

Kingdee International

2016 Interim Results Announcement



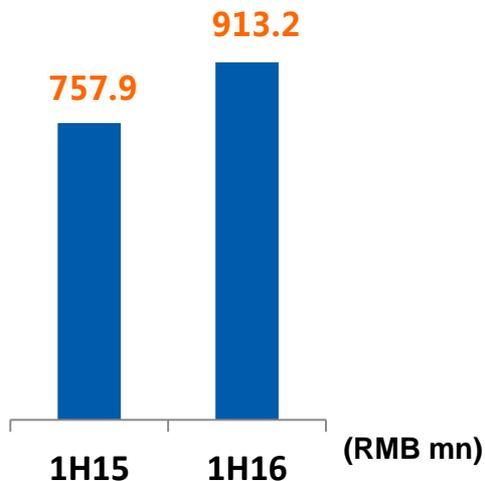
Stock Code: HK 268

18 August, 2016

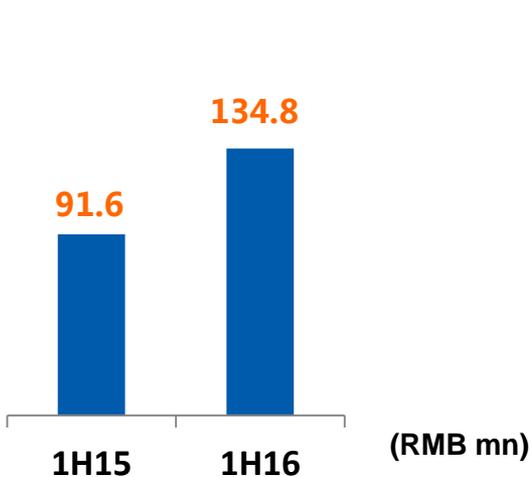
A New Era of Growth

Record-high 1H Revenues, Net Profit, and Operating Cash Flow

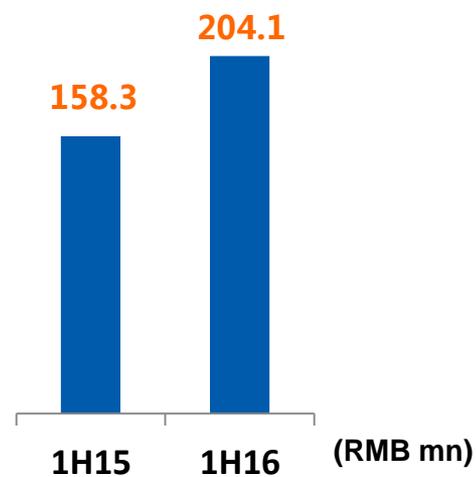
Revenue
+20.5% YoY



Net Profit
+47.2% YoY



Net Op. Cash Flow
+28.9% YoY



Agenda

CEO Report

2016 Interim business highlights
ERP & Cloud business review
Future Outlook

CFO Financial Review

2016 Interim financial highlights
ERP & Cloud financial review

Investment Highlights

Appendix: Financial Results Summary

2016 Interim Business Highlights

Core ERP business returned to growth while Cloud maintained rapid growth



Revenue +6.2% YoY

Revenue +138.3% YoY

78.7%

21.3%

ERP

Cloud

