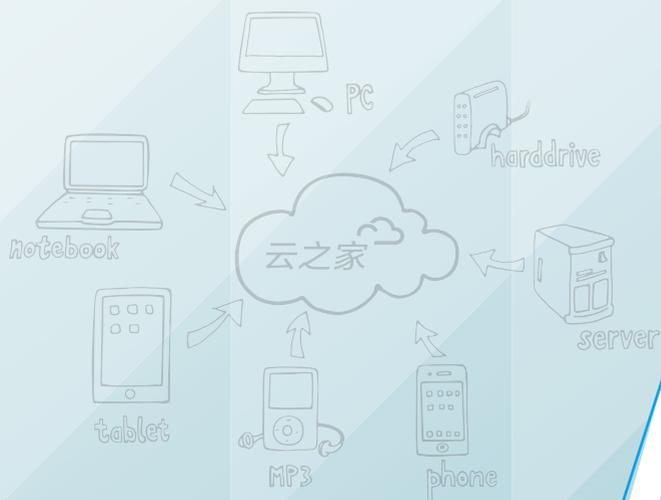


# Kingdee

Kingdee International Software Group Company Limited

Stock Code: 268



## INTERIM REPORT 2013



**CLOUD MANAGEMENT  
STREAMLINE YOUR BUSINESS**



**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 REPORT  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

**Financial highlights for the six months ended 30 June 2013**

- Turnover decreased by approximately 4.5% over the same period in 2012 to approximately RMB744,847,000
- Profit for the period is approximately RMB2,935,000 (the six months ended 30 June 2012: Loss of RMB225,797,000)
- Profit attributable to equity holders of the Company during the period is approximately RMB8,614,000 (the six months ended 30 June 2012: Loss of RMB210,558,000)
- Basic earnings per share for profit attributable to the equity holders of the Company during the period is approximately RMB0.342 cents (the six months ended 30 June 2012: Basic loss per share for loss of RMB8.374 cents)

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 2013 are as follows:

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2013

	<i>Notes</i>	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	5	137,169	138,849
Property, plant and equipment	6	783,920	791,216
Intangible assets	6	615,626	637,183
Investment properties	7	825,575	825,575
Entrusted loan	8	26,000	26,000
<b>Total non-current assets</b>		<b>2,388,290</b>	<b>2,418,823</b>
<b>Current assets</b>			
Inventories		5,552	3,936
Trade and other receivables	8	348,277	313,458
Prepaid income tax		—	712
Financial assets at fair value through profit or loss		60,265	—
Due from customers on implementation contracts		340,553	326,328
Pledged bank deposits		8,511	5,591
Short-term bank deposits		14,500	14,500
Cash and cash equivalents		659,432	898,002
<b>Total current assets</b>		<b>1,437,090</b>	<b>1,562,527</b>
<b>Total assets</b>		<b>3,825,380</b>	<b>3,981,350</b>

# CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (Continued)

As at 30 June 2013

	Notes	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	9	64,097	64,059
Share premium	9	450,487	435,460
Other reserves		528,988	528,988
Retained earnings			
– Others		558,950	550,336
		<u>1,602,522</u>	<u>1,578,843</u>
<b>Non-controlling interest</b>		<u>5,780</u>	<u>11,459</u>
<b>Total equity</b>		<u>1,608,302</u>	<u>1,590,302</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	10	1,417,736	1,363,641
Deferred income tax liabilities		66,501	61,911
Long term payables		5,888	7,388
<b>Total non-current liabilities</b>		<u>1,490,125</u>	<u>1,432,940</u>
<b>Current liabilities</b>			
Trade and other payables	11	377,837	537,633
Due to customers on implementation contracts		80,410	73,642
Borrowings	10	184,805	227,000
Deferred income		83,901	119,833
<b>Total current liabilities</b>		<u>726,953</u>	<u>958,108</u>
<b>Total liabilities</b>		<u>2,217,078</u>	<u>2,391,048</u>
<b>Total equity and liabilities</b>		<u>3,825,380</u>	<u>3,981,350</u>
<b>Net current assets</b>		<u>710,137</u>	<u>604,419</u>
<b>Total assets less current liabilities</b>		<u>3,098,427</u>	<u>3,023,242</u>

The notes on pages 8 to 22 are an integral part of these consolidated financial statements.

# CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2013

		Unaudited	
		Six months ended 30 June	
	Notes	2013	2012
		RMB'000	RMB'000
Turnover	12	744,847	779,719
Cost of sales	13	<u>(188,780)</u>	<u>(244,858)</u>
<b>Gross profit</b>		<b>556,067</b>	534,861
Selling and marketing expenses	13	(434,443)	(625,564)
Administrative expenses	13	(84,394)	(118,250)
Research and development costs	13	(126,445)	(92,461)
Other gains-net	14	<u>150,317</u>	<u>95,568</u>
<b>Operating profit</b>		<b>61,102</b>	(205,846)
Finance costs-net		<u>(52,008)</u>	<u>(19,045)</u>
<b>Profit/(Loss) before income tax</b>		<b>9,094</b>	(224,891)
Income tax expense	15	<u>(6,159)</u>	<u>(906)</u>
<b>Profit/(Loss) for the period</b>		<b><u>2,935</u></b>	<b><u>(225,797)</u></b>
<b>Attributable to:</b>			
Equity holders of the Company		8,614	(210,558)
Non-controlling interest		<u>(5,679)</u>	<u>(15,239)</u>
		<b><u>2,935</u></b>	<b><u>(225,797)</u></b>
<b>Earnings/(Loss) per share for profit/(loss) attributable to the equity holders of the Company</b>			
– basic	16	<b><u>RMB0.342 cents</u></b>	<b><u>RMB(8.374) cents</u></b>
– diluted	16	<b><u>RMB0.332 cents</u></b>	<b><u>RMB(8.374) cents</u></b>

The notes on pages 8 to 22 are an integral part of these consolidated financial statements.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Unaudited	
	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
<b>Profit/(Loss) for the period</b>	<b>2,935</b>	(225,797)
Transfer to investment incomes, fair value change of available-for-sale financial assets, net of tax	—	(912)
<b>Total comprehensive income/(loss) for the period</b>	<b>2,935</b>	(226,709)
<b>Total comprehensive income/(loss) attributable to:</b>		
– Equity holders of the Company	<b>8,614</b>	(211,470)
– Non-controlling interest	<b>(5,679)</b>	(15,239)
	<b>2,935</b>	(226,709)

The notes on pages 8 to 22 are an integral part of these consolidated financial statements.

