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**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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013**

The board (the “Board”) of directors (the “Directors”) of Kingdee International Software Group Company Limited (“Kingdee International” or the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2013, together with the comparative audited consolidated figures for the year ended 31 December 2012 are as follows:

Financial highlights for the year ended 31 December 2013

- Turnover decreased by approximately 9.3% compared with 2012 to approximately RMB1,602,125,000.
- Profit attributable to equity holders of the Company during the period was approximately RMB126,400,000. (2012: Loss of RMB140,246,000)
- Basic earnings per share attributable to equity holders of the Company during the period was approximately RMB0.0501. (2012: Profit of RMB0.0557)
- The directors did not recommend the payment of a final dividend in respect of the year ended 31 December 2013.

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**CONSOLIDATED BALANCE SHEET**

| | Note | As at 31 December | |
|------------------------------------------------|------|-------------------------|-------------------------|
| | | 2013 | 2012 |
| ASSETS | | RMB'000 | RMB'000 |
| Non-current assets | | | |
| Land use rights | | 135,488 | 138,849 |
| Property, plant and equipment | | 760,218 | 791,216 |
| Intangible assets | 4 | 597,514 | 637,183 |
| Investments in associates | | 2,143 | - |
| Investment properties | 5 | 826,623 | 825,575 |
| Entrusted loan | | 25,800 | 26,000 |
| | | <u>2,347,786</u> | <u>2,418,823</u> |
| Current assets | | | |
| Inventories | | 3,936 | 3,936 |
| Trade and other receivables | 6 | 276,516 | 313,458 |
| Prepaid income tax | | - | 712 |
| Due from customers on implementation contracts | | 296,197 | 326,328 |
| Pledged bank deposits | | 4,420 | 5,591 |
| Short-term bank deposits | | 140,500 | 14,500 |
| Cash and cash equivalents | | 858,446 | 898,002 |
| | | <u>1,580,015</u> | <u>1,562,527</u> |
| Total assets | | <u><u>3,927,801</u></u> | <u><u>3,981,350</u></u> |

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED BALANCE SHEET (CONTINUED)

| | Note | As at 31 December | |
|-------------------------------------------------------------------|------|-------------------|------------------|
| | | 2013 | 2012 |
| EQUITY | | RMB'000 | RMB'000 |
| Capital and reserves attributable to owners of the Company | | | |
| Share capital | 7 | 64,435 | 64,059 |
| Share premium | 7 | 480,253 | 435,460 |
| Other reserves | | 528,988 | 528,988 |
| Retained earnings | | | |
| - Others | | 676,736 | 550,336 |
| | | <u>1,750,412</u> | <u>1,578,843</u> |
| Non-controlling interests | | <u>4,466</u> | <u>11,459</u> |
| Total equity | | <u>1,754,878</u> | <u>1,590,302</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 8 | 1,154,985 | 1,363,641 |
| Deferred income tax liabilities-net | | 66,022 | 61,911 |
| Long term payables | | - | 7,388 |
| | | <u>1,221,007</u> | <u>1,432,940</u> |
| Current liabilities | | | |
| Trade and other payables | 9 | 362,860 | 537,633 |
| Due to customers on implementation contracts | | 72,442 | 73,642 |
| Borrowings | 8 | 420,215 | 227,000 |
| Current income tax liabilities | | 10,492 | - |
| Deferred income | | 85,907 | 119,833 |
| | | <u>951,916</u> | <u>958,108</u> |
| Total liabilities | | <u>2,172,923</u> | <u>2,391,048</u> |
| Total equity and liabilities | | <u>3,927,801</u> | <u>3,981,350</u> |
| Net current assets | | <u>628,099</u> | <u>604,419</u> |
| Total assets less current liabilities | | <u>2,975,885</u> | <u>3,023,242</u> |

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED INCOME STATEMENT

| | Note | Year ended 31 December | |
|----------------------------------------------------------------------------------------------------------------------|------|------------------------|-------------------|
| | | 2013 RMB'000 | 2012 RMB'000 |
| Revenue | 10 | 1,602,125 | 1,765,493 |
| Cost of sales | 12 | <u>(396,236)</u> | <u>(618,526)</u> |
| Gross profit | | 1,205,889 | 1,146,967 |
| Selling and marketing expenses | 12 | (827,927) | (1,153,722) |
| Administrative expenses | 12 | (205,036) | (216,866) |
| Research and development costs | 12 | (232,890) | (200,357) |
| Fair value gains on investment properties | 5 | 1,048 | 60,958 |
| Other gains, net | 11 | <u>297,485</u> | <u>260,083</u> |
| Operating profit / (loss) | | 238,569 | (102,937) |
| Finance income | 13 | 8,788 | 6,813 |
| Finance costs | | <u>(110,659)</u> | <u>(65,896)</u> |
| Finance costs- net | 13 | (101,871) | (59,083) |
| Share of loss in associates | | <u>(119)</u> | <u>-</u> |
| Profit/(loss) before income tax | | 136,579 | (162,020) |
| Income tax expense | 14 | <u>(17,172)</u> | <u>(1,955)</u> |
| Profit/(loss) for the year | | <u>119,407</u> | <u>(163,975)</u> |
| Attributable to: | | | |
| Owners of the Company | | 126,400 | (140,246) |
| Non-controlling interest | | <u>(6,993)</u> | <u>(23,729)</u> |
| | | <u>119,407</u> | <u>(163,975)</u> |
| Earnings per share for profit/(loss) attributable to owners of the Company (expressed in RMB cents per share) | | | |
| - Basic earnings per share | 15 | <u>RMB 5.01</u> | <u>RMB (5.57)</u> |
| - Diluted earnings per share | | <u>RMB 4.82</u> | <u>RMB (5.57)</u> |

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**CONSOLIDATED INCOME STATEMENT**

| | Note | Year ended 31 December | |
|----------------------------------------------------------------------------------------------------------------------|------|-------------------------------|-------------|
| | | 2013 | 2012 |
| | | RMB'000 | RMB'000 |
| Profit/(loss) for the year | | 119,407 | (163,975) |
| Items that will not be reclassified to profit or loss | | | |
| Fair value change of owner-occupied land and buildings before being transferred to investment properties, net of tax | | - | 87,753 |
| Items that may be reclassified to profit or loss | | | |
| Fair value change of available-for-sale financial assets, net of tax | | - | 913 |
| Disposal of available-for-sale financial assets, net of tax | | - | (1,825) |
| | | - | (912) |
| Other comprehensive income /(loss) for the year, net of tax | | - | 86,841 |
| Total comprehensive income /(loss) for the year, net of tax | | 119,407 | (77,134) |
| Total comprehensive income/(loss) attributable to: | | | |
| Owners of the Company | | 126,400 | (53,405) |
| Non-controlling interest | | (6,993) | (23,729) |
| | | 119,407 | (77,134) |

