



**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 THIRD QUARTER ENDED**  
**30TH SEPTEMBER, 2001**

**Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

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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 nine months ended 30th September, 2001

- Turnover increased by approximately 25.9% over the same period in 2000 to approximately RMB135,576,000.
- Profit attributable to shareholders increased by approximately 118.2% over the same period in 2000 to approximately RMB14,419,000.
- Basic earnings per share increased by approximately 80.6% over the same period in 2000 to approximately RMB3.409cents.

The board of directors (the “Board”) of Kingdee International Software Group Company Limited (“Kingdee International” or the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 30th September, 2001, together with the comparative unaudited consolidated figures for the corresponding periods in 2000 as follows:

	<i>Notes</i>	Three months ended 30th September,		Nine months ended 30th September,	
		2001 unaudited <i>RMB'000</i>	2000 unaudited <i>RMB'000</i>	2001 unaudited <i>RMB'000</i>	2000 unaudited <i>RMB'000</i>
Turnover	2	47,554	41,592	135,576	107,665
Cost of sales		(10,858)	(9,626)	(26,779)	(21,973)
Gross profit		36,696	31,966	108,797	85,692
Selling expenses		(23,299)	(18,079)	(65,271)	(55,635)
General and administrative expenses		(11,591)	(9,561)	(31,088)	(23,087)
Other income, net		1,986	(63)	2,991	(23)
Operating profit		3,792	4,263	15,429	6,947
Investment income (loss), net		(101)	—	(101)	—
Finance income (costs), net		982	(210)	1,065	(376)
Share of results of an associate		—	(54)	(203)	(54)
Profit before taxation		4,673	3,999	16,190	6,517
Taxation	3	(224)	(129)	(2,104)	(370)
Profit after taxation		4,449	3,870	14,086	6,147
Minority interests		(118)	(580)	333	460
Profit attributable to shareholders		4,331	3,290	14,419	6,607
Dividends		—	—	—	—
Earnings per share -					
- basic	4	RMB0.989 cents	RMB0.940 cents	RMB3.409 cents	RMB1.888 cents
- diluted	4	RMB0.984 cents	N/A	RMB3.406 cents	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. Listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM”) commenced 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 nine months ended 30th September, 2001 and 30th September, 2000 respectively.

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>Nine months ended</b>	
	<b>30th September,</b>		<b>30th September,</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>unaudited</b>	<b>unaudited</b>	<b>unaudited</b>	<b>unaudited</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of software	42,977	34,428	119,476	86,316
Sales of hardware	218	199	1,602	3,117
Technical support service income	4,359	6,965	14,498	18,232
	<u>47,554</u>	<u>41,592</u>	<u>135,576</u>	<u>107,665</u>

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

### 3. Taxation

Taxation represents:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30th September,</b>		<b>30th September,</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>unaudited</b>	<b>unaudited</b>	<b>unaudited</b>	<b>unaudited</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China income tax				
- Current income tax	1,588	476	3,664	717
- Deferred income tax relating to the origination and reversal of temporary differences	(1,364)	(347)	(1,560)	(347)
	<u>224</u>	<u>129</u>	<u>2,104</u>	<u>370</u>

As the Group had no income assessable for profit tax in the Cayman Islands or in Hong Kong for the nine months ended 30th September, 2001 (the nine months ended 30th September, 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" Shen Fu [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 per share

Earnings 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.

Basic earnings per share for the three months and nine months ended 30th September, 2001 had been calculated by dividing profit attributable to shareholders of approximately RMB4,331,000 and RMB14,419,000 respectively (the three months and nine months ended 30th September, 2000 were approximately RMB3,290,000 and RMB6,607,000 respectively) by the weighted average number of 437,750,000 shares and 423,002,000 shares respectively (the three months and nine months ended 30th September, 2000: 350,000,000 shares) in issue during the period.

Diluted earnings per share for the three months and nine months ended 30th September, 2001 had been calculated by dividing diluted profit attributable to shareholders of approximately RMB4,335,000 and RMB14,438,000 respectively by the weighted average number of 440,520,000 shares and 423,896,000 shares respectively after adjusting for the effects of all potential dilutive shares during the period.

No diluted earnings per share were presented for the three months and nine months ended 30th September, 2000 as there was no dilutive potential ordinary shares issued during the period.

