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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)**

**INTERIM RESULTS ANNOUNCEMENT**

**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

The board (the "Board") of directors (the "Directors") of Kingdee International Software Group Company Limited ("Kingdee" or the "Company") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2019 are as follows:

**Financial highlights for the six months ended 30 June 2019**

- Revenue increased by approximately 16.1% over the same period in 2018 to approximately RMB1,485,156,000
- Profit attributable to owners of the Company for the period decreased by approximately 35.4% over the same period in 2018 to approximately RMB109,640,000
- Basic earnings per share for profit attributable to owners of the Company during the period decreased by RMB2.14 cents over that of the same period in 2018 to approximately RMB3.40 cents

## Business Review and Outlook

### 1. Financial Performance

- The Group recorded total revenue of RMB1,485,156,000 (1H2018: RMB1,279,103,000) for the first half of 2019, up 16.1% from the same period of last year. While it continued to increase investments in the Cloud services business, revenue from this business continued to climb and grew by 54.9% year-on-year in the first half of 2019. Meanwhile, revenue from ERP business slightly increased by 1.2% year-on-year.
- The profit attributable to owners of the Company decreased by approximately 35.4% from the period of 2018 to approximately RMB109,640,000 (1H2018: RMB169,777,000).
- Basic earnings per share attributable to owners of the Company for the reporting period decreased by approximately 38.6% year-on-year to approximately RMB3.40 cents (1H2018: RMB5.54 cents).

### 2. Summary of the Company's Strategies

1. The Group leveraged its thorough understanding of Chinese enterprises' management and deep insight into the latest trends in their digital transformation to promote the development of Kingdee Cloud service ecosystem.

2. Strategic initiatives including:

- Fully implementing the development strategy of "Getting direct access to customers". Starting with the establishment of Robert Xu's official account, Kingdee will propel reforms in the company's service system, actively serve customers, and improve product quality, user experience and customer satisfaction.
- Constructing a model customer in the digital transformation industry and reconstructing the industry value chain. Truly settle problems for customers and re-establishing relationships with them.
- Constructing Kingdee's digital transformation methodology to enhance the overall service level of the industry. Summarize and refine industry best practices to promote the development of China's management model.
- Accelerating the upgrade of Kingdee Cloud Cosmic platform and actively expanding ISV industry ecological partnership of the PaaS platform and IaaS strategic partnership.
- Innovating and investing in new technologies and new businesses and building Kingdee ecosystem.

### 3. Summary of the Company's Businesses

As a company strong at technological innovation and rooted in the Chinese enterprise service market, Kingdee has ranked first in the application software market for fast-growing enterprises for 14 consecutive years. It has also commanded the largest share of the enterprise-grade SaaS ERM application software market share for three consecutive years, and it was included in the Gartner's report on global PaaS Cloud services. The Group provided Enterprise Resource Planning business ("ERP Business") and Cloud services to more than 6.8 million companies, government agencies and other organizations around the world.

The Group's revenue for the reporting period grew by 16.1% year-on-year while the revenue from ERP business grew by 1.2% year-on-year. Meanwhile, the revenue from Cloud services segment increased by 54.9% year-on-year and accounted for 37% of the Group's total revenue. The transformation of Kingdee

Cloud has been promoted steadily. Analysis of the Group's operating profit is set out in Management Discussion and Analysis.

## **ERP business**

During the reporting period, revenue from ERP business slightly increased by 1.2% year-on-year from RMB923,955,000 to RMB934,913,000 in the first half of 2019.

### **(1) EAS segment focused on technology upgrades to help model customers improve their management capability**

During the reporting period, the revenue from EAS management software license for large enterprises reached RMB160 million. While vigorously developing smart finance services, Kingdee EAS further developed financial AI technology to help enterprise customers continuously improve the automation of their financial work.

As Kingdee EAS's "Cloud + Terminal" dual-model solution has been highly recognized in the large-enterprise market, it successfully signed contracts with various model enterprises in different industries, including JA Solar, Tianjin Rockcheck Steel, Amoy Transit Rail, Shenzhen Fengchao Technology and Hong Kong Television Broadcasts Limited (TVB). At the same time, Kingdee's financial solutions in the Asia Pacific region have successively signed contracts with local Chinese financial institutions in Hong Kong, such as Regan Securities, Greater Bay Area Homeland Investment, Haitong International and CMB International to expand the system application module.

### **(2) K/3 segment continued to help enterprises implement digital transformation to enhance and upgrade their management**

Kingdee K/3 WISE system focused on three business areas: smart finance and taxation, smart supply chain and smart factory, and offered persistent support to enterprises by helping them transform and upgrade from traditional management to digital management.

### **(3) KIS facilitated small and medium-sized industrial and trading enterprises to implement digital transformation, helping them realize one-stop management**

Kingdee launched KIS flagship 7.0, professional KIS software 16.0. At present, nearly 1,000 customers have been online. The system ran safely and stably, and it obtained good comments from customers. The system helped small and medium-sized industrial and trading enterprises achieve one-stop management in finance, supply chain and production.

### **(4) Other Businesses**

According to the Chinese IT users satisfaction survey, Kingdee Apusic remained the most preferred middleware brand in the reporting period. In particular, it further consolidated its share in the proprietary product and safe and reliable product sectors. As a key proprietary core software developer, Kingdee Apusic actively adapted to domestic upstream and downstream software and has become important members of

different industrial alliances such as Phytium CPU & Kylin OS scheme, Information Technology Application and Innovation Working Committee.

## **Cloud Business**

During the reporting period, revenue from the Cloud Business continued to climb and grew by 54.9% year-on-year from RMB355,148,000 to RMB550,243,000 in the first half of 2019.

### **(1) Kingdee Cloud Cosmic expanded ecology and promoted business upgrades with Industrial Internet**

During the reporting period, Kingdee Cloud Cosmic generated revenue of more than RMB15 million in the first half of the year. As China's first enterprise-grade Cloud service platform based on cloud native architecture, Kingdee Cloud Cosmic adopted micro-service architecture, uniquely created KDDM Cloud dynamic domain model, supported Cloud personalized customization, and integrated technologies such as social, artificial intelligence, big data, and block chain to provide platform service for enterprise applications. Through independent research, development and innovation, Kingdee Cloud Cosmic has realized enterprise-grade distributed database middleware and distributed computing engine, which can support large data volume and large concurrency. At the same time, it realized enterprise-grade AI platform, including voice interaction, natural language understanding, invoice identification and other technologies that can support the intelligent transformation of enterprises. Kingdee Cloud Cosmic also provided digital platforms for enterprises, including technology platform, business platform, and data platform, helping the digital transformation of enterprises.

During the reporting period, Kingdee Cloud Cosmic applied for over 20 patented technologies, which accumulated more than 60 patented technologies.

During the reporting period, Kingdee Cloud Cosmic had signed contracts with 43 customers. 28 new customers were signed, including Xiamen C&D, Hesteel Group, Xiwang Group, Shenghua Group, Xiamen ITG Group, Sichuan Provincial Investment Group and other large enterprises.

During the reporting period, Kingdee Cloud Cosmic teamed up with various platform ecosystem partners, with the number of SaaS applications reached over 50 inside and outside. In the future, Kingdee Cloud Cosmic will continue to invest a lot of resources to attract more platform ecosystem partners through various means like developer competition in order to build a strong partner ecosystem.

### **(2) Kingdee Cloud Galaxy business maintained robust growth, helping companies rapidly expand**

Kingdee Cloud Galaxy, the Group's stellar Cloud product, maintained robust growth, with its revenue increased by over 50.5% year-on-year to RMB384 million. The customer's dollar retention rate remained at over 90%. The new V7.3 version of Kingdee Cloud Galaxy, Kingdee Cloud Galaxy MES Cloud, Omni-channel WeChat applet and expense reimbursement on mobile terminals services were launched to help enterprises achieve connectivity, empowerment, cost reduction and efficiency enhancement, promote cloud connectivity, gain value advantage, and reconstruct industrial value chains.

Up to now, the number of certified customers of Kingdee Cloud Galaxy exceeded 11,000, and the number of certified users were more than 660,000. Kingdee Cloud Galaxy has a large number of industry model customers such as Huawei, Samsung, Haier, LG, Bliss Cake, Oppein Home, Yunnan Baiyao and Swire Foods. During the reporting period, Kingdee Cloud Galaxy signed up various new customers, including famous enterprises such as Hikvision, Fotile, Netease and Mi Home. As for enterprise Cloud adoption business, Kingdee Cloud Galaxy became one of the government's recommended Cloud service providers for 25 cities in 17 provinces. Moreover, it was picked as a strategic partner of the Ministry of Industry and Information Technology and received the ITSS certification. Northeast Pharmaceutical, Kingdee Cloud Galaxy's customer, was selected as a smart manufacturing model unit by the Ministry of Industry and Information Technology. Five customers including Fangkuai Boiler Co., Ltd. and Zuming Bean Products Co., Ltd. were selected as the benchmarking enterprises by the Ministry of Industry and Information Technology. At the same time, Kingdee Cloud Galaxy is the only SaaS partner of Amazon AWS certification in 2019, and has ecological cooperation alliances such as Huawei Cloud, Alibaba Cloud, Tencent Cloud, JD Cloud and Unicom Cloud. During the reporting period, the Group continued to promote the development of Cloud business channels. The number of its public Cloud partners reached 375 in the first half of the year, representing an increase of 32% year-on-year.