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Note | Attributable to owners of the Company | | | | | Non-contr olling interest | Total equity | |
|---------------------------------------------|---------------------------------------|------------------|-------------------|----------------------|-----------|---------------------------------|-----------------|---------|
| | Share capital | Share premium | Other reserves | Retained earnings | Total | | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | | | RMB'000 |
| Balance at 1 January 2012 | 63,941 | 405,730 | 436,023 | 703,600 | 1,609,294 | 34,316 | 1,643,610 | |
| Comprehensive income | | | | | | | | |
| Loss for the year | - | - | - | (140,246) | (140,246) | (23,729) | (163,975) | |
| Other comprehensive income | - | - | 86,841 | - | 86,841 | - | 86,841 | |
| Total comprehensive income | - | - | 86,841 | (140,246) | (53,405) | (23,729) | (77,134) | |
| Transactions with owners | | | | | | | | |
| Employees share option scheme: | | | | | | | | |
| - value of employee services | 7 | - | 28,787 | - | 28,787 | - | 28,787 | |
| - proceeds from shares issued | 7 | 136 | 4,013 | - | 4,149 | - | 4,149 | |
| Repurchase and cancellation of own shares | | (18) | (1,302) | 18 | (1,320) | - | (1,320) | |
| Transactions with non-controlling interests | | - | - | (6,894) | (6,894) | 872 | (6,022) | |
| Acquisition of treasury shares | 7 | - | (1,768) | - | (1,768) | - | (1,768) | |
| Capitalisation of retained earnings | 7 | - | - | 13,000 | (13,000) | - | - | |
| Total transactions with owners | | 118 | 29,730 | 6,124 | (13,018) | 22,954 | 872 | |
| Balance at 31 December 2012 | 64,059 | 435,460 | 528,988 | 550,336 | 1,578,843 | 11,459 | 1,590,302 | |
| Balance at 1 January 2013 | 64,059 | 435,460 | 528,988 | 550,336 | 1,578,843 | 11,459 | 1,590,302 | |
| Comprehensive income | | | | | | | | |
| Profit/(loss) for the year | | - | - | - | 126,400 | 126,400 | (6,993) | 119,407 |
| Total comprehensive income | | - | - | - | 126,400 | 126,400 | (6,993) | 119,407 |
| Transactions with owners | | | | | | | | |
| Employees share option scheme: | | | | | | | | |
| - value of employee services | 7 | - | 28,804 | - | 28,804 | - | 28,804 | |
| - proceeds from shares issued | 7 | 376 | 15,989 | - | 16,365 | - | 16,365 | |
| Total transactions with owners | | 376 | 44,793 | - | 45,169 | - | 45,169 | |
| Balance at 31 December 2013 | 64,435 | 480,253 | 528,988 | 676,736 | 1,750,412 | 4,466 | 1,754,878 | |

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| | Note | Year ended 31 December | |
|------------------------------------------------------------------------------|------|------------------------|------------------|
| | | 2013 RMB'000 | 2012 RMB'000 |
| Cash flows from operating activities | | | |
| Cash generated from operations | | 524,340 | 71,901 |
| Interest paid (excluding interest paid capitalised) | | (108,338) | (54,273) |
| Income tax paid | | (858) | (5,967) |
| Net cash generated from operating activities | | 415,144 | 11,661 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (138,927) | (253,129) |
| Proceeds from sale of property, plant and equipment | | 16,274 | 9,105 |
| Purchases of intangible assets | | (199,843) | (255,537) |
| Cash paid for contingent and deferred consideration for business combination | | (17,402) | (74,234) |
| Pledged bank deposits withdrawn | | 3,570 | 6,011 |
| Pledged bank deposits placed | | (2,399) | (570) |
| Short-term bank deposits withdrawn | | 4,000 | 1,990 |
| Short-term bank deposits placed | | (130,000) | - |
| Disposal of subsidiaries, net of cash disposed of | | 3,307 | - |
| Payment of establishment of associates | | (1,333) | - |
| Principal received from entrusted loan | | 200 | - |
| Interest received | | 8,788 | 5,634 |
| Payments for land use rights | | - | (62,036) |
| Purchases of investment property | | - | (64,258) |
| Payments for entrusted loan | | - | (26,000) |
| Purchases of available-for-sale financial assets | | - | (101,000) |
| Proceeds from sale of available-for-sale financial assets | | - | 114,041 |
| Interest paid capitalised | | - | (19,771) |
| Net cash used in investing activities | | (453,765) | (719,754) |
| Cash flows from financing activities | | | |
| Proceeds from share options exercised | 7 | 16,365 | 4,149 |
| Repurchase of own shares | 7 | - | (1,320) |
| Proceeds from borrowings | | 385,000 | 1,027,141 |
| Repayments of borrowings | | (402,300) | (54,000) |
| Acquisition of treasury shares | | - | (1,768) |
| Cash paid for acquisition of non-controlling interest | | - | (1,519) |
| Net cash generated from financing activities | | (935) | 972,683 |
| Net increase in cash and cash equivalents | | (39,556) | 264,590 |
| Cash and cash equivalents at beginning of year | | 898,002 | 633,412 |
| Cash and cash equivalents at end of year | | 858,446 | 898,002 |

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

1 General information

Kingdee International Software Group Company Limited (the “Company”) was incorporated in the Cayman Islands in 1999 as an exempted company with limited liability. The address of its office is Kingdee Software Park, 2 Keji 12th Road South, Hi-tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, The People’s Republic of China (the “PRC”).

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively the “Group”) are developing, manufacturing and selling of enterprise management software products and provision of software-related technical services in the PRC.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) since 15 February 2001.

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 17 March 2014.

2 Basis of preparation

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

3 Segment information

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

The executive directors consider the business from product perspective. Upon the adoption of IFRS 8 “Operating Segments”, the Group has determined that the operating segments:

| | | |
|-------------------------------------------|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Enterprise Management Software Business | - | sales and implementation of enterprise management software, provision of other related services and sales of hardware related to enterprise management software arrangements. |
| Middleware, E-commerce service and others | - | sales of middleware software business and provision of E-commerce and other online management services |
| Investment Properties | - | operation of investment properties |

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3 Segment information (continued)

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

The segment information for the year ended 31 December 2013 is as follows:

| | Enterprise management software business RMB'000 | Middleware, E-commerce service and others RMB'000 | Investment Properties RMB'000 | The Group Total RMB'000 |
|---------------------------------------------------------------------------------------------|----------------------------------------------------------|------------------------------------------------------------|-------------------------------------|-------------------------------|
| Revenue (from external customers) | 1,550,972 | 51,153 | - | 1,602,125 |
| Operating profit/ (loss) | 206,482 | (7,825) | 39,793 | 238,450 |
| Finance costs | (110,608) | (51) | - | (110,659) |
| Finance income | 8,632 | 156 | - | 8,788 |
| Finance (cost)/ income – net | (101,976) | 105 | - | (101,871) |
| Profit / (loss) before income tax | 104,506 | (7,720) | 39,793 | 136,579 |
| Income tax credit/ (expense) | (13,193) | - | (3,979) | (17,172) |
| Segment results | 91,313 | (7,720) | 35,814 | 119,407 |
| Segment assets | 3,018,881 | 82,297 | 826,623 | 3,927,801 |
| Segment liabilities | 2,030,578 | 91,358 | 50,987 | 2,172,923 |
| Reductions to non-current assets (other than financial instruments and deferred tax assets) | (70,627) | (1,458) | 1,048 | (71,037) |
| Material non-cash expenses /income | | | | |
| Depreciation and amortisation | 293,042 | 647 | - | 293,689 |
| (Written -back) /allowance for doubtful trade and other receivables | (7,252) | 6,225 | - | (1,027) |

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3 Segment information (continued)

