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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 2015**

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 2015, together with the comparative audited consolidated figures for the year ended 31 December 2014 are as follows:

Financial highlights for the year ended 31 December 2015

- Turnover slightly increased by approximately 2.6% compared with 2014 to approximately RMB1,586,224,000.
- Profit attributable to owners of the Company during the year was approximately RMB105,766,000, decreased by approximately 46.3% compared with RMB197,048,000 in 2014.
- Basic earnings per share attributable to owners of the Company during the year was approximately RMB0.0382, decreased by approximately 50.4% compared with RMB0.0770 in 2014.
- The board of directors did not recommend the payment of a final dividend in respect of the year ended 31 December 2015. (2014: RMB0.012)

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<u>As at 31 December</u>	
	Note	2015	2014
		RMB'000	RMB'000
Assets			
Non-current assets			
Land use rights		128,766	132,127
Property, plant and equipment		731,783	728,218
Intangible assets		601,218	577,065
Investment properties		848,741	831,159
Investments in associates		24,222	1,537
Financial assets at fair value through profit or loss		6,000	-
Entrusted loans		69,500	20,000
		<u>2,410,230</u>	<u>2,290,106</u>
Current assets			
Inventories		4,047	3,926
Trade and other receivables	4	277,875	244,469
Entrusted loans		300	25,600
Due from customers on implementation contracts		391,193	301,112
Available-for-sale financial assets		225,177	-
Financial assets at fair value through profit or loss		1,267	-
Pledged bank deposits		102,832	7,038
Short-term bank deposits		543,658	259,283
Cash and cash equivalents		1,527,610	1,261,634
		<u>3,073,959</u>	<u>2,103,062</u>
Total assets		<u><u>5,484,189</u></u>	<u><u>4,393,168</u></u>

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at 31 December	
	Note	2015	2014
		RMB'000	RMB'000
Equity			
Capital and reserves attributable to owners of the Company			
Share capital		71,972	65,155
Share premium		1,682,784	537,920
Other reserves		512,763	512,113
Retained earnings		949,550	873,784
		<u>3,217,069</u>	<u>1,988,972</u>
Non-controlling interests		<u>29,649</u>	<u>9,246</u>
Total equity		<u>3,246,718</u>	<u>1,998,218</u>
Liabilities			
Non-current liabilities			
Borrowings	5	1,213,018	1,291,397
Deferred income tax liabilities		105,738	74,192
		<u>1,318,756</u>	<u>1,365,589</u>
Current liabilities			
Trade and other payables	6	357,390	302,967
Due to customers on implementation contracts		183,991	80,573
Borrowings	5	243,500	545,579
Current income tax liabilities		37,262	23,191
Deferred income		96,572	77,051
		<u>918,715</u>	<u>1,029,361</u>
Total liabilities		<u>2,237,471</u>	<u>2,394,950</u>
Total equity and liabilities		<u>5,484,189</u>	<u>4,393,168</u>

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2015 RMB'000	2014 RMB'000
Revenue	7	1,586,224	1,546,517
Cost of sales	9	(294,095)	(270,687)
Gross profit		<u>1,292,129</u>	<u>1,275,830</u>
Selling and marketing expenses	9	(854,564)	(784,480)
Administrative expenses	9	(257,788)	(202,198)
Research and development costs	9	(234,820)	(223,446)
Fair value gains on investment properties		17,582	4,536
Other gains - net	8	<u>266,288</u>	<u>229,676</u>
Operating profit		<u>228,827</u>	<u>299,918</u>
Finance income		29,907	23,837
Finance costs		(94,254)	(97,316)
Finance costs - net	10	<u>(64,347)</u>	<u>(73,479)</u>
Share of losses in associates		<u>(2,215)</u>	<u>(606)</u>
Profit before income tax		162,265	225,833
Income tax expense	11	<u>(56,748)</u>	<u>(25,485)</u>
Profit for the year		<u><u>105,517</u></u>	<u><u>200,348</u></u>
Attributable to:			
Owners of the Company		105,766	197,048
Non-controlling interests		<u>(249)</u>	<u>3,300</u>
		<u><u>105,517</u></u>	<u><u>200,348</u></u>
Earnings per share for profit attributable to owners of the Company (expressed in RMB cents per share)			
-Basic earnings per share (RMB cents)	13	<u><u>3.82</u></u>	<u><u>7.70</u></u>
-Diluted earnings per share (RMB cents)	13	<u><u>3.60</u></u>	<u><u>7.36</u></u>

