%
Kingdee International Software Group (Singapore) PTE Ltd.	Singapore	SGD100,000	100%
Indirectly held			
Shenzhen Kingdee Middleware Co., Ltd.	The PRC	RMB10,000,000	65%
Shanghai Kingdee Software Co., Ltd.	The PRC	RMB20,000,000	100%
Beijng Kingdee System Technology Co., Ltd.	The PRC	USD540,000	100%
Shenzhen Kingdee Mobile Internet Technology Co., Ltd (i)	The PRC	RMB12,000,000	N/A
Xiamen Kingdee Software Co., Ltd.	The PRC	RMB300,000	100%
Shanghai Kingdee Software Technology Co., Ltd.	The PRC	RMB10,000,000	90%
Sichuan Kingdee Software Co., Ltd.	The PRC	RMB10,000,000	100%
Chongqing Kingdee Software Co., Ltd.	The PRC	RMB10,000,000	100%
Beijing Kingdee Middleware Software System Co., Ltd.	The PRC	RMB2,000,000	65%
Kingdee E-commerce Technology (Shenzhen) Co., Ltd.	The PRC	RMB30,000,000	80.2%
Xuzhou Kingdee Software Co.,Ltd.	The PRC	RMB300,000	100%
Jiangsu Kingdee Software Co., Ltd.	The PRC	RMB20,000,000	100%
Shanghai Kingdee Middleware Software Systems Co., Ltd.	The PRC	RMB2,000,000	100%

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

10 INVESTMENTS IN AND LOANS TO SUBSIDIARIES - COMPANY *(CONTINUED)*

(a) The following is a list of the principal subsidiaries at 31 December 2009, all of which are limited liability companies: *(Continued)*

(i) The Group has established a subsidiary, Shenzhen Kingdee Mobile Internet Technology Co., Ltd ("Kingdee Mobile") for providing value-added telecommunication services in the PRC which the Group does not have any equity ownership. Nevertheless, under certain contractual agreements enacted among the Kingdee Mobile, the registered owners of Kingdee Mobile, and another subsidiary of the Company, the Group controls Kingdee Mobile by way of controlling more than one half of the voting rights of it, governing its financial and operating policies and appointing or removing the majority of the members of its controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of Kingdee Mobile to the Group. As a result, Kingdee Mobile is presented as consolidating subsidiary of the Company.

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

11 DEFERRED INCOME TAX- GROUP

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2009	2008
	RMB'000	RMB'000
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	**6,273**	6,975
- Deferred tax asset to be recovered within 12 months	**10,688**	5,978
	16,961	12,953
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	**(17,734)**	(4,701)
- Deferred tax liabilities to be recovered within 12 months	**(8,837)**	(2,503)
	(26,571)	(7,204)
Deferred tax (liabilities)/ assets	**(9,610)**	5,749

11 DEFERRED INCOME TAX- GROUP *(CONTINUED)*

The movements in deferred tax assets and liabilities during the year are as follows:

	At 1 January 2008 RMB'000	Credited/ (Charged) to the income statement RMB'000	At 31 December 2008 RMB'000	Credited/ (Charged) to the income statement (Note 27) RMB'000	Transferred from current income tax liabilities RMB'000	Credited/ (Charged) to Reserves (Note 18) RMB'000	**At 31 December 2009 RMB'000**
Deferred tax assets							
- Provision for bad and doubtful debts	6,855	149	7,004	3,182	—	—	**10,186**
- Deferred income	5,370	457	5,827	446	—	—	**6,273**
- Accelerated depreciation	7	(7)	—	—	—	—	**—**
- Amortisation of computer software	—	122	122	380	—	—	**502**
	12,232	721	12,953	4,008	—	—	**16,961**
Deferred tax liabilities							
- Deferred development costs	(8,391)	5,053	(3,338)	(4,759)	(3,865)	—	**(11,962)**
- Fair value gain of investment properties	—	(3,866)	(3,866)	(7,759)	—	(2,984)	**(14,609)**
	(8,391)	1,187	(7,204)	(12,518)	(3,865)	(2,984)	**(26,571)**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. Due to the fact that the directors are not certain on whether future taxable profit would be available, the Group did not recognise deferred income tax assets of approximately RMB21,704,000 (2008: RMB25,332,000) in respect of tax losses amounting to RMB119,380,000 (2008: RMB103,767,000) that can be carried forward to offset against future taxable income. Losses of RMB17,980,000, RMB18,633,000, RMB30,771,000, RMB19,710,000 and RMB32,286,000 will expire in 2010, 2011, 2012, 2013 and 2014 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INVENTORIES - GROUP

	2009 RMB'000	2008 RMB'000
Raw materials	**954**	977
Finished goods	**1,069**	1,796
	2,023	2,773

The cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB34,924,000 (2008: RMB18,625,000) (Note 24).