The segment information for the year ended 31 December 2012 is as follows:

| | Enterprise management software business RMB'000 | Middleware, E-commerce service and others RMB'000 | Investment Properties RMB'000 | The Group Total RMB'000 |
|------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|------------------------------------------------------------|-------------------------------------|-------------------------------|
| Revenue (from external customers) | 1,710,169 | 55,324 | - | 1,765,493 |
| Operating (loss)/ profit | (148,642) | (42,327) | 88,032 | (102,937) |
| Finance costs | (65,833) | (63) | - | (65,896) |
| Finance income | 6,288 | 525 | - | 6,813 |
| Finance (cost)/ income – net | (59,545) | 462 | - | (59,083) |
| (loss) /profit before income tax | (208,187) | (41,865) | 88,032 | (162,020) |
| Income tax credit/(expense) | 6,848 | - | (8,803) | (1,955) |
| Segment results | (201,339) | (41,865) | 79,229 | (163,975) |
| Segment assets | 3,053,710 | 102,065 | 825,575 | 3,981,350 |
| Segment liabilities | 2,224,387 | 116,657 | 50,004 | 2,391,048 |
| Additions to non-current assets (other than financial instruments and deferred tax assets) | 404,466 | (875) | 328,650 | 732,241 |
| Material non-cash expenses /income | | | | |
| Depreciation and amortisation (Written -back) /allowance for doubtful trade and other receivables | 238,703 (2,226) | 1,117 3,041 | - - | 239,820 815 |

The Company is incorporated in Cayman Islands while the Group mainly operates its businesses in the PRC. The result of its total revenue from external customers from the PRC is RMB1,572,786,000 (2012: RMB1,752,146,000), and the total revenue from external customers from other countries is RMB29,339,000 (2012: RMB13,347,000) for the year ended 31 December 2013. All the Group's non-current assets are located in the PRC.

There is no single customer that contributed to over 10% of the Group's revenue for the years ended 31 December 2013 and 2012.

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4 Intangible assets - Group

| | Goodwill | Development costs | Acquired licenses and copyrights | Computer software for own use | Customer relationship | Total |
|------------------------------------|---------------|-------------------|----------------------------------|-------------------------------|-----------------------|----------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Year ended 31 December 2012 | | | | | | |
| Opening net book amount | 84,311 | 386,188 | 106,818 | 4,307 | 6,240 | 587,864 |
| Additions | - | 252,045 | 1,316 | 1,992 | - | 255,353 |
| Disposal | - | - | (4,680) | - | - | (4,680) |
| Amortisation charge | - | (169,264) | (26,866) | (3,456) | (1,768) | (201,354) |
| Closing net book amount | 84,311 | 468,969 | 76,588 | 2,843 | 4,472 | 637,183 |
| At 31 December 2012 | | | | | | |
| Cost | 109,871 | 1,073,096 | 152,292 | 16,348 | 6,240 | 1,357,847 |
| Accumulated amortisation | - | (604,127) | (75,704) | (13,505) | (1,768) | (695,104) |
| Accumulated impairment | (25,560) | - | - | - | - | (25,560) |
| Net book amount | 84,311 | 468,969 | 76,588 | 2,843 | 4,472 | 637,183 |
| Year ended 31 December 2013 | | | | | | |
| Opening net book amount | 84,311 | 468,969 | 76,588 | 2,843 | 4,472 | 637,183 |
| Additions | - | 198,180 | - | 1,663 | - | 199,843 |
| Disposal | - | - | (600) | - | - | (600) |
| Amortisation charge | - | (205,401) | (30,134) | (2,129) | (1,248) | (238,912) |
| Closing net book amount | 84,311 | 461,748 | 45,854 | 2,377 | 3,224 | 597,514 |
| At 31 December 2013 | | | | | | |
| Cost | 109,871 | 1,271,276 | 151,692 | 18,011 | 6,240 | 1,557,090 |
| Accumulated amortisation | - | (809,528) | (105,838) | (15,634) | (3,016) | (934,016) |
| Accumulated impairment | (25,560) | - | - | - | - | (25,560) |
| Net book amount | 84,311 | 461,748 | 45,854 | 2,377 | 3,224 | 597,514 |

Amortisation charge of RMB33,511,000 (2012: RMB32,090,000) has been included in administrative expenses, and RMB205,401,000 (2012: RMB169,264,000) in research and development costs.

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4 Intangible assets - Group (continued)

Impairment tests for goodwill

Goodwill acquired through business combinations has been primarily allocated to the CGU of Kingdee Medical Software Technology Co., Ltd (“Kingdee Medical”) for impairment testing. The carrying amount of goodwill is as follows:

| 2012 & 2013 | Opening RMB'000 | Addition RMB'000 | Impairment RMB'000 | Closing RMB'000 |
|------------------------|----------------------------|-----------------------------|-------------------------------|----------------------------|
| Kingdee Medical | 84,311 | - | - | 84,311 |

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a seven-year period. Management determined projection period as seven years based on expected development trend of Kingdee Medical and industry experience. Cash flows beyond the seven-year period are extrapolated using the estimated terminal growth rates stated below. The growth rate does not exceed the long-term average growth rate for the Enterprise Management Software Business in which the CGU operates. The Kingdee Medical CGU is a component of the operational segment of Enterprise Management Software business.

The key assumptions used for value-in-use calculations for 2013 are as follows:

| | 2013 | 2012 |
|--------------------------------------------|------|------|
| Average EBITDA rate(a) | 10% | 20% |
| Average growth rate – within first 7 years | 24% | 23% |
| Terminal growth rate after 7 years | 3% | 3% |
| Pre-tax discount rate | 16% | 15% |

These assumptions have been used for the analysis of the CGU of Kingdee Medical.

(a) EBITDA rate equals to earnings before interest, taxes, depreciation and amortization divided by total revenue.

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

5 Investment properties – Group

| | 2013 | 2012 |
|-------------------------------|----------------|----------------|
| | RMB'000 | RMB'000 |
| At 1 January | 825,575 | 496,925 |
| Addition | - | 131,524 |
| Transfer from land use rights | - | 2,904 |
| Transfer from building | - | 133,264 |
| Fair value gains | 1,048 | 60,958 |
| At 31 December | <u>826,623</u> | <u>825,575</u> |

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

| | 2013 | 2012 |
|-------------------------------------------------------|---------------|---------------|
| | RMB'000 | RMB'000 |
| Rental income | 38,921 | 27,161 |
| Direct operating expenses that generate rental income | (176) | (87) |
| | <u>38,745</u> | <u>27,074</u> |

As at 31 December 2013, the Group had no unprovided contractual obligations for future repairs and maintenance (2012: Nil).

The following table analyses the investment properties carried at fair value.

Fair value hierarchy

| Description | Fair value measurements at 31 December 2013 using Significant unobservable inputs (Level 3) RMB'000 |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| Recurring fair value measurements | |
| Investment properties: | |
| - Office units- PRC | <u>826,623</u> |

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Levels 1, 2 and 3 during the year.

5 Investment properties – Group (continued)**Fair value measurements using significant unobservable inputs (Level 3)**

| | China RMB'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Opening balance | 825,575 |
| Net gains from fair value adjustment | 1,048 |
| Closing balance | <u>826,623</u> |
| Total gains or losses for the year included in profit or loss for assets held at the end of the year, under 'Fair value gains on investment properties' | <u>1,048</u> |
| Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year | <u>1,048</u> |

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2013 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO, the valuation team and valuers at least once every six months, in line with the Group's interim and annual reporting dates. As at 31 December 2013, the fair values of the properties have been determined by Guangheng Xingyue Asset Appraisal Company Limited.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

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5 Investment properties – Group (continued)

Valuation techniques

For completed office units, the valuation was determined using direct capitalisation method based on significant unobservable inputs. These inputs include:

| | |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Future rental cash inflows | Based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts and external evidence such as current market rents for similar properties. |
| Capitalisation rates | Based on actual location, size and quality of the properties and taking into account market data at the valuation date. |
| Estimated vacancy rates | Based on current and expected future market conditions after expiry of any current lease. |
| Annual total expenses | Including necessary annual expenses to maintain functionality of the property for its expected useful life, including maintenance expenses, administrative expenses, tax and other expenses. |

There were no changes to the valuation techniques during the year.