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>Year ended 31 December</u>	
	2015	2014
	RMB'000	RMB'000
Profit for the year	<u>105,517</u>	<u>200,348</u>
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss</i>		
Change in value of available-for-sale financial assets	(3,886)	-
Currency translation differences	<u>1,214</u>	<u>(4,629)</u>
Other comprehensive losses for the year, net of tax	<u>(2,672)</u>	<u>(4,629)</u>
Total comprehensive income for the year	<u><u>102,845</u></u>	<u><u>195,719</u></u>
Total comprehensive income/(losses) attributable to:		
Owners of the Company	103,094	192,419
Non-controlling interests	<u>(249)</u>	<u>3,300</u>
	<u><u>102,845</u></u>	<u><u>195,719</u></u>

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at 1 January 2015	65,155	537,920	512,113	873,784	1,988,972	9,246	1,998,218
Comprehensive income							
Profit for the year	-	-	-	105,766	105,766	(249)	105,517
Other comprehensive (losses)/income							
Available-for-sale financial assets	-	-	(3,886)	-	(3,886)	-	(3,886)
Currency translation differences	-	-	1,214	-	1,214	-	1,214
Total comprehensive (losses)/income	-	-	(2,672)	105,766	103,094	(249)	102,845
Transactions with owners							
Issue of new shares	5,714	1,045,369	-	-	1,051,083	-	1,051,083
Employees share option scheme:							
-Value of employee services received	-	42,528	-	-	42,528	-	42,528
-Proceeds from shares issued	1,103	56,225	-	-	57,328	-	57,328
Equity transactions with non-controlling interests	-	-	28,154	-	28,154	8,652	36,806
Set up new company with non-controlling interests	-	-	-	-	-	12,000	12,000
Dividend declared	12	-	-	(30,000)	(30,000)	-	(30,000)
Share award plan:							
-Value of employee services received	-	742	-	-	742	-	742
-Shares purchased for share award plan	-	-	(24,832)	-	(24,832)	-	(24,832)
Total transactions with owners, recognised directly in equity	6,817	1,144,864	3,322	(30,000)	1,125,003	20,652	1,145,655
Balance at 31 December 2015	71,972	1,682,784	512,763	949,550	3,217,069	29,649	3,246,718

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the Company				Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	64,435	480,253	528,988	676,736	1,750,412	4,466	1,754,878
Comprehensive income							
Profit for the year	-	-	-	197,048	197,048	3,300	200,348
Other comprehensive losses							
Currency translation differences	-	-	(4,629)	-	(4,629)	-	(4,629)
Total comprehensive (losses)/income	-	-	(4,629)	197,048	192,419	3,300	195,719
Transactions with owners							
Employees share option scheme:							
-Value of employee services	-	25,210	-	-	25,210	-	25,210
-Proceeds from shares issued	720	32,457	-	-	33,177	-	33,177
Issue of convertible bond – equity component	-	-	8,696	-	8,696	-	8,696
Equity transactions with non-controlling interests	-	-	(1,276)	-	(1,276)	1,480	204
Shares purchased for share award plan	-	-	(19,666)	-	(19,666)	-	(19,666)
Total transactions with owners, recognised directly in equity	720	57,667	(12,246)	-	46,141	1,480	47,621
Balance at 31 December 2014	65,155	537,920	512,113	873,784	1,988,972	9,246	1,998,218

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	662,019	606,937
Interest paid	(94,448)	(95,643)
Income tax paid	(11,131)	(4,616)
Net cash generated from operating activities	<u>556,440</u>	<u>506,678</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(43,968)	(69,778)
Proceeds from disposals of property, plant and equipment	1,876	7,262
Purchases of intangible assets	(258,448)	(207,556)
Cash paid for contingent and deferred consideration for business combination	(4,288)	(3,249)
Pledged bank deposits withdrawn/(placed) - net	4,206	(2,618)
Short-term bank deposits placed - net	(384,375)	(118,782)
Interest received	28,517	23,837
Repayments received from entrusted loans	25,800	200
Payments for entrusted loans	(50,000)	(20,000)
Proceeds/(purchases) of other investments - net	(218,880)	-
Investments in new associates	(24,900)	-
Net cash used in investing activities	<u>(924,460)</u>	<u>(390,684)</u>
Cash flows from financing activities		
Proceeds from issuing new shares	1,051,083	-
Proceeds from share options exercised	57,328	33,177
Proceeds from borrowings	450,000	100,000
Repayments of borrowings	(896,600)	(883,100)
Proceeds from issuing of convertible bond	-	1,056,579
Payments for purchase of shares for share award plan	(24,832)	(19,666)
Dividends paid	(30,000)	-
Disposal of interest in a subsidiary without loss of control	36,806	204
Net cash generated from financing activities	<u>643,785</u>	<u>287,194</u>
Net increase in cash and cash equivalents	275,765	403,188
Currency translation losses on cash and cash equivalents	(9,789)	-
Cash and cash equivalents at beginning of year	1,261,634	858,446
Cash and cash equivalents at end of year	<u>1,527,610</u>	<u>1,261,634</u>