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

(All amounts in Renminbi thousand unless otherwise stated)

Notes	Attributable to equity holders of the Company					Non-controlling interest	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
<b>Balance at 1 January 2012</b>	63,941	405,730	436,023	703,600	1,609,294	34,316	1,643,610
Loss for the year	—	—	—	(140,246)	(140,246)	(23,729)	(163,975)
Other comprehensive income	—	—	86,841	—	86,841	—	86,841
<b>Total comprehensive loss</b>	—	—	86,841	(140,246)	(53,405)	(23,729)	(77,134)
Employees share option scheme:							
– value of employee services	9	—	28,787	—	28,787	—	28,787
– proceeds from shares issued	9	136	4,013	—	4,149	—	4,149
Repurchase and cancellation of own shares	9	(18)	(1,302)	18	(1,320)	—	(1,320)
Transactions with non-controlling interests	—	—	(6,894)	—	(6,894)	872	(6,022)
Acquisition of treasury shares	9	—	(1,768)	—	(1,768)	—	(1,768)
Capitalisation of retained earnings	—	—	13,000	(13,000)	—	—	—
<b>Total transactions with owners</b>	118	29,730	6,124	(13,018)	22,954	872	23,826
<b>Balance at 31 December 2012(Audited)</b>	<u>64,059</u>	<u>435,460</u>	<u>528,988</u>	<u>550,336</u>	<u>1,578,843</u>	<u>11,459</u>	<u>1,590,302</u>
<b>Balance at 1 January 2013</b>	<u>64,059</u>	<u>435,460</u>	<u>528,988</u>	<u>550,336</u>	<u>1,578,843</u>	<u>11,459</u>	<u>1,590,302</u>
Profit/(Loss) for the period	—	—	—	8,614	8,614	(5,679)	2,935
<b>Total comprehensive income/(loss)</b>	—	—	—	8,614	8,614	(5,679)	2,935
Employees share option scheme:							
– value of employee services	9	—	14,061	—	14,061	—	14,061
– proceeds from shares issued	9	38	966	—	1,004	—	1,004
<b>Total transactions with owners</b>	38	15,027	—	—	15,065	—	15,065
<b>Balance at 30 June 2013 (Unaudited)</b>	<u>64,097</u>	<u>450,487</u>	<u>528,988</u>	<u>558,950</u>	<u>1,602,522</u>	<u>5,780</u>	<u>1,608,302</u>

The notes on pages 8 to 22 are an integral part of these consolidated financial statements.

# CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2013

	Unaudited	
	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
<b>Cash flows from operating activities:</b>		
Cash generated from operations	62,378	(174,090)
Interest paid	(40,647)	(20,099)
Income tax paid	(857)	(5,759)
	<hr/>	<hr/>
<b>Net cash generated/(used in) operating activities</b>	<b>20,874</b>	<b>(199,948)</b>
	<hr/>	<hr/>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment (PPE)	(89,779)	(123,829)
Proceeds from sale of PPE	355	2,167
Payments for land use rights	—	(62,035)
Purchases of intangible assets	(111,894)	(135,669)
Cash paid for business combination	(9,645)	(59,250)
Purchases of financial assets at fair value through profit or loss	(60,000)	—
Maturity of available-for-sale assets	—	11,013
Pledged bank-deposits withdrawn	5,591	11,032
Pledged bank-deposits placed	(8,511)	(12,769)
Interest received	2,435	—
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(271,448)</b>	<b>(369,340)</b>
	<hr/>	<hr/>
<b>Cash flows from financing activities:</b>		
Proceeds from options exercised	1,004	2,078
Proceeds from borrowings	385,000	552,000
Repayments of borrowings	(374,000)	(18,000)
	<hr/>	<hr/>
<b>Net cash generated from financing activities</b>	<b>12,004</b>	<b>536,078</b>
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	<b>(238,570)</b>	<b>(33,210)</b>
	<hr/>	<hr/>
Cash and cash equivalents at beginning of the period	898,002	633,412
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	<b>659,432</b>	<b>600,202</b>
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 8 to 22 are an integral part of these consolidated financial statements.

# 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 shares of the Company have been listed 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 8 August 2013.

This condensed consolidated interim financial information has not been audited.

## 2. Basis of preparation

This unaudited condensed consolidated interim financial information for the half-year ended 30 June 2013 has been prepared in accordance with IAS 34, ‘Interim financial reporting’. The unaudited condensed consolidated interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2012 which have been prepared in accordance with International Financial Reporting Standards.

## 3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

### (a) *New and amended standards relevant to the Group*

- IFRS 10 ‘Consolidated financial statements’ builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. An investor controls an investee if and only if the investor has all the following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor’s returns. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 is applicable to annual periods beginning on or after 1 January 2013 with early adoption permitted.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 3. Accounting policies *(Continued)*

#### *(a) New and amended standards relevant to the Group (Continued)*

- IFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. IFRS 13 is applicable to annual periods beginning on or after 1 January 2013 with early adoption permitted.

#### *(b) Amendments and interpretations to existing standards already effective in 2013 but not relevant to the Group*

- IFRS 11 'Joint Arrangements' classifies joint arrangements as either joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities; Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. IFRS 11 'Joint Arrangements' requires the use of the equity method of accounting for interests in joint ventures thereby eliminating the proportionate consolidation method. The determination of as to whether a joint arrangement is a joint operation or a joint venture is based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. IFRS 11 is applicable to annual periods beginning on or after 1 January 2013 with early adoption permitted.
- IFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. IFRS 12 is applicable to annual periods beginning on or after 1 January 2013 with early adoption permitted.
- IAS 19 (Amendment) 'Employee benefits' eliminates the corridor approach and calculate finance costs on a net funding basis. IAS19 is applicable to annual periods beginning on or after 1 January 2013.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 3. Accounting policies *(Continued)*

(c) *The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted*

- IFRS 9 'Financial Instruments' (effective from 1 January 2015). Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortized cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. An instrument is subsequently measured at amortized cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss. All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealized and realized fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment. It is not expected to have a material impact on the Group or Company's financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

### 4. Segment information

The chief operating decision-maker has been identified as the board of executive directors of the Company. The board of executive directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The board of executive directors considers the business from product perspective. On the first-time adoption of IFRS 8 'Operating Segments', the Group determined that the operating segments are:

Enterprise Management Software Business	–	Sales and implementation of enterprise management software, provision of other related services and sales of hardware related to enterprise management software arrangements
Others	–	Sales of middleware business and provision of online management services

