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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 2014**

The board (the “Board”) of directors (the “Directors”) of Kingdee International Software Group Company Limited (“Kingdee International” or the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2014, together with the comparative audited consolidated figures for the year ended 31 December 2013 are as follows:

Financial highlights for the year ended 31 December 2014

- Turnover slightly decreased by approximately 3.5% compared with 2013 to approximately RMB1,546,517,000.
- Profit attributable to owners of the Company during the year was approximately RMB 197,048,000, increased by approximately 56% compared with RMB126,400,000 in 2013.
- Basic earnings per share attributable to owners of the Company during the year was approximately RMB0.0770, increased by approximately 54% compared with RMB0.0501 in 2013.
- The directors recommend the payment of a final dividend of RMB0.012 per share in respect of the year ended 31 December 2014. (2013: nil)

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 31 December	
		2014	2013
		RMB'000	RMB'000
Assets			
Non-current assets			
Land use rights		132,127	135,488
Property, plant and equipment		728,218	760,218
Intangible assets		577,065	597,514
Investments in associates		1,537	2,143
Investment properties		831,159	826,623
Entrusted loan		20,000	25,800
		2,290,106	2,347,786
Current assets			
Inventories		3,926	3,936
Trade and other receivables	4	244,469	276,516
Entrusted loan		25,600	-
Due from customers on implementation contracts		301,112	296,197
Pledged bank deposits		7,038	4,420
Short-term bank deposits		259,283	140,500
Cash and cash equivalents		1,261,634	858,446
		2,103,062	1,580,015
Total assets		4,393,168	3,927,801

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	As at 31 December	
		2014	2013
		RMB'000	RMB'000
Equity			
Capital and reserves attributable to owners of the Company			
Share capital		65,155	64,435
Share premium		537,920	480,253
Reserves		512,113	528,988
Retained earnings			
- Proposed final dividend	12	30,000	-
- Others		843,784	676,736
		<u>1,988,972</u>	<u>1,750,412</u>
Non-controlling interests		<u>9,246</u>	<u>4,466</u>
Total equity		<u>1,998,218</u>	<u>1,754,878</u>
Liabilities			
Non-current liabilities			
Borrowings	5	1,291,397	1,154,985
Deferred income tax liabilities		74,192	66,022
		<u>1,365,589</u>	<u>1,221,007</u>
Current liabilities			
Trade and other payables	6	302,967	362,860
Due to customers on implementation contracts		80,573	72,442
Borrowings	5	545,579	420,215
Current income tax liabilities		23,191	10,492
Deferred income		77,051	85,907
		<u>1,029,361</u>	<u>951,916</u>
Total liabilities		<u>2,394,950</u>	<u>2,172,923</u>
Total equity and liabilities		<u>4,393,168</u>	<u>3,927,801</u>
Net current assets		<u>1,073,701</u>	<u>628,099</u>
Total assets less current liabilities		<u>3,363,807</u>	<u>2,975,885</u>

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2014 RMB'000	2013 RMB'000
Revenue	7	1,546,517	1,602,125
Cost of sales	9	(270,687)	(396,236)
Gross profit		1,275,830	1,205,889
Selling and marketing expenses	9	(784,480)	(827,927)
Administrative expenses	9	(202,198)	(205,036)
Research and development costs	9	(223,446)	(232,890)
Fair value gains on investment properties		4,536	1,048
Other gains, net	8	229,676	297,485
Operating profit		299,918	238,569
Finance income	10	23,837	8,788
Finance costs		(97,316)	(110,659)
Finance costs-net	10	(73,479)	(101,871)
Share of loss in associates		(606)	(119)
Profit before income tax		225,833	136,579
Income tax expense	11	(25,485)	(17,172)
Profit for the year		200,348	119,407
Attributable to:			
Owners of the Company		197,048	126,400
Non-controlling interests		3,300	(6,993)
		200,348	119,407
Earnings per share for profit attributable to owners of the Company (expressed in RMB cents per share)			
-Basic earnings per share	13	RMB7.70 cents	RMB5.01 cents
-Diluted earnings per share	13	RMB7.36 cents	RMB4.82 cents

