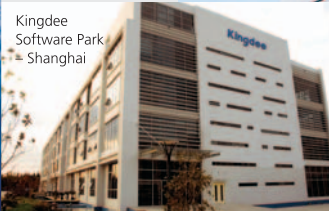


Kingdee Software Park  
– Shenzhen



Kingdee  
Software Park  
– Shanghai



# KINGDEE, ENTERPRISE MANAGEMENT EXPERT

INTERIM REPORT 2010

**Kingdee**

Kingdee International Software Group Company Limited

Stock Code: 268



Kingdee Software Park – Shenzhen



**KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY  
LIMITED**

**金蝶國際軟件集團有限公司**

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

**(Stock Code: 268)**

**INTERIM REPORT  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

**Financial highlights for the six months ended 30 June 2010**

- Turnover increased by 21.28% over the same period in 2009 to approximately RMB534,312,000
- Profit for the period increased by 12.10% over the same period in 2009 to approximately RMB85,844,000
- Profit attributable to equity holders of the Company during the period increased by 18.58% over the same period in 2009 to approximately RMB88,726,000
- Basic earnings per share for profit attributable to the equity holders of the Company during the period increased by approximately 16.02% over the same period in 2009 to RMB4.404 cents

The board (the “Board”) of directors (the “Directors”) of Kingdee International Software Group Company Limited (the “Company”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010 are as follows:

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2010

		Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	315,558	327,045
Land use rights	6	81,463	81,785
Intangible assets	5	298,647	193,916
Investment properties	7	272,929	236,511
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>968,597</b>	<b>839,257</b>
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		2,466	2,023
Trade and other receivables	8	250,046	200,692
Due from customers on implementation contracts		126,062	89,696
Pledged bank deposits		175	175
Short-term bank deposits		45,990	111,490
Cash and cash equivalents		458,059	519,790
		<hr/>	<hr/>
<b>Total current assets</b>		<b>882,798</b>	<b>923,866</b>
		<hr/>	<hr/>
<b>Total assets</b>		<b>1,851,395</b>	<b>1,763,123</b>
		<hr/> <hr/>	<hr/> <hr/>

# CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2010

	<i>Notes</i>	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	9	54,166	53,812
Share premium	9	402,567	381,374
Other reserves		403,069	388,119
Retained earnings			
– Proposed final dividend		—	39,776
– Others		467,814	379,264
		<hr/>	<hr/>
		1,327,616	1,242,345
<b>Non-controlling interest</b>		6,833	9,715
		<hr/>	<hr/>
<b>Total equity</b>		1,334,449	1,252,060
		<hr/>	<hr/>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	11	40,000	—
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		40,000	—
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	10	245,163	283,982
Borrowings	11	20,046	57,378
Due to customers on implementation contracts		106,892	82,002
Deferred income		93,574	78,091
Deferred income tax liabilities		11,271	9,610
		<hr/>	<hr/>
<b>Total current liabilities</b>		476,946	511,063
		<hr/>	<hr/>
<b>Total liabilities</b>		516,946	511,063
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		1,851,395	1,763,123
		<hr/> <hr/>	<hr/> <hr/>
<b>Net current assets</b>		405,852	412,803
		<hr/> <hr/>	<hr/> <hr/>
<b>Total assets less current liabilities</b>		1,374,449	1,252,060
		<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2010

	Notes	Unaudited	
		Six months ended 30 June	
		2010	2009
		RMB'000	RMB'000
Turnover	12	534,312	440,574
Cost of sales	14	(112,111)	(91,637)
Gross profit		422,201	348,937
Selling and marketing expenses	14	(316,602)	(245,849)
Administrative expenses	14	(79,158)	(77,464)
Research and development costs	14	(49,211)	(42,110)
Other gains-Net	13	109,060	92,112
Operating profit		86,290	75,626
Finance costs-Net		741	(19)
Profit before income tax		87,031	75,607
Income tax expense	15	(1,187)	970
Profit for the period		85,844	76,577
Attributable to			
Equity holders of the Company		88,726	74,826
Non-controlling interest		(2,882)	1,751
		85,844	76,577
Earnings per share for profit attributable to the equity holders of the Company			
– basic	16	RMB 4.404 cents	RMB 3.796 cents
– diluted	16	RMB 4.131 cents	RMB 3.665 cents

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Unaudited	
	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
<b>Profit for the period</b>	<b>85,844</b>	76,577
Fair value gains of buildings before transferred to investment properties, net of tax	<b>14,950</b>	26,251
<b>Total comprehensive income for the period</b>	<b>100,794</b>	102,828
<b>Total comprehensive income attributable to:</b>		
– Equity holders of the Company	<b>103,676</b>	101,077
– Non-controlling interest	<b>(2,882)</b>	1,751
	<b>100,794</b>	102,828

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

(All amounts in Renminbi thousand unless otherwise stated)