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 4. Segment information (Continued)

The unaudited segment information for the six months ended 30 June 2013 is as follows:

	Enterprise management software and service business RMB'000	Others RMB'000	Reconciliation RMB'000	The Group Total RMB'000
Revenue (from external customers)	728,705	16,142	—	744,847
Operating profit/(loss)	57,742	(14,747)	18,107	61,102
Finance costs	(55,785)	(21)	—	(55,806)
Finance income	3,597	201	—	3,798
<b>Finance (cost)/income – net</b>	<b>(52,188)</b>	<b>180</b>	<b>—</b>	<b>(52,008)</b>
<b>Profit/(Loss) before income tax</b>	<b>5,554</b>	<b>(14,567)</b>	<b>18,107</b>	<b>9,094</b>
Income tax expense	(4,348)	—	(1,811)	(6,159)
<b>Segment results</b>	<b>1,206</b>	<b>(14,567)</b>	<b>16,296</b>	<b>2,935</b>
<b>Segment assets</b>	<b>2,913,971</b>	<b>85,834</b>	<b>825,575</b>	<b>3,825,380</b>
<b>Segment liabilities</b>	<b>2,108,480</b>	<b>108,598</b>	<b>—</b>	<b>2,217,078</b>
Additions to non-current assets (other than financial instruments and deferred tax assets)	(29,643)	(890)	—	(30,533)
<b>Material non-cash expenses/(income)</b>				
Depreciation and amortisation	154,567	634	—	155,201
Provision for doubtful trade and other receivables	(1,454)	110	—	(1,344)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 4. Segment information (Continued)

The unaudited segment information for the six months ended 30 June 2012 is as follows:

	Enterprise management software and service business RMB'000 (Restated)	Others RMB'000	Reconciliation RMB'000	The Group Total RMB'000 (Restated)
Revenue (from external customers)	763,162	16,557	—	779,719
Operating (loss)/profit	(176,772)	(41,935)	12,861	(205,846)
Finance costs	(20,577)	(16)	—	(20,593)
Finance income	1,302	246	—	1,548
<b>Finance (cost)/income – net</b>	<u>(19,275)</u>	<u>230</u>	<u>—</u>	<u>(19,045)</u>
<b>(Loss)/Profit before income tax</b>	<u>(196,047)</u>	<u>(41,705)</u>	<u>12,861</u>	<u>(224,891)</u>
Income tax expense	380	—	(1,286)	(906)
<b>Segment results</b>	<u>(195,667)</u>	<u>(41,705)</u>	<u>11,575</u>	<u>(225,797)</u>
<b>Segment assets</b>	<u>2,615,728</u>	<u>103,172</u>	<u>496,925</u>	<u>3,215,825</u>
<b>Segment liabilities</b>	<u>1,672,139</u>	<u>115,897</u>	<u>—</u>	<u>1,788,036</u>
Additions to non-current assets (other than financial instruments and deferred tax assets)	210,409	—	—	210,409
<b>Material non-cash expenses/(income)</b>				
Depreciation and amortisation	104,752	634	—	105,386
Provision for doubtful trade and other receivables	<u>4,006</u>	<u>112</u>	<u>—</u>	<u>4,118</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 5. Land use rights

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Opening net book amount at 1 January	138,849	83,683
Additions	—	59,132
Amortisation charge	(1,680)	(3,966)
	<u>137,169</u>	<u>138,849</u>
<b>Closing net book amount at 30 June/31 December</b>	<b><u>137,169</u></b>	<b><u>138,849</u></b>
<b>Represented by:</b>		
Cost	148,892	148,892
Accumulated amortisation charges	(11,723)	(10,043)
	<u>137,169</u>	<u>138,849</u>

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

	Unaudited Property, plant and equipment RMB'000	Intangible assets RMB'000 (Restated)
<b>Six months ended 30 June 2012</b>		
Opening net book amount at 1 January 2012	518,110	587,864
Additions	124,657	132,669
Disposals	(2,386)	(1,180)
Depreciation and amortisation	(17,407)	(86,147)
<b>Closing net book amount at 30 June 2012</b>	<b>622,974</b>	<b>633,206</b>
<b>Six months ended 30 June 2013</b>		
Opening net book amount at 1 January 2013	791,216	637,183
Additions	14,468	111,894
Disposals	(1,094)	(600)
Depreciation and amortisation	(20,670)	(132,851)
<b>Closing net book amount at 30 June 2013</b>	<b>783,920</b>	<b>615,626</b>

### 7. Investment properties

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Opening net book amount at 1 January	825,575	496,925
Addition	—	131,524
Transfer from building	—	136,168
Fair value gains	—	60,958
<b>Closing net book amount at 30 June/31 December</b>	<b>825,575</b>	<b>825,575</b>

The investment properties represent the third and fourth floor of Block 1 and the whole Block 2 and Block 3 of the Group's research and development center located in Shanghai, the south area on second floor of Block B, the sixth, seventh, eighth and tenth floors of Block B of the Group's research and development center located in Shenzhen, the building of W1-B4 in Shenzhen high-tech park and the third floor to sixth floor of Block 1 which are located in Beijing research and development center.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 8. Trade and other receivables

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Trade receivables (a)	246,985	234,045
Less: provision of receivables	<u>(88,656)</u>	<u>(90,000)</u>
Trade receivables – net	158,329	144,045
Notes receivable	17,579	12,556
Advance to employees	30,568	37,572
Prepayments	41,749	47,062
VAT recoverable	51,033	41,633
Others	<u>49,019</u>	<u>30,590</u>
	<u>348,277</u>	<u>313,458</u>
Add non-current portion: Entrusted loan	<u>26,000</u>	<u>26,000</u>
	<u><u>374,277</u></u>	<u><u>339,458</u></u>

- (a) Sales of the Group are generally made without prescribed credit in the sales contracts but customers usually take 1 to 3 months to settle the receivables. The ageing analysis of trade receivables is as follows:

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
0–180 days	108,674	121,402
181–360 days	44,457	25,495
Over 360 days	<u>93,854</u>	<u>87,148</u>
	<u><u>246,985</u></u>	<u><u>234,045</u></u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 9. Share capital and share premium