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 place of business 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 (“Stock Exchange”) since 15 February 2001.

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable 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 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) New and amended standards adopted by the group

The following amendments to standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2015:

Amendment to IAS 19 on contributions from employees or third parties to defined benefit plans.

Annual improvements 2012 – These amendments include the following changes from the 2010-2012 cycle of the annual improvements project:

- ▶ IFRS 8, “Operating segments” – The standard is amended to require disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity’s assets when segment assets are reported
- ▶ IAS 16, “Property, plant and equipment” and IAS 38, “Intangible assets” – Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
- ▶ IAS 24, “Related Party Disclosures” The reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity’s employee or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

2 Basis of preparation(continued)

Annual improvements 2013 – The amendments include the following changes from the 2011-2013 cycle of the annual improvements project:

- ▶ IFRS 3, “Business combinations” – It clarifies that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11 in the financial statements of the joint arrangement.
- ▶ IFRS 13, “Fair value measurement” – It clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.
- ▶ IAS 40, “Investment property” – Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination

(b) 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 during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) New standards and interpretations not yet adopted

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted by the Group:

IFRS 14	Regulatory Deferral Accounts ¹
IFRS 11 (Amendment)	Acquisitions of Interests in Joint Operations ¹
Amendments to IAS16 and IAS38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
IFRS 10 and 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
IAS 27	Equity Method in Separate Financial Statements ¹
IFRSs (Amendment)	Annual Improvements 2012 - 2014 ¹
IFRS 10, 12 and IAS 28 (Amendment)	Investment entities: applying the consolidation exception ¹
IAS 1	Disclosure initiative ¹
IFRS 15	Revenue from Contracts with Customers ²
IFRS 9	Financial Instruments ²
IFRS 16	Leases ³

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

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

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.

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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 2015 is as follows:

	ERP business and Cloud services business	Others	The Group Total
	RMB'000	RMB'000	RMB'000
Revenue (from external customers)	1,586,224	-	1,586,224
Operating profit	143,119	85,708	228,827
Finance costs	(94,254)	-	(94,254)
Finance income	29,907	-	29,907
Finance costs – net	(64,347)	-	(64,347)
Share of loss in associates	(2,215)	-	(2,215)
Profit before income tax	76,557	85,708	162,265
Income tax expenses	(43,892)	(12,856)	(56,748)
Segment results	32,665	72,852	105,517
Segment assets	4,635,448	848,741	5,484,189
Segment liabilities	2,154,853	82,618	2,237,471
Additions to non-current assets (other than financial instruments and deferred tax assets)	302,416	17,582	319,998
Depreciation and amortisation	274,537	-	274,537
Provision for doubtful trade and other receivables	62,803	-	62,803
Share-based payment	43,270	-	43,270

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3 Segment information (continued)

The segment information for the year ended 31 December 2014 is as follows:

	ERP business and Cloud services		The Group
	business	Others	Total
	RMB'000	RMB'000	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 expense	(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
Write-back for doubtful trade and other receivables	(3,668)	-	(3,668)
Share-based payment	25,210	-	25,210

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 RMB1,564,748,000 (2014: RMB1,525,129,000) and RMB21,476,000 (2014: RMB21,388,000), respectively for the year ended 31 December 2015.

There is no single customer that contributed to over 10% of the Group's revenue for the years ended 31 December 2015 and 2014.