### **(3) Kingdee Jingdou Cloud saw strong revenue growth and launched WeChat applet store**

In the first half of 2019, Jingdou Cloud achieved revenue growth of 95.7% year-on-year. Paying customers grew by more than 65%, bringing the total number of customers to over 9,500, and the dollar retention rate remained above 80%. Focusing on new retail services, Jingdou Cloud further enriched its product matrix, providing 3 major business services (applet store + smart store + 2B order), 2 management services (smart finance and taxation + purchase, sale and inventory) and 1 solution (new retail solution) to micro and small enterprises, and helping them to build intelligent, mobile and integrated management system. During the reporting period, the launch of Jingdou Cloud applet store has been widely applauded in the market. Up to now, more than 1200 micro and small enterprises have carried out online marketing through Jingdou Cloud applet store. Meanwhile, Jingdou Cloud further deepened its strategic cooperation with Alibaba, China Mobile and China UnionPay, thereby helping more micro and small enterprises implement digital transformation.

### **(4) Kingdee Guanyi Cloud posted double-digit revenue growth; helping retail enterprises expand business through multi-channels**

During the reporting period, the revenue of Kingdee Guanyi Cloud grew by 25.4% year-on-year with more than 4,500 paying customers and the dollar retention rate of over 80%, as the Group made persistent efforts to drive the rapid expansion of its channels. In the first half of the year, there were 24 platforms newly connected with Guanyi Cloud, making the total number of its connected platforms increase to more than 110. It helped retail enterprises to operate and expand their business through multi-channels. Besides, significant breakthroughs were made in the integration between Guanyi Cloud and other Kingdee products. For instance, the B2C E-commerce management application based on Kingdee Cloud Galaxy BOS platform was launched, which enables Omni-channel centralized management of business, online and offline stocktaking, the integration of entire business process ranging from order processing to financial bookkeeping as well as the centralized management of business and financial affairs. Meanwhile, the Group made relentless R&D efforts

to develop the next generation Guanyi Cloud products based on Kingdee Cloud Cosmic platform. During the reporting period, the Group signed new contracts with various famous customers like Hesteel Group, DIVI, Hydron, Youchen Food, Yanghe Distillery and Nestle.

## **(5) Other Cloud Businesses**

During the reporting period, CloudHub, an associate of the Group, primarily engaged in the mobile office cloud, ranked first in the Chinese enterprise collaboration SaaS software market with a market share of 38.3%, exceeding the combined market share of those ranked second to fifth (according to the latest IDC report in 2019). CloudHub further strengthened the development of enterprise-grade OTA (Over-the-Air Technology) used in the mobile office platform, gradually developed the capability of central platform, and improved the intelligent collaboration Cloud for business, data and ecosystem collaboration. During the reporting period, it signed new contracts with various well-known domestic enterprises such as HBIS, Tangsteel Group, Guangdong Power Engineering, Sany Heavy Industry and Ningbo Port, and helped supersized old customers like Vanke and Haier to complete business upgrade.

During the reporting period, Cargeer, the Group's automotive network technology company, has more than 4,300 product and service outlets with a year-on-year increase of 81.9% in car owners registered in its CRM system. Cargeer continued to explore the collaborative model of the automotive industry and accelerated cloud transformation, while expanding a number of value-added services such as accessories collection and integrated payment. In the future, it will continue to help car dealers to establish a digital service system centered on customer operations.

During the reporting period, the Group's Kingdee Wojia Cloud network technology company continued to innovate and launched multi-businesses SaaS service plans such as smart communities, assets operation and intellectual parks to invigorate more property and assets operation enterprises, to release assets value and to create smart property service ecosystem. In the first half of 2019, its newly signed customers included a number of top 100 enterprises, such as Wanyi Technology, AVIC Property Management, Financial Street Property, Teemall Property, Skyworth, Royal Properties, Xinli Group, Logan Property. The number of newly signed service projects reached 642, which increased by 182% year-on-year. Wojia Cloud had covered 108 cities currently.

During the reporting period, Kingdee Finance actively responded to the government's call of "further improving the quality and efficiency of financial services for micro and small enterprises". It explored and exerted the unique advantages of its licensed customer data to significantly improve the service capability of "Jingwei Cloud", a Big Data-based enterprise credit evaluation system. Kingdee Finance signed contracts with some long-established partners such as Bank of Communications, MYbank, Fumin Bank, Hanhua Finance and CEB Inclusive Finance. The Group teamed up with them to provide customers with Kingdee Effective Loan, which received enthusiastic response in the market with over 50,000 registered users.

During the reporting period, Kingdee and Wens Group Co., Ltd. jointly funded the establishment of Guangdong Xinnong Interconnection Technology Co., Ltd. The two sides aimed at the agricultural and animal husbandry market with trillions worth, building a digital platform for the agricultural and animal husbandry industry and exporting the overall solution for it; China CITIC, CITIC Trust and Kingdee jointly funded the

establishment of CITIC Consumer Finance Co., Ltd. to stimulate domestic demand and consumption. In addition, FXiaoKe, Xinren Xinshi and Kingdee's cloud products such as Jingdou Cloud and Cloud-Hub strengthened integration to provide more complete cloud service integrated solutions for small and medium-sized enterprises.

### **Investment properties operating business**

As of 30 June 2019, the Group has carrying amount of investment properties of RMB1,816,206,000 (as of 31 December 2018: RMB1,816,206,000). During the reporting period, the Group fully utilised the software parks and lease out some available space in Beijing Kingdee Software Valley, Shanghai Kingdee Development Centre and Shenzhen Kingdee Development Centre. As such, the Group generated net rental income of RMB36,902,000 (1H 2018: 34,877,000) during the reporting period.

The board (the “Board”) of directors (the “Directors”) of Kingdee International Software Group Company Limited (the “Company”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019 are as follows:

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**

*As at 30 June 2019*

	Notes	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Land use rights	7	66,615	67,545
Property, plant and equipment	8	529,030	490,236
Intangible assets	8	984,663	899,668
Investment properties		1,816,206	1,816,206
Investments in associates	9	310,767	234,403
Deferred income tax assets		718	49
Financial assets at fair value through profit or loss	11	427,880	427,456
Loans to related parties	10	464,537	464,537
Loans to third parties	10	24,667	18,940
		<b>4,625,083</b>	<b>4,419,040</b>
<b>Current assets</b>			
Inventories		9,033	8,436
Trade and other receivables	10	310,565	286,615
Loans to related parties	10	-	256,976
Loans to third parties	10	163,629	88,720
Contract assets		516,872	494,662
Financial assets at fair value through profit or loss	11	845,661	211,430
Pledged bank deposits		-	152
Short-term bank deposits		282,496	359,674
Cash and cash equivalents		856,380	1,452,848
		<b>2,984,636</b>	<b>3,159,513</b>
<b>Total assets</b>		<b>7,609,719</b>	<b>7,578,553</b>



**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION** *(Continued)**As at 30 June 2019*

	Notes	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Trade and other payables	14	26,190	-
Deferred income tax liabilities		<u>184,793</u>	<u>179,319</u>
		<u>210,983</u>	<u>179,319</u>
<b>Current liabilities</b>			
Trade and other payables	14	412,892	580,716
Contract liabilities		925,804	846,755
Borrowings	13	260,625	301,125
Current income tax liabilities		25,200	35,890
Deferred income		<u>107,890</u>	<u>102,081</u>
		<u>1,732,411</u>	<u>1,866,567</u>
<b>Total liabilities</b>		<u>1,943,394</u>	<u>2,045,886</u>
<b>Net assets</b>		<u>5,666,325</u>	<u>5,532,667</u>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	12	79,809	79,585
Share premium	12	2,882,561	2,903,459
Other reserves		621,078	565,259
Retained earnings		<u>1,994,323</u>	<u>1,917,757</u>
		<u>5,577,771</u>	<u>5,466,060</u>
<b>Non-controlling interests</b>		<u>88,554</u>	<u>66,607</u>
<b>Total equity</b>		<u>5,666,325</u>	<u>5,532,667</u>

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT***For the six months ended 30 June 2019*

	Notes	Unaudited	
		Six months ended 30 June	
		2019	2018
		RMB'000	RMB'000
Revenue from contracts with customers	15	1,485,156	1,279,103
Cost of sales	16	(304,727)	(253,230)
<b>Gross profit</b>		<b>1,180,429</b>	<b>1,025,873</b>
Selling and marketing expenses	16	(762,694)	(645,731)
Administrative expenses	16	(163,439)	(146,082)
Net impairment losses on financial assets and contract assets	16	(19,895)	(19,153)
Research and development costs	16	(252,455)	(199,423)
Other income and gains - net	17	141,976	151,966
<b>Operating profit</b>		<b>123,922</b>	<b>167,450</b>
Finance income		13,686	13,006
Finance costs		(8,249)	(10,260)
Finance income - net		5,437	2,746
Share of losses of associates		(10,229)	(668)
<b>Profit before income tax</b>		<b>119,130</b>	<b>169,528</b>
Income tax expense	18	(8,243)	(11,139)
<b>Profit for the year</b>		<b>110,887</b>	<b>158,389</b>
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		109,640	169,777
Non-controlling interests		1,247	(11,388)
		<b>110,887</b>	<b>158,389</b>
<b>Earnings per share for profit attributable to owners of the Company (expressed in RMB cents per share)</b>			
<b>– Basic</b>	19	<b>3.40</b>	<b>5.54</b>
<b>– Diluted</b>	19	<b>3.30</b>	<b>5.32</b>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME***For the six months ended 30 June 2019*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit for the period</b>	<b>110,887</b>	<b>158,389</b>
<i>Items that may be reclassified to profit or loss</i>		
-Currency translation differences	<b>(388)</b>	<b>(3,982)</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>(388)</b>	<b>(3,982)</b>
<b>Total comprehensive income for the period</b>	<b>110,499</b>	<b>154,407</b>
<b>Total comprehensive income attributable to:</b>		
-Owners of the Company	<b>109,252</b>	<b>165,795</b>
-Non-controlling interests	<b>1,247</b>	<b>(11,388)</b>
	<b>110,499</b>	<b>154,407</b>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 June 2019