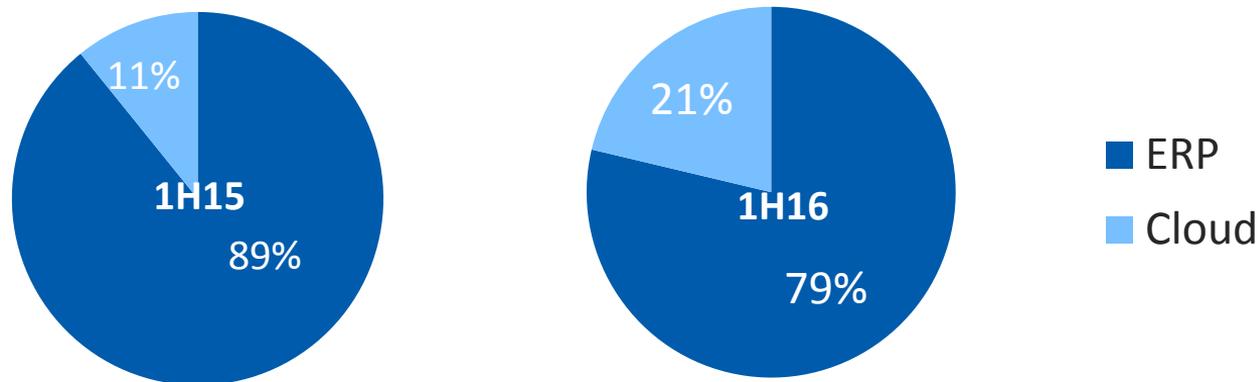
Big Data
Services

Stable profitable growth

Fast growing Cloud business

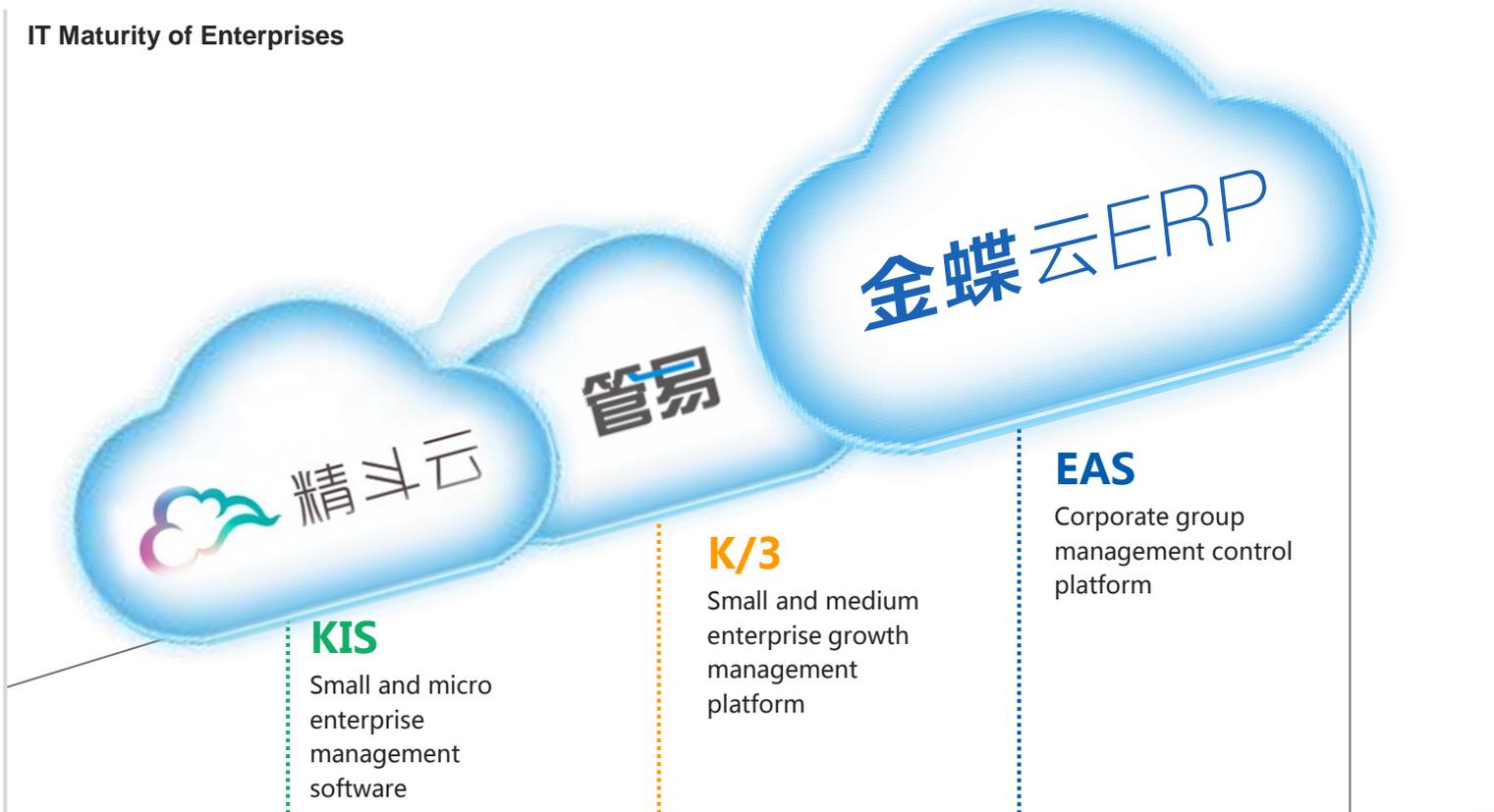
Emerging opportunities

Kingdee 金蝶



1H16 revenue reached record high driven by growth in both ERP and Cloud

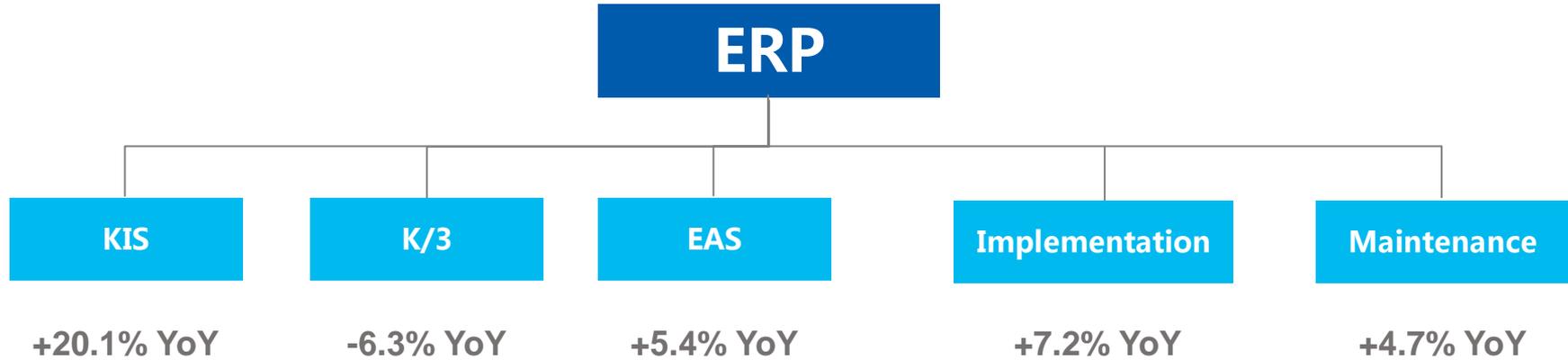
IT Maturity of Enterprises



Development stage of enterprise

ERP Business Review

Return to revenue growth



Solid demand from large enterprise customers

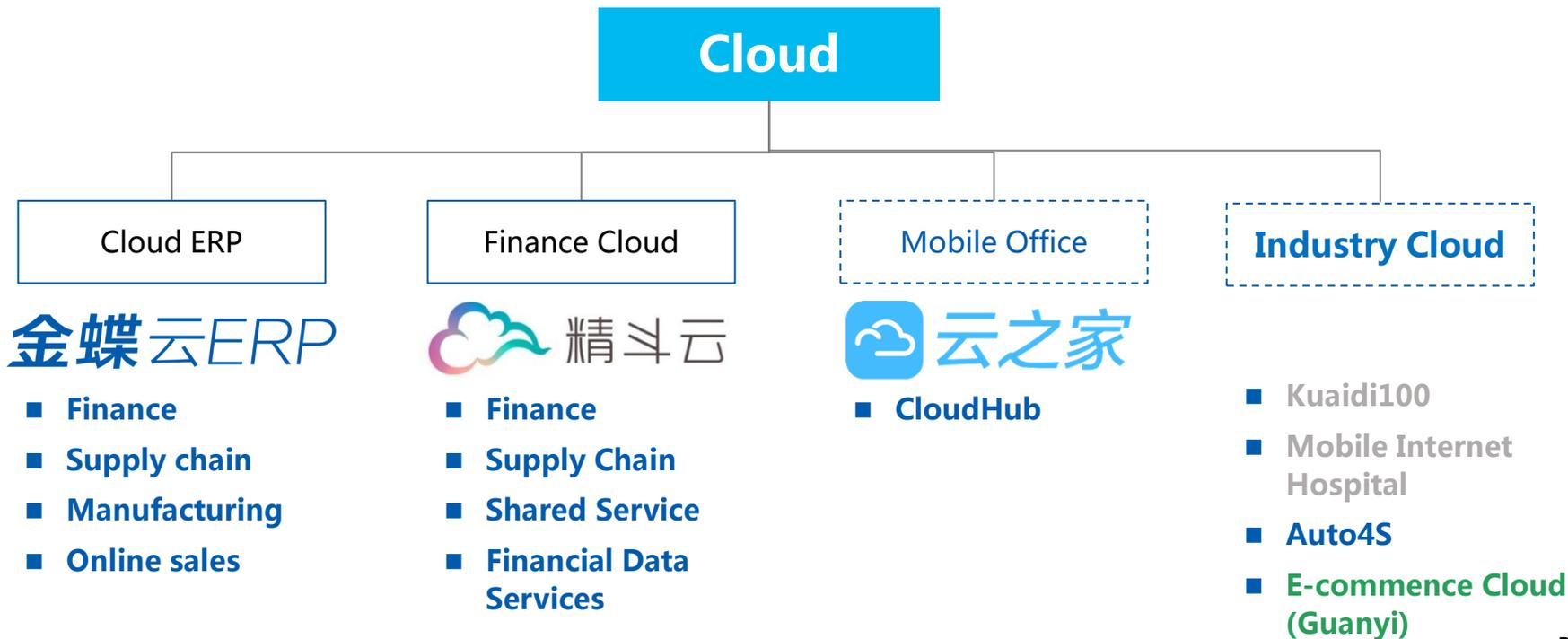
- EAS software revenue +5.4% YoY
- Pressure on K/3 Wise from distribution channel transition continued to mitigate
- KIS +20.1% YoY due to strong SME demand
- Operating margins saw slight pressure due to higher R&D spend and new share compensation scheme
- ERP operating cash flow continued to improve YoY

