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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)

**CONTINUING TRANSACTIONS BECOMING
CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement dated 28 July 2016 of the Company in which it was announced that Shenzhen CloudHub has, as a result of the Shenzhen CloudHub Agreement, ceased to be a controlled structured entity in the consolidated financial statements of the Company and become a subsidiary of Baijin Investment, Shenzhen CloudHub has become an associate of Mr. Xu and therefore a connected person of the Company.

Pursuant to the Strategic Cooperation Framework Agreement dated 1 January 2016 entered into between Kingdee China, a wholly-owned subsidiary of the Company, and Shenzhen CloudHub, the parties agreed to enter into cooperation in several specific areas as set out in the agreement. The term of the Strategic Cooperation Framework Agreement is two years from the date of the agreement.

By reason of the Shenzhen CloudHub Agreement, Shenzhen CloudHub has, since 28 July 2016, become a connected person of the Company and as a result, since the same date, the transactions under the Strategic Cooperation Framework Agreement have become continuing connected transactions of the Company pursuant to Rule 14A.60(1) of the Listing Rules and the Company is making this announcement on this basis.

There has been a delay in the announcement of the continuing transactions under the Strategic Cooperation Framework Agreement becoming continuing connected transactions and further details are set out in this announcement.

Reference is made to the announcement dated 28 July 2016 of the Company in which it was announced that Shenzhen CloudHub has, as a result of the Shenzhen CloudHub Agreement, ceased to be a controlled structured entity in the consolidated financial statements of the Company and become a subsidiary of Baijin Investment, Shenzhen CloudHub has become an associate of Mr. Xu and therefore a connected person of the Company.

STRATEGIC COOPERATION FRAMEWORK AGREEMENT

Pursuant to the Strategic Cooperation Framework Agreement dated 1 January 2016 entered into between Kingdee China, a wholly-owned subsidiary of the Company, and Shenzhen CloudHub, the parties agreed to enter into cooperation in the following areas:

- (A) Shenzhen CloudHub appoints Kingdee China as a distributor for Kingdee China to purchase the PrivateCloud Products from Shenzhen CloudHub and further distribution in the PRC (including Hong Kong) (“**Category A**”);
- (B) Kingdee China agrees to use its channels and networks to promote the PublicCloud Products of Shenzhen CloudHub (“**Category B**”) in consideration of a promotion fee payable by Shenzhen CloudHub to Kingdee China; and
- (C) Shenzhen CloudHub agrees to use the strengths of its mobile office platform to provide sales support, business consultation and other services for the sale of Kingdee collaborative office software (“**Category C**”) in consideration of a service fee payable by Kingdee China to Shenzhen CloudHub.

In addition, both parties agreed to work together to promote technological advancement and undertake technological exchange regularly or on an ad hoc basis. If such cooperation will involve in any technology transfer, the parties will enter into separate agreements regarding such transfer.

The term of the Strategic Cooperation Framework Agreement is two years from the date of the agreement. Pursuant to the terms of the Strategic Cooperation Framework Agreement, the pricing for the transactions under the above Categories A, B and C should be determined by reference to market prices offered to any independent third party by Shenzhen CloudHub or Kingdee China (as the case may be) for similar products and/or services.

CONTINUING TRANSACTIONS BECOMING CONTINUING CONNECTED TRANSACTIONS

By reason of the Shenzhen CloudHub Agreement, Shenzhen CloudHub has, since 28 July 2016, become a connected person of the Company and as a result, since the same date, the transactions under the Strategic Cooperation Framework Agreement have become continuing connected transactions of the Company pursuant to Rule 14A.60(1) of the Listing Rules and the Company is making this announcement on this basis. Based on the below historical amounts (since 28 July 2016) and the annual caps for the financial year of 2017, the transactions under the Strategic Cooperation Framework Agreement are, pursuant to Rule 14A.60(1) of the Listing Rules, subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

HISTORICAL AMOUNTS AND 2017 ANNUAL CAPS

The following table sets out the historical amounts for the period from 28 July 2016 to 31 December 2016 and the annual caps for the financial year of 2017. No annual cap was applicable for the financial year ended 31 December 2016:

Category	Historical amount for the period from 28 July to 31 December 2016 (RMB)	Annual caps for the year ending 31 December 2017 (RMB)
Category A and Category C (on an aggregated basis)	13,808,000	25,000,000
Category B	9,389,000	35,000,000
Total	23,197,000	60,000,000

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms of the Strategic Cooperation Agreement, the above historical amounts in 2016 and the 2017 annual caps are fair and reasonable, on normal commercial terms and in the interests of the Company and shareholders of the Company as a whole, and the transactions under the Strategic Cooperation Framework Agreement are transactions in the ordinary and usual course of business of the Group.