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4 Trade and other receivables

	2015	2014
	RMB'000	RMB'000
Trade receivables	244,964	180,017
Less: allowance for impairment of trade receivables	<u>(112,703)</u>	<u>(79,802)</u>
Trade receivables – net	132,261	100,215
Notes receivable	9,149	16,329
Advances to employees	21,567	25,148
Prepayments	55,671	46,280
VAT recoverable	41,299	38,432
Receivables from related parties	1,408	1,261
Other receivables	<u>16,520</u>	<u>16,804</u>
Trade and other receivables	<u>277,875</u>	<u>244,469</u>
Entrusted loans		
- Current portion	300	25,600
- Non-current portion	<u>69,500</u>	<u>20,000</u>
	<u>69,800</u>	<u>45,600</u>
	<u>347,675</u>	<u>290,069</u>

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

	2015	2014
	RMB'000	RMB'000
0 -90 days	85,641	55,327
91 -180 days	17,388	9,387
181 -360 days	11,294	25,923
Over 360 days	<u>130,641</u>	<u>89,380</u>
	<u>244,964</u>	<u>180,017</u>

As at 31 December 2015, all trade receivables that were past due had been considered for impairment.

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5 Borrowings

	2015 RMB'000	2014 RMB'000
Non-current		
Long-term bank borrowings, unsecured	105,000	248,500
Convertible bonds (a)	1,108,018	1,042,897
	<u>1,213,018</u>	<u>1,291,397</u>
Current		
Medium-term notes	-	478,979
Current portion of long-term borrowings, unsecured	243,500	66,600
	<u>243,500</u>	<u>545,579</u>
	<u>1,456,518</u>	<u>1,836,976</u>

At 31 December 2015, the Group's borrowings were repayable as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	243,500	545,579
Between 1 and 2 years	65,000	188,500
Between 2 and 5 years	1,148,018	1,102,897
	<u>1,456,518</u>	<u>1,836,976</u>

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

	2015 RMB'000	2014 RMB'000
RMB	348,500	794,079
USD	1,108,018	1,042,897
	<u>1,456,518</u>	<u>1,836,976</u>

The Group's bank borrowings bear average interest rate of 4.52% (2014: 6.07%) per annum and are fully repayable upon maturity.

Except the convertible bonds mentioned in Note (a), 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 (2014: within 1 year).

The fair value of the non-current borrowings as of 31 December 2015 is RMB1,215,729,000 (2014: RMB1,252,935,000), which is based on cash flows discounted using a rate based on the average interest rate of 4.29% (2014: 5.11%) and this 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.

5 Borrowings (continued)

- (a) The Group issued US\$175,000,000 4.0% convertible bonds on 14 April 2014. The bonds mature in five years from the issue date. The bonds 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 on the 10th day prior to the maturity date (both days inclusive), at HK\$3.90 (fixed in US dollars at US\$0.50) 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 statement of financial position are calculated as follows:

	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	<u>1,047,883</u>
Interest expense	31,420
Interest accrued	(30,590)
Effect of currency translation	(5,816)
Liability component at 31 December 2014	<u>1,042,897</u>
Interest expense	46,730
Interest accrued	(45,455)
Effect of currency translation	63,846
Liability component at 31 December 2015	<u><u>1,108,018</u></u>

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 2015 approximates its fair value. The fair value hierarchy of the liability component of the convertible is level 2.

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6 Trade and other payables

	2015	2014
	RMB'000	RMB'000
Trade payables (a) (b)	22,322	34,290
Amounts due to related parties	333	591
Salary and staff welfare payables	77,034	74,563
Advances from customers	119,277	38,293
VAT and business tax payable	34,821	42,800
Accrual for expenses	37,348	39,183
Construction fee payable	7,767	7,387
Contingent and deferred consideration for a business acquisition	-	5,955
Deposits of distributors	39,136	32,854
Interest payable	12,663	23,324
Others	6,689	3,727
	<u>357,390</u>	<u>302,967</u>

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

(b) At 31 December 2015, the ageing analysis of the trade payables based on invoice date is as follows:

	2015	2014
	RMB'000	RMB'000
0 - 180 days	18,718	30,954
181 - 360 days	582	2,199
Over 360 days	3,022	1,137
	<u>22,322</u>	<u>34,290</u>

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:

	2015	2014
	RMB'000	RMB'000
ERP business	1,395,250	1,440,492
Cloud services business	190,974	106,025
	<u>1,586,224</u>	<u>1,546,517</u>

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**8 Other gains - net**

	2015	2014
	RMB'000	RMB'000
VAT refund (a)	153,334	137,089
Government grants	43,426	34,439
Rental income -net	68,126	56,610
Re-measurement of the contingent consideration for business acquisition	300	1,624
Investment income	2,339	-
Financial assets at fair value through profit or loss	1,267	-
Net foreign exchange (losses)/gain	(4,513)	1,767
Others	2,009	(1,853)
	<u>266,288</u>	<u>229,676</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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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:

	2015	2014
	RMB'000	RMB'000
Research and development costs		
Amounts incurred	275,197	230,500
Less: development costs capitalised	(258,023)	(205,342)
Add: amortisation	217,646	198,288
	<u>234,820</u>	<u>223,446</u>
Employee benefit expenses	1,003,535	943,057
Less: amount included in development costs	(234,808)	(201,550)
	<u>768,727</u>	<u>741,507</u>
Depreciation	36,881	43,991
Less: amount included in development costs	(6,898)	(7,511)
	<u>29,983</u>	<u>36,480</u>
Outsourcing services	143,145	113,143
Sales promotion	80,315	69,838
Impairment provision/(reversal)	62,803	(3,668)
Advertising	58,908	33,348
Cost of inventories consumed	57,875	67,538
Rental and utilities	44,738	40,213
Traveling	37,977	33,370
Office expenses	28,057	29,558
Other tax and surcharge	26,895	24,289
Amortisation of acquired licences and copyrights	13,680	26,150
Professional service	12,321	8,742
Training costs	10,635	7,090
Amortisation of land use rights	3,361	3,361
Auditors' remuneration	1,800	1,700
Amortisation of computer software for own use	1,721	2,319
Losses on disposals of property, plant and equipment	1,646	670
Amortisation of customer relationship	1,248	1,248
Others	20,612	20,469
Total	<u>1,641,267</u>	<u>1,480,811</u>

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**10 Finance costs – net**

	2015 RMB'000	2014 RMB'000
Interest income	29,907	23,837
Bank charges	(680)	(867)
Net foreign exchange (losses)/gain	(9,789)	8,118
Interest on borrowings	(83,785)	(104,567)
	<u>(64,347)</u>	<u>(73,479)</u>

11 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.

	2015 RMB'000	2014 RMB'000
Current income tax		
-PRC corporate income tax	26,905	21,445
-Over-provision in previous year	(1,703)	(4,130)
Deferred income tax	31,546	8,170
	<u>56,748</u>	<u>25,485</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) 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% (2014: 15%).
- (c) Subsidiaries below obtained valid qualification certificates but not yet registered with tax authority. The applications of preferential tax rate stated below are subject to critical estimates of the management of the Group.
- (i) Kingdee Software (China) Co., Ltd and Shenzhen Kingdee Tianyan Middleware Corp., Ltd were each qualified as a High-tech Enterprise and were each entitled to a preferential enterprise income tax rate of 15% (2014: national important software enterprise tax rate of 10%) for the year ended 31 December 2015.
- (ii) 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 Technology Co., Ltd. was qualified as a High-tech Enterprise from October 2014 and was entitled to a preferential income tax rate of 15% (2014: 15%).
- (iii) Shanghai Kingdee Software Technology Co., Ltd. and Beijing Kingdee Management Software Co., Ltd. were each qualified as a high-tech enterprise from October 2014 and were entitled to a preferential tax rate of 15% (2014: 15%).

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11 Income tax expense (continued)

(iv) Shenzhen Kingdee Qisi Technology Co.,Ltd. was qualified as a software enterprise by Shenzhen Software Industry Association on 8 October 2015 and was entitled to tax exemption for two years and thereafter to a preferential rate at half of the enterprise income tax rate for three years.

(d) Shenzhen Qianhai Baidi Network Co., Ltd. met the conditions of promoted industries within the Shenzhen - Hongkong modern service cooperation zone and is entitled to a preferential corporate income tax rate of 15% (2014: 15%) for seven years with effect from 2014.

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

12 Dividends

	2015 RMB'000	2014 RMB'000
In respect of previous year:		
2014 final dividend – HK\$0.015 (equivalent to RMB0.012) (2014: Nil) per ordinary share	<u>30,000</u>	<u>-</u>

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.

	2015	2014
Profit attributable to owners of the Company (RMB'000)	105,766	197,048
Weighted average number of ordinary shares in issue (thousands)	<u>2,767,368</u>	<u>2,560,029</u>
Basic earnings per share (RMB cents per share)	<u>3.82</u>	<u>7.70</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 bonds, the convertible bond is anti-dilutive and is ignored in the calculation of diluted earnings per share.