The investment properties of the Group are in similar risk and nature. Information about fair value measurements using significant unobservable input (Level 3)

| Description | Fair value at 31 December 2013 (RMB'000) | Valuation technique(s) | Unobservable inputs | Range of unobservable inputs | Relationship of unobservable inputs to fair value |
|---------------------|------------------------------------------------------|------------------------------------|-------------------------------|-----------------------------------------------------------------------------------------|----------------------------------------------------------------------|
| Office units-PRC | 826,623 | Direct capitalisation method | Future rental cash inflows | 81.5RMB-109.5RMB per month per square meter (95.5 RMB per month per square meter) | The higher the rental value, the higher the fair value |
| | | | Capitalisation rate | 7%-8% | The higher the capitalisation rate, the lower the fair value |
| | | | Estimated vacancy rates | 5%-8% | The higher the vacancy rate, the lower the fair value |
| | | | Annual total expenses | 24%-25% | The higher the annual total expenses, the lower the fair value |

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6 Trade and other receivables - Group and company

| | Group | | Company | |
|---------------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2013 RMB'000 | 2012 RMB'000 | 2013 RMB'000 | 2012 RMB'000 |
| Trade receivables (a) | 199,437 | 234,045 | - | - |
| Less: allowance for impairment | (83,632) | (90,000) | - | - |
| Trade receivables – net | 115,805 | 144,045 | - | - |
| Notes receivable | 21,563 | 12,556 | - | - |
| Advances to employees | 24,297 | 37,572 | - | - |
| Prepayments | 40,983 | 47,062 | - | - |
| VAT recoverable | 36,718 | 41,633 | - | - |
| Other receivables | 37,150 | 30,590 | 27,616 | 28,488 |
| | 276,516 | 313,458 | 27,616 | 28,488 |
| Add non-current portion: | | | | |
| Entrusted loan | 25,800 | 26,000 | - | - |
| | <u>302,316</u> | <u>339,458</u> | <u>27,616</u> | <u>28,488</u> |

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

The Group's trade and other receivables are all denominated in RMB.

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

- (a) Sales are generally made without prescribed credit terms in the sales contracts but customers usually take 1 to 3 months to settle the receivables. Trade receivables aged more than 3 months had been considered for impairment. The ageing analysis of trade receivables is as follows:

| | 2013 RMB'000 | 2012 RMB'000 |
|----------------|------------------------|------------------------|
| 0 - 90 days | 59,390 | 84,257 |
| 91 - 180 days | 22,845 | 37,145 |
| 181 - 360 days | 21,064 | 25,495 |
| Over 360 days | 96,138 | 87,148 |
| | <u>199,437</u> | <u>234,045</u> |

All trade receivables were past due as at 31 December 2013 had been considered for impairment.

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7 Share capital and premium - Group and Company

| Group | Number of Issued shares (thousands) | Ordinary shares RMB'000 | Share premium RMB'000 | Total RMB'000 |
|-----------------------------------------------|-----------------------------------------------|-----------------------------------|---------------------------------|-------------------------|
| At 1 January 2012 | 2,513,752 | 63,941 | 405,730 | 469,671 |
| Employee share option scheme | | | | |
| – Value of services provided | - | - | 28,787 | 28,787 |
| – Exercise of share options | 6,237 | 136 | 4,013 | 4,149 |
| Repurchase and cancellation of own shares (a) | (850) | (18) | (1,302) | (1,320) |
| Acquisition of treasury shares (b) | - | - | (1,768) | (1,768) |
| At 31 December 2012 | 2,519,139 | 64,059 | 435,460 | 499,519 |
| Employee share option scheme | | | | |
| – Value of services provided | - | - | 28,804 | 28,804 |
| – Exercise of share options | 18,967 | 376 | 15,989 | 16,365 |
| At 31 December 2013 | 2,538,106 | 64,435 | 480,253 | 544,688 |

| Company | Number of Issued shares (thousands) | Ordinary shares RMB'000 | Share premium RMB'000 | Total RMB'000 |
|-----------------------------------------------|-----------------------------------------------|-----------------------------------|---------------------------------|-------------------------|
| At 1 January 2012 | 2,513,752 | 63,941 | 405,730 | 469,671 |
| Employee share option scheme | | | | |
| – Value of services provided | - | - | 28,787 | 28,787 |
| – Exercise of share options | 6,237 | 136 | 4,013 | 4,149 |
| Repurchase and cancellation of own shares (a) | (850) | (18) | (1,302) | (1,320) |
| At 31 December 2012 | 2,519,139 | 64,059 | 437,228 | 501,287 |
| Employee share option scheme | | | | |
| – Value of services provided | - | - | 28,804 | 28,804 |
| – Exercise of share options | 18,967 | 376 | 15,989 | 16,365 |
| At 31 December 2013 | 2,538,106 | 64,435 | 482,021 | 546,456 |

The total authorised number of ordinary shares as at 31 December 2013 is 4,000,000,000 shares (2012: 4,000,000,000) shares with a par value of HKD 0.025 (2012: HKD 0.025) per shares. All issued shares are fully paid.

- (b) During 2013, no shares (2012: 850,000 shares) were repurchased by the Company on the Hong Kong Stock Exchange.
- (c) In 2012, 1,500,000 shares were purchased by a subsidiary on the Hong Kong Stock Exchange through an agent at an aggregate consideration of approximately RMB1,768,000 during 2012 which were recorded as treasury shares. These shares and were subsequently sold in January 2014.

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8 Borrowings- Group

| | 2013 | 2012 |
|----------------------------------------------------|------------------|------------------|
| | RMB'000 | RMB'000 |
| Non-current | | |
| Long-term bank borrowings, unsecured | 677,985 | 888,500 |
| Medium-term Notes (a) | 477,000 | 475,141 |
| | <u>1,154,985</u> | <u>1,363,641</u> |
| Current | | |
| Current portion of long-term borrowings, unsecured | 420,215 | 227,000 |
| | <u>1,575,200</u> | <u>1,590,641</u> |

At 31 December 2013, the Group's borrowings were repayable as follows:

| | Bank borrowings | |
|-----------------------|------------------------|------------------|
| | 2013 | 2012 |
| | RMB'000 | RMB'000 |
| Within 1 year | 420,215 | 227,000 |
| Between 1 and 2 years | 343,420 | 364,833 |
| Between 2 and 5 years | 811,565 | 998,808 |
| | <u>1,575,200</u> | <u>1,590,641</u> |

The Group's bank borrowings bear average interest rate of 6.86% (2012: 7.09% annually) per annum and are fully repayable upon maturity.

All bank borrowings are at floating rates and the exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates at the balance sheet dates are within 1 year (2012: within 1 year).

The fair value of the non-current borrowings as of 31 December 2013 is RMB1,076,449,000 (2012: RMB1,377,258,000), which is based on cash flows discounted using a rate based on the borrowing rate 6.32% (2012: 6.49 %) and is within level 2 of the fair value hierarchy.

The fair value of the current borrowings equals their carrying amount, as the impact of discounting using a current borrowing rate is not significant.

- (a) Kingdee Software (China) Co., LTD., a wholly-owned subsidiary of the Company completed the issuance of the first tranche of the Medium-term Notes in the People's Republic of China (the "PRC") on 16 July 2012. The first tranche of the Medium-term Notes was issued in the amount of RMB0.48 billion, at the interest rate of 6.0% per annum, and with a term of three years. The proceeds raised from the issuance of the first tranche of the Medium-term Notes would be used to meet the needs of part of the Group's construction-in-progress project and to provide working capital for the Group.

The Group's borrowings are all denominated in RMB.