(All amounts in Renminbi thousands unless otherwise stated)

		Unaudited						
		Attributable to owners of the Company				Non-		
		Share	Share	Other	Retained			
Notes		capital	premium	reserves	earnings	Total	controlling interests	Total equity
<b>Balance at 1 January 2019</b>		<b>79,585</b>	<b>2,903,459</b>	<b>565,259</b>	<b>1,917,757</b>	<b>5,466,060</b>	<b>66,607</b>	<b>5,532,667</b>
<b>Comprehensive income</b>								
Profit/(loss) for the period		-	-	-	109,640	109,640	1,247	110,887
<b>Other comprehensive loss</b>								
Currency translation differences		-	-	(388)	-	(388)	-	(388)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>(388)</b>	<b>109,640</b>	<b>109,252</b>	<b>1,247</b>	<b>110,499</b>
<b>Transactions with owners</b>								
Employees share option scheme:								
-Value of employee services received		12	-	508	-	-	-	508
-Proceeds from shares issued		12	224	25,053	-	-	-	25,277
Share award plan:								
- Value of employee services received		12	-	35,329	-	-	-	35,329
- Transfer shares to the awardees upon vesting		12	-	(81,788)	56,207	-	-	(25,581)
Capital contribution by non-controlling interests			-	-	-	-	20,700	20,700
Dividend declared		20	-	-	-	(33,074)	-	(33,074)
<b>Total transactions with owners</b>			<b>224</b>	<b>(20,898)</b>	<b>56,207</b>	<b>(33,074)</b>	<b>20,700</b>	<b>23,159</b>
<b>Balance at 30 June 2019</b>		<b>79,809</b>	<b>2,882,561</b>	<b>621,078</b>	<b>1,994,323</b>	<b>5,577,771</b>	<b>88,554</b>	<b>5,666,325</b>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY** *(Continued)**For the six months ended 30 June 2018**(All amounts in Renminbi thousands unless otherwise stated)*

	Notes	Unaudited						
		Attributable to owners of the Company				Non-		
		Share capital	Share premium	Other reserves	Retained earnings	Total	controlling interests	Total equity
Balance at 31 December 2017(as previously reported)		71,599	1,681,289	694,669	1,547,784	3,995,341	47,739	4,043,080
Adjustment on adoption of IFRS 9		-	-	(267)	267	-	-	-
Balance at 1 January 2018		71,599	1,681,289	694,402	1,548,051	3,995,341	47,739	4,043,080
Comprehensive income								
Profit/(loss) for the period		-	-	-	169,777	169,777	(11,388)	158,389
Other comprehensive loss								
Currency translation differences		-	-	(3,982)	-	(3,982)	-	(3,982)
Total comprehensive income		-	-	(3,982)	169,777	165,795	(11,388)	154,407
Transactions with owners								
Employees share option scheme:								
-Value of employee services received	12	-	2,562	(1,570)	-	992	1,570	2,562
-Proceeds from shares issued	12	700	69,167	-	-	69,867	-	69,867
Share award plan:								
- Value of employee services received	12	-	46,803	-	-	46,803	-	46,803
- Transfer shares to the awardees upon vesting	12	-	(29,047)	18,778	-	(10,269)	-	(10,269)
Equity transactions with non-controlling interests		-	-	13,296	-	13,296	21,704	35,000
Conversion of convertible bonds	12	6,999	1,048,759	-	-	1,055,758	-	1,055,758
Dividend declared		-	-	-	(42,947)	(42,947)	-	(42,947)
Total transactions with owners		7,699	1,138,244	30,504	(42,947)	1,133,500	23,274	1,156,774
Balance at 30 June 2018		79,298	2,819,533	720,924	1,674,881	5,294,636	59,625	5,354,261

**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT***For the six months ended 30 June 2019*

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
<b>Cash flows from operating activities:</b>		
Cash generated from operations excluding net cash outflow in loans to third parties from the micro-credit business	290,710	376,319
Net cash outflow in loans to third parties from the micro-credit business	(81,501)	(62,348)
Interest paid	(5,878)	(20,294)
Income tax paid	(14,128)	(25,554)
<b>Net cash generated from operating activities</b>	<b>189,203</b>	<b>268,123</b>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(13,524)	(16,663)
Proceeds from disposals of property, plant and equipment	263	41
Purchase of intangible assets	(265,993)	(222,331)
Acquisition of a subsidiary, net of cash acquired	(6,200)	(2,688)
Pledged and short-term bank deposits withdrawn/(placed) - net	77,330	604,893
Interest received	7,831	8,170
Repayments received from entrusted loans	-	49,600
Purchases of financial assets at fair value through profit or loss	(1,528,000)	(2,227,460)
Proceeds from disposal of financial assets at fair value through profit or loss	888,381	1,244,020
Proceeds from disposal of investments in associates	5,026	-
Investments in associates	(167,522)	-
Repayments received from related parties	256,976	30,000
<b>Net cash used in investing activities</b>	<b>(745,432)</b>	<b>(532,418)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from share options exercised	25,277	71,338
Capital contribution from non-controlling interests	20,700	-
Proceeds from borrowings	129,625	105,000
Repayments of borrowings	(170,125)	(111,538)
Repayments of lease liabilities	(10,147)	-
Dividends paid	(30,157)	(42,947)
Acquisition of non-controlling interests in subsidiaries	(5,796)	(74,530)
<b>Net cash used in financing activities</b>	<b>(40,623)</b>	<b>(52,677)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(596,852)</b>	<b>(316,972)</b>
Effect of exchange rate changes on cash and cash equivalents	384	4,349
Cash and cash equivalents at beginning of the period	1,452,848	1,056,675
<b>Cash and cash equivalents at end of the period</b>	<b>856,380</b>	<b>744,052</b>

## Notes to the condensed consolidated interim financial information

### 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 its subsidiaries (the “Group”) are developing, manufacturing and selling of software products and provision of software-related technical services in the PRC.

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

These condensed consolidated interim financial statements are presented in thousands of Renminbi (RMB’000), unless otherwise stated. These condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 13 August 2019.

This condensed consolidated interim financial information has not been audited.

### 2. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with IAS 34, ‘Interim financial reporting’. The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

### 3. Significant accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements except for the adoption of new and amended standards as set out below.

#### (a) New and amended standards adopted by the Group

IFRS 16 *Leases* became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the standard. The impact of the adoption of these standards and the new accounting policies are disclosed in note 4 below.

(b) The other new or amended standards, amendments and interpretations to existing standards that are effective for the financial year beginning on 1 January 2019 do not have a material impact on or are not relevant to the Group.

Taxes on income for the interim period are accrued using the tax rates that would be applicable to expected total annual assessable profits.

## Notes to the condensed consolidated interim financial information

### 4. Changes in Accounting Policies

The adoption of IFRS 16 Leases from 1 January 2019 resulted in changes in accounting policies and adjustments to the amounts recognized in financial statements. In accordance with the transitional provision under IFRS 16, comparative figures are not required to be restated. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

#### (a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.78%.

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. On 1 January 2019, the Group recognized the right-of-use assets RMB 31,777,000 in property, plant and equipment, and recognized the lease liability RMB 31,214,000 in trade and other payables. The transitional impact also includes a reduction of RMB 432,000 in trade and other receivables due to the adjustment of prepaid lease payments, and an increase of RMB 131,000 in trade and other payables due to the adjustment of restoration costs.

#### (1) Amounts recognized in the consolidated statement of financial position

	30 June 2019 RMB'000	1 January 2019 RMB'000
<b>Right-of-use assets</b>		
- Properties	47,982	31,777
<b>Lease liabilities</b>		
- Non current	26,190	15,606
- Current	20,231	15,608
	<u>46,421</u>	<u>31,214</u>

Additions to the right-of-use assets for the six months ended 30 June 2019 and as at 1 January 2019 are RMB 25,758,000 and RMB 31,777,000 respectively.

#### (2) Amounts recognized in the consolidated income statement

	For the six months ended 30 June 2019 RMB'000
Depreciation charge of right-of-use assets	9,553
Interest expenses (included in finance cost)	1,358
	<u>10,911</u>

The total cash outflow for leases for the six months ended 30 June 2019 is RMB 10,147,000. Expenses recognized in relation to short-term leases for the six months ended 30 June 2019 amounted to RMB 10,516,000.