## 5. Movements of capital and reserves

Movements in the capital and reserves of the Group for the three months and nine months ended 30th September, 2001 and the three months and nine months ended 30th September, 2000 were as follows:

	Share Capital unaudited <i>RMB'000</i>	Share Premium unaudited <i>RMB'000</i>	Merger Reserve unaudited <i>RMB'000</i>	Capital Reserve unaudited <i>RMB'000</i>	Reserve Fund unaudited <i>RMB'000</i>	Retained Earnings unaudited <i>RMB'000</i>	Total unaudited <i>RMB'000</i>
Balances as at							
1st July, 2000	6,677	—	—	19,255	2,983	12,778	41,693
Reorganization issue	(6,570)	—	6,570	—	—	—	—
Profit for the period	—	—	—	—	—	3,290	3,290
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Balances as at							
30th September, 2000	<u>107</u>	<u>—</u>	<u>6,570</u>	<u>19,255</u>	<u>2,983</u>	<u>16,068</u>	<u>44,983</u>
Balances as at							
1st July, 2001	46,813	30,834	6,570	19,255	3,334	41,562	148,368
Disposal of investment	—	—	—	(284)	—	—	(284)
Execution of options	27	249	—	—	—	—	276
Profit for the period	—	—	—	—	—	4,331	4,331
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Balances as at							
30th September, 2001	<u>46,840</u>	<u>31,083</u>	<u>6,570</u>	<u>18,971</u>	<u>3,334</u>	<u>45,893</u>	<u>152,691</u>
Balances as at							
1st January, 2000	6,677	—	—	19,255	2,983	9,461	38,376
Reorganization issue	(6,570)	—	6,570	—	—	—	—
Profit for the period	—	—	—	—	—	6,607	6,607
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Balances as at							
30th September, 2000	<u>107</u>	<u>—</u>	<u>6,570</u>	<u>19,255</u>	<u>2,983</u>	<u>16,068</u>	<u>44,983</u>
Balances as at							
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 (net amount having taken into account issuing expenses of approximately RMB18,894,000)	9,363	68,177	—	—	—	—	77,540
Disposal of investment	—	—	—	(284)	—	—	(284)
Execution of options	27	249	—	—	—	—	276
Profit for the period	—	—	—	—	—	14,419	14,419
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Balance as at							
30th September, 2001	<u>46,840</u>	<u>31,083</u>	<u>6,570</u>	<u>18,971</u>	<u>3,334</u>	<u>45,893</u>	<u>152,691</u>

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30th September, 2001 (the nine months ended 30th September, 2000: Nil).

## FINANCIAL PERFORMANCE

The financial results of the Group for the first nine months in 2001 showed remarkable growth and improvements as compared to the corresponding period in 2000. During the period under review, turnover amounted to approximately RMB135,576,000, representing an increase of approximately 25.9% as compared to the corresponding period in 2000, and was attributable to the significant increase in sales of the Group's *K/3 ERP* software during the first nine months in 2001. Gross profit of the Group increased by approximately 27.0% from approximately RMB85,692,000 to approximately RMB108,797,000. In accordance with the Group's strategy to provide quality technical support services to its customers, cost of sales increased from approximately RMB21,973,000 to approximately RMB26,779,000. Profit attributable to shareholders for the nine months ended 30th September, 2001 amounted to approximately RMB14,419,000.

## BUSINESS REVIEW

During the period under review, the Group continued to focus on the research and development ("R&D") and sales of its leading products *K/3 ERP* software, where remarkable growth in sales and turnover have been achieved as compared to the same period in 2000. The share of *K/3 ERP* sales to the total turnover was 55.7% in 2001, increased from 40.6% of the same period in 2000. The Group's dominant position on ERP market in the PRC has been further strengthened.

In order to cope with customers' needs, the R&D centre of the Group has been preparing the development of new versions of *K/3 ERP* software. After almost one year's development, the *K/3 CRM* (Customer Relationship Management) software was launched in the third quarter of this year.

The *K/3 CRM* software is a internet-based new strategic product, which is applied in CRM field, with comprehensive functions covering sales, marketing and services in relation to customers. The characteristics of the product include seamless connection to the *K/3 ERP*, pure JAVA development, off-line application, and multi-language support etc. It is the first set of CRM software product applied in large-size enterprises in the PRC. After the launch of the product, Kingdee received its first CRM product order from a Shenzhen tobacco enterprise.