Services maintained growth momentum

- Implementation and maintenance revenue both saw solid growth in 1H16
- Services growth was driven by demand from large customers

Cloud Business Review

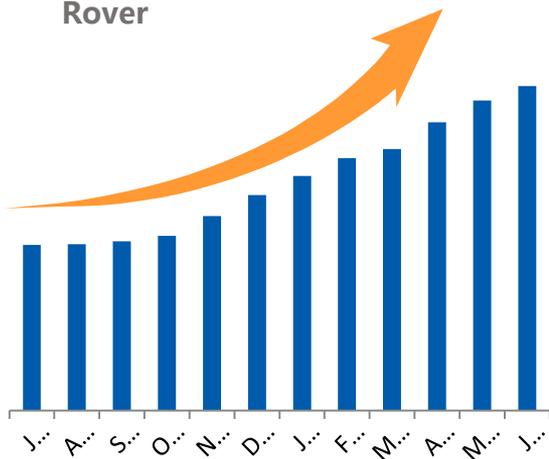
Refocusing resources on our core businesses



金蝶云ERP

Cloud ERP Highlights

- No. 1 Cloud ERP in China
- Over 2,000 Cloud ERP customers
- Total Cloud ERP revenue +137% YoY
- New customers included Tencent, Coca Cola and Jaguar Land Rover



+96% YoY
122,000+ users



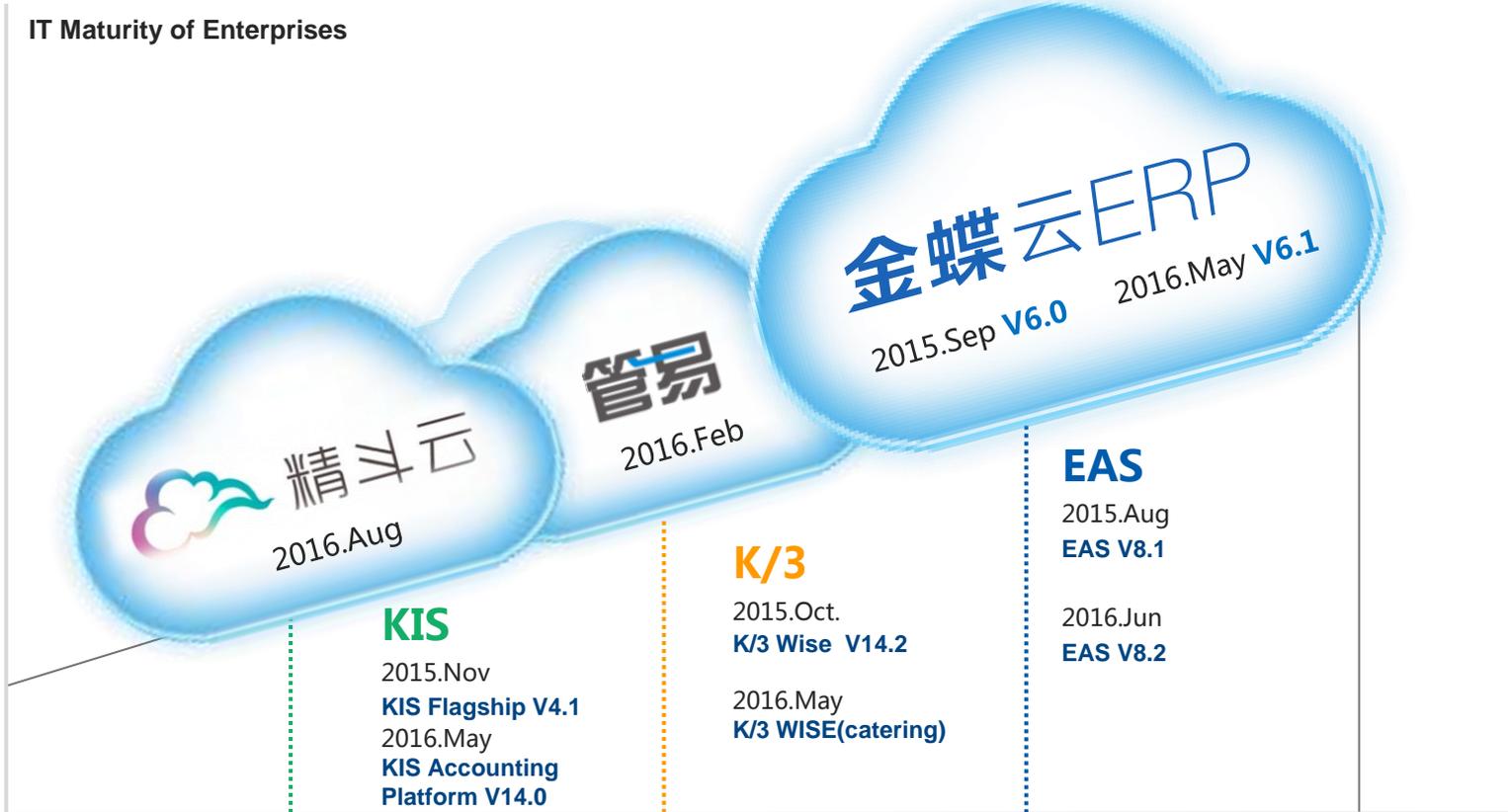
Jingdou Cloud Highlights

- No. 1 Accounting Cloud in China
- Over 75,000 paying users +29% YoY
- Retention rate of paying users is over 75%
- Jingdou Cloud revenue +44% YoY