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	606,937	524,340
Interest paid	(95,643)	(108,338)
Income tax paid	(4,616)	(858)
Net cash generated from operating activities	506,678	415,144
Cash flows from investing activities		
Purchases of property, plant and equipment	(69,778)	(138,927)
Proceeds from disposal of property, plant and equipment	7,262	16,274
Purchases of intangible assets	(207,556)	(199,843)
Cash paid for contingent and deferred consideration for business combination	(3,249)	(17,402)
Pledged bank deposits withdrawn	2,367	3,570
Pledged bank deposits placed	(4,985)	(2,399)
Short-term bank deposits withdrawn	901,717	4,000
Short-term bank deposits placed	(1,020,499)	(130,000)
Interest received	23,837	8,788
Principal received from entrusted loan	200	200
Payments for entrusted loan	(20,000)	-
Disposal of subsidiaries, net of cash disposed of	-	3,307
Payment for establishment of associates	-	(1,333)
Net cash used in investing activities	(390,684)	(453,765)
Cash flows from financing activities		
Proceeds from share options exercised	33,177	16,365
Proceeds from borrowings	100,000	385,000
Repayments of borrowings	(883,100)	(402,300)
Proceeds from issuance of convertible bond	1,056,579	-
Payments for purchase of shares for share award plan	(19,666)	-
Disposal of interest in a subsidiary without loss of control	204	-
Net cash generated from financing activities	287,194	(935)
Net increase in cash and cash equivalents	403,188	(39,556)
Cash and cash equivalents at beginning of year	858,446	898,002
Cash and cash equivalents at end of year	1,261,634	858,446

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 (together the “Group”) are the developing, manufacturing and selling of enterprise management software products and the provision of software-related technical services in the PRC.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited since 15 February 2001.

The consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. The consolidated financial statements have been approved for issue by the board of directors on 17 March 2015.

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.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

(a) Effect of adopting interpretation and amendments to standards

The following interpretation and amendments to standards have been adopted by the Group for the first time for the financial year beginning 1 January 2014. The adoption of these amended standards and interpretation does not have any significant impact to the results or financial position of the Group.

IAS 32 (Amendment)	Offsetting Financial Assets and Financial liabilities
IFRS 10, IFRS 12 and IAS 27 (2011) (Amendment)	Consolidation for Investment Entities
IAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (Amendment)	Novation of Derivatives
IFRIC — Int 21	Levies
IFRSs (Amendment)	Annual Improvements 2010 - 2012 cycle

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2 Basis of preparation (continued)

(b) New standards and amendments to standards that have been issued but are not effective

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted by the Group:

IAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions ¹
IFRSs (Amendment)	Annual Improvements 2010-2012 cycle and 2011-2013 cycle ¹
IFRS 14	Regulatory Deferral Accounts ²
IFRS 11 (Amendment)	Acquisitions of Interests in Joint Operations ²
Amendments to IAS16 and IAS38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
IFRS 10 and IAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
IAS 27 (Amendment)	Equity Method in Separate Financial Statements ²
IFRSs (Amendment)	Annual Improvements 2012 - 2014 ²
IFRS 10, 12 and IAS 28 (Amendment)	Investment entities: applying the consolidation exception ²
IAS 1 (Amendment)	Disclosure initiative ²
IFRS 15	Revenue from Contracts with Customers ³
IFRS 9	Financial Instruments ⁴

1 Effective for annual periods beginning on or after 1 January 2015

2 Effective for annual periods beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2017

4 Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment on the impact of these standards and amendments to standards on the financial statements of the Group in the initial application. The adoption of the above is not expected to have a material effect on the Group's operating results or financial position.

(c) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after March 3, 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

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 determined the 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 identified the following operating segments:

- | | | |
|------------------------------------------|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ERP business and Cloud services business | - | sales and implementation of enterprise management software, provision of other related services, sales of hardware related to enterprise management software arrangements and sales of middleware software business and provision of E-commerce and other online management services |
| Others | - | operation of investment properties |

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 2014 is as follows:

	ERP business and Cloud services business RMB'000	Others RMB'000	The Group Total RMB'000
Revenue (from external customers)	1,546,517	-	1,546,517
Operating profit	238,772	61,146	299,918
Finance costs	(97,316)	-	(97,316)
Finance income	23,837	-	23,837
Finance costs – net	(73,479)	-	(73,479)
Share of loss in associates	(606)	-	(606)
Profit before income tax	164,687	61,146	225,833
Income tax expenses	(19,370)	(6,115)	(25,485)
Segment results	145,317	55,031	200,348
Segment assets	3,562,009	831,159	4,393,168
Segment liabilities	2,342,571	52,379	2,394,950
Additions to non-current assets (other than financial instruments and deferred tax assets)	227,477	4,536	232,013
Depreciation and amortisation	275,357	-	275,357
Written-back for doubtful trade and other receivables	(3,668)	-	(3,668)
Share-based payment	25,210	-	25,210

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3 Segment information (continued)

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

	ERP business and Cloud services business RMB'000	Others RMB'000	The Group Total RMB'000
Revenue (from external customers)	1,602,125	-	1,602,125
Operating profit	198,776	39,793	238,569
Finance costs	(110,659)	-	(110,659)
Finance income	8,788	-	8,788
Finance costs – net	(101,871)	-	(101,871)
Share of loss in associates	(119)	-	(119)
Profit before income tax	96,786	39,793	136,579
Income tax expense	(13,193)	(3,979)	(17,172)
Segment results	83,593	35,814	119,407
Segment assets	3,101,178	826,623	3,927,801
Segment liabilities	2,121,936	50,987	2,172,923
Additions to non-current assets (other than financial instruments and deferred tax assets)	237,399	1,048	238,447
Depreciation and amortisation	293,689	-	293,689
Written-back for doubtful trade and other receivables	(1,027)	-	(1,027)
Share-based payment	28,804	-	28,804

The Company is incorporated in the Cayman Islands while the Group mainly operates its businesses in the PRC. Revenue from external customers from the PRC and other locations is RMB1,525,129,000(2013: RMB1,572,786,000) and RMB21,388,000 (2013: RMB29,339,000), respectively for the year ended 31 December 2014. 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 2014 and 2013.

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4 Trade and other receivables

	2014	2013
	RMB'000	RMB'000
Trade receivables	180,017	199,437
Less: allowance for impairment of trade receivables	(79,802)	(83,632)
Trade receivables – net	100,215	115,805
Notes receivable	16,329	21,563
Advances to employees	25,148	24,297
Prepayments	46,280	40,983
VAT recoverable	38,432	36,718
Receivables from related parties	1,261	-
Other receivables	16,804	37,150
Trade and other receivables	244,469	276,516

The carrying amounts of the Group's trade and other receivables approximate their fair value. 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.

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 that are past due and impaired is as follows:

	2014	2013
	RMB'000	RMB'000
0 -90 days	55,327	59,390
91 -180 days	9,387	22,845
181 -360 days	25,923	21,064
Over 360 days	89,380	96,138
	180,017	199,437

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5 Borrowings

	2014 RMB'000	2013 RMB'000
Non-current		
Long-term bank borrowings, unsecured	248,500	677,985
Medium-term Notes (a)	-	477,000
Convertible bonds (b)	1,042,897	-
	<u>1,291,397</u>	<u>1,154,985</u>
Current		
Medium-term Notes (a)	478,979	-
Current portion of long-term borrowings, unsecured	66,600	420,215
	<u>545,579</u>	<u>420,215</u>
	<u>1,836,976</u>	<u>1,575,200</u>

At 31 December 2014, the Group's borrowings were repayable as follows:

	2014 RMB'000	2013 RMB'000
Within 1 year	545,579	420,215
Between 1 and 2 years	188,500	820,420
Between 2 and 5 years	1,102,897	334,565
	<u>1,836,976</u>	<u>1,575,200</u>

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2014 RMB'000	2013 RMB'000
RMB	794,079	1,575,200
USD	1,042,897	-
	<u>1,836,976</u>	<u>1,575,200</u>

The Group's bank borrowings bear average interest rate of 6.07% (2013: 6.86% annually) per annum and are fully repayable upon maturity.

Except the Medium-term Notes mentioned in note (a) below and the convertible bonds mentioned in note (b) below, 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 (2013: within 1 year).

The fair value of the non-current borrowings as of 31 December 2014 is RMB1,252,935,000 (2013: RMB1,076,449,000), which is based on cash flows discounted using a rate based on the borrowing rate of 5.11% (2013: 6.32 %) and is within level 2 of the fair value hierarchy.