	Number of issued shares (thousands)	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
<b>At 1 January 2012</b>	<u>2,513,752</u>	<u>63,941</u>	<u>405,730</u>	<u>469,671</u>
Employee share option scheme				
– Value of services provided	—	—	28,787	28,787
– Exercise of share options	6,237	136	4,013	4,149
Repurchase and cancellation of own shares	(850)	(18)	(1,302)	(1,320)
Acquisition of treasury shares	<u>—</u>	<u>—</u>	<u>(1,768)</u>	<u>(1,768)</u>
<b>At 31 December 2012 (Audited)</b>	<b><u>2,519,139</u></b>	<b><u>64,059</u></b>	<b><u>435,460</u></b>	<b><u>499,519</u></b>
<b>At 1 January 2013</b>	<u>2,519,139</u>	<u>64,059</u>	<u>435,460</u>	<u>499,519</u>
Employee share option scheme				
– Value of services provided	—	—	14,061	14,061
– Exercise of share options	<u>1,706</u>	<u>38</u>	<u>966</u>	<u>1,004</u>
<b>At 30 June 2013 (Unaudited)</b>	<b><u>2,520,845</u></b>	<b><u>64,097</u></b>	<b><u>450,487</u></b>	<b><u>514,584</u></b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 10. Borrowings

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Non-current	1,417,736	1,363,641
Current	<u>184,805</u>	<u>227,000</u>
	<u><u>1,602,541</u></u>	<u><u>1,590,641</u></u>

Movement in borrowings is analysed as follows:

	RMB'000
<b>Six months ended 30 June 2012</b>	
Opening amount at 1 January 2012	617,500
Acquisition of borrowings	552,000
Repayment of borrowings	<u>(18,000)</u>
<b>Closing amount at 30 June 2012</b>	<u><u>1,151,500</u></u>
<b>Six months ended 30 June 2013</b>	
Opening amount at 1 January 2013	<b>1,590,641</b>
Acquisition of borrowings	<b>385,000</b>
Repayment of borrowings	<b>(374,000)</b>
Adjustment of interest	<u><b>900</b></u>
<b>Closing amount at 30 June 2013</b>	<u><u><b>1,602,541</b></u></u>

Interest expense on borrowings and loans for the six months ended 30 June 2013 is RMB55,947,000 (the six months ended 30 June 2012: RMB20,099,000).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 11. Trade and other payables

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
Trade payables (a)	38,189	29,290
Salary and staff welfare payable	4,113	50,891
Customers' deposits	106,455	84,770
VAT and business tax payable	24,677	30,042
Accrued expenses	34,187	66,779
Construction fee payable	83,302	158,613
Contingent consideration for business combination	13,510	35,170
Deferred consideration for business combination	—	8,832
Deposits of distributors	23,563	33,262
Interest payable	28,800	14,400
Others	21,041	25,584
	<u>377,837</u>	<u>537,633</u>

(a) As at 30 June 2013, the ageing analysis of trade payables is as follows:

	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
0–180 days	31,918	22,059
181–360 days	3,771	5,453
Over 360 days	2,500	1,778
	<u>38,189</u>	<u>29,290</u>

### 12. Turnover

	Unaudited Six months ended 30 June 2013 RMB'000	Audited Six months ended 31 December 2012 RMB'000
Sales of software	365,628	381,672
Software implementation services	167,473	166,328
Software solution consulting and support services	184,203	185,627
Sales of computer and related products	27,543	46,092
	<u>744,847</u>	<u>779,719</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 13. Expenses by nature

Expenses including cost of sales, selling and marketing expenses and administrative expenses are analyzed as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Research and development costs		
Amounts incurred	<b>122,728</b>	156,667
Less: amounts capitalised	<b>(111,848)</b>	(135,669)
Add: amortisation of capitalised costs	<b>115,565</b>	71,463
	<b>126,445</b>	92,461
Employee benefit expense	<b>471,379</b>	634,741
Less: amount included in research and development costs	<b>(108,043)</b>	(140,887)
	<b>363,336</b>	493,854
Cost of inventories consumed	<b>41,699</b>	60,098
Depreciation of property, plant and equipment	<b>20,670</b>	17,407
Amortisation of computer software, licenses and copyrights	<b>16,662</b>	14,684
Amortisation of customer relationship	<b>624</b>	—
Amortisation of land use right	<b>1,680</b>	1,832
Impairment of receivables	<b>(1,344)</b>	4,118
Loss on disposals of property, plant and equipment	<b>739</b>	219

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 14. Other gains

	Unaudited	
	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Subsidy income		
– VAT refund	62,179	71,916
– Others	38,326	8,825
Rental income – net	18,107	12,861
Re-measurement of the consideration for business combinations	22,347	—
Gains from sale of copyrights	6,132	—
Others	3,226	1,966
	<u>150,317</u>	<u>95,568</u>

### 15. Income tax expense

	Unaudited	
	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
PRC income tax		
– Current income tax	—	664
– Under-provision/(over-provision) in previous year	1,569	(2,703)
– Deferred income tax	4,590	2,945
	<u>6,159</u>	<u>906</u>

- (a) No provision for profits tax in the Cayman Islands and Hong Kong has been made as the Group has no income assessable for profits tax for the period in those jurisdictions.
- (b) Subsidiaries of the Group are established in the PRC and subject to Corporate Income Tax (“CIT”) at a rate of 25%, unless preferential rates are applicable in the cities where the subsidiaries are located.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 15. Income tax expense (Continued)

- (c) Up to the date of this report, the relevant tax authorities had not completed the certification of the identity for PRC software enterprises for the fiscal year 2013. Nevertheless, the directors are confident that Kingdee Software (China) Co., Ltd (“Kingdee China”), a wholly-owned subsidiary of the Group, will continuously be qualified and recognised as national important software enterprise for 2013 based on past records and their fulfillment of the stipulated conditions. Therefore, the directors believe that it is appropriate to apply the preferential tax rate of 10% to calculate the deferred income tax assets and liabilities of Kingdee China as at 30 June 2013.

### 16. Earnings/(Loss) per share

#### (a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Profit/(Loss) attributable to equity holders of the Company	<u><b>8,614</b></u>	<u>(210,558)</u>
Weighted average number of ordinary shares in issue (thousands)	<u><b>2,519,338</b></u>	<u>2,514,507</u>
Basic earnings/(loss) per share	<u><b>RMB0.342 cents</b></u>	<u>RMB(8.374) cents</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 16. Earnings/(Loss) per share *(Continued)*

#### *(b) Diluted*

Diluted (loss)/earnings per share is calculated by adjusting the weighted number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: Share options.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Profit/(Loss) attributable to equity holders of the Company	<u><b>8,614</b></u>	<u>(210,558)</u>
Weighted average number of ordinary shares in issue (thousands)	<b>2,519,338</b>	2,514,507
Adjustments – share options (thousands)	<u><b>78,004</b></u>	<u>—</u>
Weighted average number of ordinary shares for diluted earnings/(loss) per share (thousands)	<u><b>2,597,342</b></u>	<u>2,514,507</u>
Diluted earnings/(loss) per share	<u><b>RMB0.332 cents</b></u>	<u>RMB(8.374)cents</u>

### 17. Dividends

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2013 (the six months ended 30 June 2012: Nil).