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**13 Earnings per share (continued)**

	2015	2014
Earnings		
Profit attributable to owners of the Company (RMB'000)	<u>105,766</u>	<u>197,048</u>
Weighted average number of ordinary shares in issue (thousands)	2,767,368	2,560,029
Adjustment for		
– Share-based payment (thousands)	<u>171,301</u>	<u>117,331</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	2,938,669	2,677,360
Diluted earnings per share (RMB cents per share)	<u>3.60</u>	<u>7.36</u>

Management Discussion & Analysis

1 Financial Highlights

The Group further increased its investment in the Mobile Internet transformation and achieved rapid growth in the mobile platform and Cloud ERP businesses in 2015. The ERP business maintained steady momentum. The Group has made major breakthrough in establishing strategic alliances and capital cooperation. During the reporting period, Kingdee formed strategic partnerships with a number of industry leaders including JD.com, Kingsoft and Amazon, in an effort to collaboratively fulfill the strong demand arising from the enterprise mobile internet transformation market. Cloud-computing has generated longer-term growth momentum to Kingdee.

Revenue

For the year ended December 31, 2015, total revenue was RMB1,586,224,000, compared to RMB1,546,517,000 in 2014, an increase of 2.6% year-on-year. The revenue generated from ERP business was RMB1,395,250,000, compared to RMB1,440,492,000 in 2014, a decrease of 3.1%. Revenue from Cloud services increased significantly by 80.1% year-on-year to RMB190,974,000, as compared to RMB106,025,000 recorded in 2014.

Gross Profit

During the reporting period, the Group's gross profit was down by approximately 1.3% to RMB1,292,129,000, compared to RMB1,275,830,000 in 2014. Gross profit margin was approximately 81.5% (2014: approximately 82.5%).

Profit

For the year ended December 31, 2015, profit attributable to equity holders was RMB105,766,000, compared to RMB197,048,000 in 2014. Net profit margin was 6.7%, compared to 13.0% in 2014. Basic earnings per share was RMB3.82 cents, compared to RMB7.70 cents in 2014.

Cash Flow

For the year ended December 31, 2015, the Group's net cash generated from operating activities increased 9.8% year-on-year to RMB556,440,000 (2014: RMB506,678,000).

2 Sub Business Reporting

I. Kingdee Management Software Business

SME Market

During the reporting period, IT investment by medium-sized firms slowed due to the short-term impact of China's macroeconomic environment. Meanwhile, there was strong demand from small to micro-sized enterprises as a result of the national policy to promote the "Entrepreneurship and Innovation by the Public".

In 2015, the Group's "ERP+" O2O solutions have established dynamic partnerships with well-known companies, including JD.com and S.F. Express, to develop applications for the mobile internet market and

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launched an integrated management solution for SMEs. Kingdee has become the preeminent Cloud services and software brand for SMEs.

During the reporting period, Kingdee was ranked No.1 in the SME software market in 2014, capturing the largest market share for 11th consecutive years, according to the renowned IDC PRC Semiannual Enterprise Applications Tracker 2H'2014 report.

Large and Medium-sized Enterprise and Industry Market

During the reporting period, China's State Council launched the "Made in China 2025" initiative. The Group effectively leveraged the emerging opportunities from technical innovations and industrial transformations to expand the coverage of high value customers and achieved outstanding results.

During the reporting period, the EAS revenue healthily increased by 11% YoY. Kingdee won contracts from industry leading companies as well as large and medium-sized enterprises including Shanghai International Port, Huawei, Anta Sports, CRRC Zhuzhou Electric Locomotive, Kunming Pharmaceutical Group, Shenyang Water Group, VTR Bio-Tech. Revenue from the EAS centralized financial resource management solutions tripled from 2014. To address the needs to improve internal efficiency and enhance synergies with external resources for large enterprises, Kingdee focused on strengthening the competitiveness of its centralized financial resource management solutions, which effectively help improve the overall management capabilities of enterprise customers.

International Business

During the reporting period, the Group introduced its EAS solutions to the financial services industry and successfully signed contracts with a number of financial institutions including CMB International Capital Corporation (CMBI) and SPDB International. To conform with the domestic consumption trend as well as to cater to the increasing number of foreign retail enterprises entering into the Chinese market, the Group actively promoted its EAS retail solutions. Kingdee successfully signed contracts with large shopping malls including Florentia Village. In light of the booming development of OTO and cross-border e-commerce, the Group launched K/3 Cloud as the cross-border e-commerce solution and successfully won contracts from Maxter and other cross-border e-commerce projects.

