



Kingdee IR Newsletter

Summary of Operating Activities during the Period

2016 Kingdee User Conference: Prof. Chen Chunhua and Mr. Xu Shaochun elaborated on the redefinition of management

On 27 October, the 2016 China Management, Global Forum & Kingdee User Conference featuring "Redefinition of Management" was held in Changlong, Guangzhou. The event was attended by Mr. Xu Shaochun, founder and CEO of Kingdee; Prof. Chen Chunhua, professor at the National Development Research Institute of Peking University and South China University of Technology; and other distinguished guests. They shared their insight on why enterprises have to "redefine management" in the new era.

Mr. Xu Shaochun stressed in his speech at the conference that enterprises have to redefine management. There is pressing need for them to innovate and reform their management process and model during the new era. Management needs to be simplified, whereby new management processes can be developed. With rapid growth of individuals and the breakdown, disappearance and restructuring of organizational boundaries, enterprises should have "new thinking" on management and focus their management on empowering individuals; integrating new thoughts, new thinking and new technologies (intelligent application, data sharing, mobility solution, social networking, Big Data and Cloud computing), thereby scrapping the boundaries within and outside the organization and empowering individuals. Management can only be redefined through these means. Meanwhile, in his keynote speech on the topic of "Defining future now".

Prof. Chen Chunhua elaborated on how enterprises should reform management and create value as the boundaries of various industries are redefined. He noted that smart Internet products brought about by new technologies will change enterprises' competitive landscape, and expand the boundaries of respective industries. Major competition will arise from individual products to the system of related products and various subsystems connected with that system. An enterprise may go through various stages from selling products to smart products, intelligent Internet products, products system, and eventually to the entire industry structure.



Promising outlook for Cloud business: Kingdee's Cloud ERP re-defines management

The “2016 China Management, Global Forum & Kingdee User Conference” was held in Guangzhou Changlong International Convention and Exhibition Center on 26-27 October. A parallel forum featuring “Cloud ERP – Management on Cloud”, a crucial part of the event, was convened in the afternoon of 27 October and received enthusiastic response from various guests and senior corporate executives. Mr. Zhang Haijun, Assistant President



of Kingdee and General Manager of its Cloud ERP Division, delivered the keynote speech on the topic of “Cloud ERP – Management on Cloud”. He first recounted the development of “electricity” during the Industrial Revolution and drew an analogy between it and the role of Kingdee Cloud ERP as a “powerhouse” to drive the development of enterprise management software. Kingdee ERP is a strategic ERP product in the Age of Mobile Internet. Based on Amazon Web Services (“AWS”), the world-leading cloud services platform, Kingdee ERP leverages SaaS model to allow more Chinese enterprises to enjoy more value-added management software services at lower costs, thereby helping them to implement transformation towards mobile Internet.

Kingdee K/3 Cloud: enable enterprises to achieve omni-channel marketing and improve connectivity

On 27 October, Kingdee launched the new K/3 Cloud V6.2 ERP system in the 2016 China Management, Global Forum & Kingdee User Conference. Moreover, it hosted a parallel forum featuring “Amoeba Operating & Omni-Channel Marketing”, which was joined by hundreds of entrepreneurs and senior management from different sectors. Guests from specially invited enterprises, including Daocheng Zhiju, Northeast Pharmaceutical, ZTE Welink, Shuhua, VTR Bio-Tech and Kefan, shared with the audience their user experiences and views on how Kingdee ERP assisted them in driving management innovation and redefined their management amid the Internet+ strategy and the sharing economy. Kingdee K/3 Cloud enables enterprises to implement omni-channel marketing to fully connect with third-party E-commerce platforms and to develop online shops on their own. By connecting different layers of multi-level distribution channels and terminal retail channels, it provides enterprises with integrated B2B2C & O2O marketing platform, holistic network membership marketing platform and omni-channel inventory management and intelligent scheduling platform, which can help enterprises accelerate transformation towards “Internet+” marketing management and drive business development in the Age of “Internet+”.

Kingdee and Kinco showcased smart factory solution at China International Industry Fair



On November 3, Kingdee International Software Group Company Limited and Shanghai Kinco Automation Co., Ltd. jointly hosted smart factory solution release conference featuring "intelligent manufacturing to build a new economy" at the 18th China International Industry Fair ("CIIF"). This is the upgraded version of smart factory solution first launched by Kingdee and Kinco at Hannover Messe in April 2016 in order to meet the needs of Chinese enterprises.

Kingdee KIS achieved another great success by helping merchandisers handle immense online orders on the Singles' Day (November 11)

Within a span of 24 hours, total gross merchandise value ("GMV") for this annual shopping bonanza hit a historical high of RMB120.7 billion, up 32% from the previous Singles' Day. Kingdee KIS Flagship Version achieved another great success as the transaction volume and value transacted surged by 241% and 552% respectively, which outstripped the industry average by wide margins. Supported by Kingdee KIS, merchandisers handled massive amounts of online orders on the Singles' Day with ease.