### 18. Contingent liabilities

The Group had no significant contingent liabilities as of 30 June 2013 (30 June 2012: Nil).

### 19. Related party transactions

The Group had no significant transactions with related parties during the period.

### 20. Event occurring after the balance sheet date

The Group had no significant event occurring after the balance sheet date.

### 21. Business combination

The Group had no business combination during the period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1. Business Review

In the first half of 2013, the Group turned to profit from loss in the same period last year, driven by the effective strategy and proactive business restructuring efforts during the macroeconomic slowdown. In addition, the Group enhanced risk management and improved operational efficiency. While the Group recorded a 4.5% decrease in revenue in the first half-year, better operational efficiency and quality management lifted net profit margin by 28.2% from the same period last year. Given the Group's reinvention and restructure in the past two years, its strategy is ever more pragmatic and focused. Under the strategic guideline of "Leading-Product, Partner-First, Enthusiastic-Professional, Mutual-Success", the Group continued to focus on its core products, strengthen its product competitiveness, transform from a sales-delivery toward a delivery-oriented model, increase project profitability, strengthen indirect sales distribution, focus on in-depth customer engagement, optimize business structure and control costs. The Group has embraced innovations to face challenges by venturing into Social Networking, Mobile Technology and Cloud Computing products and services in order to become the global Cloud Management leader. Based on the interim results, the Group is certain in its strategic direction and is confident in the future prospect.

### I. Enterprise Management Software and Services

#### *Small and Medium-sized Business Product Market*

In the first half of 2013, despite the improvements in global economic environment, uncertainties and downward risks still existed. China's economic slowdown, especially privately-owned small and medium-sized businesses faced survival and development challenges, resulted delayed IT spending.

During the reporting period, the Group focused on the characteristics of small and medium-sized businesses, promoted "Cloud Management at your fingertips" theme and released a series of Cloud Management products for small and medium-sized businesses. Companies could use these Cloud Management applications via smart devices to overcome managerial challenges arising from time and geographical differences and mobilize its daily operation management. In addition, businesses could leverage the social business platform, Cloud Hub, to break down organizational hierarchy and increase management efficiency.

## MANAGEMENT DISCUSSION AND ANALYSIS

For small and medium-sized businesses, the Group completed deployment of K/3 Cloud, the new generation ERP software, on Microsoft's Windows Azure Public Cloud this March. It was China's first web-based on-demand ERP system. Separately, the Group released K/3 Cloud V2.0, including cost accounting, statement consolidation, Internet banking, distribution management, telemarketing, monitoring, planning and mobile sales. These 8 incremental modules provided comprehensive features for manufacturing businesses.

For small businesses, Kingdee launched KIS flagship version. This product integrated front-end e-commerce with back-end management platform to achieve production, supply and marketing coordination, and featured comprehensive applications of ecommerce, supply chain, manufacturing, finance and human resources management.

During the reporting period, the Group continued to promote "Partner-First" strategy, develop distribution channels, strengthen partners' competencies and optimize partnership structure and capability in order to establish a cooperative ecosystem.

In the reporting period, the Group received high recognition from international authority. In May 2013, 《IDC's China Enterprise Application Software Market Analysis Report》, the Group was honored as "The No. 1 Market Share Leader in China's SME Market" for the ninth straight year.

### *Medium and Large-sized Enterprises Product and Industry Market*

In the first half of 2013, medium and large-sized enterprises were more prudent with their IT investment spending, resulted lengthening decision-making cycle. Kingdee observed accelerated industry transformation and upgrade, medium and large-sized enterprises focused IT investments that could drive business and management innovations and enhance enterprise risk controls and supports.

In the reporting period, the Group strengthened EAS solutions, including financials sharing, statement consolidation, group capital and group budgeting. The Group developed solutions for key industries such as property by launching the mobile property sales application, helping enterprises improve operational and management efficiency. During the period, the Group completed statement consolidation projects for China Merchants Group and group capital project for Bright Food Group and financials sharing project for Vanke. The Group also signed contracts with C&S Paper, Tianjin Port, EMS and Manshi Group of Inner Mongolia, solidifying its leading position in the large enterprise market.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Consulting and Maintenance Services*

In the first half of 2013, the Group improved its core competency in management consulting by focusing on ERP related areas including planning, organizing, flow, performance and policy management of the information system, all of which enhanced the values of ERP. The Group continued to accelerate toward delivery-oriented model, expand service partners, enhance partnership management policy, strengthen project management, improve delivery capability in branches, build knowledge database and enable rapid and comprehensive deployment of information systems for clients.

In the reporting period, the Group's services business continued to grow steadily. The Group released a new Kingdee OEM support service system to unify service management standards, improve customer satisfaction, build healthy partner-customer support ecosystem. The Group continued to strengthen the "Cloud + Terminal" Internet service model and officially launched KSM (Kingdee Service Management) system to integrate service and products effectively in order to increase the Group and customer interactions and enhance customer service values.

## **II. Corporate Internet Business**

In the first half of 2013, the Group's Enterprise Internet Service business continued to experience stable development. Corporate social collaboration product, Cloud Hub ([www.kdweibo.com](http://www.kdweibo.com)), is a new enterprise social workspace and can be integrated with traditional ERP products on a single platform to achieve communication, collaboration, approval process, and other actions, saving work hours and reducing costs. During the period, registered enterprise reached 25,000 companies and registered accounts exceeded 500,000 users. The paid version was released and took upon by industry leaders such as Vanke and Haier.