## Notes to the condensed consolidated interim financial information

### 4. Changes in Accounting Policies *(Continued)*

#### (a) Adjustments recognised on adoption of IFRS 16 *(Continued)*

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

#### (b) The Group's leasing activities and how these are accounted for

The Group leases various properties. Rental contracts are typically made for fixed periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

## Notes to the condensed consolidated interim financial information

### 4. Changes in Accounting Policies *(Continued)*

#### (b) The Group's leasing activities and how these are accounted for *(Continued)*

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

### 5. Estimates

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

## Notes to the condensed consolidated interim financial information

### 6. 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. The Group has identified the following operating segments:

Enterprise Resource Planning (“ERP”) business	—	Sales and implementation of enterprise ERP business provision of other related services, sales of hardware related to ERP business arrangements and sales of middleware software business
Cloud services business	—	Provision of online services related to cloud service, provision of E-commerce and other online management services
Investment properties operating business	—	Lease of the Group's spare office units

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

## Notes to the condensed consolidated interim financial information

## 6. Segment information (Continued)

The unaudited segment information for the six months ended 30 June 2019 is as follows:

	ERP business RMB'000	Cloud services business RMB'000	Investment properties operating business RMB'000	The Group Total RMB'000
Revenue (from external customers)	934,913	550,243	-	1,485,156
- Products transferred at a point in time	493,208	-	-	493,208
- Services transferred over time	441,705	550,243	-	991,948
Operating profit	211,541	(124,521)	36,902	123,922
Finance costs	(8,069)	(180)	-	(8,249)
Finance income	12,713	973	-	13,686
<b>Finance income – net</b>	<b>4,644</b>	<b>793</b>	<b>-</b>	<b>5,437</b>
Share of losses of associates	(10,229)	-	-	(10,229)
<b>Profit/(loss) before income tax</b>	<b>205,956</b>	<b>(123,728)</b>	<b>36,902</b>	<b>119,130</b>
Income tax (expense)/credit	(17,773)	13,220	(3,690)	(8,243)
<b>Segment results</b>	<b>188,183</b>	<b>(110,508)</b>	<b>33,212</b>	<b>110,887</b>
<b>Segment assets</b>	<b>5,379,515</b>	<b>413,998</b>	<b>1,816,206</b>	<b>7,609,719</b>
<b>Segment liabilities</b>	<b>1,380,291</b>	<b>443,644</b>	<b>119,459</b>	<b>1,943,394</b>
Additions to non-current assets (other than financial instruments and deferred tax assets)	142,810	166,768	-	309,578
Depreciation and amortization	113,774	99,383	-	213,157
Net impairment losses on financial assets and contract assets	18,995	900	-	19,895
Share-based payment	44,707	162	-	44,869

## Notes to the condensed consolidated interim financial information

## 6. Segment information (Continued)

The unaudited segment information for the six months ended 30 June 2018 is as follows:

	ERP business RMB'000	Cloud services business RMB'000	Investment properties operating business RMB'000	The Group Total RMB'000
Revenue (from external customers)	923,955	355,148	-	1,279,103
Products transferred at a point in time	500,055	-	-	500,055
Services transferred over time	423,900	355,148	-	779,048
Operating profit	200,216	(67,643)	34,877	167,450
Finance costs	(10,104)	(156)	-	(10,260)
Finance income	12,414	592	-	13,006
<b>Finance income – net</b>	<b>2,310</b>	<b>436</b>	<b>-</b>	<b>2,746</b>
Share of losses of associates	(668)	-	-	(668)
<b>Profit/(loss) before income tax</b>	<b>201,858</b>	<b>(67,207)</b>	<b>34,877</b>	<b>169,528</b>
Income tax (expense)/credit	(19,465)	11,814	(3,488)	(11,139)
<b>Segment results</b>	<b>182,393</b>	<b>(55,393)</b>	<b>31,389</b>	<b>158,389</b>
<b>Segment assets</b>	<b>5,063,543</b>	<b>210,386</b>	<b>1,721,690</b>	<b>6,995,619</b>
<b>Segment liabilities</b>	<b>1,380,932</b>	<b>150,859</b>	<b>109,567</b>	<b>1,641,358</b>
Additions to non-current assets (other than financial instruments and deferred tax assets)	231,273	716	-	231,989
Depreciation and amortization	164,524	4,550	-	169,074
Net impairment losses on financial assets and contract assets	19,153	-	-	19,153
Share-based payment	49,238	127	-	49,365

**Notes to the condensed consolidated interim financial information**

**6. Segment information** *(Continued)*

The Company is incorporated in the Cayman Islands while the Group mainly operates its business in the PRC. Revenue from external customers from the PRC and other locations is RMB1,470,006,000 (the same period in 2018: RMB1,268,736,000) and RMB15,150,000 (the same period in 2018: RMB10,367,000), respectively for the period ended 30 June 2019.

There is no single customer that contributed to over 10% of the Group's revenue for the period ended 30 June 2019 and 2018.

## Notes to the condensed consolidated interim financial information

## 7. Land use rights

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
<b>Opening net book amount at 1 January</b>	<b>67,545</b>	69,405
Amortization charge	<b>(930)</b>	(926)
	<b>66,615</b>	68,479
<b>Closing net book amount at 30 June</b>	<b>66,615</b>	68,479
<b>Represented by:</b>		
Cost	<b>84,191</b>	84,191
Accumulated amortization charges	<b>(17,576)</b>	(15,712)
	<b>66,615</b>	68,479

The Group's interests in land use rights represent prepaid operating lease payments.

## Notes to the condensed consolidated interim financial information

## 8. Property, plant, equipment and intangible assets

## (a) Property, plant, equipment

The adoption of IFRS 16 Leases from 1 January 2019 resulted in changes in accounting policies and adjustments to the amounts recognized in financial statements, and recognized the right-of-use assets in property, plant and equipment.

	Unaudited		
	Property, plant and equipment RMB'000	Right-of-use assets RMB'000	Total RMB'000
<b>Six months ended 30 June 2019</b>			
Opening net book amount at 1 January 2019	490,236	-	490,236
Effect of adoption of IFRS 16 (note 4)		31,777	31,777
Additions	15,103	25,758	40,861
Disposals	(5,339)	-	(5,339)
Depreciation	(18,952)	(9,553)	(28,505)
<b>Closing net book amount at 30 June 2019</b>	<b>481,048</b>	<b>47,982</b>	<b>529,030</b>
<b>Six months ended 30 June 2018</b>			
Opening net book amount at 1 January 2018	510,213	-	510,213
Additions	8,903	-	8,903
Disposals	(344)	-	(344)
Depreciation	(23,704)	-	(23,704)
<b>Closing net book amount at 30 June 2018</b>	<b>495,068</b>	<b>-</b>	<b>495,068</b>



## Notes to the condensed consolidated interim financial information

8. Property, plant, equipment and intangible assets *(Continued)*

## (b) Intangible assets

	Unaudited	
	Six months ending 30 June	
	2019	2018
	RMB'000	RMB'000
Opening net book amount at 1 January	899,668	817,284
Additions	268,717	223,085
Amortization	(183,722)	(144,444)
<b>Closing net book amount at 30 June</b>	<b>984,663</b>	<b>895,925</b>

## Notes to the condensed consolidated interim financial information

## 9. Investments in associates

The carrying amount of equity-accounted investments has changed as follows for the six months ended 30 June 2019:

	Six months ended 30 June 2019
	RMB'000
Beginning of the period	234,403
Additions	95,000
Disposal	(4,690)
Share of losses of associates	(13,946)
<b>End of the period</b>	<b>310,767</b>

On 8 January 2019, Kingdee Software (China) Co., Ltd ("Kingdee China"), CITIC Group and CITIC Trust Co., Ltd set up CITIC Consumer Finance Co., Ltd. On 12 June 2019, Kingdee China subscribed 30% of the share capital of CITIC Consumer Finance Co., Ltd for a cash consideration of RMB 90,000,000. Kingdee China has significant influence over this investee and thus the investment is classified as an associate.

## Notes to the condensed consolidated interim financial information

## 10. Trade and other receivables

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Trade receivables (a)	278,864	256,366
Less: allowance for impairment of trade receivables	<u>(134,064)</u>	<u>(128,599)</u>
Trade receivables - net	144,800	127,767
Notes receivable	20,737	21,643
Advances to employees	7,617	4,945
Prepayments	51,749	42,104
VAT recoverable	30,668	49,833
Interest receivables	34,816	21,473
Receivables from related parties	12,877	9,193
Other receivables	<u>7,301</u>	<u>9,657</u>
	<u><b>310,565</b></u>	<u><b>286,615</b></u>
Loans to related parties		
Current portion	-	256,976
Non-current portion	<u>464,537</u>	<u>464,537</u>
	<u><b>464,537</b></u>	<u><b>721,513</b></u>
Loans to third parties (b)		
Current portion	163,629	88,720
Non-current portion	<u>24,667</u>	<u>18,940</u>
	<u><b>188,296</b></u>	<u><b>107,660</b></u>

## Notes to the condensed consolidated interim financial information

## 10. Trade and other receivables (Continued)

- (a) Sales are generally made without prescribed credit terms in the sales contracts but customers usually take one to three months to settle the receivables. The aging analysis of trade receivables were as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
0-180 days	<b>116,973</b>	86,506
181- 360 days	<b>26,187</b>	38,976
Over 360 days	<b>135,704</b>	130,884
	<b>278,864</b>	256,366

- (b) The loans to third parties represented loans under the micro-credit business, bear interest at 4.275% to 18.000% (31 December 2018: 4.275% to 18.000%) per annum and are repayable with fixed terms agreed with the customers, and all denominated in RMB.

## Notes to the condensed consolidated interim financial information

## 11. Financial assets at fair value through profit or loss

(a) Classification of financial assets at fair value through profit or loss

For the period ended 30 June 2019, the Group classifies the following financial assets at fair value through profit or loss (FVPL):

- Debt investments that do not qualify for measurement at either amortised cost or FVOCI
- Equity investments that are held for trading, and
- Equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Financial assets measured at FVPL include the following:

At 30 June 2019	Level 1(i) RMB'000	Level 2(i) RMB'000	Level 3(i) RMB'000	Total RMB'000
<b>Financial assets at fair value through profit or loss</b>				
Wealth management products(ii)	-	-	946,485	946,485
Preferred shares(iii)	-	-	253,880	253,880
Listed stock	49,176	-	-	49,176
Unlisted equity investment	-	-	24,000	24,000
	49,176	-	1,224,365	1,273,541
Less: non-current portion	(49,176)	-	(378,704)	(427,880)
	-	-	845,661	845,661
At 31 December 2018	Level 1(i) RMB'000	Level 2(i) RMB'000	Level 3(i) RMB'000	Total RMB'000
<b>Financial assets at fair value through profit or loss</b>				
Wealth management products(ii)	-	-	288,347	288,347
Preferred shares(iii)	-	-	253,456	253,456
Listed stock	66,480	-	-	66,480
Unlisted equity investment	-	-	24,000	24,000
Unlisted convertible bonds	-	-	6,603	6,603
	66,480	-	572,406	638,886
Less: non-current portion	(66,480)	-	(360,976)	(427,456)
	-	-	211,430	211,430

## Notes to the condensed consolidated interim financial information

### 11. Financial assets at fair value through profit or loss (Continued)

(i) The table analyses the Group's financial instruments carried at fair value as at 30 June 2019 and 31 December 2018 by level of the inputs to valuation techniques used to measure fair value.

Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Discounted cash flow analysis.

(ii) This represented the Group's investments in various wealth management products issued by commercial banks. These products have a term ranging from 3 months to 36 months. They have an expected return rate ranging from 3% to 5%. No single wealth management product investment accounted for over 5% of the Group's total assets. The fair values of these investments were determined based on the statements provided by the counterparties. The fair values of these investments approximated to their carrying amounts as at 30 June 2019.

(iii) It mainly represented the Group's investment of 535,643,887 Series E Preferred Shares issued by Facishare Co., Ltd., which is mainly engaged in the business of social network working platform for precise interactive marketing and enterprise collaborative management.

(b) The following table presents the changes in level 3 instruments for the six months ended 30 June 2019.

	<b>Financial assets at fair value through profit or loss</b>
	<b>RMB'000</b>
<b>At 1 January 2019</b>	<b>572,406</b>
Additions	<b>1,528,000</b>
Disposals	<b>(876,465)</b>
Gains recognised in profit or loss	<b>424</b>
<b>At 30 June 2019</b>	<b>1,224,365</b>
Fair value gains/(losses) on investments at FVPL recognised in other gains/(losses) (note 17)	<b>15,676</b>

## Notes to the condensed consolidated interim financial information

## 12. Share capital and share premium

	Number of shares (thousands)	Share capital RMB'000	Share premium RMB'000	Total RMB'000
<b>At 1 January 2019</b>	<b>3,300,185</b>	<b>79,585</b>	<b>2,903,459</b>	<b>2,983,044</b>
Employee share option scheme				
- Value of employee services received	-	-	508	508
- Exercise of share options	10,348	224	25,053	25,277
Share award plan				
- Value of services received	-	-	35,329	35,329
-Transfer shares to the awardees upon vesting	-	-	(81,788)	(81,788)
<b>At 30 June 2019(Unaudited)</b>	<b>3,310,533</b>	<b>79,809</b>	<b>2,882,561</b>	<b>2,962,370</b>
<b>At 1 January 2018</b>	<b>2,904,553</b>	<b>71,599</b>	<b>1,681,289</b>	<b>1,752,888</b>
Employee share option scheme				
- Value of employee services received	-	-	2,562	2,562
- Exercise of share options	34,419	700	69,167	69,867
Share award plan				
- Value of services received	-	-	46,803	46,803
-Transfer shares to the awardees upon vesting	-	-	(29,047)	(29,047)
Conversion of convertible bonds	348,075	6,999	1,048,759	1,055,758
<b>At 30 June 2018(Unaudited)</b>	<b>3,287,047</b>	<b>79,298</b>	<b>2,819,533</b>	<b>2,898,831</b>

## Notes to the condensed consolidated interim financial information

## 13. Borrowings

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Short-term borrowings, unsecured	<b>253,125</b>	272,500
Short-term borrowings, secured	-	5,000
Current portion of long-term borrowings, unsecured	<b>7,500</b>	23,625
	<b>260,625</b>	301,125



## Notes to the condensed consolidated interim financial information

## 14. Trade and other payables

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
Trade payables (a)	15,829	20,568
Salary and staff welfare payables	101,312	183,344
VAT and other tax payable	76,929	89,756
Accrual for expenses	56,906	61,211
Construction fee payable	9,507	8,170
Unpaid business acquisition consideration	3,662	88,180
Deposits of distributors	64,826	69,831
Interest payable	2,909	1,207
Outstanding payments for investments classified as financial assets at FVPL	19,000	19,000
Dividends payable	2,959	42
Lease liabilities (note 4)	46,421	-
Others	38,822	39,407
	<u>439,082</u>	<u>580,716</u>
Less: non-current portion of lease liabilities	<u>(26,190)</u>	-
	<u>412,892</u>	<u>580,716</u>

(a) As at 30 June 2019, the aging analysis of trade payables is as follows:

	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
0-180 days	8,831	13,539
181- 360 days	3,561	3,768
Over 360 days	3,437	3,261
	<u>15,829</u>	<u>20,568</u>

## Notes to the condensed consolidated interim financial information

## 15. Revenue from contracts with customers

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
ERP business	934,913	923,955
- Revenue from sales of software and hardware products	493,208	500,055
- Revenue from rendering of software implementation services	441,705	423,900
Revenue from rendering of cloud services	550,243	355,148
	<u>1,485,156</u>	<u>1,279,103</u>

## 16. Expenses by nature

Significant expense items are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Research and development costs		
Amounts incurred	339,550	283,638
Less: development costs capitalised	(262,530)	(217,302)
Add: amortization	175,435	133,087
	<u>252,455</u>	<u>199,423</u>
Employee benefit expenses	905,804	710,259
Less: amount included in research and development costs	(249,318)	(186,219)
	<u>656,486</u>	<u>524,040</u>
Outsourcing services	167,006	146,939
Cost of inventories consumed	38,934	26,533
Depreciation of property, plant and equipment	28,505	23,704
Amortization of computer software, licenses and copyrights	5,672	8,742
Amortization of customer relationship	2,615	2,615
Amortization of land use rights	930	926
Net impairment losses on financial assets	19,895	19,153

## Notes to the condensed consolidated interim financial information

## 17. Other income and gains-net

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
<b>Other income</b>		
VAT refund	80,468	84,708
Government program research	22,767	16,035
Rental income-net	36,902	34,877
	140,137	135,620
<b>Other gains</b>		
Loss on disposals of property, plant and equipment	(5)	(226)
Unrealised fair value gains/(losses) on financial assets at FVPL	(16,880)	-
Realised gains on financial assets at FVPL	15,252	15,481
Others	3,472	1,091
	1,839	16,346
	141,976	151,966

## Notes to the condensed consolidated interim financial information

## 18. Income tax expense

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current income tax	3,438	4,822
Deferred income tax	4,805	6,317
	8,243	11,139
	8,243	11,139

- (a) No provision for profits tax in the Cayman Islands and Hong Kong has been made as the Group has no assessable profits for the period in those jurisdictions.
- (b) Kingdee China and Kingdee Deeking Cloudcomputing Co., Ltd. ("Kingdee Deeking") were qualified as national important software enterprises and were entitled to preferential tax rates of 10% for the period ended 30 June 2019.
- (c) Shanghai Kingdee Deeking Cloudcomputing Co., Ltd., Shenzhen Kingdee Tianyan Middleware Corp., Ltd., Beijing Kingdee Management Software Co., Ltd. and Shanghai Guanyi Cloudcomputing Software Co., Ltd were each qualified as a high-tech enterprise and was entitled to a preferential tax rate of 15% for the period ended 30 June 2019.
- (d) Other PRC subsidiaries of the Group applied the tax rate of 25%.

## Notes to the condensed consolidated interim financial information

## 19. Earnings per share

## (a) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased and held for share award plan.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Profit attributable to owners of the Company	<b>109,640</b>	169,777
Weighted average number of ordinary shares in issue (thousands)	<b>3,220,674</b>	3,062,925
Basic earnings per share	<b>RMB 3.40 cents</b>	RMB5.54 cents

## (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: share options and share awards. For the share options and share awards, the number of shares that could have been issued upon the exercise of all dilutive share options and share awards 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.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Profit attributable to owners of the Company	<b>109,640</b>	169,777
Profit used to determine diluted earnings per share	<b>109,640</b>	169,777
Weighted average number of ordinary shares in issue (thousands)	<b>3,220,674</b>	3,062,925
Adjustment for–		
share options (thousands)	<b>67,731</b>	84,646
share awards (thousands)	<b>37,453</b>	45,838
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<b>3,325,858</b>	3,193,409
Diluted earnings per share	<b>RMB 3.30 cents</b>	RMB5.32 cents

## Notes to the condensed consolidated interim financial information

## 20. Dividends

Included in the 2018 final dividends of RMB33,074,000 (RMB0.010 cents per share) (approximately HKD 0.011 cents per share), RMB 30,157,000 were paid in June 2019, while the remaining RMB 2,917,000 was outstanding as at 30 June 2019.

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2019 (the six months ended 30 June 2018: Nil).

## 21. Related party transactions

The Group had transactions with related parties for the period ended 30 June 2019 as follows:

## (a) Transactions with related parties

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Sales of products		
– Associates	<b>7,295</b>	5,210
– Companies controlled by Mr. Xu Shao Chun	<b>140</b>	798
	<b><u>7,435</u></b>	<u>6,008</u>
Sales of services		
– Associates	<b>2,420</b>	9,035
– Companies controlled by Mr. Xu Shao Chun	<b>238</b>	252
	<b><u>2,658</u></b>	<u>9,287</u>
Rental income		
– Associates	<b>1,028</b>	1,028
– Companies controlled by Mr. Xu Shao Chun	<b>7,570</b>	5,976
	<b><u>8,598</u></b>	<u>7,004</u>
Interest income		
– Associates	<b>5,335</b>	809
– Companies controlled by Mr. Xu Shao Chun	<b>2,624</b>	2,624
	<b><u>7,959</u></b>	<u>3,433</u>

Products and services are sold based on the terms agreed with the counterparties in the ordinary course of business, and the rental rates and interest rates are determined in the same way.

## Notes to the condensed consolidated interim financial information

## 21. Related party transactions (continued)

## (b) Purchase of products and services

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Purchase of products		
– Associates	1,989	3,939
– Companies controlled by Mr. Xu Shao Chun	173	1,075
	<u>2,162</u>	<u>5,014</u>
Purchase of services		
– Associates	9,740	3,281
– Companies controlled by Mr. Xu Shao Chun	212	691
	<u>9,952</u>	<u>3,972</u>

Products and services are purchased from associates and companies controlled by Mr. Xu Shao Chun are carried out on terms agreed with the counterparties in the ordinary course of business.

