



金蝶國際軟件集團有限公司

Kingdee International Software Group Company Limited

268.HK

2Q 2019
Kingdee Newsletter

Summary of Operating Activities during the Period

Kingdee Teamed up with Yiyang Government and Huawei to Build a National-Level Industrial Internet Platform to Promote Industrial Upgrade



On 3 April 2019, the Yiyang Municipal People's Government in Hunan Province, Huawei and Kingdee signed a strategic cooperation agreement at the 2019 New Smart City Summit (Yiyang) for joint development of Yiyang Industrial Internet application platform. The three parties will exert their respective advantages to build a nationallevel Yiyang Industrial Internet platform, to promote Cloud and platform adoption by Yiyang enterprises, thereby driving the development of the city's digital economy and the optimization and upgrading of its industrial structure.

Key News Briefing

- Robert Xu: Industrial Internet creates huge opportunities in the next decade
- Kingdee was included in the top 10 of ACCA's list of China's Next 100 Giants
- IDC Report: Kingdee CloudHub Took Top Spot in Booming SaaS Collaboration Market

Stock Information (By 28/06/2019)

Closing Price	HKD 8.45
Shares Outstanding	3.311 Billion
Market Cap	HKD 28.001 Billion
52 Week Range	HKD 5.50-11.34
Listing Date	20/07/2005

Company Information

Company Website:

<http://www.kingdee.com.hk/>

Scan QR code below for more information:

WeChat Official Account WeChat Service



Contact Us

Kingdee International Software Group Co., Ltd.

Fredrick Law(Director)

Email: fredrick_law@kingdee.com

Summer Gan (Director)

Email: summer_gan@kingdee.com

Yoriko Huang (Manager)

Email: yanni_huang@kingdee.com

PRChina Limited

Rachel Kwok/David Shiu/Aggie Fang

Email: kingdee@prchina.com.hk

Tel: +852 2522 1838

Summary of Operating Activities during the Period

Kingdee Strengthened Cooperation with Xinren Xinshi: Provide Digital Solutions to Micro, Small and Medium-sized Enterprises



On 12 April, the 2019 Strategic Development Conference of Xinren Xinshi and Kingdee featuring the theme of “Beyond Connection, Fusion and Symbiosis” was held in Beijing. The cooperation between both companies was reinforced after Kingdee’s investment in Xinren Xinshi last year. Lin Bo, the CFO of Kingdee, and Chang Xinglong, the CEO of Xinren Xinshi, attended the conference.

At this conference, Xinren Xinshi officially launched Haotian System. It is mainly a data-driven system that integrates with financial management system and provides a collaborative work environment, thereby breaking through the limitations of traditional human resources system. This conference also marked the first public occasion for joint product launch of Kingdee’s Cloud product and Xinren Xinshi after the latter had received strategic investment from Kingdee. Both sides have worked closely with each other to provide more comprehensive Cloud services to enterprises. In the future, Kingdee will continue to leverage its strengths in market development and distribution channels to help Xinren Xinshi expand its businesses.

Lin Bo Was Named One of China’s Top10 CFO of the Year 2018

On 26 April 2019, the 14th China CFO Conference and CFO of the Year 2018 Awards Presentation Ceremony was held in Beijing. It was organized by New Financial Magazine, the Ministry of Finance. Lin Bo, the executive director, CFO and the vice president of Kingdee was named one of China’s Top 10 CFO of the Year 2018.

As the CFO of Kingdee, Lin Bo has rich experience in strategic planning, operation management, financial management and investment. In order to fully implement Kingdee’s transformation towards Cloud business, Lin Bo took the lead to complete various strategic plans for the expansion of Kingdee Cloud businesses, including the investments in Xinren Xinshi and FXiaoKe.



He also introduced Dasouche as its strategic investor, which laid a solid foundation for Kingdee’s transformation towards Cloud business. In 2018, Kingdee achieved revenue growth of 21.9% year-on-year, with revenue from Kingdee Cloud business surged 49.5% year-on-year.

Summary of Operating Activities during the Period

Kingdee Took Part in the 2nd “Digital China Summit”, Gaining Wide Attention to Its Platform for Large Enterprises’ Digital Transformation



On 6 May, the 2nd Digital China Summit with the theme of "creating new applications with information technology, promoting new developments with new applications and developing new drivers with new developments" was held in Fuzhou. As a well-known Cloud service provider in China, Kingdee was invited by the organizers to display its latest application solutions at the summit, such as "Kingdee Cloud Cosmic", "Kingdee Industrial Internet Platform" and "Digital Factory". They manifest the new tr-

-end of digital transformation undertaken by the government and enterprises in the age of digital economy.