II. Kingdee Cloud Services Business

Mobile Office Cloud

During the reporting period, the number of registered enterprises or organizations on Kingdee CloudHub exceeded 1,000,000, and the total user count exceeded 10,000,000, maintaining its leading position in the Mobile Internet market in China. CloudHub established strategic partnerships with Kingsoft, DiDi Taxi, Agora, Coremail and other players, enhancing the experience of "light applications" and the connectivity between enterprise IT systems and individual users. The Group aimed to develop a complete ecosystem for mobile office. At the same time, "CloudHub-Tribe" was launched on the WeChat platform, which significantly increased the number of users.

The demand for Mobile Internet transformation by large enterprises has been growing rapidly. Kingdee successfully renewed contracts with Haier, Vanke and other large corporations, while adding many new big names including the State-owned Assets Supervision and Administration Commission (SASAC), China

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Merchants Group, Yunnan Tobacco, Tongji University, Guangdong PISEN Electronics and Shanxi Xifeng Liquor, further strengthening Kingdee’s position as the largest mobile office platform in China.

Cloud ERP

Leveraging on the rapid growth of global Cloud infrastructure for Chinese enterprises, especially for manufacturing companies which need sophisticated IT Cloud deployments, Kingdee reached a strategic agreement with Amazon Web Services with its position as an open Cloud ERP platform to enhance interoperability of the industrial chain. As the service features “on demand, flexible and pay by usage”, Kingdee Cloud ERP was well received by customers. The number of paying enterprises increased by more than 200%, and Kingdee won contracts from industry leaders including Hebei Yangyuan ZhiHui Beverage, Haoxiangni Jujube, Ganten, Shuhua, Jiangsu Lung Poon Technology and Huitouke Food.

Finance Cloud for Small and Micro Enterprises

During the reporting period, Kingdee officially launched its “A-free” book keeping services platform and targeted to develop “A-free” into the largest one-stop accounting & taxation services platform for small and micro enterprises based on the sharing economy business model. Kingdee “A-Free” was developed based on Kingdee’s 22 years of business management experience and 8 years of Finance Cloud services experience through Youshang.com. The Group was able to consolidate the resource of more than 2000 professional bookkeeping service firms and help micro enterprises to obtain professional bookkeeping services as well as provide payment guarantees for bookkeeping services.

During the reporting period, the number of registered users of online SaaS increased more than 60% year-on-year and the SaaS revenue increased 70% year-on-year. The revenue from indirect channel business exceeded 100%, and the retention rate among paying users exceeded 75%. Kingdee WISE Note also maintained its position as the largest free Cloud+ client software platform in China, with over 3.3 million users, and remains the unrivaled leader in the Cloud services market for small and micro enterprises.

Internet Finance

During the reporting period, working with many financial institutions including MyBank, Ping An Bank, Bao Shang Bank and Han Hua Microcredit, Kingdee Internet Finance utilized the authorized operating data of SMEs and help them to increase credit.

III. Business of Major Subsidiaries

Mobile Internet Hospital Service

During the reporting period, Kingdee Medical launched its “Cloud+4 Applications” mobile Internet hospital business and related products (Cloud platform, mobile services platform, mobile working platform, mobile e-commerce supply chain platform and next-generation digital hospital system), creating an open mobile service platform for patients and functions as a bridge to connect to hospitals. It has greatly enhanced the accessibility to hospital services for patients and shortened the distance between hospital and patients to just “the last meter”. Kingdee Medical signed contracts with 240 hospitals, with over 1.82 million users and the number of transaction volume reached over 3.2 million times. Meanwhile, Kingdee Medical established the

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Foshan Regional Digital Medical Records Database, the first digital medical records database in China, covering 2.5 million patients and 2.8 million copies of digital medical records.

Cloud Infrastructure Software Business

During the reporting period, the Chinese government issued the Outline of National Action for Facilitating Big Data Industry Development, highlighting the direction of next generation of IT development. The demand for basic software from the central government, ministries, smart cities, tobacco and military sectors was strong. Kingdee Middleware seized the opportunity and launched the “Internet+ New-generation Software Infrastructure”, integrating its core products with the implementation of big data, Cloud computing, Internet of Things and smart cities. Kingdee Middleware actively promoted the strategic partnership between upstream and downstream integrators and set up the “National Security Brand Alliance” with a number of large system integrators. The company also partnered with domestic mainstream IT hardware and software companies to set up the “Industry Alliance of Domestic Host Systems”. The above efforts helped promote the standing of the Group in the industry, supporting the industry to make continuous achievements in independent innovation and information security.