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9 Trade and other payables - Group and company

| | Group | | Company | |
|-------------------------------------------------------|----------------|----------------|----------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Trade payables (a)(b) | 43,923 | 29,290 | - | - |
| Amounts due to related parties | 937 | - | - | - |
| Salary and staff welfare payables | 69,035 | 50,891 | - | - |
| Advances from customers | 47,363 | 84,770 | - | - |
| VAT and business tax payable | 47,291 | 30,042 | - | - |
| Accrued expenses | 34,901 | 66,779 | - | - |
| Construction fee payable | 57,242 | 158,613 | - | - |
| Contingent consideration for business combination (c) | 4,940 | 35,170 | - | - |
| Deferred consideration for business combination | 5,888 | 8,832 | - | - |
| Deposits of distributors | 26,391 | 33,262 | - | - |
| Interest payable | 14,400 | 14,400 | - | - |
| Others | 10,549 | 25,584 | 919 | 1,176 |
| | 362,860 | 537,633 | 919 | 1,176 |

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

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

(b) At 31 December 2013, the ageing analysis of the trade payables based on invoice date is as follows:

| | 2013 | 2012 |
|----------------|---------------|---------------|
| | RMB'000 | RMB'000 |
| 0 - 180 days | 36,214 | 22,059 |
| 181 - 360 days | 2,934 | 5,453 |
| Over 360 days | 4,775 | 1,778 |
| | 43,923 | 29,290 |

(c) As a result of the assessment of the Kingdee Medical's performance indicators. The contingent consideration is a fixed amount that agreed in the acquisition agreements if certain conditions are met. As at 31 December 2013, there was a decrease of RMB23,160,000 (2012: RMB13,012,500), in contingent consideration, which was recognised as other gains.

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10 Revenue

The Group's turnover includes, separately or in combination, revenues from sales of software, sales of hardware, software implementation services, software solution consulting and support services and sale of computer and related products. Revenue is stated net of applicable value-added tax ("VAT") in the PRC and comprises the following:

| | 2013 | 2012 |
|---------------------------------------------------|------------------|------------------|
| | RMB'000 | RMB'000 |
| Sales of software | 770,491 | 873,578 |
| Software implementation services | 431,194 | 486,750 |
| Software solution consulting and support services | 352,426 | 354,177 |
| Sales of computers and related products | 48,014 | 50,988 |
| | <u>1,602,125</u> | <u>1,765,493</u> |

11 Other gains - net

| | 2013 | 2012 |
|-----------------------------------------------------------------------------|----------------|----------------|
| | RMB'000 | RMB'000 |
| VAT refund (a) | 142,612 | 161,068 |
| Government grants | 84,776 | 56,861 |
| Rental income - net | 38,745 | 27,074 |
| Re-measurement of the contingent consideration for business combinations | 23,160 | 9,639 |
| Gains from sale of available-for-sale financial asset | - | 2,028 |
| Gains on disposal of subsidiaries | 5,188 | - |
| Others | 3,004 | 3,413 |
| | <u>297,485</u> | <u>260,083</u> |

- (a) According to the current tax regulations in the PRC, the development and sales of computer software are subject to VAT with an applicable rate of 17%. In 2011, the State Department issued a circular regarding the "Taxation Policy for Encouraging the Development of Software and Integrated Circuits Industry" (Guo Fa [2011] No.4). Pursuant to the Circular, software enterprises engaged in the sales of self-developed software in the PRC and pay VAT at a rate of 17% are entitled to VAT refund to the extent that the effective VAT rate of the sales of the software in the PRC exceeds 3% of the sales amounts.

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12 Expenses by nature

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

| | 2013 | 2012 |
|----------------------------------------------------|-------------------------|-------------------------|
| | RMB'000 | RMB'000 |
| Research and development costs | | |
| Amounts incurred | 225,669 | 283,138 |
| Less: development costs capitalised | (198,180) | (252,045) |
| Add: amortisation | 205,401 | 169,264 |
| | <u>232,890</u> | <u>200,357</u> |
| Employee benefit expenses | 1,071,333 | 1,416,633 |
| Less: amount included in development costs | (194,205) | (230,030) |
| | <u>877,128</u> | <u>1,186,603</u> |
| Depreciation | 51,416 | 34,500 |
| Less: amount included in development costs | (10,694) | (8,329) |
| | <u>40,722</u> | <u>26,171</u> |
| Outsourcing services | 113,923 | 129,912 |
| Cost of inventories consumed | 79,321 | 133,309 |
| Sales promotion | 65,702 | 86,185 |
| Rental and utilities | 49,944 | 59,718 |
| Traveling | 41,925 | 78,005 |
| Advertising | 30,154 | 89,500 |
| Amortisation of acquired licenses and copyrights | 30,134 | 26,866 |
| Other tax and surcharge | 28,120 | 39,698 |
| Office | 22,663 | 43,732 |
| Professional service | 15,429 | 22,935 |
| Training | 6,019 | 6,239 |
| Amortisation of land use rights | 3,361 | 3,966 |
| Auditors' remuneration | 2,350 | 1,600 |
| Amortisation of computer software for own use | 2,129 | 3,456 |
| Amortisation of customer relationship | 1,248 | 1,768 |
| Loss on disposals of property, plant and equipment | 864 | 1,833 |
| Impairment of receivables | (1,027) | 815 |
| Others | 19,090 | 46,803 |
| Total | <u><u>1,662,089</u></u> | <u><u>2,189,471</u></u> |

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13 Finance costs – net

| | 2013 | 2012 |
|--------------------------------------------------------|------------------|-----------------|
| | RMB'000 | RMB'000 |
| Interest income | 8,788 | 6,813 |
| Bank charges | (506) | (897) |
| Net foreign exchange loss | 44 | 16 |
| Interest on borrowings | (110,197) | (86,214) |
| Less: interest capitalised in construction in progress | - | 21,199 |
| | <u>(101,871)</u> | <u>(59,083)</u> |

14 Income tax expense

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

| | 2013 | 2012 |
|-----------------------------------|---------------|--------------|
| | RMB'000 | RMB'000 |
| PRC income tax | | |
| - Current income tax | 13,061 | 3,512 |
| - Over-provision in previous year | - | (5,916) |
| - Deferred income tax | 4,111 | 4,359 |
| | <u>17,172</u> | <u>1,955</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 years in those jurisdictions.
- (b) Kingdee China and Shenzhen Kingdee Middleware Co., Ltd. were qualified as national important software enterprise and is entitled to the preferential tax rate of 10% for the year ended 31 December 2013.
- (c) As at February 2009, according to Cai Shui Zi [2009] No.1 issued by relevant tax authorities in the PRC, Shanghai Kingdee Software Co., Ltd. was qualified as an approved software enterprise in February 2011 and was entitled to be exempted from enterprise income tax from year 2009 to year 2010 and a 50% deduction of income tax rate from year 2011 to year 2013. So Shanghai Kingdee Software Co., Ltd. applied tax rate of 12.5% in 2013 (2012:12.5%).
- (d) According to Cai Shui Zi [2008] by Ministry of Science and Technology, Ministry of Finance and tax authorities in the PRC, Kingdee Medical Software Co., Ltd was qualified as a national important software enterprise from 2011 to 2014 and is entitled to the tax rate of 15% to calculate income tax expense.

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14 Income tax expense (continued)

(e) Other PRC subsidiaries of the Group applied the tax rate of 25%.