	Unaudited							
	Attributable to equity holders of the Company						Non- controlling interest	Total equity
	Notes	Share capital	Share premium	Other reserves	Retained earnings	Total		
<b>Balance at 1 January 2009</b>		50,923	241,194	343,160	261,887	897,164	8,780	905,944
Profit for the year		—	—	—	212,479	212,479	935	213,414
Other comprehensive income		—	—	26,846	—	26,846	—	26,846
<b>Total comprehensive income</b>		—	—	26,846	212,479	239,325	935	240,260
Employees share option scheme:								
– Value of employee services	9	—	15,859	—	—	15,859	—	15,859
– Proceeds from shares issued	9	909	20,628	—	—	21,537	—	21,537
Issue of shares	9	1,980	103,693	—	—	105,673	—	105,673
Appropriation to reserve funds		—	—	18,113	(18,113)	—	—	—
Dividend relating to 2008	17	—	—	—	(37,213)	(37,213)	—	(37,213)
<b>Balance at 31 December 2009</b>		<u>53,812</u>	<u>381,374</u>	<u>388,119</u>	<u>419,040</u>	<u>1,242,345</u>	<u>9,715</u>	<u>1,252,060</u>
<b>Balance at 1 January 2010</b>		<u>53,812</u>	<u>381,374</u>	<u>388,119</u>	<u>419,040</u>	<u>1,242,345</u>	<u>9,715</u>	<u>1,252,060</u>
Profit for the period		—	—	—	88,726	88,726	(2,882)	85,844
Other comprehensive income		—	—	14,950	—	14,950	—	14,950
<b>Total comprehensive income</b>		—	—	14,950	88,726	103,676	(2,882)	100,794
Employees share option scheme:								
– Value of employee services	9	—	9,668	—	—	9,668	—	9,668
– Proceeds from shares issued	9	354	11,525	—	—	11,879	—	11,879
Dividend relating to 2009	17	—	—	—	(39,952)	(39,952)	—	(39,952)
<b>Balance at 30 June 2010</b>		<u>54,166</u>	<u>402,567</u>	<u>403,069</u>	<u>467,814</u>	<u>1,327,616</u>	<u>6,833</u>	<u>1,334,449</u>

# CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2010

	Unaudited	
	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
<b>Cash flows from operating activities:</b>		
Cash generated from operations	87	(30,690)
Income tax paid	(1,187)	(5,132)
<b>Net cash used in operating activities</b>	<b>(1,100)</b>	<b>(35,822)</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(10,072)	(52,025)
Proceeds from sales of property, plant and equipment	436	101
Additions of intangible assets	(93,357)	(64,294)
Increase in pledged bank deposits	—	1,938
Decrease/(Increase) in short-term bank deposits	65,500	(743)
Interest received	2,267	2,050
<b>Net cash used in investing activities</b>	<b>(35,226)</b>	<b>(112,973)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of shares	11,879	110,190
Proceeds from borrowings	40,000	37,378
Repayment of borrowings	(37,332)	(9,500)
Dividends paid to Company's shareholders	(39,952)	(37,384)
<b>Net cash generated/(used in) from financing activities</b>	<b>(25,405)</b>	<b>100,684</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(61,731)</b>	<b>(48,111)</b>
Cash and cash equivalents at beginning of the period	519,790	423,640
<b>Cash and cash equivalents at end of the period</b>	<b>458,059</b>	<b>375,529</b>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. General information

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 its subsidiaries 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 condensed consolidated interim financial statements are presented in thousands of Renminbi (RMB'000), unless otherwise stated. These condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 18 August 2010.

## 2. Basis of preparation

This unaudited condensed consolidated interim financial information for the half-year ended 30 June 2010 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The unaudited condensed consolidated interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with International Financial Reporting Standards.

## 3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### (a) *New and amended adopted by the Group*

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

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 3. Accounting policies *(Continued)*

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

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are 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 either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

### *(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group*

IFRIC-Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

'Additional exemptions for first-time adopters' (Amendment to IFRS 1) is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

IAS 39 (Amendment), 'Eligible hedged items' is effective for annual period on or after 1 July 2009. That is not currently applicable to the Group, as it has no hedging.

IFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after 1 January 2010. 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.

First improvements to International Financial Reporting Standards (2008) were issued in May 2008 by the IASB. The improvement related to IFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009.

Second improvements to International Financial Reporting Standards (2009) were issued in April 2009 by IASB. All improvements are effective in the financial year of 2010

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 3. Accounting policies *(Continued)*

- (c) *The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:*

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 six months ended 30 June 2010. It is not expected to have a material impact on the Group or Company's financial statements.

IAS 24 (Revised) 'Related party disclosures' supersedes IAS 24 'Related party disclosures' issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011. Earlier application, for either the entire standard or the government-related entity, is permitted. The Group will apply the revised IAS 24 from 1 January 2011.

Under 'Classification of rights issues' (Amendment to IAS 32), for rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 3. Accounting policies *(Continued)*

- (c) *The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted: (Continued)*

Amendments to IFRIC Int-14 'Prepayments of a minimum funding requirement' corrects an unintended consequence of IFRIC Int-14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset for any surplus arising from the voluntary prepayment of minimum funding contributions in respect of future service. This was not intended when IFRIC Int-14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. This is not currently applicable to the Group.

IFRIC –Int 19, 'Extinguishing financial liabilities with equity instruments' clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

'Limited exemption from comparative IFRS 7 disclosures for first-time adopters' (Amendment to IFRS 1) provide first-time adopters with the same transition provisions as included in the amendment to IFRS 7 in relation to relief from presenting comparative information that ended before 31 December 2009 for new fair value disclosures requirements. This is required to be applied for annual periods beginning on or after 1 July 2010. Early adoption is permitted. This is not relevant to the Group, as it is an existing IFRS preparer.