## (c) Balances with related parties

	Unaudited	Audited
	30 June	31 December
	2019	2018
	RMB'000	RMB'000
Payable to related parties recorded in “Contract Liabilities”		
– Associates	<u>651</u>	<u>1,056</u>
Payable to related parties recorded in “Trade payables”		
– Associates	81	792
– Companies controlled by Mr. Xu Shao Chun	447	-
	<u>528</u>	<u>792</u>
Receivables from related parties		
– Associates	9,282	5,117
– Companies controlled by Mr. Xu Shao Chun	1,196	4,076
	<u>10,478</u>	<u>9,193</u>

## Notes to the condensed consolidated interim financial information

## 21. Related party transactions (continued)

## (d) Loans to related parties

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Loans to companies controlled by Mr. Xu Shao Chun		
<b>At 1 January</b>	<b>104,979</b>	104,979
Loans advanced during year	-	-
<b>At 30 June</b>	<b>104,979</b>	104,979
Loans to an associate		
<b>At 1 January</b>	<b>616,534</b>	59,160
Repayment from related party	<b>(256,976)</b>	(30,000)
<b>At 30 June</b>	<b>359,558</b>	29,160

Loans of RMB29,160,000 (after taking into account the recognition of the excess of share of loss over the investment cost) and RMB104,979,000 were advanced to Shenzhen CloudHub Network Co., Ltd. ("Shenzhen Cloudhub") and Shanghai Jinyi Medical Software Limited ("Shanghai Jinyi Medical", formerly named Shanghai Kingdee Medical Software Co., Ltd.), respectively, by the Group in 2016, both with a term of three years from 1 January 2016 to 1 January 2019, and with a carried interest at 5% per annum (2018: 5%). At the end of 2018, the Group entered into loan extension agreements with Shenzhen Cloudhub and Shanghai Jinyi Medical, respectively, to extend the date of repayment to 31 December 2021.

Loans of RMB587,374,000 was advanced to Qingdao Xinrun Real Estate Limited, an associate of the Company, at a carried interest of 5% per annum. Amounts of RMB 256,976,000 has been settled before 30 June 2019. The remaining amounts of RMB 330,398,000 was classified as non-current assets with a term of three years from 29 December 2018 to 28 December 2021.

## 22. Events after the reporting period

Loans to Shenzhen Cloudhub and Shanghai Jinyi extended by Kingdee China have been fully settled in July 2019.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Major financial information

#### Revenue

For the year ended 30 June 2019, the Group recorded total revenue of RMB1,485,156,000, representing a year-on-year growth of 16.1% (1H2018: RMB1,279,103,000). Revenue from the ERP business amounted to RMB934,913,000 (1H2018: RMB923,955,000), up by 1.2% year-on-year. Revenue from Cloud services increased by 54.9% year-on-year to RMB550,243,000 (1H2018: RMB355,148,000).

	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
ERP business	934,913	923,955
- Revenue from sales of software and hardware products	493,208	500,055
- Revenue from rendering of software implementation services	441,705	423,900
Revenue from rendering of cloud services	550,243	355,148
	<u>1,485,156</u>	<u>1,279,103</u>

The abovementioned increase in revenue in ERP business was mainly attributable to the increase in sales revenue of EAS products for medium and large-sized enterprises and the increase in revenue from related software implementation services. The increase in revenue from cloud services business was mainly attributable to the increase in revenue from subscription services of Kingdee Cloud Galaxy and Jingdou Cloud products.

#### Gross profit

The Group recorded gross profit of RMB1,180,429,000 (1H2018: RMB 1,025,873,000), up by 15.1% year-on-year. The gross profit margin decreased by 0.7 percentage points over the same period to approximately 79.5% (1H2018: approximately 80.2%). Given the stable cost of sales structure as a percentage of revenue, the Group maintained a stable gross profit margin over the two periods.

#### Selling and marketing expenses

Selling and marketing expenses amounted to approximately RMB762,694,000 (1H2018: RMB645,731,000). This represented year-on-year increase of 18.1%. As a percentage of revenue, the percentage of selling and marketing expenses increased slightly from 50.5% in 2018 to 51.4% in 2019, mainly resulted from the increase in marketing and promotion expenses and increasing labor cost.

### **Administrative expenses**

During the reporting period, administrative expenses were RMB163,439,000 in aggregate, representing a year-on-year increase of 11.9% (1H2018: RMB146,082,000). In terms of revenue percentage, the percentage of administrative expenses on financial assets decreased slightly from 11.4% in 2018 to 11.0% in 2019, mainly resulted from the implementation of the Group's cost control measures.

### **Research and development**

During the reporting period, total research and development costs were RMB339,550,000, representing a year-on-year increase of 19.7% (1H2018: RMB283,638,000), of which, the capitalized amount during the reporting period was RMB262,530,000, up by 20.8% year-on-year (1H2018: RMB217,302,000). Amortisation of research and development costs was RMB175,435,000, representing a year-on-year increase of 31.8% (1H2018: RMB133,087,000), and the research and development costs recognized in the consolidated income statement was RMB252,455,000, representing a year-on-year increase of 26.6%(1H2018: RMB199,423,000). The Group continued to invest in the development of Cloud products, resulting in further increase in total research and development costs during the period.

### **Other income and gains-net**

During the reporting period, other income and gains-net was RMB141,976,000, representing a year-on-year decrease of 6.6% (1H2018: RMB151,966,000), mainly due to the fair value losses on financial assets measured at fair value through profit or loss, which amounted to RMB16,880,000(1H2018: nil).

### **Operating profit**

The operating profit was RMB123,922,000, representing a year-on-year decrease of 26.0% (1H2018:RMB167,450,000). The segmental operating profit of ERP business was RMB211,541,000, representing a year-on-year increase of 5.7% (1H2018: RMB200,216,000) and the segmental operating loss of cloud services business was RMB124,521,000, representing a year-on-year increase of 84.1% (1H2018: RMB67,643,000). The Group's investment properties operating business also contributed to RMB36,902,000, representing a year-on-year increase of 5.8% (1H2018: 34,877,000), which was the net rental income generated from the Group's properties.

Due to the cloud migration strategy, the Group invested significantly during the first half of 2019, as mentioned in aforementioned items, especially in the research and development, which showed a year-on-year increase of 26.6% and selling and marketing expenses, which showed a year-on-year increase of 18.1%. As discussed in the Summary of the Company's

Strategies under the section Business Review and Outlook, the Group is accelerating the upgrade of Kingdee Cloud Cosmic platform and actively expanding ISV industry ecological partnership of the PaaS platform and IaaS strategic partnership. All these measures enabled the Group to better penetrate into the high-end enterprise cloud market. Though there are pressures on the Group's operating profit in short run, the management considered the increase in cloud investment is beneficial to the Group's cloud migration in longer run.

### Finance income-net

During the reporting period, the finance income - net amounted to RMB5,437,000, representing a year-on-year increase of 98.0% (1H2018: RMB2,746,000), mainly as a result of the decrease in financial expenses.

### Income tax expense

During the reporting period, the income tax expense amounted to RMB8,243,000, representing a year-on-year decrease of 26.0% (1H2018: RMB11,139,000), mainly due to the decrease in the Group's pre-tax profit during the reporting period.

### Financial assets at fair value through profit or loss

As at 30 June 2019, the Group's financial assets at fair value through profit or loss amounted to RMB1,273,541,000, representing an increase of RMB634,655,000 as compared with 31 December 2018, including the non-current portion of RMB427,880,000 (1H2018: RMB427,456,000) and the current portion of RMB845,661,000 (1H2018: RMB211,430,000).

Financial assets at fair value through profit or loss includes:

	30 June 2019 RMB'000	31 December 2018 RMB'000
Investments designated at fair value through profit or loss		
Wealth management products (i)	946,485	288,347
Preferred shares (ii)	253,880	253,456
Listed stock	49,176	66,480
Unlisted equity investments	24,000	24,000
Unlisted convertible bonds	-	6,603
	<u>1,273,541</u>	<u>638,886</u>
Less: non-current portion	<u>(427,880)</u>	<u>(427,456)</u>
	<u>845,661</u>	<u>211,430</u>

This represented the Group's investments in various wealth management products issued by commercial banks. These products have a term ranging from 3 months to 36 months and have an expected return rate of 3% to 5%. None of these investments in wealth management products accounted for more than 5% of the Group's total assets. The fair value of these asset management products is determined based on the statements provided by the counterparts. The fair value of this portion of the investment approximates the book value as at 30 June 2019.

(i) This represented the Group's investment in 535,643,887 Series E Preferred Shares issued by Facishare Co., Ltd., which is a company mainly engaged in the business of social network working platform for precise interactive marketing and enterprise collaborative management.

### Investments in associates

During the reporting period, the carrying amount of the Group's investments in associates was RMB310,767,000 (as at 31 December 2018: RMB234,403,000).

During the reporting period, the changes in the book value of the associate investment are as follows:

	For the six months ended June 30, 2019
	RMB'000
Beginning of the period	234,403
Additions	95,000
Disposal	(4,690)
Share of losses of associates	(13,946)
End of the period	<u>310,767</u>

On 8 January 2019, Kingdee China, China CITIC Ltd. and CITIC Trust Co., Ltd. established CITIC Consumer Finance Co., Ltd. On 12 June 2019, Kingdee China subscribed 30% share capital of CITIC Consumer Finance with a cash consideration of RMB 90 million. Kingdee China has a significant influence over CITIC Consumer Finance, and this investment is classified as an associate.