The taxation on the Group's profit before income tax differs from the theoretical amount that would have arisen using the principal rate of the PRC enterprise income tax due to the following:

| | 2013 RMB'000 | 2012 RMB'000 |
|-------------------------------------------------------------------------|------------------------|------------------------|
| Profit / (loss) before tax | 136,579 | (162,020) |
| Tax at the statutory tax rate of 25% (2012: 25%) | 34,145 | (40,506) |
| – Effects of Preferential tax rates | (28,525) | 11,899 |
| – Tax losses not recognised | 17,432 | 37,107 |
| – Expenses not deductible for tax purposes | 3,814 | 5,969 |
| – Additional deductible allowance for research and development expenses | (9,694) | (12,514) |
| | <u>17,172</u> | <u>1,955</u> |

15 Earnings per share

(a) Basic

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

| | 2013 | 2012 |
|--------------------------------------------------------------------|------------------|------------------|
| Profit / (Loss) attributable to owners of the Company (RMB'000) | 126,400 | (140,246) |
| Weighted average number of ordinary shares in issue (thousands) | <u>2,523,742</u> | <u>2,516,344</u> |
| Basic earnings/(loss) per share (RMB cents per share) | <u>5.01</u> | <u>(5.57)</u> |

(b) Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming the conversion of all dilutive potential ordinary shares. The Company's outstanding share options are potentially dilutive. A calculation is done to determine the number of shares that could have been issued at fair value (determined as the average market price of the Company's shares during the periods). The number of shares so calculated is compared with the number of shares that would have been issued assuming the exercise of the share options. The difference is added to the denominator as the number of ordinary shares issued for no consideration.

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15 Earnings per share (continued)

| | |
|--------------------------------------------------------------------------------------------|--------------------|
| | 2013 |
| Profit attributable to owners of the Company (RMB'000) | 126,400 |
| Weighted average number of ordinary shares in issue (thousands) | 2,523,742 |
| Adjustments for | |
| – share options (thousands) | <u>98,055</u> |
| Weighted average number of ordinary shares for diluted earnings – per share (thousands) | <u>2,621,797</u> |
| Diluted earnings per share (RMB cents per share) | <u><u>4.82</u></u> |

16 Commitments - Group

(a) Operating lease commitments

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

| | 2013 RMB'000 | 2012 RMB'000 |
|---------------------------------------------------|------------------------|------------------------|
| Not later than one year | 21,845 | 21,239 |
| Later than one year and not later than five years | <u>12,347</u> | <u>20,448</u> |
| | <u><u>34,192</u></u> | <u><u>41,687</u></u> |

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17 Disposal of subsidiaries

(a) Partial disposal of subsidiaries

On 1 January 2013, the Group disposed of its 80.1% equity interest in Luoyang Kingdee Software Co.,Ltd. (“Luoyang Kingdee”) to an independent individual.

On 23 March 2013, the Group disposed of its 80.1% equity interest in Xuzhou Kingdee Software Co.,Ltd. (“Xuzhou Kingdee”) to an independent individual.

After completion of above disposals, the Group’s shareholdings in Luoyang and Xuzhou reduced from 100% to 19.9%, respectively. They became associates of the Group. The gain on loss of control in Luoyang and Xuzhou is set out as below:

| | 2013 |
|-------------------------------------------------|---------------------|
| | RMB’000 |
| Sales consideration | 4,400 |
| Fair value of interest retained | 929 |
| Net liabilities disposed of | (1,324) |
| Gain on partial disposal of subsidiaries | <u>4,005</u> |

The effects of partial disposal on the cash flows of the Group were as follows:

| | |
|-----------------------------------------------------------------|---------------------|
| Cash consideration received | 3,180 |
| Less: Cash and cash equivalents in the subsidiaries disposed of | (276) |
| Net cash inflow on partial disposal | <u>2,904</u> |

(b) Disposal of a subsidiary

On 27 February 2013, the Group disposed of its 100% equity interest in Nantong Kingdee Software Co.,Ltd. (“Nantong Kingdee”) to Nantong Seewan Software Technology Co.,Ltd., an independent third party at a cash consideration of RMB450,000.

| | Nantong Kingdee |
|-----------------------------------------|------------------------|
| | RMB’000 |
| Sales consideration | 450 |
| Net liabilities disposed of | 733 |
| Gain on disposal of a subsidiary | <u>1,183</u> |

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17 Disposal of subsidiaries (continued)

The effects of disposal on the cash flows of the Group were as follows:

| | |
|---------------------------------------------------------------|------------|
| Cash consideration received | 450 |
| Less: Cash and cash equivalents in the subsidiary disposed of | (47) |
| Net cash inflow on disposal | 403 |

18 Related parties transactions

The Group is controlled by Mr. Xu Shao Chun, which owns 30.31% of the company's shares. The remaining 69.69% of the shares are widely held. The ultimate controlling party of the Group is Mr. Xu Shao Chun.

Except as disclosed in Advance to directors, Share-based payment and Director's emoluments to the consolidated financial statements, the Group had transactions with related parties for the year ended 31 December 2013 as follows:

(a) Sales of goods

| | 2013 | 2012 |
|--------------|--------------|-------------|
| | RMB'000 | RMB'000 |
| – Associates | <u>7,119</u> | <u>-</u> |

Goods are sold based on the price lists in force and terms that would be available to third parties.

(b) Year-end balances arising from sales of goods

| | 2013 | 2012 |
|--------------|-------------|-------------|
| | RMB'000 | RMB'000 |
| – Associates | <u>937</u> | <u>-</u> |

Management Discussion and Analysis

1. Business Review

In 2013, the Group turned to profit from loss in the same period last year. With the effective execution of 5 major strategies, the Group witnessed rapid growth in Cloud Management and significant success in a business transition toward the Internet. The Group's gross margin and net profit margin compared with last year grew by 10.3 points to 75.3% and 15.8 points to 7.9%, respectively. Net operating cash flow was RMB415,144,000. Due to the short-term impact arising from proactive business restructuring efforts, the Group's revenue for the year decreased by 9.3%. Given the Group's reinvention and restructuring in the past two years, its strategy is ever more balanced and profit-focused. During the reporting period, the Group concentrated more on enhancing its product competitiveness, streamlining its business structure, strategically strengthening indirect sales distribution, and developing in-depth customer engagement and control costs. Meanwhile, the Group embraced innovations by venturing into Social Networking, Mobile Technology and Cloud Computing products and services to become a global Cloud Management leader while facilitating business transformation and upgrades for existing customers. The Group is certain in its strategic direction and is confident regarding its future prospects.

I. Enterprise Management Software and Services

Small and Medium-sized Business Product Market

The Mobile Internet and e-commerce trend in year 2013 led to strong demand from small and medium-sized enterprises seeking transformation to Cloud Management. The Group innovated and upgraded Internet ERP products rapidly to accommodate the needs of more than 1 million small and medium-sized ERP customers. The Group has achieved economies of scale in respect of its service and points-of-sale, creating O2O ecology with distribution and service partners to provide customers with more comprehensive products and services.

During the reporting period, with its insights into the necessity for small and medium-sized businesses to establish information systems for e-commerce platform, the Group timely released the KIS E-commerce flagship version that substantially enhances management efficiency of e-commerce businesses. The product, which seamlessly collects data systems of Taobao and Tmall, has been well-received by the market.

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For small and medium-sized businesses, the Group completed the deployment of K/3 Cloud, a new generation ERP software, on Microsoft's Windows Azure Public Cloud in 2013. It was China's first web-based on-demand ERP system. During the reporting period, the Group also released K/3 Cloud V2.0 that significantly lowers IT costs and turns high one-off investment of IT assets into flexible on-demand IT services. This has won the Group contracts with corporations including Filtronic China and Joyou.