Up to now, Kingdee Cloud Cosmic has established strategic partnerships with various large conglomerates, including Wen's Group, Huawei, C&D Corporation, PetroChina International, Shenzhen Yuanzhi Investment, Ecolovo Group, Wintop. In the next decade, medium and large-sized enterprises will use Cloud-native platform to reconstruct their own systems, and Kingdee Cloud Cosmic will continue to take the lead and support the digital transformation of large enterprises.

Guests from China Info 100 gathered together at Kingdee’s headquarters to exchange views on future development of Industrial Internet

On 10 May, while spring was in the air, many guests from China Info 100 gathered together at Shenzhen Kingdee Software Park S to freely exchange their unique views on the current hottest topic of “Industrial Internet”

Robert Xu, the founder and chairman of Kingdee, delivered a welcome speech that the Company had persistently proceeded with Cloud transformation in recent years, which enabled it to ride the wave of Industrial Internet boom. Industrial Internet creates huge opportunities for the development of IT industry, and a major opportunity for the transformation and upgrading of traditional industries and enterprises. Kingdee not only provides the back-end software for enterprise supply chain, but also expands into the business management field. He believes that Kingdee will excel in the era of Industrial Internet.



Summary of Operating Activities during the Period

Kingdee smashed things symbolizing 7 major shortcomings of traditional IT and expanded into Industrial Internet services



On 11 May, the first Kingdee Cloud Cosmic Summit was opened in Shenzhen. Robert Xu, the founder and chairman of Kingdee, lifted a hammer and smashed a giant "cocoon" symbolizing the inertia of business operators. This is the sixth time since 2014 that Kingdee has smashed personal computers, servers and the likes in order to demonstrate its determination to destroy the constraints

of traditional management and to establish a new order.

"Kingdee is going to smash the bondage of business operators' thought. With an open and ecological concept, we will help enterprises to reach out to customers directly, to fully implement the digitalization and industrial platform, to connect with their upstream and downstream enterprises, and to form a digital symbiosis," said Robert Xu. He stressed at the summit, "The next decade will see the age of Industrial Internet. The essence of Industrial Internet is not Internet, but the physical industries; the essence of physical industries is not enterprises, but the industrial value chains; the essence of the industrial value chains are not their possession, but their links."

Robert Xu: Industrial Internet creates huge opportunities in the next decade

On 11 May, the "First Kingdee Cloud Cosmic Summit" was held in Shenzhen Kingdee Software Park. At the meeting, Robert Xu, the founder and chairman of Kingdee, delivered a keynote speech entitled "The Road to Digital Leaders in the Industrial Internet Era", highlighting that the Industrial Internet undoubtedly creates huge opportunities in the next decade. He believed that new technologies such as Internet, Big Data and artificial intelligence will profoundly reshape the industrial value chain of traditional industries and the core competence of each enterprise. At the same time, he believed that the Industrial Internet does not simply mean "industry + Internet", but "industry × Internet".



Summary of Operating Activities during the Period

Kingdee was included in the top 10 of ACCA's list of China's Next 100 Giants



The Association of Chartered Certified Accountants ("ACCA") has recently held its 2019 South China Summit in Guangzhou. During the summit, the list of "China's Next 100 Giants" (hereinafter referred to as "the list") was announced with an aim to identify a new generation of Chinese private enterprises with great development potential. The top 10 in the list are Changfei Fiber, Sophia, Kuka Home, Dazui Laser, Huatian Technology, Sina Weibo, Xinwei Communi-

-cation, Livzon Medicine, Kingdee International, Yonyou and Juneyao Airlines (tied for the tenth). It's noteworthy that nearly half of the companies in the top 10 came from Guangdong. Communication, Livzon Medicine, Kingdee International, Yonyou and Juneyao Airlines (tied for the tenth). It's noteworthy that nearly half of the companies in the top 10 came from Guangdong.

As the leader of the Chinese enterprise Cloud service market, Kingdee was included in the top 10 mainly attributable to its continuous transformation and innovation. "Transformation is a norm, and new technologies bring about tremendous changes in financial management. The core concept of our financial management is to make use of "unmanned accounting system to help everyone to manage finance." Its primary goal is to shift from management to empowerment, the empowerment of every individual.

Robert Xu donated RMB45 million to his alma mater, Southeast University



While the Southeast University celebrated the 117th anniversary of its establishment, Robert Xu, the founder and chairman of Kingdee, announced that he would donate RMB45 million to his alma mater. According to the donation agreement, the proceeds of RMB45 million would mainly be used to finance the construction of a complex in the Southeast University, which would be named "Youth Building".