Express Delivery Cloud Business

Kuaidi 100 is the largest query and services platform for express delivery and logistics in China. During the reporting period, the number of queries processed by Kuaidi 100 reached 13.5 billion. Individual business maintained a steady growth, while enterprise business recorded a robust gain. Efforts are put into the express delivery service for continuous innovations. The APP products were well received by the market with good user experience and promising prospects.

Automobile 4S Cloud Business

During the reporting period, Kingdee and Xiamen ITG Group co-founded the Kingdee Automobile Network Technology Co. Ltd. Leveraging the combined strengths in technology and resources from both parties, the company will actively explore the opportunities of strategic cooperation in the automotive, financial services and other related fields. Through the innovative business model of ERP + Cloud services, the company will facilitate the mobile Internet transformation of the traditional automobile business. It will also support Kingdee’s automotive products to maintain its leading position in the Chinese automobile management software and Cloud services market. Currently, nearly half of China's top 100 auto dealers utilize Kingdee’s products. Kingdee has been ranked No.1 in terms of market share in the high-end auto market for five consecutive years.

3 Organization and Human Resources

During the reporting period, the Group adopted a human resources management strategy that highlights “motivation, introduction and development”. The Amoeba management model was adopted by business units. Key professionals benefited from increased stock options and share award plans. The Group continued to hire younger employees born after 85’s and 90’s, who made up 47% of the total work force, while simultaneously hired more high value professionals to support the successful execution of the corporate strategy.

4 Corporate Social Responsibility

During the reporting period, the Group and China's top business schools jointly extended their sponsorship for the 8th consecutive year for the Chinese Management Excellence Awards. The aim of Kingdee's sponsorship is to work together with leading organizations to build an "operation – learning – research" platform to promote excellent business practice and modern enterprise management in China.

During the reporting period, the Group continued to strengthen its cooperation with higher education institutions. The Group built an innovative mobile intelligence model with Tongji University, exploring the influence of Internet+ in the transition of university administration, teaching and research. The Group worked with 60 well-known universities to jointly set up education centers, joint labs, domestic foundation software training base and technical centers to train potential engineers of foundation software development. These universities include Southwest Jiaotong University, Capital Normal University, Yunnan University of Finance and Economics, and South China University of Technology.

During the reporting period, the Group continued to provide philanthropic support to organizations such as One Foundation, promoting the healthy development of China's philanthropy efforts. Kingdee continued to fund the education for migrants in the Ya'an disaster area and donated computers, school supplies and daily necessities for Inner Mongolia Shangdu Central School.

5 Business Outlook

The "Internet+" strategy is driving the transformation of China's enterprises. The model of "Internet+ Management" has motivated enterprises to change their traditional mindset of managing businesses and products to be able to enhance their competitiveness. Kingdee is well positioned to quickly address the new drivers of economic growth and transform the product management, marketing management and innovative capital management to be Cloud-based.

Today, the demand of Internet+ for enterprises is strong with millions of enterprises in China working towards transformation and upgrading. The Group will continue to update and transform to the new business model of mobile Internet, and innovatively increase the investment in Cloud computing and Cloud services. The Group's strategic partnerships with JD.com, Kingsoft and Amazon have been reflected in our business performance, which established a powerful infrastructure for the alliance of the Cloud-based business and the enterprise Internet ecosystem.

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Final Dividends

The Board of Directors (the "Board") will not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: RMB0.012).

Closure of Register

The register of members of the Company will be closed from Thursday, 5 May 2016 to Tuesday, 10 May 2016 (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 10 May 2016, 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, 4 May 2016.

Purchase, Sale or Redemption of Shares

During the reporting period ended 31 December 2015, save for the purchase of 10,714,000 shares of the Company on the open market for an aggregate consideration of HK\$28,187,000 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 2015 except for code provision A 2.1.

Audit Committee

As at 31 December 2015, 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 2015 of the Group.

Auditor's Procedures Performed on this Results Announcement

The figures in respect of the announcement of the Group's results for the year ended 31 December 2015 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. 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 issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the results announcement.

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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, 16 March 2016

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. Lin Bo as executive directors; Ms. Dong Ming Zhu and Mr. Zhang Chen as non-executive directors; and Mr. Gary Clark Biddle, Mr. Wu Cheng and Mr. Liu Chia Yung as independent non-executive directors.