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

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5 Borrowings (continued)

Notes:

- (a) Kingdee China, a wholly-owned subsidiary of the Company completed the issuance of the first tranche of the Medium-term Notes in the PRC on 16 July 2012. The first tranche of the Medium-term Notes of RMB480 million were issued at the fixed interest rate of 6.0% per annum 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 finance the Group's construction-in-progress project and to provide general working capital for the Group.
- (b) The Group issued US\$175,000,000 4.0% convertible bond on 14 April 2014. The bond mature in five years from the issue date. The bond can be converted into the Company's ordinary shares, at the holder's option at any time on or after 25 May 2014 up to the close of business (at the place where the bond certificate evidencing such bond is deposited for conversion) on the 10th day prior to the maturity date (both days inclusive), at HK\$3.90 per share. The values of the liability component and the equity conversion component were determined at issuance of the bond. The liability component is subsequently stated at amortised cost until it is extinguished on conversion or maturity of the bond. The residual amount, representing the value of the equity conversion component, is accounted for as a conversion option reserve included in equity.

The convertible bonds recognised in the balance sheet are calculated as follows:

	2014
	RMB'000
Face value of convertible bonds issued on 14 April 2014	1,076,793
Transaction costs	(20,214)
Equity component	(8,696)
Liability component on initial recognition at 14 April 2014	1,047,883
Interest expense	31,420
Interest accrued	(30,590)
Effect of currency translation	(5,816)
Liability component at 31 December 2014	1,042,897

Interest expense on the liability component of the bond was calculated at the effective interest rate of 4.22% per annum.

The carrying amount of the liability component of the convertible bond at 31 December 2014 approximates its fair value. The fair value hierarchy of the liability component of the convertible is level 2.

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**6 Trade and other payables**

	2014	2013
	RMB'000	RMB'000
Trade payables	34,290	43,923
Amounts due to related parties	591	937
Salary and staff welfare payables	74,563	69,035
Advances from customers	38,293	47,363
VAT and business tax payable	42,800	47,291
Accrual for expenses	39,183	34,901
Construction fee payable	7,387	57,242
Contingent consideration for a business acquisition	3,067	4,940
Deferred consideration for a business acquisition	2,888	5,888
Deposits of distributors	32,854	26,391
Interest payable	23,324	14,400
Others	3,727	10,549
	302,967	362,860

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

At 31 December 2014, the ageing analysis of the trade payables based on invoice date is as follows:

	2014	2013
	RMB'000	RMB'000
0 -180 days	30,954	36,214
181 -360 days	2,199	2,934
Over 360 days	1,137	4,775
	34,290	43,923

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7 Revenue

The Group's turnover includes, separately or in combination, revenues from Enterprise Resource Planning ("ERP") business and Cloud services business. Revenue is stated net of applicable value-added tax ("VAT") in the PRC and comprises the following:

	2014	2013
	RMB'000	RMB'000
ERP business	1,440,492	1,545,111
Cloud services business	106,025	57,014
	<u>1,546,517</u>	<u>1,602,125</u>

8 Other gains - net

	2014	2013
	RMB'000	RMB'000
VAT refund (<i>note</i>)	137,089	142,612
Government grants	34,439	84,776
Rental income -net	56,610	38,745
Re-measurement of the contingent consideration for business acquisition	1,624	23,160
Gains on disposal of subsidiaries	-	5,188
Others	(86)	3,004
	<u>229,676</u>	<u>297,485</u>

Note: 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.

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**9 Expenses by nature**

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

	2014	2013
	RMB'000	RMB'000
Research and development costs		
Amounts incurred	230,500	225,669
Less: development costs capitalised	(205,342)	(198,180)
Add: amortisation	198,288	205,401
	223,446	232,890
Employee benefit expenses	943,057	1,071,333
Less: amount included in development costs	(201,550)	(194,205)
	741,507	877,128
Depreciation	43,991	51,416
Less: amount included in development costs	(7,511)	(10,694)
	36,480	40,722
Outsourcing services	113,143	113,923
Sales promotion	69,838	65,702
Cost of inventories consumed	67,538	79,321
Rental and utilities	40,213	49,944
Traveling	33,370	41,925
Advertising	33,348	30,154
Office	29,558	22,663
Amortisation of acquired licences and copyrights	26,150	30,134
Other tax and surcharge	24,289	28,120
Professional service	8,742	15,429
Training	7,090	6,019
Amortisation of land use rights	3,361	3,361
Amortisation of computer software for own use	2,319	2,129
Auditors' remuneration	1,700	2,350
Amortisation of customer relationship	1,248	1,248
Loss on disposals of property, plant and equipment	670	864
Reversal of impairment of receivables	(3,668)	(1,027)
Others	20,469	19,090
Total	1,480,811	1,662,089