Third improvements to International Financial Reporting Standards (2010) were issued in May 2010, by both IASB. All improvements are effective in the financial year of 2011.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4. Segment information

The chief operating decision-maker has been identified as the board of executive directors of the Company. The board of executive directors reviews 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 and Service 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 six months ended 30 June 2009 had been restated to conform to current period presentation in accordance with IFRS8.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4. Segment information (Continued)

The unaudited segment information for the six months ended 30 June 2010 is as follows:

	<b>Enterprise management software and service business</b>	<b>Others</b>	<b>Unallocated</b>	<b>The Group Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue (from external customers)	518,120	16,192	—	534,312
Operating profit	62,040	(18,296)	42,547	86,290
Finance costs	(986)	(28)	—	(1,014)
Finance income	1,653	101	1	1,755
Finance income/(cost) – net	667	73	1	741
<b>Profit/(loss) before income tax</b>	<b>62,707</b>	<b>(18,223)</b>	<b>42,548</b>	<b>87,031</b>
Income tax expense	(716)	(471)	—	(1,187)
<b>Segment results</b>	<b>61,991</b>	<b>(18,695)</b>	<b>42,548</b>	<b>85,844</b>
Segment assets	1,027,156	69,035	755,204	1,851,395
<b>Total assets</b>	<b>1,027,156</b>	<b>69,035</b>	<b>755,204</b>	<b>1,851,395</b>
Segment liabilities	456,818	34,056	14,801	505,675
Deferred tax liabilities	—	—	—	11,271
<b>Total liabilities</b>	<b>456,818</b>	<b>34,056</b>	<b>14,801</b>	<b>516,946</b>
Additions to non-current assets (other than financial instruments and deferred tax assets)	89,143	3,779	36,418	129,340
<b>Material non-cash expenses</b>				
Depreciation and amortisation	58,062	137	—	58,199
Provision for doubtful trade and other receivables	(4,512)	(54)	—	(4,566)

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4. Segment information (Continued)

The unaudited segment information for the six months ended 30 June 2009 is as follows:

	<b>Enterprise management software and service business</b>	<b>Others</b>	<b>Unallocated</b>	<b>The Group Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue (from external customers)	431,282	9,292	—	440,574
Operating profit	24,312	5,382	45,932	75,626
Finance costs	—	(271)	—	(271)
Finance income	251	—	1	252
Finance income/(costs) – net	251	(271)	1	(19)
<b>Profit before income tax</b>	<b>24,563</b>	<b>5,111</b>	<b>45,933</b>	<b>75,607</b>
Income tax expense	261	709	—	970
<b>Segment results</b>	<b>24,824</b>	<b>5,820</b>	<b>45,933</b>	<b>76,577</b>
Segment assets	630,869	79,058	734,088	1,444,015
<b>Total assets</b>				<b>1,444,015</b>
Segment liabilities	325,342	13,136	14,096	352,574
Deferred tax liabilities	—	—	—	-
<b>Total liabilities</b>				<b>352,574</b>
Additions to non-current assets (other than financial instruments and deferred tax assets)	119,967	(3,806)	53,904	170,065
<b>Material non-cash expenses</b>				
Depreciation and amortisation	42,458	152	—	42,610
Provision for doubtful trade and other receivables	8,894	9	—	8,903

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 5. Property, plant, equipment and intangible assets

	Unaudited	
	Property, plant and equipment RMB'000	Intangible assets RMB'000
<b>Six months ended 30 June 2009</b>		
Opening net book amount at 1 January 2009	328,760	115,458
Additions	52,025	75,542
Disposals	(297)	—
Transfer to investment properties	(64,513)	—
Depreciation and amortisation	(5,533)	(33,818)
	<u>310,442</u>	<u>157,182</u>
<b>Closing net book amount at 30 June 2009</b>	<b><u>310,442</u></b>	<b><u>157,182</u></b>
<b>Six months ended 30 June 2010</b>		
Opening net book amount at 1 January 2010	327,045	193,916
Additions	10,072	112,141
Disposals	(395)	—
Transfer to investment properties	(23,478)	—
Depreciation and amortisation	(14,297)	(43,580)
Revaluation surplus before transferred to investment properties, credited to reserve	16,611	—
Intangible asset from business combinations	—	36,170
	<u>315,558</u>	<u>298,647</u>
<b>Closing net book amount at 30 June 2010</b>	<b><u>315,558</u></b>	<b><u>298,647</u></b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 6. Land use rights

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Opening net book amount at 1 January	81,785	84,951
Additions	—	2,111
Transfer to investment properties	—	(4,403)
Amortisation charge	(322)	(874)
At 30 June /31 December	<u>81,463</u>	<u>81,785</u>
<b>Represented by:</b>		
Cost	85,295	85,295
Accumulated amortisation charges	(3,832)	(3,510)
	<u>81,463</u>	<u>81,785</u>

The Group's interests in land use rights represent prepaid operating lease payments.

