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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)**

### **DISCLOSEABLE TRANSACTION**

Reference is made to the announcement of the Company dated 7 September 2018 in relation to the acquisition of land use rights of lands in Qingdao by the Target Company.

#### **DEEMED DISPOSAL OF 35% INTEREST IN A SUBSIDIARY**

On 28 December 2018, Kingdee China (a wholly-owned subsidiary of the Company), Shenzhen Junxin and Shenzhen Fulei entered into the Agreement in relation to the Capital Injection by Shenzhen Junxin and Shenzhen Fulei of an aggregate of RMB17,111,110 to the Target Company. Upon completion of the Capital Injection, the Target Company will cease to be a subsidiary of the Company, and will be held by Kingdee China, Shenzhen Junxin and Shenzhen Fulei as to 45%, 35% and 20%, respectively.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As Kingdee China will not participate in the Capital Injection, its equity interest in the Target Company will be diluted from 80% to 45% upon completion of the Capital Injection, which constitutes a deemed disposal of the Company. As one of the relevant applicable percentage ratios in respect of the Deemed Disposal is greater than 5% and less than 25%, the Deemed Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

The Target Company is an insignificant subsidiary of the Company. As Shenzhen Fulei holds a 20% equity interest in the Target Company, it is a substantial shareholder of an insignificant subsidiary of the Company, and therefore notwithstanding Shenzhen Fulei's interest in the Target Company, it and its ultimate beneficial owners are not regarded as connected persons of the Company pursuant to Rule 14A.09 of the Listing Rules. Therefore, the Capital Injection does not constitute a connected transaction under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 7 September 2018 in relation to the acquisition of land use rights of lands in Qingdao by the Target Company.

## **INTRODUCTION**

On 28 December 2018, Kingdee China (a wholly-owned subsidiary of the Company), Shenzhen Junxinxin and Shenzhen Fulei entered into the following Agreement in relation to the Capital Injection by Shenzhen Junxinxin and Shenzhen Fulei of an aggregate of RMB17,111,110 to the Target Company with details as follows:

## **THE AGREEMENT**

### **Date**

28 December 2018

### **Parties**

- (i) Kingdee China, a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company, which is principally engaged in the business of corporate management software and Internet services markets. As at the date of this announcement, Kingdee China holds a 80% equity interests in the Target Company;
- (ii) Shenzhen Junxinxin, a company established under the laws of the PRC with limited liability, which is principally engaged in asset and investment management; and
- (iii) Shenzhen Fulei, a company established under the laws of the PRC with limited liability, which is principally engaged in investment, the sales of digital, communications and electronic products, and software research, design and development. As at the date of this announcement, Shenzhen Fulei holds a 20% equity interests in the Target Company.

To the best of the knowledge, information and belief of the Board after having made all reasonable enquiries, save that Shenzhen Fulei holds a 20% equity interests in the Target Company (an indirect non wholly-owned insignificant subsidiary of the Company), each of Shenzhen Junxinxin and Shenzhen Fulei and their respective beneficial owners is an Independent Third Party.

### **Capital Injection**

Pursuant to the Agreement, the parties agree that the registered capital of the Target Company shall be increased by an aggregate of RMB15,555,555 from RMB20,000,000 to RMB35,555,555, of which:

- (i) the registered capital of RMB12,444,444 will be subscribed by Shenzhen Junxinxin for a consideration of RMB13,688,888 (of which RMB12,444,444 and RMB1,244,444 will be applied as the registered capital and the capital reserve of the Target Company, respectively). At the same time, Shenzhen Junxinxin shall also provide an interest free shareholder loan to the Target Company in the amount of RMB256,976,119 in proportion to its equity interests in the Target Company in replacement of part of the shareholder loan advanced by Kingdee China before. The capital and loan contribution by Shenzhen Junxinxin at an aggregate of RMB270,665,007 shall be payable in three instalments, of which 35% of the same shall be payable within 10 business days after the date of the Agreement, 50% of the same shall be payable within 30 business days after the completion of the change of business registration of the Target Company and the remaining 15% shall be payable within 15 business days after the completion of the change in tax registration and bank mandate of the Target Company, etc; and

- (ii) the registered capital of RMB3,111,111 will be subscribed by Shenzhen Fulei for a consideration of RMB3,422,222 (of which RMB3,111,111 and RMB311,111 will be applied as the registered capital and the capital reserve of the Target Company, respectively), which shall be payable within 10 business days after the date of the Agreement.

The amount of the Capital Injection was determined after arm's length negotiations between the parties to the Agreement with reference to, among other things, the recent auction price of lands in the vicinity of the lands held by the Target Company, the net assets value of the Target Company, the registered capital of the Target Company with a premium of approximately 10% as at the date of the Agreement and the proportion in the equity interests held by the parties upon completion of the Capital Injection.

The table below set out the change in equity interests and shareholder loans in the Target Company before and upon completion of the Capital Injection:

	As at the date of this announcement			Upon completion of the Capital Injection		
	Registered Capital (RMB)	Shareholder Loan (RMB)	%	Registered Capital (RMB)	Shareholder Loan (RMB)	%
Kingdee China	16,000,000	587,373,986	80%	16,000,000	330,397,867*	45%
Shenzhen Junxinxin	–	–	–	12,444,444	256,976,119	35%
Shenzhen Fulei	4,000,000	146,843,496	20%	7,111,111	146,843,496	20%
<b>Total</b>	<b>20,000,000</b>	<b>734,217,482</b>	<b>100%</b>	<b>35,555,555</b>	<b>734,217,482</b>	<b>100%</b>

\* interest-bearing @5% per annum

## INFORMATION OF THE TARGET COMPANY

The Target Company is a company established under the laws of the PRC with limited liability with its business scope covering software research and development, software technology services and property development.