During the reporting period, Kuaidi100, a one-stop courier tracking service provider, covered nearly a hundred most popular courier companies and supported mobile checking. Kuaidi100 provided free courier query interface (API) to B2C and other network applications to help business and network operators enhance customer satisfaction. The service made a breakthrough among ecommerce community, single-day peak PV reached than 900 million. The connections of ecommerce sites went from 10,000 at the beginning of the year to nearly 80,000. Kuaidi100 continued to maintain China's largest express and logistics information inquiries and service platform position.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Group proactively integrated Youshang Online and Wise Note businesses to form SaaS application business unit. Youshang.com is China's largest SaaS online accounting and invoicing SaaS platform. Kingdee's Wise Note is China's largest inventory management software by user volume. Youshang Online experienced a 40% growth in paying customers, with a high retention rate of 80%. Wise Note's subscribers exceeded 1.55 million, its value-added services achieved 100%-plus growth, continued to lead in the individual business market.

### III. Subsidiary Business

#### *Kingdee Medical and Healthcare Software Business*

In the reporting period, the Kingdee Medical Software Company, subsidiary of the Kingdee group, released a series of new products including the HIP integration platform, HBA analytic platform, mobile clinic, HRP professional, clinical and other products. Kingdee Medical signed contracts with a number of important clients including Panyu Community Health Center in Guangzhou, Zhanjiang Second TCM Hospital, Guangzhou Senior Home, Wuxi TCM Hospital and the First Affiliated Hospital of Nanhua University. Dozens of projects were successfully delivered including Hexian Memorial Hospital in Panyu Guangzhou, Zhongshan Optical Center of Zhongshan University and Maoming People's Hospital.

#### *Middleware Business*

In the period, domestic infrastructure software received further attention and support from the government. Kingdee Middleware achieved strategic transformation. Its business grew rapidly and the business mix from partners increased significantly. In addition, new versions of Cloud Computing products and support application server cluster featuring the Enterprise Service Bus were released. Projects successfully tendered included the National Archiving Bureau, China Everbright Bank, CNPC, the Suzhou Industrial Park. During the period the Group concluded projects with Shenzhen Teacher's Further Education Platform, Hunan Tobacco and China XD group. It again merited a place in the government's list of recommended IS supplier list, solidifying the company's competitive advantage.

## 2. Organization and Personnel Assurance

In the reporting period, the Group further promoted organizational and personnel structure optimization, while issuing incentive stock options to key staffs, including branch general managers, product management teams, and building leadership and professionalism for core entry-level employees. Together with its strategic investments and new business developments, the Group continued to recruit Internet talents with Social Networking, Cloud Computing, Mobile Technology and Big Data technologies.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3. Corporate Social Responsibility

In the first half of 2013, the Group continued to set up scholarships and teaching funds for the South East University, collaborated with top business schools in China to promote the Chinese management model and supported the China Managerial Excellence award, built and promoted the new business spirit of “Walk on ZHENGDAO (right track) and Walk by WANGDAO (noble way)”.

During the reporting period, Kingdee signed collaborative agreements with over 20 noted universities including Nanjing Normal University, Yunnan University of Agriculture. The cooperation included establishment of the base for entrepreneurship, joint lab and the domestic fundamental software training base and technical center and aimed to nurture personnel in fundamental software engineering.

The Group continued its in-depth cooperation with the One Foundation, one of the most dynamic charitable organizations in China, pushing it towards more transparent operation and driving the development of charity in China. In the wake of the Jia'an earthquake, Kingdee provided strong technical support in the rescue and restoration. The Group also made substantial donations helping students affected by the earthquake to resume their study.

### 4. Financial Review

For the six months ended 30 June 2013, the Group's turnover amounted to approximately RMB744,847,000, a decrease of 4.5% from the same period last year (the six months ended 30 June 2012: RMB779,719,000).

During the reporting period, the Group recorded software revenue of RMB365,628,000, a decline of 4.2% compared with the same period last year (the six months ended 30 June 2012: RMB381,672,000), and service revenue of RMB351,676,000, a decrease of 0.1% from the same period last year (the six months ended 30 June 2012: RMB351,955,000). Net cash flow from operating activities totaled RMB20,874,000 (the six months ended 30 June 2012: RMB199,948,000).

During the reporting period, the net profit attributable to equity holders of the Company was RMB8,614,000 (the six months ended 30 June 2012: loss of RMB210,558,000). The comprehensive profit attributable to equity holders of the Company was RMB8,614,000 (the six months ended 30 June 2012: loss of RMB211,470,000). During the period, net profit margin was 1.2% (the six months ended 30 June 2012: -27.0%) and basic earnings per share was RMB0.342 cents (the six months ended 30 June 2012: basic loss per share was RMB8.374 cents).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gross Profit

During the reporting period, gross profits of the Group was RMB556,067,000, an increase of approximately 4.0% compared to the same period last year (the six months ended 30 June 2012: RMB534,861,000). Gross profit margin for the period was 74.7% (the six months ended 30 June 2012: 68.6%).

### Selling and Marketing Expenses

Selling and marketing expenses for the six months ended 30 June 2013 were approximately RMB434,443,000 (the six months ended 30 June 2012: RMB625,564,000), a decrease of 30.6% against the same period last year.

### Administrative Expenses and Research and Development Costs

Administrative expenses for the six months ended 30 June 2013 were RMB84,394,000 (the six months ended 30 June 2012: RMB118,250,000), a decrease of approximately 28.6% over the same period last year. The research and development costs were RMB126,445,000, an increase of 36.8% over the same period last year (the six months ended 30 June 2012: RMB92,461,000).

## 5. Future Prospects

After entering 2013, the changes in China's macroeconomic environment and the competitive landscape both international and domestic will push Chinese enterprises to accelerate their transformation and upgrade, to enhance the overall competitiveness. Inter-enterprise collaborations will be gradually expanded. Social Networking, Mobile Technology and Cloud Computing, and traditional IT services will drive a new round of enterprise informatization. "Cloud Management" is bringing innovative changes to enterprise management.

Looking into second half of 2013, the Group will proactively tackle changes in the external market following the overall strategy of "Leading-Product, Partner-First, Enthusiastic-Professional, Mutual-Success". We will continue to enhance product competitiveness with focus on core products, establish a new marketing framework of "Client-Centric, Partner Ecosystem" to transform continuously towards a delivery-oriented model, under which we will actively expand our service partners and promote client retention and loyalty. The Group will keep on developing the enterprise Internet business model and build the social workspace of Cloud Hub. More new and leading Cloud Management products will be launched, while closer cooperation and mutual growth of the Group and its clients can be expected. The Group will optimize the business structure to improve profitability incessantly, and believes that it can achieve long-term sustainable growth to create greater value for shareholders and clients, become the Cloud Management leader and lead industry re-imagination, share the success with all stakeholders, nurture its staff, generate win-win with partners, help customer grow and deliver fair returns to shareholders.