### 7. Investment properties

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Opening net book amount at 1 January	236,511	53,903
Transfer from construction in progress	—	48,553
Transfer from property, plant and equipment	23,478	54,986
Transfer from land use rights	—	1,482
Fair value gains	12,940	77,587
At 30 June/31 December	<u>272,929</u>	<u>236,511</u>

The investment properties represent the whole Block 2 and Block 3 of the Group's research and development center located in Shanghai, the south area on second floor of Block B, the sixth, seventh and eighth floors of Block B of the Group's research and development center located in Shenzhen and the building of W1-B4 in Shenzhen high-tech park.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 8. Trade and other receivables

	<b>Unaudited</b> <b>30 June</b> <b>2010</b> <b>RMB'000</b>	Audited 31 December 2009 RMB'000
Trade receivables(a)	<b>171,687</b>	157,474
Less: provision of receivables	<b>(74,712)</b>	(79,363)
	<hr/>	<hr/>
Trade receivables – net	<b>96,975</b>	78,111
Notes receivable	<b>5,578</b>	4,187
Advance to employees	<b>23,469</b>	6,291
Prepayments	<b>39,866</b>	61,553
VAT recoverable	<b>46,603</b>	32,322
Others	<b>37,555</b>	18,228
	<hr/>	<hr/>
	<b>250,046</b>	200,692
	<hr/> <hr/>	<hr/> <hr/>

- (a) Sales of the Group are generally made without prescribed credit in the sales contracts but customers usually take 1 to 3 months to settle the receivables. The ageing analysis of trade receivables is as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2010</b> <b>RMB'000</b>	Audited 31 December 2009 RMB'000
0-180 days	<b>82,366</b>	76,038
181- 360 days	<b>26,532</b>	14,041
Over 360 days	<b>62,789</b>	67,395
	<hr/>	<hr/>
	<b>171,687</b>	157,474
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 9. Share capital and share premium

	Number of issued shares (thousands)	Ordinary shares	Share premium	Total
<b>At 1 January 2009</b>	1,922,065	50,923	241,194	292,117
Employees share option scheme:				
– Value of services provided	—	—	15,859	15,859
– Exercise of share options	41,327	909	20,628	21,537
Issue of shares	90,000	1,980	103,693	105,673
<b>At 31 December 2009 (Audited)</b>	<u>2,053,392</u>	<u>53,812</u>	<u>381,374</u>	<u>435,186</u>
<b>At 1 January 2010</b>	<u>2,053,392</u>	<u>53,812</u>	<u>381,374</u>	<u>435,186</u>
Employees share option scheme:				
– Value of services provided	—	—	9,668	9,668
– Exercise of share options	16,079	354	11,525	11,879
<b>At 30 June 2010 (Unaudited)</b>	<u>2,069,471</u>	<u>54,166</u>	<u>402,567</u>	<u>456,733</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 10. Trade and other payables

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Trade payables (a)	17,661	20,428
Salary and staff welfare payable	4,075	27,807
Customers' deposits	125,476	109,686
VAT and business tax payable	19,993	26,906
Accrued expenses	7,045	16,010
Construction fee payable	25,990	41,249
Land use rights fee payable	3,840	3,840
Outstanding consideration for intangible assets	26,784	10,100
Deposits of distributors	13,650	9,500
Others	649	18,456
	<u>245,163</u>	<u>283,982</u>

(a) As at 30 June 2010, the ageing analysis of trade payables is as follows:

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
0-180 days	16,970	19,629
181- 360 days	95	110
Over 360 days	596	689
	<u>17,661</u>	<u>20,428</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 11. Borrowings

	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000
Current	20,046	57,378
Non-current	40,000	—
	<u>60,046</u>	<u>57,378</u>

Movement in borrowings is analysed as follows:

### Six months ended 30 June 2009

Opening amount at 1 January 2009	9,500
Acquisition of borrowings	37,378
Repayment of borrowings	(9,500)
	<u>37,378</u>

### Closing amount at 30 June 2009

### Six months ended 30 June 2010

Opening amount at 1 January 2010	57,378
Acquisition of borrowings	40,000
Repayment of borrowings	(37,332)
	<u>60,046</u>

### Closing amount at 30 June 2010

In 30 June 2010, the Group borrowed RMB 40,000,000 for working capital with a 3-year period. The interest rate was 5.13%.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 12. Turnover

	Unaudited	
	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Sales of software license	335,518	281,541
Implementation service	88,063	75,451
Consulting, maintenance and training services	103,056	75,693
Sales of computer and related products	7,675	7,889
	<u>534,312</u>	<u>440,574</u>

## 13. Other gains

	Unaudited	
	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Subsidy income		
– VAT refund	57,099	32,691
– Others	3,849	6,790
	<u>12,940</u>	<u>50,214</u>
Fair value gains of investment properties	28,170	—
Negative goodwill from business combinations	7,002	2,417
Others		
	<u>109,060</u>	<u>92,112</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 14. Expenses by nature

Expenses including cost of sales, selling and marketing expenses and administrative expenses are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Research and development costs		
Amounts incurred	90,491	67,233
Less: amounts capitalised	(78,917)	(57,850)
Add: amortisation of capitalised costs	37,637	32,727
	49,211	42,110
	49,211	42,110
Employee benefit expense	365,541	285,340
Less: amount included in research and development costs	(80,707)	(60,246)
	284,834	225,094
	284,834	225,094
Cost of inventories consumed	17,984	14,354
Depreciation of property, plant and equipment	14,297	5,534
Amortisation of computer software	5,943	3,275
Amortisation of land use right	322	1,074
Impairment of receivables	(4,566)	8,903
Loss on disposals of property, plant and equipment	13	196
	13	196
	13	196