Kingdee selected as eligible stock for Shenzhen-Hong Kong Stock Connect The Group will focus on the development of ERP and Cloud ERP operations

On 4 December 2016, Kingdee International Software Group Company Limited ("Kingdee", stock code: 00268.HK) announced that the Company was selected as an eligible stock for the Shenzhen-Hong Kong Stock Connect, a mutual market access program of the Hong Kong and Shenzhen stock markets. This highlights that the Group's investment value is widely recognized by the market. Mr. Robert Xu, Chairman of the Board of Kingdee, commented, "Kingdee has cultivated the ERP market for more than two decades and gained remarkable technological and management leadership in the market. Our Cloud ERP business has grown rapidly and commands the largest share in China's market. On top of that, the Group has retained the largest share in the SME application software market for twelve consecutive years. Nevertheless, Kingdee has been undervalued for a long time. The selection of Kingdee as the eligible stock for Shenzhen-Hong Kong Stock Connect will provide us a convenient channel to attract Mainland funds. It helps us to further unleash our potential value and deliver reasonable returns to long-term investors."

Guanyi Cloud won 2016 Annual Award for Outstanding E-Commerce Services



The Ebrun Future Retail Convention in Guangzhou culminated with the ceremony of presenting Annual Awards for Outstanding E-commerce Services on 21 December. Both Kingdee's Guanyi Cloud and KIS flagship version received awards and drew wide attention from the industry and media. Since its establishment in 2008, Guanyi Cloud has gained increasing popularity and achieved continuous improvement in operating results. It currently commands a substantial share in China's E-commerce software market and serves more than 20,000 well-known E-commerce clients. During the "Singles' Day"

(11 November) period, Guanyi Cloud dispatched service teams to clients' offices to ensure the stability of their systems to enable fulfilment of customers' orders with zero omission, zero mistake and zero failure throughout the entire process. As a result, it was highly lauded by clients and successfully handled a record transaction volume of 133 million orders with aggregate gross merchandise value of RMB21.3 billion. Meanwhile, Kingdee KIS flagship version received the award as well. Both products have become stellar products for Kingdee. Currently, there are 5 million users using the comprehensive line of Kingdee's KIS products. The Group's reliable, powerful Cloud services make them stand out amongst their peers.

Kingdee Jingdou Cloud 2.0: 3 innovations to help micro and small enterprises transform towards Cloud business

(22 December 2016, Guangzhou, China) Kingdee launched new Jingdou Cloud 2.0 strategy in Guangzhou. In order to capture the latest retail trends, the Group leverages Jingdou Cloud in tandem with Guanyi Cloud to further expand Cloud services for micro and small enterprises, enabling them to implement integrated online and offline Cloud management. Through three innovations (new

retail, new finance, new experience), it help micro and small enterprises overcome the difficulties arising from "pure E-commerce" or "pure offline" operations and to transform towards Internet services with ease.



Selected New Contracts Signed in Q4

Customer Name	Products	Industry/Sector
Shenzhen Yantian Port Group Co., Ltd.	EAS	Transportation
Tianan Cyber Park Group Co., Ltd.	EAS	Construction & Real Estate
Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd.	EAS	Conglomerate
Shanghai Zendai Investment Management Co., Ltd.	EAS	Utilities
Ningbo Tiansheng Farming And Animal Husbandry Limited	Cloud ERP	Agriculture
Joyou Group Building Materials Co., Ltd.	Cloud ERP	Manufacturing
Shandong Hualing Electronics Co., Ltd.	K/3 CLOUD	Others
Qingdao Haijing Chemical Group Co., Ltd.	K/3 CLOUD	Manufacturing
Zhongshan AE Machinery Co., Ltd.	K/3 WISE	Manufacturing

Analyst Reports

Time	Institutions	Rating	Target Price
December 2016	Oriental Patron	Buy	HKD4.00
October 2016	Macquarie	Outperform	HKD3.70
October 2016	CICC	Recommend	HKD4.00

Investor Conference Calendar

Time	Organizer	Venue
12 October 2016	Guosen Securities – Investor Conference	Shenzhen
18-19 October 2016	Macquarie 2016 Greater China Corporate Day	London
1 November 2016	Citi China Investor Conference	Shenzhen
2-3 November 2016	CICC Investment Forum 2016	Beijing
8 November 2016	Daiwa Investment Conference	Hong Kong
10 November 2016	Gelonghui Hong Kong Stocks Investment Summit	Shanghai
14-15 November 2016	J.P. Morgan Global TMT Conference	Hong Kong
16-18 November 2016	Morgan Stanley's Fifteenth Annual Asia Pacific Summit	Singapore
23 November 2016	Guoyuan Securities – Investor Conference	Shenzhen
24-25 November 2016	Shenwan Hongyuan Annual Strategy Conference 2017: Investment for 2020	Beijing
30 November 2016	CICC Hong Kong Investment Forum 2016	Shanghai
6 December 2016	China Technology Conference in Hong Kong	Hong Kong
7-8 December 2016	HTSC 2017 Investment Forum: “Adaptable to Changes Arising from North-South Connect”	Shenzhen
21 December 2016	Guosen Securities – 2017 Strategy Conference	Shenzhen

(0268.HK) Information

Closing Price (18/01/2017)	HKD 3.06
52 Wk Range	HKD 2.320 - 3.550
Market Cap	HKD 8.76 Billion
Shares Outstanding	2.94Billion Shares
Listing Date (Main Board)	20/07/2005

2016 Interim Results Review

Revenue (RMB' mil)	913.2	% of Turnover
-ERP business	718.29	78.66%
-Cloud services business	194.91	21.34%
Gross Profit Margin	79.3%	
R&D Costs of Total Revenue	16.07%	
Net Profit	134.83	
Cash and Cash Equivalents	1,165.14	

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