As regards sales channels, the Group adhered to a “Leading-Platform, Partner-First” strategy, integrating the resources of sales, marketing, R&D and training, building up and developed professional channel team, providing support and development path for partners, strengthening Kingdee partners’ competencies and achieving a win-win between Kingdee and partners.

During the reporting period, the Group also received high-level recognitions from international authorities. In May 2013, IDC's China Enterprise Application Software Market Analysis Report , the Group was honored as “The No. 1 Market Share Leader in China’s SME Market” for the ninth straight year.

Medium and Large-sized Enterprises Product and Industry Market

The Group also developed accelerated industry transformations and upgrades, for medium and large-sized enterprises to drive business and management innovations. The Group’s EAS products integrate numerous successful Chinese Management practices, which are designed for the habits and characteristics of Chinese medium and large-sized enterprises. During the reporting period, the Group continued to develop solutions for industries such as property and 4S automobile by launching a series of mobile internet management applications. These applications update the management systems from the old-fashioned monthly reporting to real-time management in real time. During the reporting period, existing customers including China Merchants Group and Vanke successfully adopted these mobile internet management applications and the Group signed contracts with EMS, Tianjin Port and other notable corporations, thereby solidifying its leading position in the medium and large-sized enterprise market.

Consulting, Implementation and Maintenance Services

During the reporting period, the Group improved and strengthened its core competency in consulting and implementation by accelerating toward a delivery-oriented model, expanding

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service partners, strengthening project management and improving delivery capability in branches.

During the reporting period, the Group's maintenance business continued to grow steadily, while the percentage of maintenance revenue to total revenue continued to increase. The Group released a new Kingdee OEM support service system to establish Kingdee Service Management Platform (KSM) and build healthy partner-customer support ecosystems. The Group continued to promote service innovations, significantly enhance customer service values and service experiences.

International Business

During the reporting period, driven by the increasing adoption of Mobile Technology, the Group promoted Internet related products including "Cloud Hub" and "BizChat" in Asia Pacific. The Group successfully signed Cloud Hub contract with New World Group and developed more than 10 "BizChat" partners. The Group achieved strong progress within Hong Kong enterprises seeking to expand business in mainland market, signed contracts with enterprises including Digi-key, Novetex, Jebesen & Co.. As regards overseas markets, in order to establish a partner ecosystem, the Group followed the "Leading-Platform, Partner-First", supported the development of partners and leveraged Hong Kong as the main platform to promote business development in oversea markets including Singapore, Malaysia, and beyond.

II. Enterprise Internet Business

Cloud Hub

During the reporting period, as Chinese enterprises placed more emphasis on enhancing the internal and departments cooperation, and cooperation in different geographic locations, enterprise management extension from within enterprise to among enterprises and from internal management to external cooperations. Kingdee's enterprise social network platform Cloud Hub achieved rapid growth in Chinese enterprise markets, with over 80,000 registered companies and over 1 million users. Cloud Hub was recognized by large enterprises and signed contracts with Haier Group, Vanke and New World Group. The product won good comments in the industry and received awards including "Best Application for Enterprise

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Efficiency”, “2013 Best Social Network Platform” and “CCID Annual Brand for Enterprise Social Network”.

BizChat Mobile Platform & Mobile Apps

During the reporting period, Kingdee successfully launched the BizChat Mobile Platform, and vigorously developed Mobile Apps based on it. Kingdee Mobile Apps grew rapidly. The number of paid terminals increased by nearly 5 times as compared to the same period in 2012. More and more enterprises realized the improved efficiency of internal collaboration and communication driven by Mobile Technology. Enterprises are convinced that paid mobile subscription model is more flexible and efficient for their IT systems.

Youshang.com

Youshang.com is China’s largest online financial service platform, while Kingdee Wise Note is China’s largest management app by user volume, which target is to provide internet services for 40 million small and micro businesses in China. The number of customers of Wise Note is over 2 million and value-added service income achieved 100% plus growth, and continued to lead in the micro and small business market. During the reporting period, the number of customers of Youshang online SaaS exceeded 600,000 and experienced 40% growth in paying customers, with a high retention rate of 80%.

Kuaidi100

During the reporting period, Kingdee’s Kuaidi100, which was popular among users, began to collaborate with other projects on Baidu Open Platform, spanning mobile search, open platforms for mobile applications and Aladdin data, among others. During the “Double Eleven” in 2013, a total of 467 million inquiries were generated by Kuaidi100 on the Baidu WebApp Platform, covering 40% of the internet users in China. Kuaidi100 continued to maintain China’s largest express and logistics information inquiries and service platform position as its e-commerce products provided services for over 100,000 ecommerce vendors.

National Enterprise Internet Service Supporting and Software Engineering Technology Research Centre

During the reporting period, the Ministry of Science and Technology officially approved the establishment of the National Enterprise Internet Service Supporting and Software Engineering Technology Research Centre by Kingdee, with certain exclusiveness and

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uniqueness. This verifies Kingdee's strength in enterprise Internet service supporting software and demonstrates a full recognition of its independent innovative capability.

III. Business of Subsidiaries

Kingdee Medical and Healthcare Software Business

During the reporting period, the Kingdee Medical Software Company released a series of new products including the HIP integration platform, HBA analytic platform, mobile clinic, HRP professional, clinical and other products. Kingdee Medical also launched LIS new version based on Oracle data center, improved the standardization of HIS products, released HIS delivery instruments to improve implementation successful rate and optimize customers' experience. Kingdee Medical signed contracts with a number of important customers including Gansu Chinese Medicine Hospital, Wuhan Youfu Hospital, Foshan Health Center, Henan Staff Hospital, and delivered 114 projects including Panyu Community Health Center in Guangzhou, Guangzhou Maternal and Child Hospital and Nanhua University.

Middleware Business

During the reporting period, domestic infrastructure software received further attention and support from the government. As the only middleware provider of "Cloud Computing Standards Working Units of National Information Technology Standardization Technical Committee in 2013", Kingdee middleware met new opportunities. The Group achieved efforts in the key industries including center ministries, military, and telecommunications. During the reporting period, new versions of Cloud Computing products and support application server cluster with surveillance feature were released. Revenue generated from partners became more significantly as the Group strengthened cooperation with strategy partners including Chinasoft, Taiji Group, Inspur and Neusoft. The Group also attracted important new customers including Ministry of Foreign Affairs, Central Commission for Discipline Inspection of the CPC and The People's Bank of China, and concluded projects including China South Industries Group and Hunan Tobacco.

2. Organization and Personnel Assurance

During the reporting period, the Group further promoted organizational and personnel structure optimization, while issuing incentive stock options to key staff members. The Group also provided leadership and professional competencies training for branch general managers, product management teams, and entry-level employees. Together with its strategic investments and new business developments, the Group continued to recruit Internet talents with Social Networking, Cloud Computing, Mobile Technology and Big Data skills, and also increased the recruitment of new graduates to infuse new blood into the company.

3. Corporate Social Responsibility

During the reporting period, the Group continued to set up scholarships and teaching funds for the South East University, collaborated with top business schools in China to promote the Chinese management model, supported the China Managerial Excellence award, and promoted the new business spirit of “Walk on ZHENGDAO (right track) and Walk by WANGDAO (noble way)”.

During the reporting period, Kingdee signed collaborative agreements with over 110 noted universities including Tsinghua University, Renmin University of China, Suzhou University, Anhui University of Finance and Economics, Nanjing Normal University, Wuhan University of Technology. The cooperation included establishment of national engineering education center, a base for entrepreneurship, a joint lab and a domestic fundamental software training base and technical center aimed at nurturing personnel in fundamental software engineering.