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

10 Finance costs – net

	2014 RMB'000	2013 RMB'000
Interest income	23,837	8,788
Bank charges	(867)	(506)
Net foreign exchange gain	8,118	44
Interest on borrowings	(104,567)	(110,197)
	<u>(73,479)</u>	<u>(101,871)</u>

11 Income tax expense

	2014 RMB'000	2013 RMB'000
Current income tax		
-PRC corporate income tax	21,445	13,061
-Over-provision in previous year	(4,130)	-
Deferred income tax	8,170	4,111
	<u>25,485</u>	<u>17,172</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) PRC corporate income tax

The PRC subsidiaries of the Company are subject to the following tax rates:

Kingdee Software (China) Co., Ltd. and Shenzhen Kingdee Middleware Co., Ltd. were each qualified as a national important software enterprise and was entitled to a preferential tax rate of 10% (2013: 10%) for the year ended 31 December 2014.

Shanghai Kingdee Software Co., Ltd. was qualified as a high-tech enterprise from 2014 to 2016 and was entitled to a preferential rate of 15% (2013: 12.5%).

According to Cai Shui Zi [2008] issued by Ministry of Science and Technology, Ministry of Finance and tax authorities in the PRC, Kingdee Medical Software Co., Ltd was qualified as a high-tech enterprise from 2011 to 2014 and was entitled to a preferential income tax rate of 15% (2013: 15%).

Beijing Kingdee Management Software Co., Ltd. was qualified as a high-tech enterprise from October 2014 and is entitled to a preferential tax rate of 15% (2013: 25%).

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

12 Dividends

A final dividend of RMB1.2 cents (equivalent to approximately HK1.5 cents) per ordinary share, totaling RMB30,000,000, for the year ended 31 December 2014, is to be proposed at the annual general meeting on 8 May 2015. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements for the year ended 31 December 2014, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2015.

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13 Earnings per share

(a) Basic

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

	2014	2013
Profit attributable to owners of the Company (RMB'000)	<u>197,048</u>	<u>126,400</u>
Weighted average number of ordinary shares in issue (thousands)	<u>2,560,029</u>	<u>2,523,742</u>
Basic earnings per share (RMB cents per share)	<u>7.70</u>	<u>5.01</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bond and share options. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, the number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the average annual market share price of the company's shares) for the same total proceeds is added to the denominator as the number of ordinary shares issued for no consideration. Since diluted earnings per share is increased when taking into account the convertible bond, the convertible bond is anti-dilutive and is ignored in the calculation of diluted earnings per share.

	2014	2013
Profit attributable to owners of the Company (RMB'000)	<u>197,048</u>	<u>126,400</u>
Weighted average number of ordinary shares in issue (thousands)	2,560,029	2,523,742
Adjustment for		
– Share options (thousands)	<u>117,331</u>	<u>98,055</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u><u>2,677,360</u></u>	<u><u>2,621,797</u></u>
Diluted earnings per share (RMB cents per share)	<u>7.36</u>	<u>4.82</u>

Management Discussion and Analysis

1. Main Financial Data

During the reporting period, the Group's two major businesses ERP and Cloud Services performed very well. ERP business's profits increased significantly due to restructuring and strategic channel expansion. The Cloud services business grew rapidly and developed a strong head start. These trends demonstrated the Group executed the right mobile Internet transformation strategy. Kingdee is leading the China enterprise mobile Internet market.

Revenue

For the year ended December 31, 2014, total revenues were RMB 1,546,517,000, compared to RMB 1,602,125,000 in 2013, a decrease of 3.5%. The decrease was due to the short-term impact of implementation service resulting from the change in sales strategy from ERP direct sales to indirect sales. ERP business revenues were RMB 1,440,492,000, compared to RMB 1,545,111,000 in 2013, a decrease of 6.8%. Cloud Services revenues significantly increased 86.0% to RMB106,025,000 from RMB 57,014,000 in the prior year.