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 15. Income tax expense

	Unaudited	
	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
PRC income tax		
– Current income tax	—	224
– Under-provision/(over-provision) in previous year	<b>1,187</b>	(2,163)
– Deferred income tax	—	969
	<u>1,187</u>	<u>(970)</u>

- (a) No provision for profits tax in the Cayman Islands and Hong Kong has been made as the Group has no income assessable for profits tax for the year in those jurisdictions.
- (b) Subsidiaries of the Group are established in the PRC and subject to Corporate Income Tax (“CIT”) at a rate of 25%, unless preferential rates are applicable in the cities where the subsidiaries are located.
- (c) According to the document “Guo Fa [2000] No.18” issued by the State Council, subsidiaries of the Group recognized as national important software enterprises but are not in their tax holiday periods are entitled to a preferential tax rate of 10% in the relevant year.
- (d) According to China's corporate income tax regulations, the Group is not required to pay income tax during the period.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 16. Earnings per share

### (a) Basic

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Profit attributable to equity holders of the Company	<u>88,726</u>	<u>74,826</u>
Weighted average number of ordinary shares in issue (thousands)	<u>2,014,769</u>	<u>1,970,957</u>
Basic earnings per share	<u><b>RMB 4.404 cents</b></u>	<u>RMB 3.796 cents</u>

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only 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 as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Profit attributable to equity holders of the Company	<u>88,726</u>	<u>74,826</u>
Weighted average number of ordinary shares in issue (thousands)	<u>2,014,769</u>	<u>1,970,957</u>
Adjustments for-share options (thousands)	<u>132,958</u>	<u>70,543</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>2,147,727</u>	<u>2,041,500</u>
Diluted earnings per share	<u><b>RMB 4.131 cents</b></u>	<u>RMB 3.665 cents</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 17. Dividends

The dividends in 2009 and 2008 of approximately RMB39,952,000 (HK\$45,400,443)(RMB0.019 per share (HK\$0.022 per share)) and RMB37,213,000 (HK\$42,407,422)(RMB0.019 per share (HK\$0.022 per share)) were paid in June 2010 and June 2009 respectively. The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2010 (the six months ended 30 June 2009: Nil).

## 18. Contingent liabilities

The Group had no significant contingent liabilities as of 30 June 2010 (30 June 2009: nil).

## 19. Related party transactions

The Group had no significant transactions with related parties during the period.

## 20. Event occurring after the balance sheet date

The Group had no significant subsequent events occurring after the balance sheet date.

## 21. Business combinations

On 19 January 2010, the Group entered into an acquisition agreement with Shenzhen Jama Information System Company Limited to acquire the real estate management software. The agreed payment was RMB16,000,000.

On 21 February 2010, the Group entered into an acquisition agreement with Guangzhou Proway Technology Company Limited to acquire the product life management software. The agreed payment was RMB14,500,000.

On 18 May 2010, the Group entered into an acquisition agreement with Shenzhen FirstSoft Technology Development Company Limited to acquire the collaboration software. The agreed payment was RMB8,000,000. The fair value of this intangible asset was RMB36,170,000 which was revalued by an independently qualified assessment firm on 30 June 2010. The difference of RMB28,170,000 was recognized as negative goodwill.

# MANAGEMENT DISCUSSION AND ANALYSIS

## I. Business Review

### Industry Overview

Foreseen the development direction in the era of digital economy and the trend of demand for IT integration by customers, the Group continues to push forward the transformation from a product company to a service company, and is dedicated to providing customers with integrated management consultancy and total solutions, assisting enterprises to transform and upgrade, and enhancing their added-values in management.

After the economic crisis in 2010, most China's enterprises realized that only when enterprises adhere to innovation and create their own products, rather than depending on mass manufacturing of products at low labour cost could they really enhance their competitive position. Enterprises have been urging for the strengthening of management capability during the processes of merger and acquisition, reorganization and strategic transformation, and thus demanding industry-specific and customized products and service as well as high-valued-added services accomplished with corporate concepts. Hence, enterprises' demands for informatisation have significantly increased and the market of informatisation has entered into a rapid growing stage.

During the reporting period, the Group continued to maintain steady growth. These efforts earned the Group numerous accolades and achievements, including: The largest market share of the SME ERP Sector in China for the sixth straight year (IDC, May 2010), Youshang.com was credited with "The Largest Market Share of 2009 Online Management Service Sector" (CCW, June 2010) and "The Best Technological Innovation in Software Award 2010" (China Software Industry Association and China Computer Education Newspaper, June 2010), etc.

#### 1. *Enterprise Management Software and Service*

During the reporting period, the Group continued to market its enterprise solutions and services in specific industries and enhance professional image. It has aggressively opened new regional branch offices, secured more business partners, proactively pushed forward a number of acquisitions, and stepped up efforts to consolidate resources. These initiatives enabled the Group to consolidate its share in the SME market and increase its presence in the large enterprise sector. Meanwhile, the Group has actively expanded its market reach elsewhere in Asia Pacific region. During the reporting period, it has set up a new R&D centre in Singapore, and enhanced its business operations in Southeast Asia Region thereby achieving rapid revenue growth in the region.