13 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Trade receivables (a)	**157,474**	126,277	**—**	—
Less: provision for impairment of receivables (b)	**(79,363)**	(81,662)	**—**	—
Trade receivables - net	**78,111**	44,615	**—**	—
Notes receivable	**4,187**	3,169	**—**	—
Advances to employees (c)	**6,273**	7,229	**—**	75
Amount due from a director (d)	**18**	124	**—**	
Prepayments	**61,553**	39,855	**—**	—
VAT recoverable	**32,322**	29,807	**—**	—
Amounts due from subsidiaries (e)	**—**	—	**100,018**	88,078
Other receivables	**18,228**	12,076	**5,077**	3,995
	200,692	136,875	**105,095**	92,148

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

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

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

13 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:

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

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

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

	2009	2008
	RMB'000	RMB'000
At 1 January	**(81,662)**	(86,202)
Provision for impairment (Note 24)	**(2,896)**	(793)
Written off as uncollectible	**5,195**	5,333
At 31 December	**(79,363)**	(81,662)

The provision for impaired receivables has been included in administrative expenses. The other classes within the trade and other receivables balance do not contain any significant impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does not hold any collaterals as security.

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

(d) Amounts due from a director:

Name of key management	**Amount**	**Maximum outstanding during the year**	**Term**	**Interest rate**
	RMB'000	RMB'000		
2009				
Mr. Xu Shao Chun	18	1,230	Repayable on demand	0%
2008				
Mr. Xu Shao Chun	124	1,816	Repayable on demand	0%

The amount due from a director is an advance for business activities.

(e) Amounts due from subsidiaries are unsecured, interest free, repayable on demand and denominated in RMB. The fair values of the amounts due from subsidiaries approximate their carrying value.

14 IMPLEMENTATION CONTRACTS - GROUP

	2009 RMB'000	2008 RMB'000
Contract costs incurred	**93,290**	88,870
Contract profit recognised	**157,713**	93,074
Progress billings	**(243,309)**	(166,017)
Net balance sheet position for ongoing contracts	**7,694**	15,927
Represented by:		
Due to customers on implementation contracts	**(82,002)**	(41,900)
Due from customers on implementation contracts	**89,696**	57,827
	7,694	15,927
Amounts received on implementation contracts included in advances from customers	**906**	928
Due from customers on implementation contracts covered by progress billings, included in trade receivables before impairment provision	**35,431**	28,412

15 CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand (a)	**631,455**	521,100	**126,852**	18,465
Less: Short-term bank deposits (b)	**(111,490)**	(95,247)	**—**	—
Pledged bank deposits (c)	**(175)**	(2,213)	**—**	—
	519,790	423,640	**126,852**	18,465

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

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**498,777**	499,709	**—**	—
HKD	**131,649**	21,290	**126,789**	18,465
USD	**85**	101	**63**	—
SGD	**944**	—	**—**	—
	631,455	521,100	**126,852**	18,465

(b) The effective interest rate on short-term bank deposits was 2.10% (2008: 2.86%). These deposits have an average maturity of six months.

(c) The bank deposits were pledged to banks as performance guarantee provided in certain job tenders. Such pledged deposits will be released upon the closure of the processes.

16 SHARE CAPITAL AND PREMIUM - GROUP AND COMPANY

	Number of Issued shares (thousands)	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2008	456,612	48,773	98,786	147,559
Issue of shares (a)	20,000	1,796	119,482	121,278
Sub-division of shares (b)	1,429,836	—	—	—
Employee share option scheme				
- Value of services provided (Note 25)	—	—	16,100	16,100
- Exercise of share options (Note 17)	17,575	397	8,661	9,058
Repurchase and cancellation of own shares (c)	(1,958)	(43)	(1,835)	(1,878)
At 31 December 2008	1,922,065	50,923	241,194	292,117
Issue of shares (d)	90,000	1,980	103,693	105,673
Employee share option scheme				
- Value of services provided (Note 25)	—	—	15,859	15,859
- Exercise of share options (Note 17)	41,327	909	20,628	21,537
At 31 December 2009	**2,053,392**	**53,812**	**381,374**	**435,186**

(a) On 15 April 2008, the issued share capital of the Company increased by approximately RMB1,796,000 by issuing 20,000,000 ordinary shares at a price of HKD6.90 per share through a placing and subscription agreement. These shares rank pari passu with the existing shares.

