



**KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**

**金蝶國際軟件集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**QUARTERLY RESULTS FOR THE FIRST QUARTER ENDED 31ST MARCH, 2001**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*This report, for which the directors of Kingdee International Software Group Company Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Kingdee International Software Group Company Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading; there are no other matters the omission of which would make any statement in this report misleading; and all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

### Financial highlights for the three months ended 31st March, 2001

- Turnover increased by approximately 30.2% over the same period in 2000 to approximately RMB38,798,000.
- Profit attributable to shareholders was approximately RMB2,045,000.
- Basic earnings per share was approximately RMB0.52 cent.

The board of directors (the “Board”) of Kingdee International Software Group Company Limited (the “Company”) hereby announces the unaudited results of the Company and its subsidiaries (the “Group”) for the three months ended 31st March, 2001, together with the comparative unaudited consolidated figures for the same period in 2000 as follows:

|  | <i>Notes</i> | <b>Three months ended 31st March,</b> |                  |
|--|--------------|---------------------------------------|------------------|
|  |              | <b>2001</b>                           | <b>2000</b>      |
|  |              | <b>unaudited</b>                      | <b>unaudited</b> |
|  |              | <i>RMB'000</i>                        | <i>RMB'000</i>   |
| Turnover                                   | 2            | 38,798                                | 29,796           |
| Cost of sales                              |              | (8,363)                               | (5,634)          |
| Gross profit                               |              | 30,435                                | 24,162           |
| Selling expenses                           |              | (19,461)                              | (18,503)         |
| General and administrative expenses        |              | (9,180)                               | (9,059)          |
| Other expenses, net                        |              | (1)                                   | (329)            |
| Operating profit (loss)                    |              | 1,793                                 | (3,729)          |
| Finance income (costs), net                |              | 244                                   | (63)             |
| Share of results of an associate           |              | (32)                                  | —                |
| Profit (Loss) before taxation              |              | 2,005                                 | (3,792)          |
| Taxation                                   | 3            | (201)                                 | —                |
| Profit (Loss) after taxation               |              | 1,804                                 | (3,792)          |
| Minority interests                         |              | 241                                   | 184              |
| Profit (Loss) attributable to shareholders |              | 2,045                                 | (3,608)          |
| Dividends                                  |              | —                                     | —                |
| Earnings (Loss) per share -                |              |                                       |                  |
| - basic                                    | 4            | RMB0.52 cent                          | RMB(1.03) cents  |
| - diluted                                  | 4            | N/A                                   | N/A              |

*Notes:*

**1. Group reorganisation and basis of preparation**

The Company was incorporated as an exempted company with limited liability on 22nd September, 1999 under the Company Law (1998 revision) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (“GEM”) on 15th February, 2001.

Pursuant to a group reorganisation (the “Reorganisation”) in preparation for the listing of the Company’s shares on the GEM, the Company became the holding company of the Group on 15th June, 2000. The Reorganisation involved companies under common control, and the Group resulting from the Reorganisation were regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated results have been prepared as if the Group had been in existence since the beginning of the three months ended 31st March, 2001 and 31st March, 2000.

Details of the Reorganisation are set out in the prospectus (the “Prospectus”) issued by the Company dated 9th February, 2001.

All significant intercompany balances and transactions, including intercompany profits, are eliminated on consolidation. The financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The consolidated results have been prepared in accordance with International Accounting Standards (“IAS”) issued by the International Accounting Standard Committee.

**2. Turnover**

Turnover comprises the following:

|                                  | <b>Three months ended</b> |                  |
|----------------------------------|---------------------------|------------------|
|                                  | <b>31st March,</b>        |                  |
|                                  | <b>2001</b>               | <b>2000</b>      |
|                                  | <b>unaudited</b>          | <b>unaudited</b> |
|                                  | <i>RMB'000</i>            | <i>RMB'000</i>   |
| Sales of software                | 34,384                    | 26,793           |
| Sales of hardware                | 49                        | 54               |
| Technical support service income | 4,365                     | 2,949            |
|                                  | <u>38,798</u>             | <u>29,796</u>    |

Turnover disclosed above is net of applicable business tax and value added tax in Mainland China.