During the reporting period, the Group has set up industry-specific units including Construction and Property Industry Department, Retail and Circulation Industry Department, Metallurgy and Mining Industry Department and more, striving to strengthen inputs in high-end markets. Meanwhile, the Group has become a board member of The Open Group to increase the market influence. In the first half of the year, the Group has secured several large EAS customers including Ningbo Port Group, Huakan Group, Tianjin Rong Chuang, Gree Real Estate and Chongqiang East Sea Group, etc. The Group speeded up the expansion of direct sales and distribution channels by opening more direct sales offices and enhancing sales teams' competencies. On the other hand, the Group has extended its cooperation with distribution partners, encouraging them increase in income of the value-added services and better services to meet the demands of different customers. Kingdee K/3 has achieved rapid growth through the combination of direct and indirect sales.

## MANAGEMENT DISCUSSION AND ANALYSIS

Regarding our service, the income of maintenance service continued to grow steadily by providing various service products. The Group's consulting service is designed to provide group management, IT planning and consulting services for customers. By applying numerous customers' management practices and advanced management concepts, the Group developed outstanding management diagnosis, specific-industry analysis methodologies, group management consultancy and IT planning consultancy, etc. In the first half of the year, the consulting service segment won new contracts with China Eastern Airlines, Nanfang Media Group, Guangdong Monalisa Tiles Co., Ltd. and China Tobacco Chuanyu Industrial Corporation. The Group's solutions here have set the industry benchmark and established a solid foundation for the sustainable development of consultation business.

### 2. *Middleware*

Middleware is one of the core fundamental software in the internet era and is highly emphasized by the Chinese government. Kingdee's middleware was granted the support from the key national technical project "Core electronic parts, high-end chips and basic software products" ("核高基"). The Group continued to develop its own innovation and be consistent with the Group's transformation strategy of being a service company providing integrated solutions for cooperate governance and IT structure consolidation. The Group has signed contracts with the Ministry of Environmental Protection, China's Golden Auditing Project, the Shanghai Municipal Commission of Economy and Informatisation, the Guangdong Provincial Public Security Department, Shenyang Aircraft industries Group, The Chinese Communist Party Committee of Hunan Province, Shenyang Information Center, China Telecom, Northern China Iron and Steel Trade Centre, Zhongsheng Group, and more.

### 3. *Online Management Service and E-commerce Service*

Kingdee youshang.com is a leading small enterprise management software and e-commerce service platform. The Youshang e-business has been looking for innovative business model to provide small enterprises with integrated management, information and e-commerce services during their opening, operations and business development activities. As an open platform, it is also aligned with the requirements of various public authorities and institutions including governments, banks and agencies, while providing comprehensive one stop e-business services to small enterprises. At the end of the reporting period, customers of youshang.com were from the Asia Pacific region and the Greater China region covering mainland China, Hong Kong, Macau and Taiwan, and included over one million registered users.

# MANAGEMENT DISCUSSION AND ANALYSIS

## II. 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. During the reporting period, the Group and IBM would form a specialized software integrated service team to deliver services for the Kingdee EAS product and provide integrated consultation, product and implementation solutions to Chinese enterprises. The strategic cooperative framework would lead to a new business model with the combined resources of “Kingdee products and IBM’s Implementation Services”. The Group has also cooperated with IBM in offering comprehensive solutions and a one-stop information management system for a medical information system enterprise IT solution with an aim to advance the reform of the Chinese medical system.

The Group has completed the acquisition of Shenzhen Jama Network Information Technology Co., Ltd, a real estate software provider, during the reporting period to substantially enhance the information management system of the real estate industry. It has also acquired Guangzhou Pro Way Technology Limited, a Product Lifecycle Management (PLM) software provider in China, to improve the R&D capability of the manufacturing industry solution unit. The Group has also acquired Shenzhen Firstsoft Technology Development Company Limited to strengthen the collaboration platform concept of WORK-IN-ONE, providing integrated solutions to enterprises for facilitating management in “Information, Business and System Collaboration.”

## III. Organization and Personnel Assurance

In the first half of 2010, to ensure the implementation of industry and service transformation strategy, the Group has started talent construction strategy planning. In particular, the proportion of senior personnel has been further increased and the overall personnel structure has been improved. The recruitment in the first half of the year supported the new four-year service transformation strategy of the Group and provided reserved talents for the active expansion as well as improved the capability of the frontline.

## IV. Social Responsibility

The Group continued to focus on the selection of winners of the “2010 Outstanding Innovative China Management Model Award”. The award aims to honour as well as encourage enterprises in China which have followed an outstanding and innovative management philosophy. It has strategic importance to the business community and society. The Group held the Kingdee Pearl Club committee meeting. Over 500 renowned entrepreneurs from different regions of the country were invited to participate in the “China Management Model – Kingdee Pearl Club meeting 2010”. The occasion announced the establishment of Kingdee Pearl Club. Kingdee Pearl Club will also examine the innovative management philosophy of enterprises.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Group also continued to promote the “National Student Business Start-ups Competition”. By providing an opportunity for students to experience practicing what they have learned and enhance their overall professionalism, the competition helps students to learn how to start their own business and grow in their career path and thus has gained positive comments from the Ministry of Education. As a renowned software provider in China, Kingdee intends to more actively pursue the cause of social responsibility while aiming to improve the overall quality of university students.