Gross profit

The Group's gross profit rose 5.8% to RMB 1,275,830,000 in 2014 from RMB 1,205,889,000 in 2013, driven by optimizing the business structure. Gross profit margin expanded significantly to 82.5% from 75.3% in 2013.

Profit

The Group's operation quality continued to improve. For the year ended December 31, 2014, profit attributable to equity holders was RMB 197,048,000, compared to RMB 126,400,000 in 2013. Net profit margin was 13.0%, compared to 7.5% in 2013. Basic earnings per share was RMB 7.70 cents, compared to RMB 5.01 cents in 2013.

2. Business Reporting

I. Kingdee ERP Business

(1) SME Market

In 2014, the SME ERP software market continued to maintain its stable growth. Sales of the KIS software increased 20.1% year-over-year due to the strong demand from new Chinese entrepreneurships in the second half, and the Group's efforts to strengthen its channel distribution. K/3 Wise software revenue decreased 6.5% year-over-year due to the short-term impact resulting from the Group's indirect strategy. However, shipments saw double digits growth year-over-year. Based on the foundation of more than one million SME ERP customers, the Group matched customers' demand and introduced eight new products that were well received by the market.

During the reporting period, the Group leveraged innovative O2O model, improved user experience, and helped SMEs connect with the leading Internet platforms as well as within the enterprise. In addition, the Group linked the upstream and downstream industry chains, provided one-stop optimization and improvement solution for SMEs, helped SMEs develop new business models using Big Data. Kingdee is the preferred enterprise software brand for the SMEs market.

During the reporting period, Kingdee was named by IDC, the international authoritative survey firm, as the leader in the SME ERP market in China for the tenth consecutive year.

(2) Large and mid-sized enterprise and industry market

During the reporting period, the Group observed the accelerating demand for industry transformation. Large enterprises faced more vigorous internal control management. The Group introduced financial shared center solutions to help conglomerates meaningfully improve management efficiency. In addition, the Group seized the opportunity created by the National Information Security policy for domestic software, collaborated with its strategic partners and community organizations to expand business with high-value customers and obtained the Ministry's "The Integration of the two standards advisory services" qualification. Meanwhile, the Group promoted channel distributors to undertake the on-site service and continue to develop unified management based on Cloud service platform. The Kingdee service management platform (KSM) has covered 80% of products with thousands of customer installations. During the reporting period, the China Merchants Group, Vanke and other existing customers continued to enjoy the benefits of innovation brought by mobile Internet management. The Group also signed Daquan Group, Sunac Landmark, Nova Vision (Baodao Glasses) and other well-known large-scale enterprises, and continued to lead in the large- and mid-sized enterprise market.

During the reporting period, while the Group increased its channel distribution causing the implementation service revenue to fell year-over-year, the Group's gross margin improved significantly as the adjustment of the distribution structure completed quickly. The Group reinforced the laboratory construction of its industry partners, which enhanced the partners' capacity and efficiency. The Group actively developed high-value customers, and continued to implement the projects such as "Project Management Plan", "Project Manager Responsibility System", "Engagement Partner Business Model" to improve customer satisfaction.

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(3) International Business

During the reporting period, the Group promoted Cloud services in the Asia Pacific market. Based on the K/3 Cloud platform, the Group successfully implemented “Cloud Hub” for New World Group and CTS’ mobile application projects. The Group assisted customers to expand mainland Ecommerce channels and signed O2O projects such as Casablanca. The Group developed partnership to promote K/3 Cloud products and KIS products in Philippine.

II. Kingdee Cloud Service Business

(1) Mobile Office Cloud

The Cloud Hub is the largest Mobile Office Cloud service platform in China. During the reporting period, the Cloud Hub experienced strong growth in the Chinese Enterprise market, with registered enterprises and organizations exceeding 200,000 and over 2.5 million users registered. Kingdee was recognized as the Best Business Mobile Office Application by ccidnet.com and won a Top Ten awards conferred by leiphone.com. The Kingdee Mobile Office platform “the Cloud Hub” V4.0 embodied a revolutionary way of working, and helped companies such as Vanke, Haier, New World, Hopson, and Zhongsheng Group to accelerate their transformation to the mobile Internet. The Group also promoted the Cloud Hub Chinese Tour experience activities, developed a large number of fans through word of mouth, and contributed to the community interaction.