(b) On 9 May 2008, each of the then existing issued and unissued shares of HKD0.10 each was subdivided into four shares of HKD0.025 each (the "Subdivided Shares") and the Subdivided Shares shall rank pari passu in all respects with each other and are subject to the restrictions contained in the Articles of Association of the Company.

The total number of ordinary shares of the authorised share capital after this sub-division is 4,000 million shares with a par value of per share HKD0.025.

(c) During 2008, 1,958,000 shares were repurchased by the Company on the Hong Kong Stock Exchange at an aggregate consideration of approximately RMB1,878,000 before expenses and they were cancelled. The nominal value of these shares of HKD0.025 was credited to the capital redemption reserve. The nominal value of these shares of approximately RMB43,000 and the premium arising form such purchase of approximately RMB1,835,000 were paid out of the Company's retained earnings and share premium account, respectively.

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

17 SHARE-BASED PAYMENT

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

Date of grant	Exercise price (after the sub-division of shares) in HKD (Rounded to cent)	Granted to	Exercisable period	Note
27/09/2001	0.37	33 employees	10 years	(a)
15/05/2002	0.45	2 directors and 20 employees	10 years	(a)
20/02/2003	0.35	2 directors and 74 employees	10 years	(a)
08/08/2003	0.51	2370 employees	10 years	(a)
23/03/2004	0.80	1 director	10 years	(a)
01/06/2004	0.66	1 director and 177 employees	10 years	(b)
27/12/2004	0.51	1 director and 154 employees	10 years	(c)
21/04/2005	0.39	1 director and 3 business partners	5 years	(d)
15/02/2006	0.58	1 employee	10 years	(e)
28/04/2006	0.65	75 employees	10 years	(f)
04/05/2006	0.66	1 director	10 years	(f)
22/06/2006	0.66	1 director	10 years	(f)
22/06/2006	0.66	2 related parties	10 years	(f)
18/07/2006	0.72	3 employees	10 years	(g)
23/01/2007	0.94	1 director	10 years	(h)
05/06/2007	1.71	357 employees	10 years	(i)
08/06/2007	1.81	6 directors	10 years	(h)
01/08/2008	1.75	936 employees	10 years	(e)
19/11/2008	0.95	1 director	10 years	(f)
14/04/2009	1.16	3 employees	10 years	(h)
17/09/2009	1.37	373 employees	10 years	(j)

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

	2009		2008	
	Average exercise price in HKD per share	**Options (thousands)**	Average exercise price in HKD per share	Options (thousands)
At 1 January	**0.60**	**256,403**	0.75	237,478
Granted	**1.35**	**33,000**	1.67	50,450
Exercised	**0.59**	**(41,327)**	0.57	(17,575)
Lapsed	**0.95**	**(16,933)**	0.83	(13,950)
At 31 December	**1.07**	**231,143**	0.60	256,403

17 SHARE-BASED PAYMENT *(CONTINUED)*

Out of the 231,143,000 outstanding options (2008: 256,403,000 options after the sub-division of shares), 79,196,000 options (2008: 83,840,000 options after the sub-division of shares) were exercisable as at 31 December 2009. Options exercised in 2009 resulted in 41,327,000 shares (2008: 17,575,000 shares after the sub-division of shares) being issued at a weighted average price of HKD0.59 (2008: HKD0.57 per share after the sub-division of shares).

(a) All of these options have duration of 10 years from the date of grant, and are exercisable based on certain percentage as described in respective share option contracts.

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

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

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

(3) The number of options that can be exercised within 3 years from the date of grant cannot be more than 25% of the aggregate revenue ratio for the financial years of 2004 and 2005.

(4) The number of options that can be exercised within 4 years from the date of grant cannot be more than 25% of the aggregate revenue ratio for the financial years of 2004, 2005 and 2006; and

(5) The number of options that can be exercised after 4 years from the date of grant cannot be more than 25% of the aggregate revenue ratio for the financial years of 2004, 2005, 2006 and 2007.