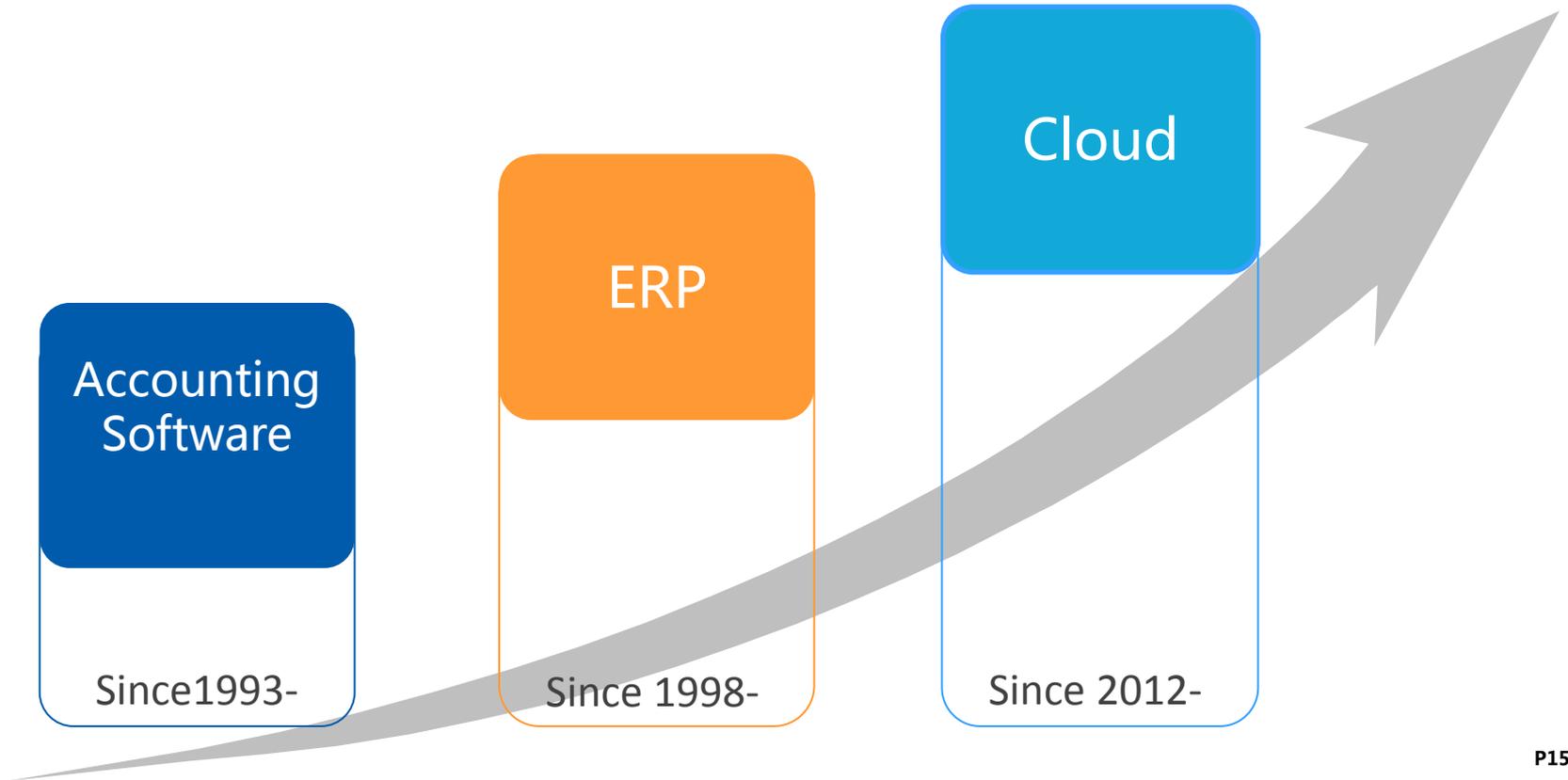
小微企业一站式云服务平台

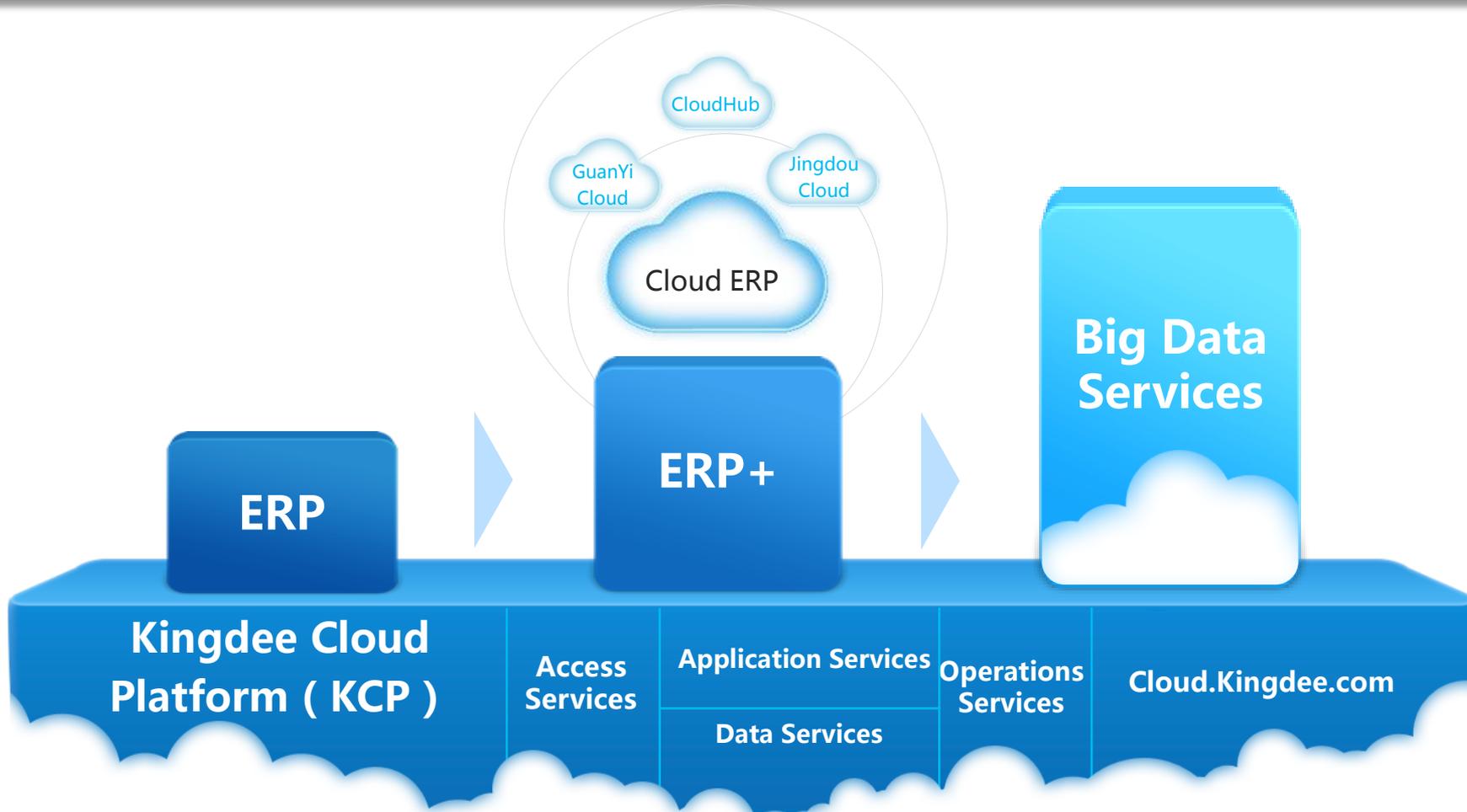


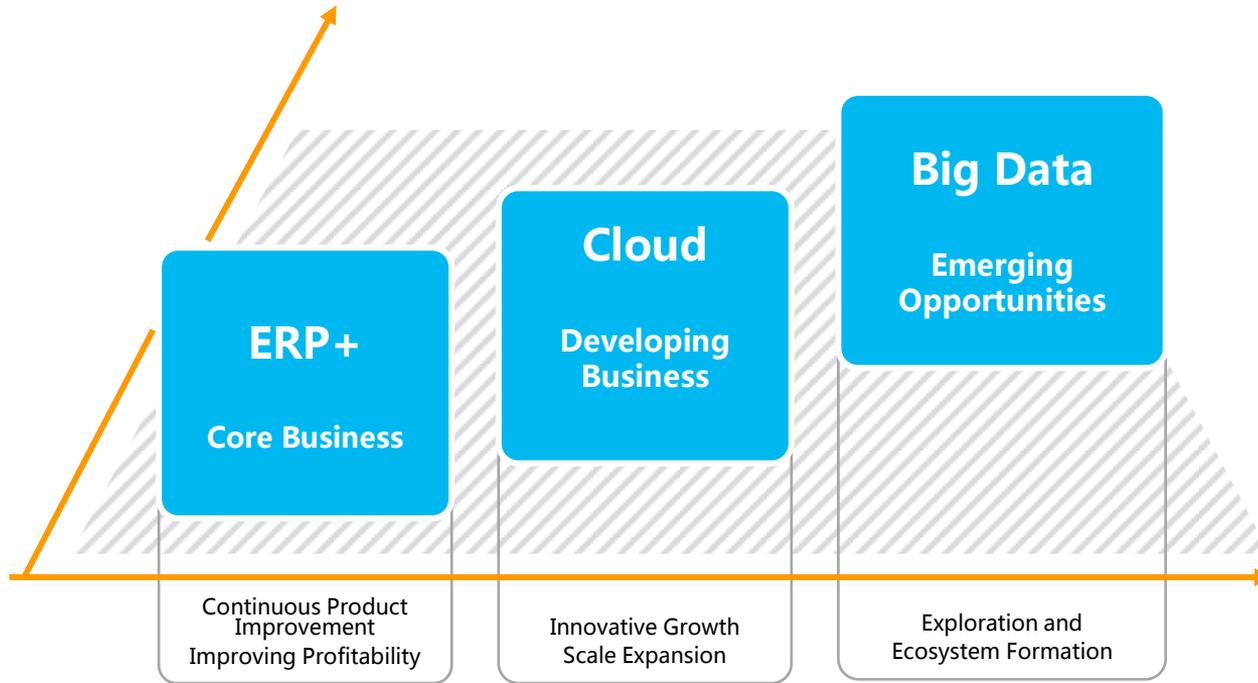


Development stage of enterprise

Future Outlook







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Agenda

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- 2016 Interim business highlights
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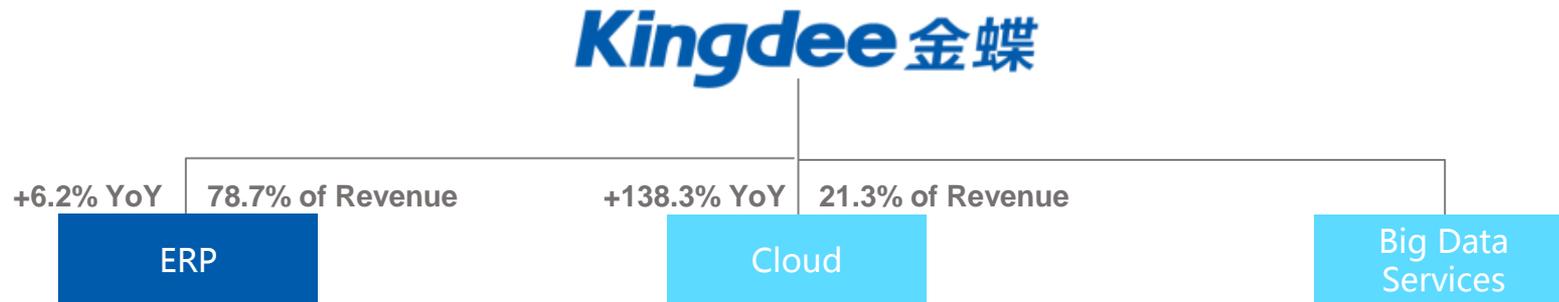
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Profitable ERP growth & Fast growing Cloud business



Solid demand for large enterprise products

- EAS license revenue +5.4% YoY
- KIS license revenue +20.1% YoY
- K/3 WISE license revenue -6.3% YoY
- Implementation revenue +7.2% YoY
- Maintenance revenue +4.7% YoY

Fast growing Cloud revenue +138.3% YoY

- Cloud ERP revenue +136.5% YoY
- Mobile office revenue +67.8% YoY
- Finance cloud revenue +44.0% YoY
- Industry cloud revenue +48.9% YoY (organic growth)