(2) Finance Cloud

Youshang.com is the largest online financial services platform in China. During the reporting period, with its Android version of bookkeeping, Online Booking V3.0 and Wise Note 4.0, youshang.com improved its user experience and user acceptance. Driven by effective target marketing and the expanding coverage of bookkeeping services, the online SaaS revenue and the new paying customers grew more than 20% year-over-year. The paying customer renewal rate maintained over 80%. Kingdee Wise Note is the largest free bookkeeping App with over 2 million users and is the leader in the small and micro-enterprise market.

(3) ERP Cloud

K/3 Cloud is the first online ERP system in China. During the reporting period, K/3 Cloud revenue grew 130% year-over-year. To address the rapid growing demand from traditional business in O2O marketing and sales, K/3 Cloud provided innovative service solution in supply chain and financial services, as well as big data for clients to analyze and make decisions. K/3 Cloud also provided an effective analysis for companies to adjust marketing strategy and optimize corporate resources. K/3 Cloud aims to become the top choice in the Mid-enterprise ERP Cloud platform and the largest ERP Cloud service provider. The Group successfully signed contracts with Yinlu Food and Leconte group.

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(4) Express Data Cloud

Kuaidi 100 is the largest third-party courier and express data service platform. During the reporting period, customers used the Kuaidi 100 service over 8 billion times. The number of mobile terminals grew rapidly and the number of mobile application users more than doubled year-over-year. The number of visits from the mobile terminals exceeded those on PC. In addition, Kuaidi 100 used Big Data analysis to launch a new mobile service to call the nearest express courier. This innovative service solved the difficulty of locating the closest delivery person and created a brand new user experience.

III. Kingdee Main Subsidiaries Business

(1) Mobile Internet Hospital Business

During the reporting period, Kingdee Medical Software Technology Co., Ltd. pioneered in providing mobile Internet solutions for hospitals – connecting hospitals and patients via a mobile service platform, connecting hospital and doctors, nurses and managements via a mobile platform. Kingdee successfully connected hospitals and suppliers via supply chain E-commerce platform. Since launching the mobile Internet hospital system, Kingdee worked with the Guangzhou Women and Children Medical Center Hospital of Foshan City, Brian Ho Memorial Hospital, First Affiliated Hospital of Guangzhou Medical University, to launch mobile Internet hospital services. As of December 31, 2014, Kingdee processed more than 300,000 transactions for more than 280,000 patients. By establishing benchmark for Women and Children, Traditional Chinese Medicine, and General hospitals, Kingdee Medical seeks to help more hospitals to explore the way of mobile Internet era's transformation.

(2) Cloud Infrastructure Software Business

During the reporting period, the government put great emphasis on domestic infrastructure software, and smart city infrastructure. Kingdee Middleware maintained its lead in the domestic Cloud infrastructure software market and deepened its strategic partnership with large system integration companies. During the reporting period, business opportunities emerged from all levels, including government, tobacco, military, finance, telecommunications, and other important markets. The Kingdee Middleware project “Suzhou Industrial Park Government and Enterprise Service Platform” was awarded the 2014 Top Ten Excellent Smart City Recognition. During the 18th China International Software Expo, Kingdee Middleware won the preferred brand award in 2014 China software industry middleware and earned the 2014 China Software Industry Award for Best Cloud Platform Technology Innovation.

3. Organizational and Human Resources Development

During the reporting period, the Group significantly improved employee productivity through restructuring and sales distribution transformation. The Group's innovation capability was strengthened by encouraging internal entrepreneurship and innovation, and expanding business authorization. Through regular micro innovation contests, the number of innovations from staff and client reached 162 while more than 7,000 clients and employees participated.

During the reporting period, the Group continued to optimize its human resource management based on the "Dual Core Driving Strategy", strengthened recruitment of top Internet talents with track record in user interface experience and Internet finance and continued to implement the stock option incentive program. Meanwhile, the Group intended to hire post-85s and post-90s employees in order to solidify the Group's workforce.