### V. Financial Review

For the six months ended 30 June 2010, the Group’s turnover amounted to approximately RMB534,312,000, an increase of 21.28% against the same period last year (the six months ended 30 June 2009: RMB440,574,000). Against the backdrop of the recovery of the economy, the enhancement of informatisation work of enterprises and the rising demand for ERP solutions, the Group achieved rapid growth in turnover.

During the reporting period, the Group realized revenue from software license of RMB335,518,000, a rise of 19.17% against the same period of 2009 (the six months ended 30 June 2009: RMB281,541,000), and service revenue of RMB191,119,000, an increase of 26.45% against the same period last year (for the six months ended 30 June 2009: RMB151,144,000).

For the period under review, profit attributable to equity holders of the Company was approximately RMB88,726,000, rising about 18.58% against the same period in 2009 (for the six months ended 30 June 2009: RMB 74,826,000). Comprehensive income attributable to equity holders of the Company reached approximately RMB 103,676,000, representing an increase of 2.57% compared to the same period in 2009 (for the six months ended 30 June 2009: RMB101,077,000). During the period, net profit margin was around 16.61% (for the six months ended 30 June 2009: around 16.98%) and basic earnings per share were RMB4.404cents (for the six months ended 30 June 2009: RMB3.796cent).

#### *Gross Profit*

During the period under review, gross profit of the Group rose approximately 21% to around RMB422,201,000 (for the six months ended 30 June 2009: RMB348,937,000). Gross profit margin for the period was stable at approximately 79.02% (for the six months ended 30 June 2009: approximately 79.20%).

#### *Selling and Marketing Expenses*

Selling and marketing expenses for the six months ended 30 June 2010 were approximately RMB316,602,000 (for the six months ended 30 June 2009: RMB245,849,000), representing an increase of about 28.78% against the same period last year. During the period, selling and marketing expenses accounted for a 59.25%, compared to 55.80% in the same period in 2009. This higher proportion of revenues was attributable to the Group’s execution of an expansion strategy to increase the number of branch offices and to engage in acquisitions during the first half year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Administrative Expenses and Research and Development Costs*

Administrative expenses for the six months ended 30 June 2010 amounted to approximately RMB79,158,000 (for the six months ended 30 June 2009: RMB77,464,000), an increase of around 2.19% against the same period last year. During the period, administrative expenses accounted for 14.81% of the turnover, compared to 17.58% in the last corresponding period due to effective cost control procedures. The research and development cost was approximately RMB49,211,000, a rise of 16.86% against the same period last year (for the six months ended 30 June 2009: RMB42,110,000).

## VI. Future Prospects

Kingdee will further its transformation into a service company in another four years from 2010 to 2013. After 17 years of development, Kingdee has prepared itself well for the future in 2010 and is poised to enter a new era of rapid growth with a new four-year plan, new journey and new culture.

With China's management model changing everyday and amid the increasing torrent of business information, Chinese enterprises have been focusing greater efforts on internal management, e-commerce, integration of informatisation and industrialization, transformation and upgrade of industry operations and IT consultancy and planning. The economic crisis has emphasised the importance of enterprise management informatisation to Chinese enterprises. Therefore, service transformation strategy becomes the necessary requirement to develop into an informatised enterprise from the process of enterprise informatisation.

In the second half of the year, the Group will continue to accelerate its transformation into a service company, and expand its business through penetration in different vertical industries, while enhancing core competencies and pursuing high growth and high returns. The Group will extend coverage of its solutions to operations throughout the entire customer product lifecycles and offer customers with products and services of greater value. Through providing higher value to enterprises, government departments and non-profit organizations in China with greater product and service value, the Group will strive for high growth and enhance the professional image as an enterprise management expert.

# REPORT OF DIRECTORS

## 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 4,010,000 share options were exercised, 2,870,000 were cancelled and 0 remained outstanding as at 30 June 2010.

Pursuant to the share option scheme of the Company adopted on 26 April 2002 (“2002 Scheme”), an aggregate of 193,850,000 share options were granted, of which 87,177,518 share options were exercised, 84,316,834 were cancelled and 22,355,648 remained outstanding as at 30 June 2010.

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 30 June 2010, the Company had granted 302,010,000 share options pursuant to the 2005 Scheme, of which 45,794,188 share options were exercised, 33,508,000 were cancelled and 222,707,812 remained outstanding.

Name or category of participants	Grant date	Exercise price HK\$	Options held at 1 January 2010	Options granted during the reporting period	Options exercised during the reporting period	Options lapsed during the reporting period	Options held at 30 June 2010
<b>Directors</b>							
Xu Shao Chun	23/03/2004	0.795	16,000,000	—	3,000,000	—	13,000,000
	19/11/2008	0.95	5,000,000	—	—	—	5,000,000
Oriental Gold Limited	23/04/2010	3.11	—	2,000,000	—	—	2,000,000
Chen Deng Kun	01/06/2004	0.6625	153,116	—	—	—	153,116
	04/05/2006	0.6575	5,600,000	—	—	—	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
	23/04/2010	3.11	—	800,000	—	—	800,000
Ho Ching Hua	23/01/2007	0.935	2,200,000	—	—	—	2,200,000
James Ming King	08/06/2007	1.8075	400,000	—	200,000	—	200,000
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	—	200,000	—	200,000
Wu Cheng	08/06/2007	1.8075	400,000	—	—	—	400,000
<b>Other employees in aggregate</b>							
			195,469,329	27,200,000	12,678,985	—	209,990,344
<b>Total</b>			<b>231,142,445</b>	<b>30,000,000</b>	<b>16,078,985</b>	<b>—</b>	<b>245,063,460</b>

Note: Oriental Gold Limited is wholly owned by Mr. Xu Shao Chun, the Chairman and an executive director of the Company.