# REPORT OF DIRECTORS

## Outstanding Share Options

### Outstanding share options under the 2001 Scheme, 2002 Scheme and 2005 Scheme

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

Pursuant to the share option scheme of the Company adopted on 30 January 2001 (the “2001 Scheme”), an aggregate of 6,880,000 share options were granted, of which 4,010,000 share options were exercised, 2,870,000 share options lapsed and none remained outstanding as at 30 June 2013.

Pursuant to the share option scheme of the Company adopted on 26 April 2002 (the “2002 Scheme”) and the adjustment made due to the bonus issue of shares of the Company effective on 9 May 2011 (the “Bonus Issue”) the Bonus Issue, an aggregate of 232,620,000 share options were granted, of which 124,884,896 share options were exercised, 105,942,688 share options lapsed and 1,792,416 share options remained outstanding as at 30 June 2013.

Both of the 2001 Scheme and 2002 Scheme were terminated by the Company on 30 June 2005. At the extraordinary general meeting of the Company convened on 11 July 2005, the Company adopted a new share option scheme (the “2005 Scheme”), the validity period of which is ten years. The scheme limit of the 2005 Scheme was refreshed at the annual general meetings of the Company held on 26 April 2007 and 10 May 2012, respectively. As at 30 June 2013, the Company had granted 504,501,600 share options pursuant to the 2005 Scheme and the adjustment made due to the Bonus Issue, of which 100,361,691 share options were exercised, 92,674,006 share options lapsed and 311,465,903 share options remained outstanding. According to the scheme mandate limit of the 2005 Scheme as refreshed at the annual general meeting of the Company on 10 May 2012 (being 251,526,926 share options) less the number of share options granted since then, the Company may further grant 168,557,326 share options, representing approximately 6.69% of the issued share capital of the Company as at 30 June 2013.

## REPORT OF DIRECTORS

Name or category of participants	Grant date	Exercise price HK\$	Options held at 1 January 2013	Options granted during the reporting period	Options exercised during the reporting period	Options lapsed during the reporting period	Options held at 30 June 2013 <sup>(2)</sup>
<b>Directors</b>							
Xu Shao Chun	19/11/2008	0.7917	6,000,000	—	—	—	6,000,000
	02/04/2013	1.3080	—	2,800,000	—	—	2,800,000
Oriental Gold Limited <sup>(1)</sup>	23/04/2010	2.5917	2,400,000	—	—	—	2,400,000
	30/03/2012	1.8700	2,500,000	—	—	—	2,500,000
Yang Jian	28/04/2006	0.5438	720,000	—	—	—	720,000
	01/08/2008	1.4584	120,000	—	—	—	120,000
	17/09/2009	1.1417	180,000	—	—	—	180,000
	23/04/2010	2.5917	360,000	—	—	—	360,000
	16/03/2011	4.2750	400,000	—	—	—	400,000
	30/03/2012	1.8700	700,000	—	—	—	700,000
	22/08/2012	1.1500	2,000	—	—	—	2,000
	22/03/2013	1.3400	—	400,000	—	—	400,000
Chen Deng Kun	02/04/2013	1.3080	—	300,000	—	—	300,000
	04/05/2006	0.5480	6,720,000	—	—	—	6,720,000
	08/06/2007	1.5063	3,264,000	—	—	—	3,264,000
	01/08/2008	1.4584	2,400,000	—	—	—	2,400,000
	23/04/2010	2.5917	960,000	—	—	—	960,000
	16/03/2011	4.2750	960,000	—	—	—	960,000
	30/03/2012	1.8700	1,300,000	—	—	—	1,300,000
	22/03/2013	1.3400	—	400,000	—	—	400,000
Ho Ching Hua	02/04/2013	1.3080	—	300,000	—	—	300,000
	23/01/2007	0.7792	2,640,000	—	—	—	2,640,000
	30/03/2012	1.8700	200,000	—	—	—	200,000
Gary Clark Biddle	22/03/2013	1.3400	—	200,000	—	—	200,000
	08/06/2007	1.5063	480,000	—	—	—	480,000
	30/03/2012	1.8700	300,000	—	—	—	300,000
Yeung Kwok On	22/03/2013	1.3400	—	200,000	—	—	200,000
	30/03/2012	1.8700	300,000	—	—	—	300,000
	22/03/2013	1.3400	—	200,000	—	—	200,000
Wu Cheng	08/06/2007	1.5063	480,000	—	—	—	480,000
	30/03/2012	1.8700	200,000	—	—	—	200,000
	22/03/2013	1.3400	—	200,000	—	—	200,000
Dong Ming Zhu	22/03/2013	1.3400	—	200,000	—	—	200,000
Other employees in aggregate			239,804,044	41,200,000	1,705,879	4,825,846	274,472,319
<b>Total</b>			<b><u>273,390,044</u></b>	<b><u>46,400,000</u></b>	<b><u>1,705,879</u></b>	<b><u>4,825,846</u></b>	<b><u>313,258,319</u></b>

Note:

- Oriental Gold Limited is wholly owned by Mr. Xu Shao Chun, the Chairman of the Board and the Chief Executive Officer of the Company.

## REPORT OF DIRECTORS

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

As at 30 June 2013, 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 will 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 will be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will 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" ("Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), were as follows:

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

Name of Directors	Number of shares/ underlying shares (where appropriate)	Types of interests	Percentage of issued share capital
Xu Shao Chun	764,358,624 4,983,200 13,700,000	Interests of controlled corporation (Note 1) Beneficial owner Other/Share option (Note 2)	
<b>Aggregate:</b>	<b>783,041,824</b>		<b>31.06%</b>
Yang Jian	221,626 3,182,000	Beneficial owner Other/Share option (Note 2)	
<b>Aggregate:</b>	<b>3,403,626</b>		<b>0.14%</b>
Chen Deng Kun	112,000 16,304,000	Beneficial owner Other/Share option (Note 2)	
<b>Aggregate:</b>	<b>16,416,000</b>		<b>0.65%</b>
Ho Ching Hua	240,000 3,040,000	Beneficial owner Other/Share option (Note 2)	
<b>Aggregate:</b>	<b>3,280,000</b>		<b>0.13%</b>
Gary Clark Biddle	980,000	Other/Share option (Note 2)	
<b>Aggregate:</b>	<b>980,000</b>		<b>0.04%</b>
Yeung Kwok On	2,454,000 500,000	Beneficial owner Other/Share option (Note 2)	
<b>Aggregate:</b>	<b>2,954,000</b>		<b>0.12%</b>
Wu Cheng	880,000	Other/Share option (Note 2)	
<b>Aggregate:</b>	<b>880,000</b>		<b>0.03%</b>
Dong Ming Zhu	200,000	Other/Share option (Note 2)	
<b>Aggregate:</b>	<b>200,000</b>		<b>0.01%</b>

## **REPORT OF DIRECTORS**

### *Notes:*

1. Of the 764,358,624 Shares, 408,472,000 Shares were held through Oriental Gold Limited and 355,886,624 Shares were held through Billion Ocean Limited. Oriental Gold Limited and Billion Ocean Limited are controlled by Mr. Xu Shao Chun. Therefore, Mr. Xu Shao Chun is deemed to be interested in those 764,358,624 Shares.
2. Details of the share options are set out in the paragraph headed “Outstanding Share Options”.