### 3. Taxation

Taxation represents:

|   | Three months ended |           |
|---|--------------------|-----------|
|   | 31st March,        |           |
|   | 2001               | 2000      |
|   | unaudited          | unaudited |
|   | RMB'000            | RMB'000   |
| Mainland China income tax   |                    |           |
| - Current income tax  | 793                | —         |
| - Deferred income tax relating to the origination and reversal of temporary differences | (592)              | —         |
|   | <u>201</u>         | <u>—</u>  |

As the Group had no income assessable for profit tax in the Cayman Islands or in Hong Kong for the three months ended 31st March, 2001 (the three months ended 31st March, 2000: Nil), no provision had been made for profit taxes for both jurisdictions.

The Group's subsidiary, Kingdee Software Technology (Shenzhen) Co., Ltd. ("Shenzhen Kingdee"), is a wholly foreign-owned enterprise located in Shenzhen Special Economic Zone and is entitled to full exemption from Mainland China Enterprise Income Tax ("EIT") for two years and a 50% reduction in the next three years thereafter starting from the first profit making year after offsetting prior year losses. According to the "Provisions on further support to the high-technology enterprises" ShenFu [1998] No. 29 issued by the Shenzhen Municipal Government, enterprises that are recognized as a high-technology enterprise are entitled to a further tax holiday on EIT. Pursuant to an approval document issued by the tax bureau dated 5th March, 1999, Shenzhen Kingdee is subject to income tax at the rate of 7.5% for 5 years starting from 1999 as it is recognized as a high-technology enterprise.

### 4. Earnings (Loss) per share

Earnings (Loss) per share had been prepared on the assumption that the 1,000,000 shares of HK\$0.10 each issued at par and fully paid during the Reorganisation and the capitalisation issue of 349,000,000 shares by the then owners had taken place prior to the aforesaid presentation period.

Earnings (Loss) per share had been calculated by dividing profit attributable to shareholders of approximately RMB2,045,000 (Loss attributable to shareholders for the three months ended 31st March, 2000 was approximately RMB3,608,000) by the weighted average number of 393,750,000 shares (the three months ended 31st March, 2000: 350,000,000 shares) in issue during the period.

No diluted earnings (loss) per share were presented as there was no dilutive potential ordinary shares issued for the three months ended 31st March, 2001 and 31st March, 2000.

## 5. Movement of capital and reserves

Movement in the capital and reserves of the Group for the three months ended 31st March, 2001 and the three months ended 31st March, 2000 was as follows:

|   | Share<br>Capital<br>unaudited<br>RMB'000 | Share<br>Premium<br>unaudited<br>RMB'000 | Merger<br>Reserve<br>unaudited<br>RMB'000 | Capital<br>Reserve<br>unaudited<br>RMB'000 | Reserve<br>Fund<br>unaudited<br>RMB'000 | Retained<br>Earnings<br>unaudited<br>RMB'000 | Total<br>unaudited<br>RMB'000 |
|---|--|--|---|--|---|--|-------------------------------|
| Balances as of  |  |  |   |  |   |  |                               |
| 1st January, 2000   | 6,677                                    | —  | —   | 19,255                                     | 2,983                                   | 9,461  | 38,376                        |
| Loss for the period   | —  | —  | —   | —  | —                                       | (3,608)                                      | (3,608)                       |
| Balances as of  |  |  |   |  |   |  |                               |
| 31st March, 2000  | <u>6,677</u>                             | <u>—</u>                                 | <u>—</u>                                  | <u>19,255</u>                              | <u>2,983</u>                            | <u>5,853</u>                                 | <u>34,768</u>                 |
| Balances as of  |  |  |   |  |   |  |                               |
| 1st January, 2001   | 107                                      | —  | 6,570                                     | 19,255                                     | 3,334                                   | 31,474                                       | 60,740                        |
| Capitalisation issue  | 37,343                                   | (37,343)                                 | —   | —  | —                                       | —  | —                             |
| Shares issued on  |  |  |   |  |   |  |                               |
| 14th February, 2001<br>(net amount having<br>taken into account<br>issuing expenses of<br>approximately<br>RMB18,894,000) | 9,363                                    | 68,177                                   | —   | —  | —                                       | —  | 77,540                        |
| Profit for the period   | —  | —  | —   | —  | —                                       | 2,045  | 2,045                         |
| Balances as of  |  |  |   |  |   |  |                               |
| 31st March, 2001  | <u>46,813</u>                            | <u>30,834</u>                            | <u>6,570</u>                              | <u>19,255</u>                              | <u>3,334</u>                            | <u>33,519</u>                                | <u>140,325</u>                |

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31st March, 2001 (the three months ended 31st March, 2000: Nil).