"Revenue Ratio" is calculated as the actual revenue of the Group divided by the estimated revenue of the Group as determined by the Board for a particular financial year. The requirement to achieve a pre-determined revenue ratio was a performance condition that was included in the determination of the fair value of the options.

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

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

(e) All of these options have duration of 10 years from the date of grant, provided that the options may not be exercised within 12 months from the date of grant and that the options may not be exercised in respect of more than 25%, 50% and 75% of the options within 12 months, 24 months and 36 months respectively from 1 year after the date of grant.

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

(g) All of these options have terms of 10 years from the date of grant, provided that the options may not be exercised within 12 months from the date of grant and that the options may not be exercised in respect of more than 30%, 60% of the options within 12 months and 24 months respectively after the date of grant.

(h) All of these options have terms of 10 years from the date of grant, provided that the options may not be exercised within 12 months from the date of grant and that the options may not be exercised in respect of more than 25%, 50% and 75% of the options within 24 months, 36 months and 48 months respectively from the date of grant.

(i) These options have terms of 10 years from the date of grant, and the options can be exercised from 2 year after the date of grant.

(j) All of these options have terms of 10 years from the date of grant. Up to 50% of the options may be exercised after 24 months and 100% of the options may be exercised after 48 months.

17 SHARE-BASED PAYMENT *(CONTINUED)*

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

		Number of Shares	
Expiry date within	**Range of exercise prices after the sub-division of shares (HKD per share)**	**2009 (thousands)**	2008 (thousands)
2010	0.39	**—**	12,000
2011	0.37	**220**	220
2012	0.45	**—**	—
2013	0.35-0.51	**2,826**	3,914
2014	0.51-0.80	**25,181**	29,873
2016	0.56-0.72	**99,954**	123,830
2017	0.94-1.81	**20,492**	36,316
2018	0.95-1.75	**49,470**	50,250
2019	1.16-1.37	**33,000**	—
		231,143	256,403

The weighted average fair value of options granted during the year determined using the Binomial valuation model was HKD0.59 per option (2008: HKD0.63 per option). The significant inputs into the model were weighted average share price of HKD1.35 (2008: HKD1.67) at the grant date, the exercise price shown above, volatility of 53% (2008: 49%), expected dividend paid out of HKD0.027 per share (2008: HKD0.027), an expected option life of 5 years (2008: 5 years) and an annual risk-free interest rate of 0.31% (2008: 1.60%). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the period from the ending of the locking period to the grant date of share options.

18 OTHER RESERVES AND RETAINED EARNINGS

(a) Other reserves

Group

	Merger reserve RMB'000 Note (i)	Capital reserve RMB'000	Statutory surplus reserve fund RMB'000 Note (ii)	Revaluation reserve RMB'000	Capital redemption reserve RMB'000	Total RMB'000
Balance at 1 January 2008	6,570	247,382	67,883	—	—	321,835
Appropriation to reserve funds	—	—	21,282	—	—	21,282
Repurchase of own shares (Note 16)	—	—	—	—	43	43
Balance at 31 December 2008 and 1 January 2009	6,570	247,382	89,165	—	43	343,160
Fair value surplus of properties, plant and equipment (Note 7)	—	—	—	29,830	—	29,830
Deferred tax relating to revaluation reserve (Note 11)	—	—	—	(2,984)	—	(2,984)
Appropriation to reserve funds	—	—	18,113	—	—	18,113
Balance at 31 December 2009	**6,570**	**247,382**	**107,278**	**26,846**	**43**	**388,119**

Company

	Share Redemption reserve RMB'000
Balance at 1 January 2008	—
Repurchase of own shares (Note 16)	43
Balance at 31 December 2008, 1 January 2009 and 31 December 2009	**43**

(i) The merger reserve represents the difference between the carry amounts of the capital of the subsidiaries at the date on which they were acquired by the Company and the nominal amounts of the Company's shares issued as consideration for the acquisitions.

