

# Chairman's Statement



**Market Leadership**  
Strive to become the leader of SME's ERP market in Asia-Pacific region by 2010



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 2006 to our shareholders for consideration.

As at 31 December 2006, the Group's turnover and profit attributable to equity holders of the Company were approximately RMB611,443,000 and RMB97,377,000 respectively, representing an increase of 16% and 35% respectively over the corresponding period of the preceding year. Basic earnings per share were approximately RMB0.22, up 38% from the corresponding period of the year before. Proposed dividend was HK\$0.065 per share. As the Group continued to achieve economies of scale, net profit ratio reached 16%, representing a rise of 2% from the corresponding period in 2005. During the reporting period, the Group was ranked by "Forbes Asia" as one of the 200 best enterprises with an annual income below US\$1 billion in the Asia-Pacific region. "Kingdee" was also recognised as China's well known trademark by State Administration for Industry & Commerce. The success was mainly attributable to the following factors:

1. During the reporting period, the Chinese economy grew rapidly and enterprises faced a pressing need to enhance their management competitiveness. In 2006, China's GDP continued to grow at a rapid pace of 10.7%. While the large number of enterprises represented a driving force behind the rapid development of the Chinese economy, competition amongst these enterprises intensified as well. Enterprises therefore saw a strong need to enhance their management competitiveness through enterprise management software. Moreover, as enterprises sought to strengthen differentiated
2. During the reporting period, the Group launched the "Personalized ERP Plan" based on its insight and forecast of the trend of customer demand for personalization, and became the leader in personalized management software in China. With the launch of its distinctive "Middleware + ERP" solution that catered for the trend of personalization, the Group achieved a breakthrough in growth in the medium and high end markets. It entered into contracts with a large number of large scale corporates and clients which are benchmark enterprises in their industries. These clients act as models for a wide range of large, medium and small sized enterprises, and businesses from these clients consolidated the steady growth and market position of the Group in the small and medium sized enterprise markets.
3. During the reporting period, clients awareness of service value and their acceptance of non-gratuitous services further increased. Leveraging on its large client base, the Group focused on strengthening the sales of service to existing customers and resulted in a rapid growth in service revenue, which has become one of the important sources of the Group's growth.
4. During the reporting period, the Group continued to strengthen its cost control, resulting in a lower overall growth in cost than the growth in turnover and achieving sustained economies of scale.

With the rapid development of the Chinese economy and the trend of growing corporate clients demand for personalization, the scale of the enterprise management software market will continue to expand and the market will further focus on branded manufacturers with core technology, strong service capability and client base. The Group is highly confident of its future development and will continue to implement the "Personalized ERP Plan" and cater for new development trend. Our target is to become the No.1 company in the ERP market with a focus on small and medium sized enterprises in the Asia-Pacific region, the No.1 brand in China enterprise application software market and the leader in China middleware software market.

In 2007, the Group appointed Mr. Ho Ching-hua as the new Chief Executive Officer. The appointment will serve to further enhance corporate governance, strengthen the senior management team and consolidate strategic execution. I believe that 2007 will be an even more fruitful year for the Group, driven by more effective implementation of the Group's development strategies and the further consolidation of the Group's market position.

Finally, I would like to take this opportunity to express my heartfelt gratitude to the Board, the management and all the staff for their dedication, and to our shareholders, business partners and customers for their relentless support.

**Xu Shao Chun**  
Chairman of the Board of Directors  
Shenzhen, The People's Republic of China  
30 March 2007