**Loans to third parties**

	30 June 2019	31 December 2018
	RMB'000	RMB'000
Loans to third parties		
- Current portion	163,629	88,720
- Non-current portion	24,667	18,940
	<u>188,296</u>	<u>107,660</u>

The loans to third parties represented loans under the micro-credit business, bear interest at 4.275% to 18.000% (31 December 2018: 4.275% to 18.000%) per annum and are repayable with fixed terms agreed with the customers, and all denominated in RMB.

**Loans to related parties**

As of June 30, 2019, the Company recorded a loan balance of about RMB464 million (RMB721 million, December 31, 2018) for the related parties.

	30 June 2019	31 December 2018
	RMB'000	RMB'000
Loans to related parties		
- Current portion	-	256,976
- Non-current portion	464,537	464,537
	<u>464,537</u>	<u>721,513</u>

The Company sets out below a breakdown of the amount as at the end of the reporting period by transaction, and further details on the relevant transactions:

	30 June 2019
	RMB million
	(approximate)
Loan from the Group to Shenzhen CloudHub Network Co., Ltd.	29
Loan from the Group to Shanghai Jinyi Medical Software Limited	105
Loan from the Group to Qingdao Xinrun Real Property Limited	330
Total	<u>464</u>

As of the date of this report, the Group's loans to Shenzhen Cloud Hub Network Co., Ltd. and Shanghai Jinyi Medical Software Limited have been fully repaid.

**Contract assets**

During the reporting period, the Group's contract assets amounted to RMB516,872,000. As at 31 December 2018, the corresponding contract assets amounted to RMB494,662,000. The increase in contract assets during the reporting period was mainly due to the growth of the Group's software implementation revenue.

### **Contract liabilities**

During the reporting period, as at 30 June 2019, the Group's contract liabilities amounted to RMB925,804,000. The corresponding contract liabilities amounted to RMB846,755,000 as at 31 December 2018. The increase in contract liabilities during the year was mainly due to the growth of the Group's revenue in cloud businesses.

### **Liquidity, financial and capital resources**

As at 30 June 2019, the Group recorded a total cash and bank deposits of RMB1,138,876,000 (31 December 2018: RMB1,812,674,000). As at 30 June 2019, the Group held wealth management products of RMB946,485,000 (31 December 2018: RMB288,347,000). A substantial part of the Group's cash, bank deposit and wealth management products were denominated in RMB and the RMB-equivalent of the part denominated in foreign currencies was nearly RMB169,396,000 as at 30 June 2019 (31 December 2018: RMB170,579,000), which were mainly denominated in US dollar and Hong Kong dollar ("HKD").

As at 30 June 2019, the Group's net current assets amounted to approximately RMB1,252,225,000 (31 December 2018: RMB1,292,946,000). As at 30 June 2019, the current ratio being current assets over current liabilities was approximately 1.72, representing a slight increase as compared with 1.69 as at 31 December 2018, overall stable.

As at 30 June 2019, the Group's borrowings amounted to RMB260,625,000 (31 December 2018: RMB301,125,000), representing a year-on-year decrease of 13.4%. Gearing ratio is calculated as net debt (representing total borrowings less cash and cash equivalents) over total capital (representing total equity plus net debt). The Group's cash and cash equivalents from 31 December 2018 to 30 June 2019 were higher than the borrowings, so there was no gearing ratio as at the reporting day.

### **Interest rate risk**

The Group's interest rate risk arises from short-term and long-term borrowings. Except for the borrowings and bank deposits, fluctuation of market rates does not have significant impact on the Group's cash flows.

Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. There is no other written policy on managing the interest rate risk and management will take appropriate steps to minimize its impact on the income statement.

### **Foreign exchange risk**

The functional currency of the Company and its major subsidiaries is RMB. The majority of the revenues of the Group are derived from operations in the PRC.

Foreign exchange risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign exchange risk facing the Group mainly comes from movements in the USD/RMB and HKD/RMB exchange rates.

The Group does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### **Fund and working capital management**

Our funds and liquidity management are centrally carried out by our fund management department. Our fund management department is generally responsible for overall management and implementation of funds, including formulating the capital management policy for our Group, guiding, coordinating and standardizing the fund management of regional companies, making annual funding plans, reviewing and summarizing annual capital budget, overseeing and assessing fund management of each regional company. Our finance departments of regional companies are committed to implementing the fund management policies formulated by our headquarters and are responsible for making funding plans and executing capital operations at subsidiary level. We have also adopted sophisticated fund management policies and implemented a set of rules and guidelines on fund management, such as the Group Capital Internal Control Management Measures (《集團資金基礎內控管理辦法》) and Fund Settlement Of Branch Offices Management Measures (《分支機構資金結算管理辦法》), to enhance the effectiveness and efficiency of fund management, thereby ensuring our financial security and reducing cost of capital.

To manage our idle cash on hand, we purchase and redeem wealth management products using them as our “cash pool” from which we could readily access cash as needed and generate higher yield than bank deposits. The underlying financial assets of the wealth management products in which we invested primarily consist of the low risk wealth management products issued by financial institutions. The amount of the purchase will be determined based on our surplus funds. Our main treasury policy on fund management is the Wealth Management Administration Solution (《資金理財管理辦法》). We consistently comply with our treasury policy during the procedures of purchasing the wealth management products and managing the relevant departments, as well as in conducting business, accounting and filing.

We are committed to safeguarding overall financial security and maintaining a strong cash position and a healthy debt profile with strong repayment ability. By adopting a full, reasonable and professional assessment mechanism, preparing annual and monthly funding plans, we have established disciplined fund management principal, which allows us to efficiently manage market risks.

For budget management, we have established a monthly, quarterly and annual budget management system, then seek approval from our chief financial officer. The capital budget plans should be made based on the objective basis of the Group's business plans, project schedules, and contractual payment terms to ensure that the plan accurately matches the actual business needs.

## **2. Employee and Remuneration Policy**

During the reporting period, the number of employees in the Group reached 8181. Adhering to the core values of "Acting in all Conscience, with Integrity and Righteousness", the Group is committed to implement the talent strategy of "activating, introducing and developing", lay out elite talents, and increase the recruitment number of first-class social elites and graduates. During the reporting period, the Group strengthened the R&D incentives by giving strategic incentives to R&D personnel, which yielded effective results. In order to achieve management platformization, product servitization and operation integration, during the reporting period, the Group promoted organization restructuring, strengthened the empowerment of customers and partners in the mid-platform, and built a customer-centered organization and culture.

## **3. Social Responsibility**

During the reporting period, the Group continued to support public welfare activities and projects by contributing to the "Siyuan-Kingdee Education Relocation Class" and to the "Siyuan Foundation Ya'an Poor Students Phase III Project". During the reporting period, the Group further supported "China Management Mode 50" and promoted dialogue, exchange and cooperation between theory and practice.

## **4. Future Outlook**

The next decade will be an era of great changes in the industrial Internet. Cloud computing and 5G will rebuild infrastructure. Internet will shape new competitive advantages of traditional industries. Cloud service platform enterprises are emerging. The Group is accelerating Cloud transformation, moving towards platform-based enterprises, and helping traditional industries to reconstruct industry value chains, so as to reach out to our customers and power their success.



## REPORT OF DIRECTORS

### Share Option Schemes

The share option scheme is to encourage and reward the contribution of eligible persons to the Company. The eligible persons include employees, directors (the "**Directors**"), consultants, suppliers and customers of the Group.

The share option scheme adopted by the Company on 30 January 2001 (the "**2001 Scheme**") and the share option scheme adopted by the Company on 26 April 2002 (the "**2002 Scheme**"), were both terminated by the Company on 30 June 2005. As at 30 June 2019, there was no share option granted under the 2001 Scheme or the 2002 Scheme that was still outstanding.

Pursuant to the share option scheme adopted by the Company on 11 July 2005 (the "**2005 Scheme**") and the adjustment made due to the bonus Issue and the refreshment on the scheme limit in 2011, an aggregate of 529,501,600 share options were granted, of which 298,713,643 share options were exercised, 163,291,807 share options were lapsed since its adoption. During the six months ended 30 June 2019, 6,872,625 share options were exercised and 1,875,000 share options were lapsed. Hence, 67,496,150 share options remained outstanding as at 30 June 2019.

At the annual general meeting of the Company held on 8 May 2015, the Company terminated the 2005 Scheme and adopted a new share option scheme (the "**2015 Scheme**") with a validity period of ten years. As at 30 June 2019, the Company had granted 40,000,000 share options under the 2015 Scheme, of which 8,663,000 share options were exercised and 1,100,000 share options were lapsed since its adoption. During the six months ended 30 June 2019, 3,475,500 share options were exercised. Hence, 30,237,000 share options remained outstanding as at 30 June 2019. According to the scheme mandate limit of the 2015 Scheme as approved at the annual general meeting of the Company on 8 May 2015 (being 259,264,096 share options), less the 40,000,000 share options granted by the Company since its approval, the Company may further grant 219,264,096 share options (including the lapsed share options since the refreshment), representing approximately 6.62% of the total number of shares of the Company as at 30 June 2019.

Details of the share options granted, exercised and/or lapsed under the 2005 Scheme and 2015 Scheme during the six months ended 30 June 2019 are set out in the table below:

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

Name or category of participants	Options held at 31 December 2018	Options granted during the reporting period	Options exercised during the reporting period	Options lapsed during the reporting period	Options held at 30 June 2019
<b>Oriental Gold Limited (Note 1)</b>	5,000,000	-	-	-	5,000,000
<b>Lin Bo</b>	700,000	-	-	-	700,000
<b>Gary Clark Biddle</b>	50,000	-	50,000	-	0
<b>Dong Ming Zhu</b>	400,000	-	-	-	400,000
<b>Liu Chia Yung</b>	200,000	-	150,000	-	50,000
<b>Other employees in aggregate</b>	103,606,275		10,148,125	1,875,000	91,583,150
<b>Total</b>	<b>109,956,275</b>	<b>-</b>	<b>10,348,125</b>	<b>1,875,000</b>	<b>97,733,150</b>

Note:

(1) Mr. Xu Shao Chun, an executive Director, the Chairman of the board of Directors (the “**Board**”), the President and the Chief Executive Officer of the Company, holds 100% interests in Easy Key Holdings Limited, which in turn holds 100% interests in Oriental Gold Limited.