REASONS FOR AND BENEFITS OF THE STRATEGIC COOPERATION FRAMEWORK AGREEMENT

The Company believes that the Strategic Cooperation Framework Agreement with Shenzhen CloudHub enables the Group to offer competitive products with significant differentiation and more comprehensive ERP solutions to customers, so as to facilitate the business development and branding of ERP products in the enterprise Internet market. The Company also believes the cooperation with Shenzhen CloudHub can strengthen the expertise and marketing capabilities of the Group in the enterprise Internet segment.

DELAY IN DISCLOSURE

In the course of preparing for the year-end financial audit for the year ended 31 December 2016, the Company noted that, due to the change in capacity of Shenzhen CloudHub as a connected person since 28 July 2016, it should have announced the transactions under the Strategic Cooperation Framework Agreement at around the same time as the announcement of the Company dated 28 July 2016 in accordance with Rule 14A.60(1) of the Listing Rules. The Company regrets that this was not announced at the relevant time. In order to avoid re-occurrence of a similar incident, the Group has strengthened its internal controls in monitoring all connected transactions and continuing connected transactions within the Group and will provide specific training to all current and new staff who are responsible for sales and those who monitor connected transactions for the Group. The Company will continue to closely monitor the conduct of the transactions under the Strategic Cooperation Framework Agreement and re-comply with Chapter 14A of the Listing Rules if required.

GENERAL INFORMATION

Shenzhen CloudHub is principally engaged in the provision of mobile Internet enterprise services through a mobile office platform offered to registered enterprises and organizations.

Baijin Investment is an investment holding company and the registered holder of 60.35% of the equity interest in Shenzhen CloudHub. As Mr. Xu, an executive Director, the Chairman of the Board and the controlling shareholder of the Company, is beneficially interested in 100% of Baijin Investment's equity interest, Shenzhen CloudHub is an associate of Mr. Xu and is therefore a connected person of the Company.

The Group is principally engaged in the provision of software products and Cloud services for corporates, government organizations and other users worldwide. Kingdee China is a direct wholly-owned subsidiary of the Company, which, together with its subsidiaries, principally carries out business in the corporate management software and internet services markets.

DEFINITIONS

“associate”	has the meaning ascribed to it under the Listing Rules
“Baijin Investment”	深圳白金投資有限公司 (Shenzhen Baijin Investment Company Limited*), a company incorporated in the PRC and wholly owned by Mr. Xu
“Board”	the board of Directors
“Company”	Kingdee International Software Group Company Limited, a company incorporated in the Cayman Islands with limited liabilities, whose shares are listed on the Stock Exchange (Stock Code: 268)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic China
“Hongjin Investment”	深圳弘金投資有限公司 (Shenzhen Hongjin Investment Company Limited*), a company incorporated in the PRC, the equity interest of which is held as to 99% by Mr. Xu and as to 1% by a Mr. Chang Zhu, and is regarded as a controlled structured entity in the Group's consolidated financial statements through certain contractual arrangements entered into among Kingdee China, the equity holders of Hongjin Investment and Hongjin Investment
“Kingdee China”	金蝶軟件(中國)有限公司 (Kingdee Software (China) Co., Ltd*), a company incorporated in the PRC and a direct wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Xu”	Mr. Xu Shao Chun, an executive Director, the Chairman of the Board and the controlling shareholder of the Company
“PRC”	The People’s Republic of China, and for the purpose of this announcement only (unless otherwise specified herein), excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PrivateCloud Products”	the products and services in relation to “Enterprise Mobile Office Platform” (企業移動工作平台) of Shenzhen CloudHub
“PublicCloud Products”	the on-line software as service products of Shenzhen CloudHub (including standard operating services, voice conferencing services, application access services, customer relationship management products, etc.)
“RMB”	Renminbi, the lawful currency of the PRC
“Shenzhen CloudHub”	深圳雲之家網絡有限公司 (Shenzhen CloudHub Network Co., Ltd.*), a company incorporated in the PRC, the equity interest of which is held by Baijin Investment as to 60.35% and the Group as to 10.65% (through Hongjin Investment), and the remaining equity interest is held by the employees of Shenzhen CloudHub
“Shenzhen CloudHub Agreement”	the termination agreement dated 28 July 2016 entered into among Kingdee China, Hongjin Investment, Baijin Investment and Shenzhen CloudHub in relation to the termination of certain contractual arrangements in respect of Shenzhen CloudHub
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Cooperation Framework Agreement”	the strategic cooperation framework agreement dated 1 January 2016 entered into between Kingdee China and Shenzhen CloudHub

On behalf of the Board
Kingdee International Software Group Company Limited
Lin Bo
Director

Shenzhen, the People’s Republic of China, 10 March 2017

As at the date of this announcement, the Board comprises Mr. Xu Shao Chun (Chairman of the Board and Chief Executive Officer) and Mr. Lin Bo (Chief Financial Officer) as executive directors; Ms. Dong Ming Zhu and Mr. Chen Zhang as non-executive directors; and Mr. Gary Clark Biddle, Mr. Wu Cheng and Mr. Liu Chia Yung as independent non-executive directors.

* *for identification purposes only*