Emerging ecosystem

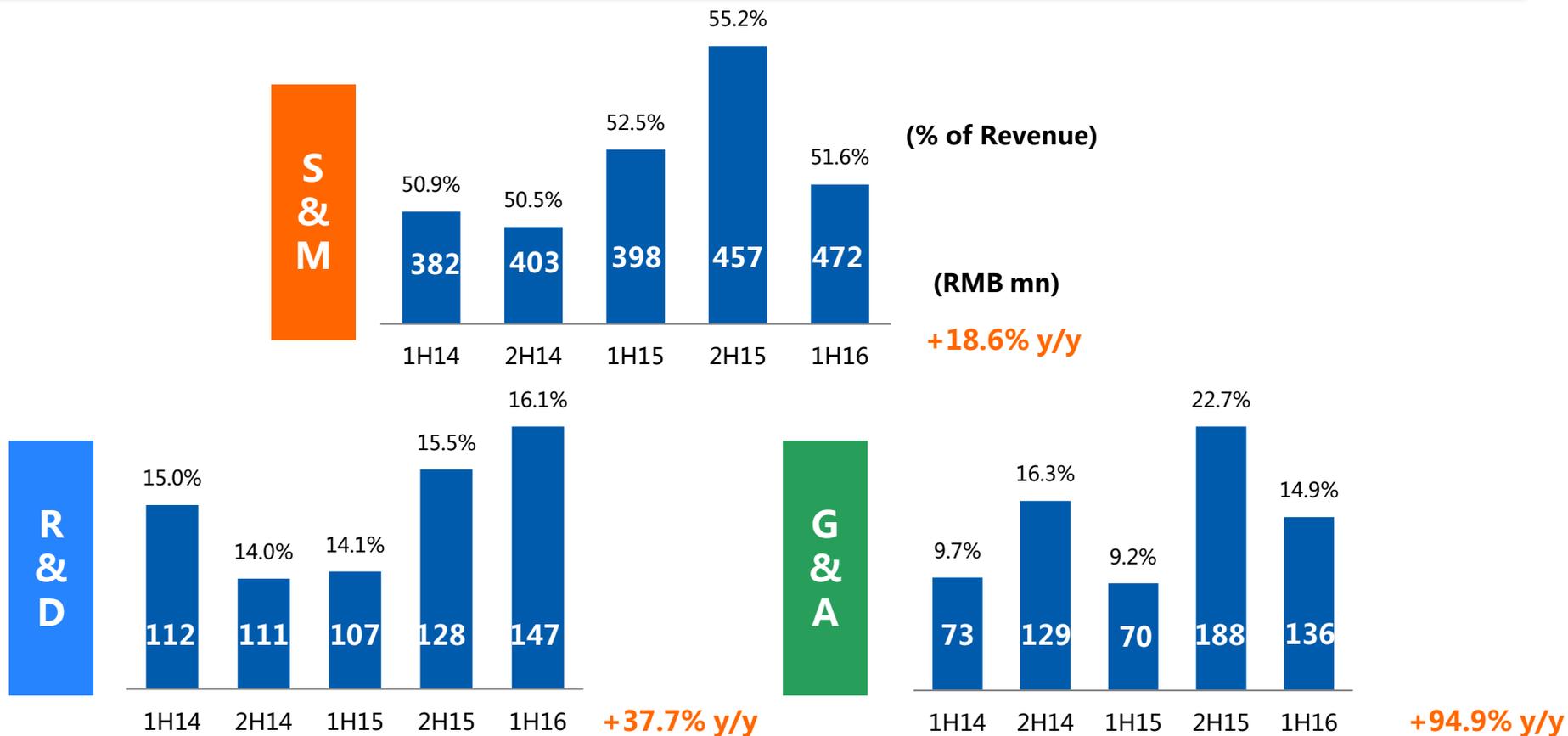
- 20+ financial institution partners
- 50,000 + registered enterprises

Financial Highlights

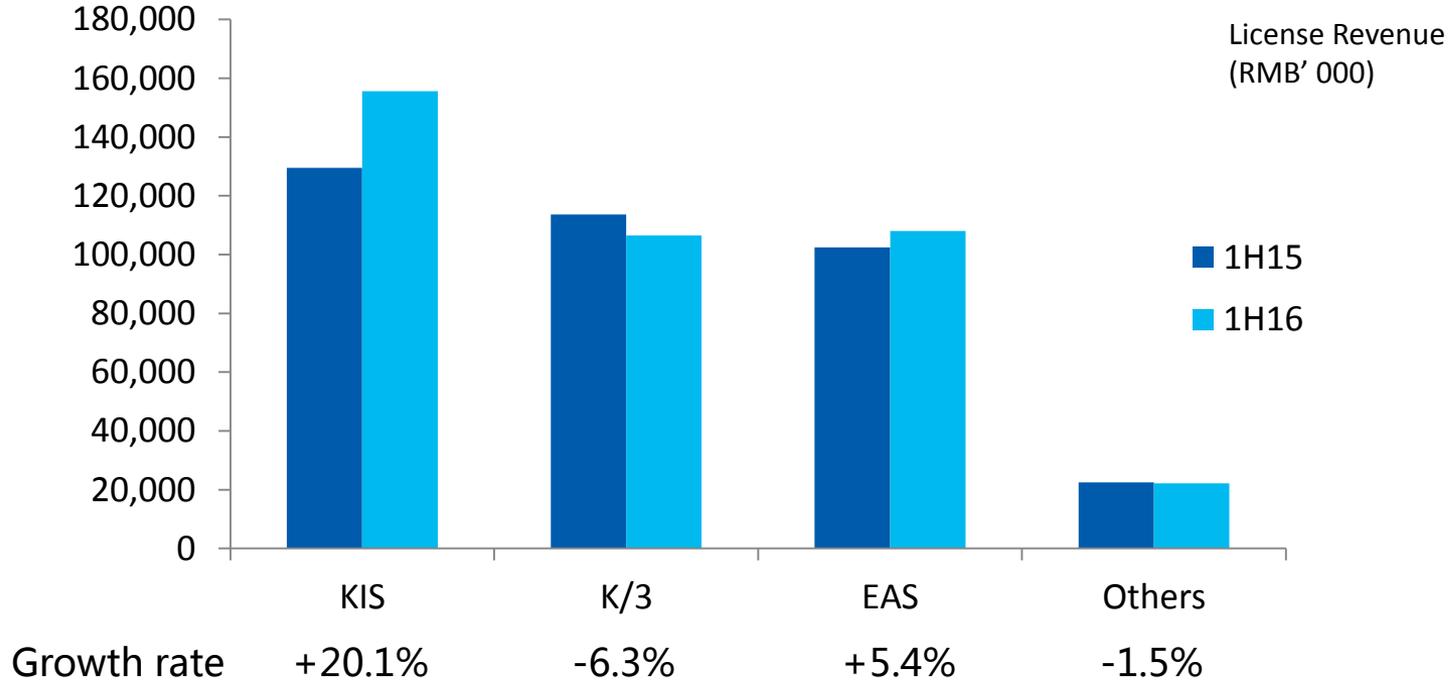
<i>(RMB' 000)</i>	1H16	1H15	Change
Revenue	913,204	757,981	20.5%
Cost of Sales	-188,687	-158,498	19.0%
Gross Margin	79.3%	79.1%	+0.2pts
Total Operating Expenses	-754,375	-573,935	31.4%
Other Income & Gains	132,470	104,573	21.2%
Earning Before Interests & Tax	101,079	130,036	-24.3%
EBIT Margins	11.1%	17.2%	-6.1pts
Finance Costs– net	-17,480	-31,953	-12.4%
Tax Expenses	41,629	-7,639	NM
Net Profit – equity holders	134,834	91,597	47.2%
Net Profit Margin	14.8%	12.1%	+2.7pts
Diluted EPS(cents)	4.386	3.275	33.9%
Revaluation Gains on Properties	-	-	-
Stock-Based Comp.	32,057	17,865	79.4%
Non-GAAP Net Profit	166,891	109,462	52.5%
Non-GAAP EPS(cents)	5.429	3.914	38.7%
Net Operating Cash Flow	204,133	158,323	28.9%