Save as disclosed in this paragraph, as at 30 June 2013, 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 will 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 will be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will 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 “Outstanding Share Options” 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 2013.

## REPORT OF DIRECTORS

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

As at 30 June 2013, 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 issued share capital
Oriental Gold Limited (Note 1)	408,472,000(L)	Beneficial owner	
	4,900,000(L)	Other/share option (Note 2)	
SUBTOTAL	413,372,000(L)		16.40%
Billion Ocean Limited (Note 1)	355,886,624(L)	Beneficial owner	14.12%
JPMorgan Chase & Co. (Note 3)	1,254,000(L)	Beneficial owner	
	1,254,000(S)	Beneficial owner	
	200,783,600(L)	Custodian	
SUBTOTAL	202,037,600(L)		8.01%
Franklin Templeton Investments (Asia) Limited	152,228,000(L)	Investment manager	6.04%
Franklin Templeton Investment Management Limited	151,367,757(L)	Investment manager	6.00%
The Capital Group Companies, Inc. (Note 4)	153,966,400(L)	Investment manager	6.11%

## REPORT OF DIRECTORS

### Notes:

1. Both Oriental Gold Limited and Billion Ocean Limited are controlled by Mr. Xu Shao Chun.
2. Details of the share options are set out in the section headed “Outstanding Share Options under the 2001 Scheme, 2002 Scheme and 2005 Scheme”.
3. JPMorgan Chase & Co. had interest in a total of 202,037,600 Shares (Long position) and 1,254,000 Shares (Short position) in the Company through its various controlled corporations, the details of which are set out below:
  - (i) JPMorgan Chase Bank, N.A, which was a wholly-owned subsidiary of JPMorgan Chase & Co., held 200,783,600 Shares (L) in the Company.
  - (ii) J.P. Morgan Securities plc held 1,254,000 Shares (L) and 1,254,000 Shares (S) in the Company. J.P. Morgan Securities plc was a 98.95% owned subsidiary of J.P. Morgan Chase International Holdings Limited which was in turn a wholly-owned subsidiary of J.P. Morgan Chase (UK) Holdings Limited. J.P. Morgan Chase (UK) Holdings Limited was a wholly-owned subsidiary of J.P. Morgan Capital Holdings Limited which in turn was wholly owned by J.P. Morgan International Finance Limited. J.P. Morgan International Finance Limited was wholly-owned by Bank One International Holdings Corporation, being a corporation wholly owned by J.P. Morgan International Inc. and J.P. Morgan International Inc. was wholly owned by JPMorgan Chase Bank, N.A. which was in turn wholly owned by JPMorgan Chase & Co..
  - (iii) The entire interest of JPMorgan Chase & Co. in the Company included a lending pool of 200,783,600 Shares (L).
4. 153,966,400 shares were directly held by Capital Research and Management Company. By virtue of The Capital Group Companies Inc.’s 100% interest in Capital Research and Management Company, The Capital Group Companies Inc. is deemed to be interested in these 153,966,400 shares.
5. (L) denotes long position and (S) denotes short position.

Save as disclosed above, as at 30 June 2013, 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 2013, the Company had not repurchased, sold or redeemed any of its listed securities.

# **REPORT OF DIRECTORS**

## **Change of Information of Directors and Senior Management**

On 4 January 2013, Mr. Chen Deng Kun was appointed as the general manager of Kingdee Medical Software Technology Ltd., a subsidiary of the Company, and ceased to act as the chief financial officer (the “CFO”) of the Company.

Mr. Yang Jian (“Mr. Yang”) has been appointed as the CFO, with effect from 4 January 2013.

## **Corporate Governance**

The Company has complied with all the code provisions of Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Listing Rules throughout the reporting period ended 30 June 2013 except for the deviation in respect of the roles of Chairman and CEO under Code provision A.2.1. During the period of this report, Mr. Xu Shao Chun assumed the roles of both the Chairman and the CEO 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.

## **Internal Control**

During the reporting period, to ensure the implementation of the Company’s strategies, the Company has further improved the level of internal control and risk management by adjusting the business structure, accelerating distribution channel build out, improving the operation quality, promoting the conversion of sales branches to partners, strengthening service partner ecosystem management, integrating external resources to push ahead with project delivery. By streamlining its workforce, the Company has further reduced and controlled its costs and expenses. During the reporting period, increased efforts have been made on promoting timely collection of the accounts receivables to ensure that the Company’s financial and operational risks are effectively controlled.

Regarding the disclosure of inside information and internal control measures, the Company understands its duties under the Listing Rules and the SFO. The Company abides by the “ Guidelines on Disclosure of Inside Information” published by the Securities and Futures Commission, and has developed a complete system of internal processing and publication of information and internal control measures to ensure the timely, accurate and appropriate disclosure of the relevant information to shareholders and regulatory authorities.

# REPORT OF DIRECTORS

## **Adoption of 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, the Directors confirmed that they had complied with such code of conduct throughout the accounting period covered by this report.

## **Audit Committee**

The audit committee of the Company has reviewed the Group's unaudited consolidated results for the six months ended 30 June 2013. 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.

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

Shenzhen, the People's Republic of China, 8 August 2013

*As at the date hereof, the Board comprises Mr. Xu Shao Chun (Chairman of the Board and Chief Executive Officer) Mr. Chen Deng Kun and Mr. Yang Jian as executive directors; Ms. Dong Ming Zhu as non-executive director; and Mr. Gary Clark Biddle, Mr. Ho Ching-hua, Mr. Wu Cheng and Mr. Yeung Kwok On as independent non-executive directors.*

*This report, 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 accurate 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 report misleading.*