## REPORT OF DIRECTORS

During the reporting period, the Company granted 30,000,000 share options on 23 April 2010 with exercise price of HK\$3.11. Closing price of the Shares immediately before the date of grant of share options was HK\$3.12.

### Directors' and Chief Executive's Interests or Short Positions in the Shares, Underlying Shares or Debentures

As at 30 June 2010, 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 (where appropriate)	Number of shares/ underlying shares	Types of interests	Percentage of issued share capital
Xu Shao Chun	630,880,520	Interests of controlled corporation (Note 1)	
	2,486,000	Beneficial owner	
	20,000,000	Other/ Share option (Note 2)	
<i>Aggregate:</i>	653,366,520		31.57%
Chen Deng Kun	11,273,116	Other/ Share option (Note 3)	0.54%
Ho Ching Hua	200,000	Beneficial owner	
	2,200,000	Other/ Share option (Note 3)	
<i>Aggregate:</i>	2,400,000		0.12%
James Ming King	200,000	Other/ Share option (Note 3)	0.01%
Gary Clark Biddle	400,000	Other/ Share option (Note 3)	0.02%
Yeung Kwok On	400,000	Other/ Share option (Note 3)	0.02%
Yang Zhou Nan	200,000	Other/ Share option (Note 3)	0.01%
Wu Cheng	400,000	Other/ Share option (Note 3)	0.02%

#### Notes:

1. Of the 630,880,520 Shares, 337,425,000 Shares were held through Oriental Gold Limited and 293,455,520 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 630,880,520 Shares.
2. Of the 20,000,000 share options, 2,000,000 share options were granted to Oriental Gold Limited. Therefore, Mr. Xu Shao Chun is deemed to be interested in those 2,000,000 share options.
3. Details of the share options are set out in the paragraph headed "Outstanding Share Option".

## REPORT OF DIRECTORS

Save as disclosed in this paragraph, as at 30 June 2010, 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 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.

### Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the section headed "Outstanding Share Option" 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, any rights or options to acquire shares or debentures in the Company during the six months ended 30 June 2010.

### Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares, Underlying Shares and Debentures

As at 30 June 2010, 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	339,425,000	Beneficial owner	16.40%
Billion Ocean Limited	293,455,520	Beneficial owner	14.18%
FMR LLC (Note)	208,772,928	Investment manager	10.09%
Matthews International Capital Management, LLC	152,482,000	Investment manager	7.37%

#### *Note:*

Of the 208,772,928 Shares, 194,196,928 Shares were held through Fidelity Management & Research Company and 14,576,000 Shares were held through Fidelity Management Trust Company and Pyramis Global Advisors LLC. As Fidelity Management & Research Company and Fidelity Management Trust Company and Pyramis Global Advisors LLC were wholly owned/controlled by FMR LLC, FMR LLC is deemed to be interested in those 208,772,928 Shares.

## **REPORT OF DIRECTORS**

Save as disclosed above, as at 30 June 2010, 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.

### **Purchase, Sale or Redemption of Shares**

During the reporting period ended 30 June 2010, the Company had not repurchased, sold or redeemed any of its listed securities.

### **Corporate Governance**

The Company has complied with all the code provisions of “Code on Corporate Governance Practices” (the “Code”), as set out in Appendix 14 of the Listing Rules throughout the reporting period ended 30 June 2010 except A 2.1. During the reporting period, Mr. Xu Shao Chun held the roles of both Chairman and CEO of the Company. The Board feels that Mr. Xu Shao Chun, as one of the main founders of the Company, has abundant knowledge of IT industry and unique strategic perspective. The Board feels that he can lead the Company to formulate effective strategies and react promptly to market changes. His continual service in both roles is beneficial to the stable and healthy development of the Company. However, the Board will review and make appropriate changes when necessary in order to enhance the level of corporate governance.

### **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 the Model Code. The Directors have complied with such code of conduct throughout the accounting period covered by this interim report.

### **Audit Committee**

The audit committee has reviewed the Group’s unaudited condensed consolidated results for the six months ended 30 June 2010. The audit committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

By order of the Board  
**Kingdee International Software Group Company Limited**  
**Xu Shao Chun**  
*Chairman*

Shenzhen, the People’s Republic of China, 18 August 2010

*As at the date of this hereof, the Board comprises Mr. Xu Shao Chun (Chairman of the Board and Chief Executive Officer) and Mr. Chen Deng Kun as executive directors, Mr. James Ming King and Mr. Ho Ching Hua as non-executive directors and Ms. Yang Zhou Nan, Mr. Wu Cheng, Mr. Yeung Kwok On and Mr. Gary Clark Biddle as independent non-executive directors.*