During the period under review, the Group has entered into a "Software Cooperation Agreement" with IBM. Both parties will establish close cooperation in software development, technology interflow, training, marketing and sales, etc.

Shenzhen Kingdee Middleware Co., Ltd. (“Kingdee Middleware”), a subsidiary of the Group, has launched the new version V1.1.2 of Apusic Application Server during the third quarter of the year. This product was awarded the first prize in the Fourth China International Software Fair. Changing the situation where no core technology was previously contained in Chinese software products and breaking the overseas monopolization in helping government and enterprises to construct a low-cost, safe, and reliable e-business system, Kingdee Middleware has accomplished a significant breakthrough.

During the third quarter of the year, the Group held a series of promotion activities of enterprise management digitalized application solution from June 2001 onwards. Through these nationwide large-scale activities, the Group exhibited its advanced and reliable enterprise application software products and its superb enterprise digitalized system solutions. While achieving great results to enhance the Group’s image and expand its market sales. Kingdee International’s Hong Kong office that was established in the middle of this year has recruited employees and advanced its overseas marketing strategy. It has successfully received several orders and had detailed negotiation with customers.

During the period under review, the Group had succeeded in pushing forward several implementation projects with large enterprises in the fields of securities, telecommunication and electronic industry, which operated well and were highly appreciated by the customers. The Group has carried out training sessions on the application and implementation of software to customers and service personnel of the Company, and has also arranged relevant training sessions for its staff of subsidiaries which commenced the nomination of ISO9001 certification application. Kingdee International has achieved the results from several measures to improve the service that have been commenced since the beginning of this year and has led to an increasing customer satisfactory.

Along with the new phase of Chinese management software development, the Group has set up strategic goals for further development and transformation in R&D, marketing and services. During the period under review, the Group continued to construct its regional sales hubs and commenced to develop industry marketing, and has also achieved remarkable results in financial industry. In order to enhance the company’s competitiveness and to serve customers better, the Group has commenced the constructions of integrated sales service system and the bases of knowledge and cases of *K/3* solutions.

## PROSPECTS

According to the business plans, the Group will continue to emphasize on the R&D of the **K/3 ERP** new generation products. To accomplish the needs of the enterprise application, some new function modules will be added to the new versions to improve and enhance the products in order to meet customers' higher requirements.

Preparing for the up coming slack season, the Group will focus on sales, marketing and services to enhance the proximity, the integrity and systematism of the entire management system, and to expand the channel network, to implement the business plan, to strengthen the deployment to the industry market, and enhance the cooperation and liaison between the R&D and marketing service division.

For the next phase, considerable efforts are to be made in the promotion of the enterprise application software products, such as CRM products, new versions of **K/3 ERP** products and the EVA<sup>®</sup> products, etc. The Group will hold and take part in a series of activities, as well as to arrange assignments for sales, training, channel construction, industry market, typical clients and services. The various operations of Kingdee International are already in brisk development, and the Group expects that better results will be achieved in this year.



## INTERESTS OF DIRECTORS IN EQUITY SECURITIES

As at 30th September, 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 (note 1)	83,606,250	Corporate (note 2)	19.10%
	1,599,500	Other (note 3)	0.37%
Xu Wen Hui	2,754,500	Personal	0.63%
	1,599,500	Other (note 3)	0.37%
Zhang Wen Xing (note 1)	58,310,000	Corporate (note 4)	13.32%
	1,599,500	Other (note 3)	0.37%
Hugo Shong	5,250,000	Personal	1.20%
	1,599,500	Other (note 3)	0.37%

### (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 (note 5)	50%

Notes:

- In February 2001, Oriental Gold Limited was granted rights of first refusal in the future sale of 37,950,500 shares held by 154 employees of the Group (including Mr. Xu Wen Hui, an executive director), one former employee of the Group and Mr. Hugo Shong, a non-executive director and a consultant of the Group. 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, and has involved in any business which may compete with the Group, Project China Limited will have an option to buy back his/her shares.