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

18 OTHER RESERVES AND RETAINED EARNINGS *(CONTINUED)*

(b) Retained earnings

	Group RMB'000	Company RMB'000
At 1 January 2008	138,136	182,148
Profit/(Loss) for the year	181,546	(12,838)
Dividends paid relating to 2007	(36,470)	(36,470)
Repurchase of own shares	(43)	(43)
Appropriation to reserve funds	(21,282)	—
At 1 January 2008	261,887	132,797
At 1 January 2009	261,887	132,797
Profit for the year	212,479	29,284
Dividends relating to 2008	(37,213)	(37,213)
Appropriation to reserve funds	(18,113)	—
At 31 December 2009	419,040	124,868

19 TRADE AND OTHER PAYABLES

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Trade payables (a)	**20,428**	19,626	**—**	—
Salary and staff welfare payables	**27,807**	24,869	**—**	—
Advances from customers	**109,686**	112,303	**—**	—
VAT and business tax payable	**26,906**	26,091	**—**	—
Accrued expenses	**16,010**	22,168	**—**	—
Construction fee payable	**41,249**	30,108	**—**	—
Land use rights fee payable	**3,840**	14,102	**—**	—
Outstanding consideration for intangible assets	**10,100**	—	**—**	—
Deposits of distributors	**9,500**	—	**—**	—
Others	**18,456**	13,824	**454**	15
	283,982	263,091	**454**	15

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

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

19 TRADE AND OTHER PAYABLES *(Continued)*

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

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

20 BORROWINGS- GROUP

	2009	2008
	RMB'000	RMB'000
Unsecured bank borrowings wholly due within 1 year	**57,378**	9,500

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

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

21 DEFERRED INCOME - GROUP

	2009	2008
	RMB'000	RMB'000
Deferred service fee income (a)	**62,731**	70,669
Deferred government grant (b)	**15,360**	9,221
	78,091	79,890

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

21 DEFERRED INCOME - GROUP *(Continued)*

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

	2009 RMB'000	2008 RMB'000
At 1 January	**9,221**	9,600
Additions	**9,751**	12,329
Recognised in the income statement	**(3,612)**	(12,708)
At 31 December	**15,360**	9,221

Amount represents various subsidies granted by and received from local government authorities for financing various research and development projects conducted by the Group. These subsidies will be recognised as income when the conditions of the grant are met (usually when after the related development project is completed).

22 TURNOVER

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

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

23 OTHER GAINS - NET

	2009 RMB'000	2008 RMB'000
VAT refund (a)	**88,463**	89,548
Government grant	**7,744**	12,708
Fair value gain on investment properties (Note 9)	**77,587**	38,662
Others	**6,470**	6,706
	180,264	147,624

(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 extend that the effective VAT rate of the sales of the software in the PRC does not exceed 3% of the sales amounts.

24 EXPENSES BY NATURE

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

	2009 RMB'000	2008 RMB'000
Research and development costs		
Amounts incurred	148,639	116,041
Less: development costs capitalised (Note 8)	(125,016)	(80,318)
Add: amortisation(Note 8)	66,958	55,248
	90,581	90,971
Employee benefit expenses (Note 25)	592,043	490,262
Less: amount included in development costs	(121,027)	(91,928)
	471,016	398,334
Cost of inventories consumed (Note 12)	34,924	18,625
Depreciation (Note 7)	26,116	18,500
Amortisation of computer software (Note 8)	4,460	1,530
Amortisation of land use rights (Note 6)	874	1,801
Impairment of receivables (Note 13)	2,896	793
Loss on disposals of PPE (Note 31)	303	1,605
Auditors' remuneration	1,380	1,600
Advertising costs	86,519	54,875
Sales promotion costs	47,824	50,320
Professional service costs	11,429	12,766
Traveling costs	40,463	30,587
Rental and utilities	43,942	38,332
Outsourcing services	48,439	41,810
Others	46,668	77,402
Total cost of sales, selling and marketing expenses, research and development costs and administrative expenses	957,834	839,851

25 EMPLOYEE BENEFIT EXPENSES

	2009 RMB'000	2008 RMB'000
Wages, salaries and bonus	**426,352**	343,576
Commissions	**62,738**	61,913
Staff welfare	**13,943**	16,927
Pension scheme contributions (a)	**73,151**	51,746
Share options granted to directors and employees (Note 16)	**15,859**	16,100
	592,043	490,262

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

(b) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31 December 2009 is set out below:

Name of Directors	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Share options RMB'000	Employer's contribution to pension scheme RMB'000
Mr. Xu Shao Chun	**100**	**974**	**501**	—	**19**
Mr. Ho Ching Hua(i)	**150**	**800**	**369**	—	—
Mr. Chen Deng Kun	**100**	**453**	**230**	—	**19**
Mr. James Ming King	**150**	—	—	—	—
Ms. Yang Zhou Nan	**150**	—	—	—	—
Mr. Wu Cheng	**100**	—	—	—	—
Mr. Yeung Kwok On	**132**	—	—	—	—
Mr. Gary Clark Biddle	**132**	—	—	—	—

During 2009, no director or supervisor of the Company (1) received any emolument from the Group as an inducement to join or upon joining the Group; or (2) received any compensation for loss of office as a director or management of any member of the Group; or (3) waived or agreed to waive any emoluments. (2008: Nil).