## FINANCIAL PERFORMANCE

The financial results of the Group for the first quarter in 2001 showed a remarkable growth and improvements compared to the financial results for the same period in 2000. Turnover of the Group for the three months ended 31st March, 2001 amounted to approximately RMB38,798,000, representing an increase of 30.2% compared to the same period in 2000, which could be attributed to the significant increase in sales of *K/3* ERP software of the Group during the first quarter in 2001. Gross profit of the Group increased by approximately 26.0% from approximately RMB24,162,000 to approximately RMB30,435,000. In accordance with the Group's strategy to provide quality technical support services to its customers, cost of sales increased from approximately RMB5,634,000 to approximately RMB8,363,000. Profit attributable to shareholders for the three months ended 31st March, 2001 amounted to approximately RMB2,045,000.

## BUSINESS REVIEW

Kingdee International Software Group Company Limited (“Kingdee International” or the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) was successfully listed on the GEM on 15th February, 2001, whereby net proceeds of approximately HK\$72,000,000 has been raised. Capitalising on the opportunity of listing, the Group had placed more emphasis on the research and development (“R&D”) of new products, market expansion and customer service, and remarkable results have been obtained.

Being one of the leading providers and developers of software products in the PRC, the Group has established its strong leading position in the industry. Enterprise application software products such as the *K/3* ERP software, *KINGDEE 2000* accounting software are still the core business of the Group. In accordance with the Group’s strategy, the revenue structure had been basically switched from accounting software to Enterprise Resource Planning (“ERP”) software as the core software product. In addition, the Group continued to invest in the development of system infrastructure software, ASP platform products and technical support and services.

During the period under review, the R&D centre of the Group continued in the upgrading development of the Company’s products and the research on new versions of the products, with the new addition of product modules and controlling components for *K/3* ERP software on production line management and management accounting, optimization and enhancement to the existing modules, and proceeded with the prototype design of new product versions and solution demonstration. During the period under review, the Group completed the R&D of a new generation of *K/3* CRM (Customer Relationship Management) products and the testing of alpha version, whereas the testing of beta version is going on. At the same time, the Group’s R&D division commenced the research on the SCM (Supply Chain Management).

Shenzhen Apusic Software Co., Ltd., one of the Group’s subsidiaries, since the launching of its first generation application server product in December last year, has been devoting in the R&D of the first generation upgrading product and incubation of the middleware market. In order to capitalise on the competitive edge of its own brand to operate and to explore the market more smoothly, Shenzhen Apusic Software Co., Ltd. was renamed as Shenzhen Kingdee Middleware Co., Ltd. (“Kingdee Middleware”) in the first quarter of this year, and has been actively seeking further cooperation opportunities with various software and hardware suppliers. In view of the fact that pure Java application servers are still at the initial stage in the PRC, the market still needs further incubation. Therefore, apart from active promotion of the Apusic Application Server, Kingdee Middleware also commenced the provision of consultation service of the corresponding Apusic Application Server and Java technology.

Customer technical support services play an important role in the Group’s operations. During the period under review, the Group continued to proceed with the service strategy, implementing post rotation and further training of service personnel, and to fully implement the service models of “Six Steps Implementation” and “Blue Chain Ring”, thereby actively promoting the transformation of the Group’s operation from accounting software to management software.