4. Social Responsibility

Kingdee always adheres to the core value of "Walk on ZHENGDAO (right track) and Walk by WANGDAO (noble way)". "Walk on ZHENGDAO" means sticking to the bottom line of integrity. "Walk by WANGDAO" means practicing the concept of "altruism" and realizing a win-win situation with customers, employers, partners and shareholders in the era of mobile Internet. During the reporting period, the Group cooperated with top business schools in China, including China Europe International Business School, Peking University, Tsinghua University, and others, to promote and support the selection activities of the Chinese Management Excellence Award. Jointly with representatives of all walks of life from production, study and research fields, the Group promoted the transformation and upgrading of Chinese enterprises to the mobile Internet.

During the reporting period, the Group supported and assisted in public welfare activities and projects of public welfare organizations including One Foundation, and jointly promoted the sound development of China's public welfare undertakings. The Group cooperated with China Siyuan Foundation for Poverty Alleviation and established Siyuan-Kingdee Education Immigrants Class in the disaster area in Ya'an. The Group reformed its enterprise culture and promoted social spiritual civilization with other great enterprises and was recognized with the Shenzhen Enterprise Culture Innovation Award.

5. 2015 Business Strategy

Looking forward to 2015, Chinese entrepreneurships, enterprise innovation and transformation will drive a new round of market demand. Enterprise mobile Internet market will experience rapid growth opportunity. Build on our leading market position in the past three years and more than three thousand enterprise user base, Kingdee has the first-mover advantage through constructing and optimizing our leading Big Data Cloud platform. We expect that the Group's ERP business will continue to grow steadily and Cloud service business will start to take off and make a breakthrough.

The Group will continue to improve ERP core quality and create first-class user experience for our customers. At the same time, the Group will deepen the transformation and upgrade of project delivery, develop value-added consulting, implementation and training partners to form a strong partner ecosystem in order to improve project development and delivery capabilities and expand high value customers. The Group will continue its distribution transformation, develop and further support the expansion of channel partners and vigorously develop the SME market. In addition, the Group will revolutionize ERP O2O solutions for various industries including medical, real estate, catering, auto 4s, as well as other leading sectors, and provide services to users directly and explore value-added services.

The Group will focus on making a breakthrough in Cloud services for Mobile Office, Finance Cloud, ERP Cloud, Express Data Cloud and the mobile Internet hospitals, will construct Big Data Cloud platform for enterprises, will explore value-added services such as enterprise Internet finance and strive to make a leap forward in user traffic.

We expect that the Group will enter a new growth path and the business performance will reach a new high in 2015.

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Final Dividends

At the Annual General Meeting of the Company to be held on 8 May 2015 (“AGM”), the Board of Directors (the “Board”) will recommend a final dividend of RMB0.012 (HK\$0.015) per share (2013: nil) for the year ended 31 December 2014.

Closure of Register

The register of members of the Company will be closed from Tuesday, 5 May 2015 to Friday, 8 May 2015 (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 of the Company (the "AGM") that is going to be held on 8 May 2015, 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 Monday, 4 May 2015.

Purchase, Sale or Redemption of Shares

During the reporting period ended 31 December 2014, save for the purchase of 10,698,000 shares of the Company on the open market for an aggregate consideration of HK\$24,928,816 pursuant to the Company’s Share Incentive Scheme as announced by the Company on 25 March 2009, neither the Company, nor any of its subsidiaries, had repurchased, sold or redeemed any of its listed securities.

Corporate Governance

The Company had complied with all the code provisions of the Code throughout the financial year ended 31 December 2014 except for code provision A 2.1.

Audit Committee

As at 31 December 2014, the audit committee of the Company (“Audit Committee”) comprised three independent non-executive Directors, namely Mr. Gary Clark Biddle, Mr. Wu Cheng and Mr. Liu Chia Yung. Mr. Gary Clark Biddle was 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 2014 of the Group.

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Chairman and Chief Executive Officer

During the reporting period, Mr. Xu Shao Chun assumed the roles of both the Chairman and CEO of the Company which was deviated from Code A.2.1 that the roles of chairman and chief executive should be separate and should not be performed by the same individual. 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.

On behalf of the Board

**KINGDEE INTERNATIONAL SOFTWARE
GROUP COMPANY LIMITED**

Xu Shao Chun

Chairman

Shenzhen, the People's Republic of China, 17 March 2015

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. Wu Cheng and Mr. Liu Chia Yung as independent non-executive directors.