25 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) Directors' and senior management's emoluments *(Continued)*

The remuneration of every Director for the year ended 31 December 2008 is set out below:

Name of Directors	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Share options RMB'000	Employer's contribution to pension scheme RMB'000
Mr. Xu Shao Chun	100	1,095	515	36	19
Mr. Ho Ching Hua(i)	100	2,948	427	—	—
Mr. Chen Deng Kun	100	550	221	—	19
Mr. James Ming King	150	—	—	—	—
Ms. Yang Zhou Nan	150	—	—	—	—
Mr. Wu Cheng	100	—	—	—	—
Mr. Yeung Kwok On	132	—	—	—	—
Mr. Gary Clark Biddle	132	—	—	—	—

(i) Re-designated from an executive director to a non-executive director on 31 December 2008.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2008: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2008: three) individuals during the year are as follows:

	2009 RMB'000	2008 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,210**	2,125
Bonuses	**898**	1,511
Pension scheme contributions	**80**	82
Share options	**700**	1,862
	3,888	5,580

The emoluments fell within the following bands:

	2009	2008
Emolument bands		
HKD0 - HKD1,000,000	**1**	2
HKD1,000,001 - HKD1,500,000	**2**	1

26 FINANCE COSTS - NET

	2009 RMB'000	2008 RMB'000
Interest income (Note 31)	**4,614**	6,315
Bank charges (Note 31)	**(320)**	(312)
Interest expenses(Note 31)	**(340)**	—
Net foreign exchange gains/(loss)	**(101)**	215
	3,853	6,218

27 INCOME TAX EXPENSE

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

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

	2009 RMB'000	2008 RMB'000
PRC income tax		
– Current income tax	**—**	7,071
– Under-provision/(over-provision) in previous year	**1,169**	(899)
– Deferred income tax (Note 11)	**8,510**	(1,908)
	9,679	4,264

(a) No provision for profits tax in the Cayman Islands and Hong Kong has been made as the Group has no income assessable for profits tax for the years in those jurisdictions.

(b) Effective from 1 January 2008, the subsidiaries of the Group are subject to the corporate income tax in accordance with the Corporate Income Tax Law of the People's Republic of China (hereinafter "the new CIT Law") as approved by the National People's Congress on 16 March 2007. According to the new CIT Law and the relevant regulations, the enterprise income tax rate applicable to the subsidiaries of the Group is 25%. Preferential rates are applicable for foreign investment enterprise established in Special Economic Zone in the PRC for transitional period of 5 years from 2008 in which the tax rate will be changed to 18%, 20%, 22% 24% and 25% from the five years from 2008 to 2012 respectively. Accordingly, the applicable tax rate of the subsidiaries of the Gourp establised in Shenzhen Speicla Economic Zone and PuDong New Zone for the year ended 2009 was 20%.

(c) According to Cai Shui Zi [2008] No.1 and Fa Gai Gao Ji [2009] No. 3357 issued by related tax authorities in the PRC, subsidiaries of the Group which are qualified as national important software enterprises were entitled to a preferential enterprise income tax rate of 10% for the year ended 31 December 2008 and the year ended 31 December 2009 respectively.

27 INCOME TAX EXPENSE *(Continued)*

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

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

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

28 PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit/(loss) attributable to equity holders of the Company dealt with in the financial statements of the Company is as follows.

	2009	2008
	RMB'000	RMB'000
Profit/(loss) attributable to equity holders of the Company	**29,284**	(12,838)

29 EARNINGS PER SHARE

As described in Note 16 (b), the Company undertook a share subdivision in 2008. The calculation of 2009 and 2008 earnings per share had been computed as if the ordinary share had been subdivided to a par value of HK$ 0.025 each as at the beginning of 1 January 2008.

(a) Basic

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

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

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has just one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. The exercises of share options which would result in an anti-dilutive impact would not been taken into account in the diluted earnings per share calculation.