According to the survey of CCID on the PRC software market in 2000-2001, the ERP management software of the Company represented 10% market share in the PRC in 2000. The Company also ranked first in terms of the market share of domestic ERP enterprise management software, highlighting the competitive edge of the Group in the ERP software. Capitalising on the opportunity of the listing on the GEM, the Group had proceeded with broad and in-depth marketing activities, which enhanced the Company's brand names considerably and further strengthened its competitive edge. Market sales during the first quarter achieved a growth of approximately 30.2% over the same period of last year, especially in the Southern and Eastern regions of the PRC, where marked growth was seen. Sales figures arising from large projects were even more impressive.

## **PROSPECTS**

In view of the further needs of the Group for future business expansion after the listing of its shares on the GEM, the Group plans to set up R & D centres in Beijing and Shanghai during the second quarter of the year. These centres are mainly responsible for the undertaking of part of the development tasks drawn up centrally by the R&D centre of the Group. In respect of *K/3* products, considerable efforts are to be made on the development of Web version products, management accounting systems and group control systems to meet the demand of major customers. The Group will also make great efforts in the development of new *KINGDEE 2000* products to replace the existing *KINGDEE 2000* products and to achieve integrated application with *K/3* products, while at the same time proceed with the development of the new generation of products.

For the overall consideration on future market strategies, the Group plans to strengthen the establishment of the market centre in Beijing, to implement the improvement of sales channels as well as the establishment of regional market centres, and to integrate and optimise the deployment of sales models. The Group plans to set up offices in Hong Kong and overseas in the second quarter of the year, and gradually implement the expansion plans for the Group's international operations. In respect of marketing, the Group will make use of various kinds of media for a series of market presentation, promotion activities as well as service promotion and customer forum meetings.

Kingdee Middleware will continue to proceed with sales and consultation services involving the Apusic Application Server products, and it is planned that the Apusic Application Server V1.1 will be launched shortly in the second quarter of the year as the major product of Kingdee Middleware to be promoted in the third quarter of the year.

The various operations of Kingdee International are in brisk development, and the Group expects that better results will be achieved in the remaining of the year.

## INTERESTS OF DIRECTORS IN EQUITY SECURITIES

As at 31st March, 2001, the beneficial interests of the Directors (within the meaning of the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong) (“SDI Ordinance”) required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they are taken or deemed to have been taken under section 31 of, or Part 1 of the Schedule to the SDI Ordinance), or required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein, or required pursuant to Rules 5.40 to 5.59 of the Rules Governing the Listing of Securities on the GEM (“GEM Listing Rules”) to be notified to the Company and the Stock Exchange, were as follows:

### (a) The Company

| Name of Directors | Number of shares | Nature of interests      | Approximate percentage of interest |
|-------------------|------------------|--------------------------|------------------------------------|
| Xu Shao Chun      | 83,606,250       | Corporate<br>(note 1)    | 19.11%                             |
|                   | 39,550,000       | Other<br>(notes 2 and 3) | 9.04%                              |
| Xu Wen Hui        | 2,754,500        | Personal<br>(note 4)     | 0.63%                              |
|                   | 1,599,500        | Other<br>(note 3)        | 0.37%                              |
| Zhang Wen Xing    | 58,310,000       | Corporate<br>(note 5)    | 13.33%                             |
|                   | 39,550,000       | Other<br>(notes 2 and 3) | 9.04%                              |

### (b) Guangdong Kingdee Software Technology Co. Ltd.

| Name of Directors | Amount of registered capital | Nature of interests   | Percentage of interest |
|-------------------|------------------------------|-----------------------|------------------------|
| Xu Shao Chun      | RMB250,000                   | Corporate<br>(note 6) | 50%                    |

Notes:

1. The 83,606,250 shares were held by Oriental Gold Limited.



2. Of the 39,550,000 shares, 37,950,500 shares were held by Project China Limited, a company wholly-owned by Mr. Zhang Wen Xing, as nominee for 154 employees of the Group (including Mr. Xu Wen Hui, an executive director), one former employee of the Group and a consultant of the Group who have granted rights of first refusal to Oriental Gold Limited, a company wholly-owned by Mr. Xu Shao Chun, in the future sale of the shares. Each of the 154 employees of the Group had undertaken to Project China Limited that if he/she is, within one year after he/she leaves the employment of the Group, involved in any business which may compete with the Group, Project China Limited will have an option to buy back his/her Shares.
3. Of the 39,550,000 shares, 1,599,500 shares were held by Project China Limited, a company wholly-owned by Mr. Zhang Wen Xing, as trustee of a discretionary trust established for the benefit of all the former and existing employees and consultants of the Group including Mr. Xu Shao Chun and Mr. Xu Wen Hui, executive directors.
4. The 2,754,500 shares were held by Project China Limited as nominee for Mr. Xu Wen Hui.
5. The 58,310,000 shares were held by Billion Ocean Limited.
6. Such registered capital was held by Shenzhen APT Computer Technology Co., Ltd. which was owned as to 90% by Mr. Xu Shao Chun and 10% by Mr. Zhang Wen Xing.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Pursuant to the share option scheme of the Company adopted on 30th January, 2001 (the "Share Option Scheme"), the full-time employees of any company in the Group (including any executive directors of any member of the Group) may be granted options to subscribe for share of HK\$0.10 each of the Company ("Shares"). As at 31st March, 2001, the Company had not granted any share options pursuant to the Share Option Scheme.

Pursuant to the terms of the pre-IPO share option scheme adopted on 30th January, 2001 ("Pre-IPO Share Option Scheme"), options to subscribe for 1,000,000 Shares and 300,000 Shares respectively were granted to Huang Xiao Jian, Vice President of Shenzhen Kingdee, and Liu Fan, General Manager of Shenzhen Kingdee's Beijing branch office, both being full-time employees of the Group, at a subscription price equal to HK\$1.03, i.e. the price per share at which the Shares were offered under the placing of 87,500,000 Shares in February 2001.

On 1st February, 2001, the Company received acceptances of the offers for grant of share options to subscribe for and aggregate of 1,300,000 Shares from Huang Xiao Jian and Liu Fan. All of these options have a duration of 10 years from the date on which dealings in the Shares commenced on GEM (i.e. 15th February, 2001, "listing date") provided that the options can only be exercised in respect of up to 25%, 50% and 75% of the underlying Shares within 12 months, 24 months and 36 months respectively from the listing date.

As at 31st March, 2001, Huang Xiao Jian and Liu Fan had not exercised any share options to subscribe for shares.

Save as disclosed above, the Company has not granted or agreed to grant any share options pursuant to the Pre-IPO Share Option Scheme.

Save as disclosed in the section headed “Interests of directors in equity securities” and apart from the above, at no time during the three months ended 31st March, 2001 was the Company, its fellow subsidiaries or its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in the Company.

## SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2001, the register maintained under Section 16(1) of the SDI Ordinance for substantial shareholders shows that shareholders interested in 10% or more of the issued share capital of the Company are as follows:

| Name                                    | Number<br>of Shares | Approximate<br>percentage of<br>share capital |
|---|---------------------|---|
| IDG Technology Venture Investment, Inc. | 87,500,000          | 20.00%  |
| International Data Group, Inc.          | 87,500,000 (Note 1) | 20.00%  |
| Oriental Gold Limited                   | 83,606,250          | 19.11%  |
| Mr. Xu Shao Chun                        | 83,606,250 (Note 2) | 19.11%  |
| Ms. Chao Shi Yan                        | 81,033,750          | 18.52%  |
| Billion Ocean Limited                   | 58,310,000          | 13.33%  |
| Mr. Zhang Wen Xing                      | 58,310,000 (Note 3) | 13.33%  |
|   | 1,599,500 (Note 4)  | 0.37%   |

Notes:

1. The Shares were held by IDG Technology Venture Investment, Inc., a company wholly-owned by International Data Group, Inc.
2. The Shares were held by Oriental Gold Limited, a company wholly-owned by Mr. Xu Shao Chun.

Each of the 156 employees, former employee and consultant of the Group had given Oriental Gold Limited a right of first refusal in respect of future sale of an aggregate of 37,950,500 Shares held through Project China Limited.

In addition to the 83,606,250 Shares held by Oriental Gold Limited, Mr. Xu Shao Chun was also interested in 1,599,500 Shares as one of the discretionary objects of the discretionary trust set up for the benefit of the existing and former employees and consultant of the Group which such Shares were held by Project China Limited.