Since the Target Company is a company newly established solely for the purpose of the acquisition of the land use rights of the lands situated at 青島即墨區青島藍谷鶴山路以南、硅谷大道以東、大任河以北、港中旅以西 (South of Heshan Road, Qingdao Oceanec Valley; East of Silicon Valley Avenue; North of Da Ren River; 2 West of Gang Zhong Lu, Jimo District, Qingdao#) in September 2018, it has no revenue since its incorporation and it does not have any material assets other than the said land use rights of the land in Qingdao as at the date of this announcement.

The unaudited total asset value and net assets value of the Target Company as at 30 November 2018 were approximately RMB635,772,000 and approximately RMB807,200, respectively. The unaudited net loss before and after taxation was approximately RMB7,000 during the period from the date of its incorporation to 30 November 2018.

## FINANCIAL EFFECT ARISING FROM THE DEEMED DISPOSAL ON THE GROUP

Upon completion of the Capital Injection, the equity interest in the Target Company held by the Group will be diluted from 80% to 45% and the Target Company will no longer remain as a subsidiary of the Company and will be accounted for as an associate of the Company. The Target Company's financial results will not be consolidated with the financial statement of the Group.

It is expected that the net assets of the Group will be increased by approximately RMB700,000 upon completion of the Capital Injection, and the Deemed Disposal is expected to result in a dilution gain of approximately RMB700,000.

**Shareholders should note that the above figures are for illustrative purpose only. The actual gain on the Deemed Disposal may be different from the above and will be determined based on the financial position of the Target Company on the date of completion of the Deemed Disposal and the review by the Group's auditors upon finalization of the consolidated financial statements of the Group.**

## **REASONS FOR AND BENEFITS OF THE AGREEMENT**

The Group is principally engaged in the provision of software products and cloud services for corporates, hospitals, government organizations and other users worldwide.

The Directors consider that Shenzhen Junxin has extensive experience in management and operation of technology assets (property), and the introduction of Shenzhen Junxin as a joint venture partner can help improve the project operation capability of the Target Company and improve its profitability. In addition, the introduction of a new joint venture partner enhance the working capital, and broaden the capital base, of the Target Company, which indirectly also reduce the financial pressure of the Group arising from the need for further capital investment in the Target Company's operation and thus increase the Group's financial flexibility. The proceeds from the Capital Injection are expected to be principally applied towards the operations and development of the business of the Target Company.

The Directors consider the terms of the Agreement are negotiated at arm's length basis and on normal commercial terms, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As Kingdee China will not participate in the Capital Injection, its equity interest in the Target Company will be diluted from 80% to 45% upon completion of the Capital Injection, which constitutes a deemed disposal of the Company. As one of the relevant applicable percentage ratios in respect of the Deemed Disposal is greater than 5% and less than 25%, the Deemed Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

The Target Company is an insignificant subsidiary of the Company as the assets, profits and revenue of the Target Company compared to the Group are less than 10% under the percentage ratios (to the extent applicable) for the period from the date of incorporation of the Target Company to 30 November 2018. As Shenzhen Fulei holds a 20% equity interest in the Target Company, it is a substantial shareholder of an insignificant subsidiary of the Company, and therefore notwithstanding Shenzhen Fulei's interest in the Target Company, it and its ultimate beneficial owners are not regarded as connected persons of the Company pursuant to Rule 14A.09 of the Listing Rules. Therefore, the Capital Injection does not constitute a connected transaction under Chapter 14A of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Agreement”	an agreement dated 28 December 2018 entered into between Kingdee China, Shenzhen Junxinxin and Shenzhen Fulei in relation to the Capital Injection
“Board”	the board of Directors
“Company”	Kingdee International Software Group Company Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange (Stock Code: 268)
“Capital Injection”	the capital injection of RMB13,688,888 by Shenzhen Junxinxin and further capital injection of RMB3,422,222 by Shenzhen Fulei
“Deemed Disposal”	a deemed disposal of 35% of the Company’s equity interests in the Target Company resulting from the Capital Injection
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Kingdee China”	金蝶軟件（中國）有限公司(Kingdee Software (China) Co., Ltd*), a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company, which holds a 80% equity interests in the Target Company as at the date of this announcement
“PRC”	the People’s Republic of China, which shall, for the purposes of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Target Company”	Qingdao Xinrun Real Estate Limited (青島鑫潤置業有限公司), a company established in the PRC with limited liability and an indirect 80%-owned subsidiary of the Company as at the date of this announcement, which holds the land use rights of lands in Qingdao
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shenzhen Fulei”	Shenzhen Fulei Technology Co., Ltd* (深圳市孚雷科技有限公司), a company incorporated under the laws of the PRC with limited liability, which holds a 20% equity interests in the Target Company as at the date of this announcement
“Shenzhen Junxinxin”	Shenzhen Junxinxin Assets Management Co., Ltd.* (深圳市均信欣資產管理有限公司), a company incorporated under the laws of the PRC with limited liability
“%”	per cent

\* *For identification purposes only*

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

Shenzhen, the People’s Republic of China, 28 December 2018

*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. Shen Yuan Ching as non-executive Directors; and Mr. Gary Clark Biddle, Mr. Cao Yang Feng and Mr. Liu Chia Yung as independent non-executive Directors.*