### Share Award Scheme

The share award scheme was adopted by the Company (the “**Share Award Scheme**”) to provide incentives and reward the contributions of certain employees and directors of the Group.

The Company approved the adoption of the Share Award Scheme on 4 December 2015. The Share Award Scheme shall be valid and effective for a period of 10 years commencing on the adoption date. Please refer to the announcement of the Company dated 18 December 2015.

During the six months ended 30 June 2019, the Company had granted 2,200,000 award shares pursuant to the Share Award Scheme, of which a total of 6,450,000 awarded shares granted to the Directors were still outstanding, details of which are as follows:

Name of Director	As at 31 December 2018	Granted during the reporting period	Vested during the reporting period	As at 30 June 2019
Xu Shao Chun	4,750,000	1,200,000	1,750,000	4,200,000
Lin Bo	2,162,500	800,000	712,500	2,250,000

### Directors' and Chief Executive's Interests or Short Positions in the Shares, Underlying Shares or Debentures

As at 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which would be required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO or which would be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Directors	Number of shares/ underlying shares (where appropriate)	Types of interests	Percentage of total number of issued share (approximate)
Xu Shao Chun	715,198,624(L)	Interests of controlled corporation (Note 1)	
	4,200,000(L)	Beneficiary of a trust (Notes 2 and 3)	
	17,255,034(L)	Beneficial owner	
<b>Aggregate:</b>	<b>736,653,658</b>		<b>22.25%</b>
Lin Bo	1,686,428(L)	Beneficial owner	
	2,250,000(L)	Beneficiary of a trust (Notes 3 and 4)	
<b>Aggregate:</b>	<b>3,936,428</b>		<b>0.12%</b>
Gary Clark Biddle	1,180,000(L)	Beneficial owner	

<b>Aggregate:</b>	<b>1,180,000</b>	<b>0.04%</b>
Dong Ming Zhu	400,000(L)	Share option (Note 3)
<b>Aggregate:</b>	<b>400,000</b>	<b>0.01%</b>
Liu Chia Yung	50,000(L)	Share option (Note 3)
	150,000(L)	Beneficial owner
<b>Aggregate:</b>	<b>200,000</b>	<b>0.01%</b>

*Notes:*

The percentage represents the total number of the shares interested divided by the total number of issued shares of 3,310,533,521 as at 30 June 2019.

1. Of the 715,198,624 shares, 419,312,000 shares (of which 5,000,000 are share options) were held through Oriental Gold Limited and 295,886,624 shares were held through Billion Ocean Limited. Easy Key Holdings Limited is wholly owned by Mr. Xu Shao Chun, which wholly owns Oriental Gold Limited and Billion Ocean Limited. Therefore, Mr. Xu Shao Chun is deemed to be interested in those 715,198,624 shares.
2. The 4,200,000 shares are the awarded shares granted to Mr. Xu Shao Chun and held by the trustee to the Share Award Scheme - Bank of Communications Trustee Limited.
3. Details of the share options and the awarded shares are set out in the paragraph headed "Share Option Schemes" and "Share Award Scheme" of this report, respectively.
4. The 2,250,000 shares are the awarded shares granted to Mr. Lin Bo and held by the trustee to the Share Award Scheme - Bank of Communications Trustee Limited.
5. (L) denotes long position.

Save as disclosed in this paragraph, as at 30 June 2019, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which would be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### **Directors' Rights to Acquire Shares or Debentures**

Save as disclosed in the section headed "Share Option Schemes" above, none of the Directors or their respective associates (as defined under the Listing Rules) was granted by the Company, or any of its subsidiaries, any rights or options to acquire shares or debentures in the Company during the six months ended 30 June 2019.

## Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares, Underlying Shares and Debentures

As at 30 June 2019, as far as the Directors were aware, the following persons (other than the Directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Part XV of the SFO and required to be recorded in the register required to be kept under section 336 of the SFO:

### Long positions in shares/ underlying shares of the Company

Name	Number of Shares/ underlying Shares (where appropriate)	Capacity	Percentage of total number of issued share (approximate)
Easy Key Holdings Limited (Note 1)	715,198,624(L)	Interests of controlled corporation	21.60%
Oriental Gold Limited (Note 1)	414,312,000 (L)	Beneficial owner	
	5,000,000 (L)	Other/share option (Note 2)	
<b>SUBTOTAL</b>	419,312,000 (L)		12.67%
Billion Ocean Limited (Note 1)	295,886,624(L)	Beneficial owner	8.94%
The Capital Group Companies, Inc. (Note 3)	371,736,097(L)	Interests of controlled corporation	11.23%
Capital Research and Management Company	371,736,097 (L)	Beneficial owner	11.23%
JD Oriental Investment Limited (Note 4)	288,526,000(L)	Investment manager	8.72%
FMR LLC	209,200,485(L)	Investment manager	6.32%

#### Notes:

The percentage represents the total number of the shares interested divided by the total number of issued shares of 3,310,533,521 as at 30 June 2019.

1. Easy Key Holdings Limited is wholly owned by Mr. Xu Shao Chun; and Oriental Gold Limited and Billion Ocean Limited are wholly owned by Easy Key Holdings Limited.
2. Details of the share options are set out in the section headed "Share Option Schemes" of this report.

3. According to the disclosure of interest form filed by The Capital Group Companies, Inc. on 28 March 2019, those 371,736,097 shares were held by Capital Research and Management Company which is wholly owned by The Capital Group Companies, Inc.
4. According to the disclosure of interest forms filed by JD Oriental Investment Limited, Max Smart Limited, JD.com, Inc., JD.com Investment Limited and Liu Qiangdong Richard on 26 May 2015, Max Smart Limited, JD.com, Inc., JD.com Investment Limited and Liu Qiangdong Richard were deemed to be interested in the shares of the Company as follows:

<b>Name of controlled corporation</b>	<b>Name of controlling shareholder</b>	<b>% control</b>	<b>Direct interest</b>	<b>Number of shares</b>
Max Smart Limited	Liu Qiangdong Richard	100.00	N	288,526,000
JD.com, Inc.	Max Smart Limited and Fortune Rising Holdings Limited	82.80	N	288,526,000
JD.com Investment Limited	JD.com, Inc.	100.00	N	288,526,000
JD Oriental Investment Limited	JD.com Investment Limited	100.00	Y	288,526,000

5. (L) denotes long position.

Save as disclosed above, as at 30 June 2019, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest and short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

### **Purchase, Sale or Redemption of Shares**

During the reporting period ended 30 June 2019, neither the Company, nor any of its subsidiaries, had repurchased, sold or redeemed any of its listed securities.

### **Change of Information of Director[s]**

Mr. Cao Yang Feng, an independent non-executive Director, was appointed as an independent director of Wens Foodstuff Group Co., Ltd. (shares of which are listed on the Shenzhen Stock Exchange, stock code: 300498) on 10 December 2018.

Save as disclosed above, as at 30 June 2019, there was no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules which had not yet been disclosed in the 2018 annual report of the Company.

### **Corporate Governance**

The Company had complied with all the code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Listing Rules throughout the reporting period ended 30 June 2019, except for the deviation in respect of the roles of Chairman and chief executive officer under Code provision A.2.1. During the reporting period, Mr. Xu Shao Chun assumed the roles of both the Chairman and the chief executive officer of the Company. The Board considers that Mr. Xu Shao Chun, as one of the main founders of the Company, has abundant knowledge of the IT industry and possesses a unique strategic perspective. The Board believes that he can lead the Company to formulate effective strategies and react promptly to market changes. His continuous 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 of the Company.

The Board is always committed to improving its level of corporate governance, besides publishing a series of management systems, the Company also, from time to time, arranges trainings for Directors, senior managers, and related employees in relation to duties of the Directors, continuing professional development, and other aspects of compliance with the Listing Rules as well as other relevant laws and regulations, so that the employees will always be equipped with the necessary knowledge and skills to perform their duties in a better way.

The Company will continue to comply with the Listing Rules and other relevant laws and regulations as amended from time to time; further enhance its level of corporate governance; improve and enhance its internal control in respect of disclosure of required information; and enhance its communication with its investors and other stakeholders.

### **Code of Conduct Regarding Directors' Securities Transactions**

The Company has adopted a code of conduct regarding Directors' securities transaction on terms no less exacting than the required standard set out in the Model Code. Having made

specific enquiry to each of the Directors, all the Directors confirmed that they had complied with such code of conduct throughout the reporting period.

### **Audit Committee**

The audit committee of the Company had reviewed with the management the accounting principles and practice adopted by the Company and discussed internal controls and financial reporting matters. The audit committee had also reviewed the Group's unaudited consolidated results for the six months ended 30 June 2019. The audit committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

### **Interim Dividend**

The Board resolved not to declare an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

### **Appreciation**

On behalf of the Board, I would like to express our sincere thanks to all our managements and staff for their dedication during the period. Also, I would like to thank our shareholders for their continuous support.

By order of the Board

**Kingdee International Software Group Company Limited**

**Xu Shao Chun**

*Chairman*

Shenzhen, the People's Republic of China, 13 August 2019

*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.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable*



*enquiries, confirm that to the best of their knowledge and belief the information contained in this report is announcement and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*