3. The Shares were held by Billion Ocean Limited, a company wholly-owned by Mr. Zhang Wen Xing.
4. The Shares were held by Project China Limited, a company wholly-owned by Mr. Zhang Wen Xing, as trustee of a discretionary trust set up for the benefit of the existing and former employees and consultants of the Group (including Mr. Xu Shao Chun and Mr. Xu Wen Hui, executive directors). In addition, Project China Limited held an aggregate of 37,950,500 Shares as nominee for 154 employees of the Group (including Mr. Xu Wen Hui, an executive director), one former employee of the Group and a consultant of the Group, who is an employee of IDG. Each of the 154 employees of the Group had also undertaken to Project China Limited that if he/she is, within one year after he/she leaves the employment of the Group, involved in any business which may compete with the Group, Project China Limited will have an option to buy back his/her Shares.

## PURCHASE, SALE OR REDEMPTION OF SHARES

None of the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities for the three months ended 31st March, 2001.

## CHANGE OF DIRECTORS

Pursuant to article 116 of the articles of association of the Company, Mr. Wang Shu retired by rotation at the first annual general meeting of the Company held on 26th April, 2001 (“AGM”). However, Mr. Wang Shu had notified the Company that, due to his personal reasons, he decided not to offer himself for re-election as a non-executive director of the Company at the AGM. In accordance with articles 117 and 120 of the articles of association of the Company, the Board recommended Mr. Hugo Shong be elected as a non-executive director at the AGM.

Mr. Shong was elected as the non-executive Director of the Company at the AGM in place of Mr. Wang Shu with effect from the closure of the AGM.

## COMPETING INTEREST

None of the directors had an interest in a business which competes or may compete with the business of the Group. International Data Group, Inc. (“IDG”) and IDG Technology Venture Investment, Inc. (“IDGVC”), being the Initial Management Shareholders of the Company (as defined in the GEM Listing Rules), had direct and indirect shareholding interests and board representations in the following business in the PRC that compete or may compete with the business of the Group:

| <b>Name of company invested</b>              | <b>Nature of business</b>                    | <b>Shareholding interests owned by IDGVC</b> | <b>Number of board members representing IDGVC</b>                                      |
|--|--|--|--|
| SuperData Technology (Asia) Limited          | Accounting and inventory management software | 28.4%  | 2 non-executive directors (out of 7 non-executive directors on the board of directors) |
| Zhuhai Yuanguang Xinjiyuan Software Co. Ltd. | Financial software system for power industry | 5.5%   | nil  |

Save as disclosed above, the other investments of IDG and IDGVC and their respective associates were not engaged in business in the PRC that competed or might compete with the business of the Group. Although neither IDG nor IDGVC is involved in the day-to-day management of the companies operating such competing business, there is no assurance that in future, IDG or IDGVC will not be engaged, directly or indirectly, in any other business that compete or may compete with the business of the Group.

## **SPONSOR'S INTEREST**

As at 31st March, 2001, none of the Company's sponsor, BNP Paribas Peregrine Capital Limited, its directors, employees or associates hold any interest in the securities of the Company or any member of the Group, or the right to subscribe for or to nominate persons to subscribe for securities in the Company or any member of the Group.

Pursuant to the sponsorship agreement dated 1st February, 2001 entered into between the Company and BNP Paribas Peregrine Capital Limited, BNP Paribas Peregrine Capital Limited will receive usual sponsorship fees for acting as the Company's retained sponsor for the period from 15th February, 2001 to 31st December, 2003.

## **AUDIT COMMITTEE AND ITS DUTIES**

The audit committee of the Company was established on 1st February, 2001, which comprises of Mr. Xu Wen Hui, executive director, Ms. Yang Zhou Nan and Mr. Zhu Qi Heng, both being the independent non-executive directors. Mr. Zhu Qi Heng is the Chairman of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The second meeting of the audit committee was convened and held on 9th May, 2001 to review the accounts of the Group, and providing advice and recommendations to the Board.

On behalf of the Board

**Kingdee International Software Group Company Limited**

**Xu Shao Chun**

*Chairman*

Hong Kong, 11th May, 2001