Note: The Group believes that providing non-GAAP financial measures is helpful to investors that compare our financial performance with most of the comparable companies listed in the United States, which also provides non-GAAP financial measures

Operating Expense Breakdown

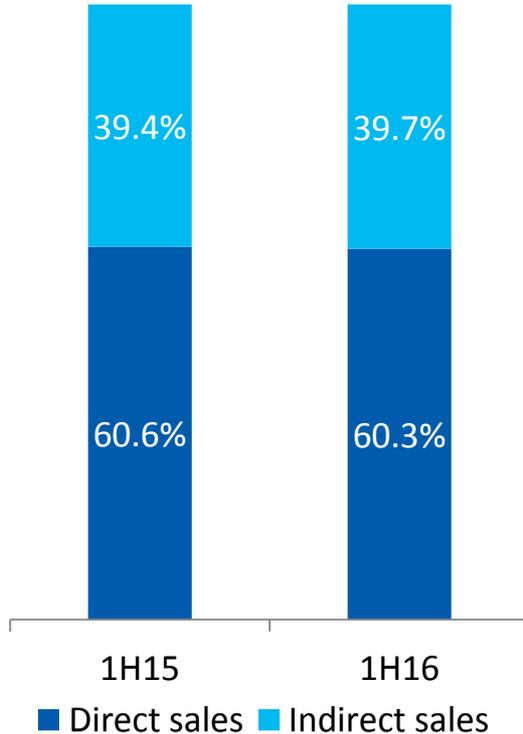


ERP License Revenue Breakdown by Products



KIS & K/3: KIS licensing revenue was up 20% driven by strong SME demand. K/3 revenue decline mitigated as impact from distribution channel shift lessened

EAS: Demand from large customers drove continued growth

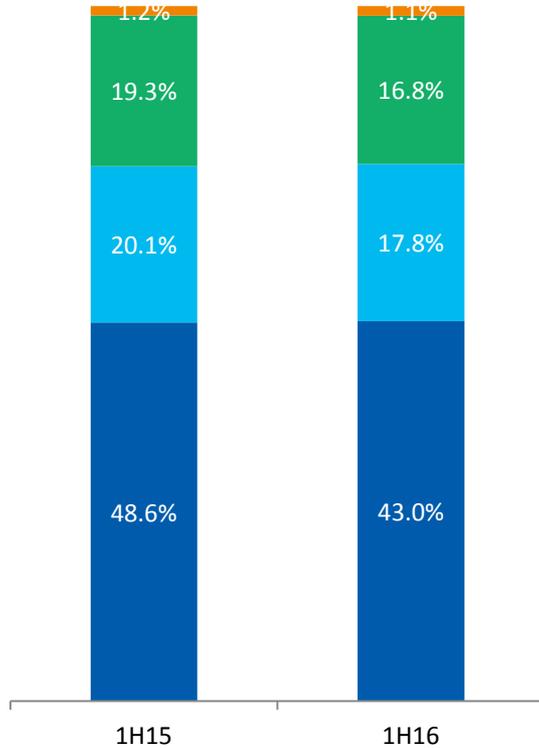


Continued growth from KIS drove higher indirect sales

- KIS (predominantly indirect) saw solid growth in 1H16 and drove higher revenue contribution from indirect sales channel
- Higher indirect sales continued to positively impact margins

	1H16 (RMB' 000)	% of ERP Revenue	1H15 (RMB' 000)	% of ERP Revenue	% Change
Direct Sales	432,887	60.3%	409,841	60.6%	5.6%
In-Direct Sales	285,407	39.7%	266,337	39.4%	7.2%
Total	718,294	100.00%	676,178	100.00%	6.2%

ERP Revenues Breakdown by Segments



■ Software license
 ■ Implementation
■ Maintenance
 ■ Others

Growth from both licenses and services

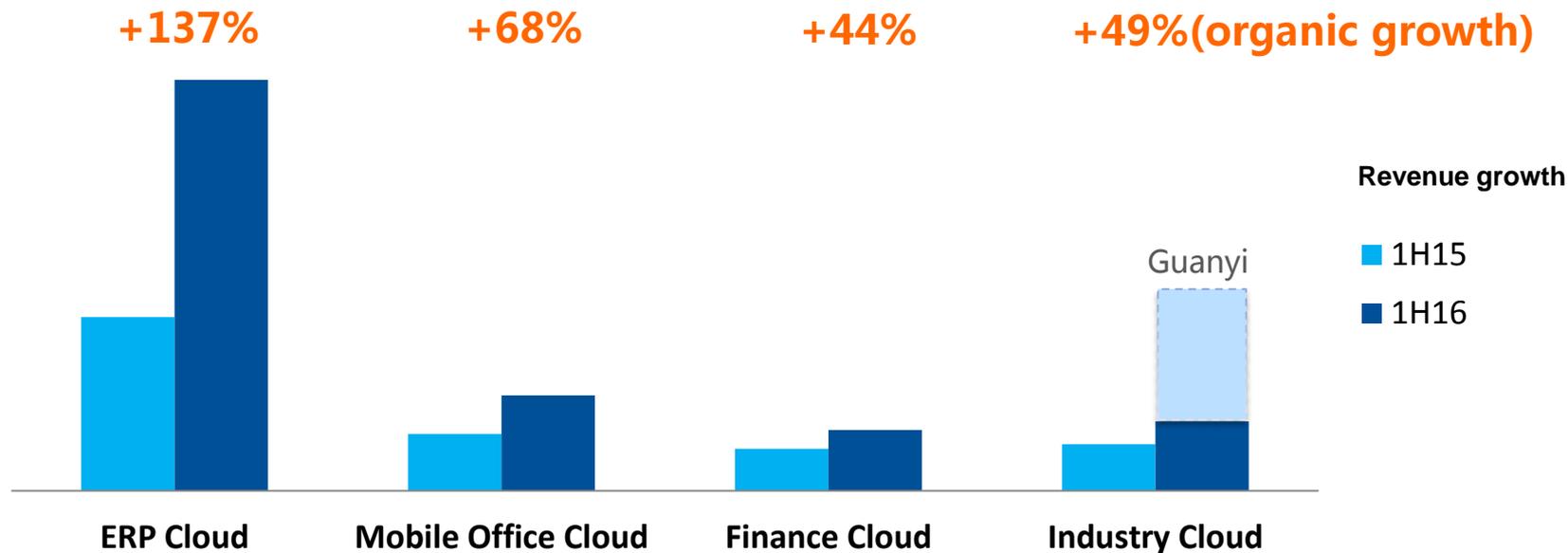
- License revenue growth driven by KIS and EAS while K/3 Wise decline mitigated
- Implementation and Maintenance both saw solid YoY growth