2. The 83,606,250 shares were held by Oriental Gold Limited, a company wholly-owned by Mr. Xu Shao Chun.
3. Project China Limited, a company wholly-owned by Mr. Zhang Wen Xing, held 1,599,500 shares 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 58,310,000 shares were held by Billion Ocean Limited, a company wholly-owned by Mr. Zhang Wen Xing.
5. 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.

## **PRE-IPO SHARE OPTION SCHEME**

Pursuant to 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 of HK\$0.10 each of the Company respectively were granted to Mr. Huang Xiao Jian, Vice President of ShenZhen Kingdee, and Mr. Liu Fan, General Manager of Shenzhen Kingdee’s Beijing branch office respectively, both being full-time employees of the Group, at a subscription price equal to HK\$1.03 per share, i.e. the price at which the shares were offered under the placing of 87,500,000 shares in February 2001.

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 from the listing date respectively.

On 2nd July, 2001, Mr. Huang Xiao Jian had exercised his share option to subscribe for 250,000 shares at a subscription price of HK\$1.03 each, representing 25% of the 1,000,000 shares under the said option. Such 250,000 shares were issued and allotted to Huang Xiao Jian on 5th July, 2001.

As at 30th September, 2001, Mr. Liu Fan had not exercised any share option to subscribe for any Shares.

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

## THE SHARE OPTION SCHEME

Pursuant to the share option scheme of the Company adopted on 30th January, 2001 (the “Share Option Scheme”), the full-time employees of any member of the Group (including any executive directors of any member of the Group) may be granted options to subscribe for shares of HK\$0.10 each of the Company.

At the board meeting of the Company held on 27th September, 2001, the Implementation Rules for the Share Option Scheme (the “Implementation Rules”) were approved to serve as a practical guideline for the issue and grant of the share options, and options to subscribe for a total of 1.72 million shares were granted to 33 full-time employees of the Group at a subscription price equal to HK\$1.49 per share.

As at 30th September, 2001, no option had been exercised pursuant to the Share Option Scheme.

## DIRECTOR’S RIGHTS TO ACQUIRE SHARES

Save as disclosed in the sections headed “Interests of Directors in Equity Securities”, “Pre-IPO Share Option Scheme” and “Share Option Scheme”, at no time during the nine months ended 30th September, 2001 was the Company, or any of 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 30th September, 2001, the register maintained under Section 16(1) of the SDI Ordinance for substantial shareholders showed that shareholders interested in 10% or more of the issued share capital of the Company were as follows:

Name	Number of Shares	Approximate percentage of share capital
IDG Technology Venture Investment, Inc.	87,500,000	19.99%
International Data Group, Inc	87,500,000 ( <i>Note 2</i> )	19.99%
Oriental Gold Limited ( <i>Note 1</i> )	83,606,250	19.10%
Mr. Xu Shao Chun ( <i>Note 1</i> )	83,606,250 ( <i>Note 3</i> )	19.10%
Ms. Chao Shi Yan	81,033,750	18.51%
Billion Ocean Limited	58,310,000	13.32%
Mr. Zhang Wen Xing	(i) 58,310,000 ( <i>Note 4</i> )	13.32%
	(ii) 1,599,500 ( <i>Note 5</i> )	0.37%

*Notes:*

1. In February 2001, Oriental Gold Limited was granted rights of first refusal in the future sale of 37,950,500 shares held by 154 employees of the Group (including Mr. Xu Wen Hui, an executive director), one former employee of the Group and Mr. Hugo Shong, a non-executive director and a consultant of the Group. Each of 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.
2. The shares were held by IDG Technology Venture Investment, Inc., a company wholly-owned by International Data Group, Inc.,
3. The shares were held by Oriental Gold Limited, a company wholly-owned by Mr. Xu Shao Chun. 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.
4. The shares were held by Billion Ocean Limited, a company wholly-owned by Mr. Zhang Wen Xing.
5. 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.

## **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 nine months ended 30th September, 2001.

## COMPETING INTERESTS

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 software management	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 INTERESTS

As at 30th September, 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 fourth meeting of the audit committee was convened and held on 6th November, 2001 to review the accounts of the Group, and to provide advice and recommendations to the Board.

On behalf of the Board

**Kingdee International Software Group Company Limited**

**Xu Shao Chun**

*Chairman*

Hong Kong, 8th November, 2001