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

30 DIVIDENDS

The dividends paid in 2009 and 2008 were approximately RMB37,213,000 (HKD42,407,000) ((RMB0.019 per share) (HKD0.022 per share)) and approximately RMB36,470,000 (HKD38,951,000) respectively. The directors recommend the payment of a final dividend in respect of the year ended 31 December 2009 of RMB0.019 (HKD0.022) per ordinary share, totaling RMB39,776,000 (HKD45,175,000). Such dividend is to be approved by the shareholders at the Annual General Meeting on 12 May 2010. These financial statements do not reflect this dividend payable.

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

31 CASH GENERATED FROM OPERATIONS

	2009 **RMB'000**	2008 RMB'000
Profit before income tax	**223,093**	189,291
Adjustments for:		
– Depreciation (Note 7)	**26,116**	18,500
– Loss on disposals of PPE (Note 24)	**303**	1,605
– Amortisation of land use rights (Note 6)	**874**	1,801
– Amortisation of intangible assets (Note 8)	**71,418**	56,778
– Interest income (Note 26)	**(4,614)**	(6,315)
– Interest expense (Note 26)	**340**	—
– Bank charges (Note 26)	**320**	312
– Share option expenses	**15,859**	16,100
– Fair value gain of investment property (Note 9)	**(77,587)**	(38,662)
	256,122	239,410
Changes in working capital:		
– Inventories	**750**	(460)
– Trade and other receivables	**(68,675)**	(14,407)
– Deferred income	**(1,799)**	5,116
– Trade and other payables	**27,071**	100,668
– Due from/to customers on implementation contracts	**8,233**	(32,790)
Cash generated from operations	**221,702**	297,537

31 CASH GENERATED FROM OPERATIONS *(Continued)*

In the cash flow statement, proceeds from disposal of PPE comprise:

	2009	2008
	RMB'000	RMB'000
Net book amount (Note 7)	**9,667**	8,262
Loss on disposals of PPE (Note 24)	**(303)**	(1,605)
Proceeds from disposal of PPE	**9,364**	6,657

32 COMMITMENTS - GROUP

(a) Capital commitments

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

	2009	2008
	RMB'000	RMB'000
– Property, plant and equipment	**15,098**	64,429
– Land use rights	**—**	14,102
	15,098	78,531

(b) Operating lease commitments

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

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

33 RELATED PARTIES TRANSACTIONS

Except as disclosed in Note 13 (Amount due from a director), Note 17 (share option) and Note 25 (Director's emoluments), to the consolidated financial statements, the Group had no other material transactions with related parties for the year ended 31 December 2009.

34 SUBSEQUENT EVENT

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("Meeting") of Kingdee International Software Group Company Limited (the "Company") will be held at Kingdee Software Park, No. 2 Kejinan 12 Road, South District, Hi-tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, The People's Republic of China ("P.R.C.") on Wednesday, 12 May 2010 at 9:30 a.m. for the following purposes:

1. To receive and adopt the audited consolidated accounts, the report of the directors of the Company (the "Directors") and the report of the auditors of the Company for the year ended 31 December 2009;

2. To declare a final dividend for the year ended 31 December 2009;

3. (A) To re-elect Mr. Xu Shao Chun as a Director ("Director");

   (B) To re-elect Mr. Chen Deng Kun as a Director;

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

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

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

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

   (A) "THAT

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

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

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

   (iv) for the purpose of this resolution:

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

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

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

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

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

(B) "THAT

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

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

(iii) for the purpose of this resolution:

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

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

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

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

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

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

Shenzhen, the P.R.C., 9 April 2010

NOTICE OF ANNUAL GENERAL MEETING

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

Principal place of business in the P.R.C.:
Kingdee Software Park
No.2 Kejinan 12 Road, South District
High-Tech Industrial Park
Nanshan District
Shenzhen, Guangdong Province
The P.R.C.

Notes:

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

(ii) In order to be valid, the proxy form together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of such power or authority), must be delivered to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the Meeting or any adjournment thereof.

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

(iv) The register of members of the Company will be closed from Friday, 7 May 2010 to Wednesday, 12 May 2010 (both days inclusive), during which period no transfer of Shares will be registered. All transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 6 May 2010.

(v) An explanatory statement containing further details regarding ordinary resolution no. 6(B) as required by the Listing Rules will be dispatched to the members of the Company together with the Company's 2009 Annual Report.

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

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.