	1H16 (RMB'000)	% of Total Revenue	1H15 (RMB'000)	% of Total Revenue	% Change
Sales of software license	392,223	43.0%	368,183	48.6%	6.5%
Services					
Implementation	162,933	17.8%	152,026	20.1%	7.2%
Maintenance	153,549	16.8%	146,667	19.3%	4.7%
Others	9,589	1.1%	9,302	1.2%	3.1%
Total ERP Revenues	718,294	78.7%	676,178	89.2%	6.2%

Strong Cloud Business Growth

Total Cloud Revenue of Rmb 195mn, +138.3% YoY

Fast growing Cloud business driving incremental revenues and customer engagements



Cloud momentum accelerated as offline business returned to normal growth

- Cloud revenue grew 138% YoY in 1H16 and made up over 20% of total revenue
- Cloud ERP revenue made up over 10% of revenue for the first time, up 136% YoY
- Traditional ERP business returned to normal stable growth

Disposal of non-core cloud businesses paves path for profitable growth

- Transaction allows the company to focus on growing its core ERP and Cloud ERP products
- The disposal will alleviate further pressure on operating margins
- Company expects to record a one-time gain of RMB139 million as a result of the transaction

Financially Strong

- Cash and cash equivalents of RMB2 billion provides buffer against economic volatility
- Operating cash improvement allows the company to continue investing in high growth areas such as Cloud ERP and related products
- Prudently evaluating strategic investment opportunities to further drive growth and supplement existing businesses

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↳ **A Leader in enterprise resource planning (ERP) and enterprise Cloud service in China**

- Market leader with over 6 million ERP and Cloud customers in China
- Help companies of all sizes manage their businesses for more than 20 years
- A growing ecosystem of over 2,000 partners in China

↳ **Favorable long-term growth drivers in key market segments**

- ERP, CRM, Accounting, HR, Ecommerce, Enterprise Internet Services
- Cloud-based finance and ERP products for companies of all sizes
- Technological change and customer demand provide source of sustainable future growth

↳ **Market-leading Cloud & mobile Internet services and product roadmap**

- Industry leading partners including JD.com and Amazon Web Services
- Broad range of horizontal and industry vertical solutions
- Continuous innovations with new functionalities and new products

↳ **Solid foundation for success**

- Tremendous cross-selling opportunities in existing customer base
- Focus on growing recurring revenues from subscription, maintenance and support
- Significant opportunity for operating leverage

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Total Revenue by Segments

<i>(RMB'000)</i>	1H16	% of Total Revenue	1H15	% of Total Revenue	Change
ERP business	718,294	78.7%	676,178	89.2%	6.2%
- Sales of software license	392,223	43.0%	368,183	48.6%	6.5%
- Implementation	162,933	17.8%	152,026	20.1%	7.2%
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- Others	9,589	1.1%	9,302	1.2%	3.1%
Cloud services business	194,910	21.3%	81,803	10.8%	138.3%
Total	913,204	100.0%	757,981	100.0%	20.5%

Software License by Segments

<i>(RMB' 000)</i>	1H16	% of Total Revenue	1H15	% of Total Revenue	Change
KIS	155,568	17.0%	129,567	17.1%	20.1%
K/3	106,486	11.7%	113,651	15.0%	-6.3%
EAS	107,992	11.8%	102,450	13.5%	5.4%
Others	22,177	2.4%	22,515	3.0%	-1.5%
Total software license turnover	392,223	43.0%	368,183	48.6%	6.5%

Total Revenue by Sales Channel

<i>(RMB' 000)</i>	1H16	% of Total Revenue	1H15	% of Total Revenue	Change
ERP business	718,294	78.7%	676,178	89.2%	6.2%
- Direct sales	106,816	11.7%	101,846	13.4%	4.9%
- Indirect sales	285,407	31.3%	266,337	35.1%	7.2%
- Services	316,482	34.7%	298,693	39.4%	6.0%
- Implementation	162,933	17.8%	152,026	20.1%	7.2%
- Maintenance	153,549	16.8%	146,667	19.3%	4.7%
- Others	9,589	1.1%	9,302	1.2%	3.1%
Cloud services business	194,910	21.3%	81,803	10.8%	138.3%
Total	913,204	100.0%	757,981	100.0%	20.5%

Other Gains

<i>(RMB' 000)</i>	1H16	1H15	Change
VAT refund	77,077	57,539	34.0%
Government contracts	10,473	8,989	16.5%
Rental income - net	34,769	35,877	-3.1%
Re-measurement of the contingent consideration for business combinations	-	1,367	NM
Others	10,151	801	1167.3%
Total	132,470	104,573	26.7%
VAT % of Total Revenue	8.4%	7.6%	

Selling & Marketing Expenses

(RMB' 000)

	1H16	1H15	Change
Advertising and marketing	75,625	59,806	26.5%
Sales promotion	50,388	44,260	13.8%
Salary of sales persons	216,478	187,042	15.7%
Project cooperation & outsourcing fees	73,241	57,990	26.3%
Traveling	15,287	12,696	20.4%
Fixed costs	27,556	30,706	-10.3%
Others	13,073	5,128	154.9%
Total	471,650	397,628	18.6%
S&M % of Total Revenue	51.6%	52.5%	-0.9pts

R&D & Administrative Expenses

<i>(RMB' 000)</i>	1H16	1H15	Change
R&D expense	146,748	106,537	37.7%
Salaries and staff welfare – G&A	48,841	34,738	40.6%
Option expense	32,057	17,865	79.4%
Professional service fee	6,154	3,597	71.1%
Traveling	2,982	2,180	36.8%
Meeting expenses	667	605	10.2%
Provision for doubtful debts	15,482	-12,827	NM
Fixed costs	20,579	15,273	34.7%
Others	9,215	8,339	10.5%
Total	282,725	176,307	60.4%
R&D & Admin. % of Total Revenue	31.0%	23.3%	+7.7pts

Balance Sheet Overview

<i>(RMB' 000)</i>	30 June. 2016	31 Dec. 2015	Change
Trade and other receivables	336,294	277,875	21.0%
Cash at bank and in hand	2,015,693	2,174,100	-7.3%
Total assets	5,706,690	5,484,189	4.1%
Current assets	2,888,309	3,073,959	-6.0%
Borrowings	1,512,418	1,456,518	3.8%
Trade and other payables	374,124	357,390	4.7%
Total equity	3,452,313	3,246,718	6.3%

感謝 ありがとう
Thanks
ขอบคุณ terima kasih
谢谢



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