During the reporting period, the Group continued support and cooperate with public organizations including Lin Junjin Charitable Foundation, One Foundation and Stars Youth Development Center, pushing public welfare services in China towards more transparent operations. One Foundation project had been delivered and Phase Two initiated. In the wake of the Ya'an earthquake, Kingdee provided strong technical support in the rescue and restoration. Employees of the Group also made donations to China Siyuan Foundation for Poverty Alleviation and set up “Siyuan-Kingdee education migrant class” in the earthquake-stricken area of Ya'an.

4. Financial Review

For the year ended 31 December 2013, the Group's turnover amounted to RMB1,602,125,000, a decrease of 9.3% against 2012 (2012: RMB1,765,493,000).

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During the reporting period, the Group realised revenues from software of RMB770,491,000, a decline of 11.8% against 2012 (2012: RMB873,578,000) ; Services revenue of RMB783,620,000, a decline of 6.8% against 2012 (2012: RMB840,927,000). The Group's net cash flow generated from operating activities was RMB 415,144,000 (2012: RMB11,661,000).

During the reporting period, the trade receivables turnover climbed by 1 day to 49 days (the average of the trade receivables balance at the beginning and the end of the year divided by the total revenue of the year times 365 days) (2012: 48 days).

For the year ended 31 December 2013, profit attributable to equity holders of the Company was RMB126,400,000 (2012: loss of RMB140,246,000). Comprehensive profit attributable to equity holders of the Company was RMB126,400,000 (2012: loss of RMB53,405,000). During the year, net profit margin was approximately 7.9% (2012: approximately -7.9%) and basic earnings per share was RMB0.0501 (2012: basic loss per share of RMB0.0557).

Gross Profit

Gross profit of the Group increased by approximately 5.1% from RMB1,146,967,000 in 2012 to RMB1,205,889,000 in 2013. Gross profit margin for the year increased significantly to approximately 75.3% (2012: approximately 65.0%). The increase of the gross margin was mainly driven by the effectiveness of indirect sales strategy and project profitability management.

Selling and marketing expenses

Selling and marketing expenses for 2013 amounted to RMB827,927,000 (2012:RMB1,153,722,000), representing a decrease of 28.2% against last year. The decline was mainly driven by the indirect sales strategy and unprofitable branches closure and business transformation.

Administrative Expenses

Administrative expenses for 2013 amounted to RMB205,036,000 (2012: RMB216,866,000), representing a decrease of approximately 5.5%. The decrease was mainly due to effective cost controls initiatives and a streamlining of headquarters staffing.

Research and Development costs

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R&D costs for 2013 amounted to RMB232,890,000 (2012: RMB200,357,000), representing an increase of approximately 16.2%. The increase was mainly due to amortization expenses from previous R&D capitalizations.

Capital Expenditure

For the year ended 31 December 2013, the Group's major capital expenditure mainly included R&D capitalised expenses of RMB198,180,000 (2012: RMB252,045,000), construction fees and machinery and equipment purchasing of Software Park in the amount of RMB138,927,000 (2012: RMB317,387,000).

Financial Resources and Liquidity

As at 31 December 2013, the Group had cash, cash equivalents and deposits amounting to RMB1,003,366,000 (2012: RMB918,093,000). The current ratio was 1.7 (2012: 1.6) and the gearing ratio was 47.3% (2012: 50.0%).

As at 31 December 2013, the Group had short-term bank loans of RMB420,215,000 (2012: 227,000,000). As at 31 December 2013, the Group had long-term borrowings amounting to RMB1,154,985,000 (2012: RMB1,363,641,000).

As at 31 December 2013, the Group was not subject to any material exchange rate exposure, and had not entered into any foreign exchange futures contract to hedge against exchange rate fluctuations.

As at 31 December 2013, the Group did not have any material contingent liabilities (2012: nil).

5. Future Prospects

With China's uncertain macro-economy situation and changes in the competitive environment at home and abroad, cost and efficiency considerations at Chinese enterprises will speed their transformation and IT upgrades in order to enhance overall competitiveness. Enterprise cooperation will gradually expand from within to external cooperation. Social Networking, Mobile Internet and Cloud Computing technologies will be integrated with traditional IT services, driving a new round of enterprise informatization. Cloud Management is bringing innovative changes to enterprise management. The Group believes that Cloud Service will become the mainstream of enterprises' future development and IT applications. China has become the world's largest mobile internet market, with its enterprise IT industry entering a golden era. The Group has gained the first-mover advantages in the market and is

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expected to capture a more significant presence in the global Cloud Computing market in the future.

We believe that the Internet will change the world. Looking ahead into 2014, the Group will adhere to the overall strategy of “Leading-Platform, Partner-First, Enthusiastic-Professional, Mutual-Success”. The Group will constantly improve ERP in the Internet Era with the dual-core drivers, while improving product quality, creating the best user experience and evolving the enterprise Internet business model, introducing more leading Cloud Management products, working and growing more closely with customers. We will create greater value for shareholders and customers, become the Cloud Management leader and lead the industry in re-imagination. We will share the success with all stakeholders: to promote career development for staff, to create a win-win for partners, to grow together with customers and to deliver fair returns to shareholders sustainably.

Final Dividends

The Board of Directors of the Company (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2013. (2012: nil)

Closure of Register

The register of members of the Company will be closed from Friday, 2 May 2014 to Thursday, 8 May 2014 (both days inclusive), during which time no transfer of shares will be registered. In order to be qualified to attend, participate in and vote at the annual general meeting (the "AGM") that is going to be held on 8 May 2014, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registration and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 30 April 2014.

Purchase, Sale or Redemption of Shares

During the reporting period ended 31 December 2013, the Company and its subsidiaries had not repurchased, sold or redeemed any of its listed securities.

Corporate Governance

The Company had complied with all the code provisions of the “Corporate Governance Code”, as set out in Appendix 14 to the Listing Rules, throughout the financial year ended 31 December 2013 except for code provision A 2.1.

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During the reporting period, Mr. Xu Shao Chun assumed the roles of both the Chairman and CEO of the Company. The Board considers that Mr. Xu Shao Chun, as one of the main founders of the Company, has abundant knowledge of the IT industry and unique strategic perspectives. The Board believes 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.

Audit Committee

As at 31 December 2013, the Audit Committee of the Company (“Audit Committee”) comprised three independent non-executive Directors namely, Mr. Gary Clark Biddle, Mr. Wu Cheng, and Mr. Yeung Kwok On. Mr. Gary Clark Biddle is the chairman of the Audit Committee. The Audit Committee has reviewed the accounting principles and practices adopted by the Company, discussed auditing, internal control and financial reporting matters and reviewed the audited financial statements for the year ended 31 December 2013 of the Group.

External Auditor

PricewaterhouseCoopers was appointed as the external auditor of the Company for the year of 2013, and there has been no change in the company's auditor in any of the preceding three years. A resolution for re-appointment of PricewaterhouseCoopers as the auditor of the Company will be proposed at the AGM. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements and consequently no assurance has been expressed by PricewaterhouseCoopers on the annual results announcement.

On behalf of the Board
**KINGDEE INTERNATIONAL SOFTWARE
GROUP COMPANY LIMITED**
Xu Shao Chun
Chairman

Shenzhen, the People's Republic of China, 17 March 2014

As at the date of this announcement, the Board comprises Mr. Xu Shao Chun (Chairman of the Board and Chief Executive Officer) Mr. Chen Deng Kun and Mr. Yang Jian as executive directors; Ms. Dong Ming Zhu as non-executive director; and Mr. Gary Clark Biddle, Mr. Ho Ching-hua, Mr. Wu Cheng and Mr. Liu Chia Yung as independent non-executive directors.