Robert Xu is an outstanding alumnus who graduated from the Department of Computer Science and Engineering at the Southeast University (formerly Nanjing Institute of Technology) in 1979. Under his leadership, Kingdee International Software Group, became the first Hong Kong-listed software company and the largest enterprise Cloud service company in China. Robert Xu feels that his study experience at the alma mater is a very valuable asset to him. He has always been deeply grateful to his alma mater. In order to give back to his alma mater and to cheer for his junior fellows, Robert Xu made the aforementioned donation.

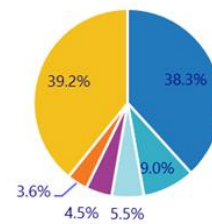
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IDC Report: Kingdee CloudHub Took Top Spot in Booming SaaS Collaboration Market

On 10 June, IDC, a world-renowned information technology advisory service provider, released the latest China Corporate Team Collaboration Software Market Tracking Report for the Second Half of 2018. The report shows that the number of Chinese enterprises using SaaS collaboration software grew at a compound annual growth rate of 35.3%, which is much higher than those using the traditional deployment model. By 2023, the market share of SaaS-based enterprise team collaboration software is



2018下半年中国企业团队协同软件市场厂商
份额 - SaaS部署模式



Source: IDC 2019

expected to rise to 31.8%. At present, Kingdee CloudHub is the leading brand of Chinese corporate team collaborative SaaS software market. It ranks first with a market share of 38.3%, surpassing the sum of the second to fifth-ranking companies combined. According to the Chinese SaaS Sales (Software and Services) by Vendor for the First Half of 2018 released by IDC, Kingdee outranked Microsoft, SAP and other domestic and foreign manufacturers and remained the largest SaaS vendor in China, which showed that Kingdee's stepped efforts to implement ecological Cloud transformation strategy continued to produce satisfactory results.

The First Consumer Finance Firm Involving Trust Company Was Officially Opened

In response to the national government's policy to stimulate domestic demand and consumption, CITIC Corporation Limited, CITIC Trust Co., Ltd. and Kingdee Software (China) Co., Ltd. officially established a joint venture known as CITIC Consumer Finance Co., Ltd., with a registered capital of RMB300 million. It is the first investment made by a Chinese trust company in domestic consumer finance company. CITIC Limited, CITIC Trust and Kingdee hold 35.1%, 34.9% and 30% interests in it respectively.

Summary of Operating Activities during the Period

Kingdee Completed the Mutual Certification of Product Compatibility with NeoKylin, Galaxy Kylin and DaMeng Database



Recently, Kingdee Cloud Cosmic enterprise management service platform and NeoKylin advanced server operating system software of China Standard Software Co., Ltd. has completed the mutual certification of each other's compatibility. The compatibility test results show that the products from both parties are compatible with each other, with good functionality and performance and stable operation.

At the same time, DaMeng Database Co., Ltd. and Kingdee jointly carried out a test which showed that Kingdee Cloud Cosmic can not only support the stable operation of the V7 version of DaMeng database management system, but can also meet its performance requirements.

In addition to Kingdee Cloud Cosmic, Kingdee EAS V8.5 is also proved to be compatible with NeoKylin desktop operating system (Feiteng Version) V4 and Galaxy Kylin server operating system (Feiteng Version) V4 products. Besides, DaMeng Database Co., Ltd. has also completed the mutual certification of product compatibility of Kingdee EAS V8.5 and DaMeng database management system V7. These certification results indicate that the products from both parties are compatible with each other.

Kingdee Made Its Debut in China International Software Expo, focusing on the introduction of its Industrial Internet services

On 28 June, the 23rd China International Software Exposition (hereinafter referred to as Software Expo) with the theme of "Integration with the Internet World to Drive the Digital Future" was grandly held at the Beijing Exhibition Center. Representatives from the Ministry of Industry and Information Technology, the Beijing Municipal Government and other leading enterprises such as Baidu, Ping An, Ant Financial and Kingdee gathered together to exchange view on software innovation, software culture, software cooperation and software economy. Kingdee presented its "stellar products" for digital transformation such as Kingdee Cloud Cosmic, Kingdee Cloud Galaxy and Kingdee Apusic Cloud at the Software Expo, showcasing the best practices of Industrial Internet for the government and enterprises.



Selected New Contracts Signed in Q2



Customers	Products	Industry
Shenzhen Zhongjin Lingnan Non-Ferrous Metal Co., Ltd.	EAS	Manufacturing
Chow Tai Fook Jewellery (Shenzhen) Co., Ltd.	EAS	Jewelry
Anhui Lite Array Co., Ltd.	EAS	Manufacturing
Panasonic Avc Networks Xiamen Co., Ltd.	EAS	Manufacturing
Shanghai Federation of Trade Unions	EAS	Public Utility
Foreign Language Teaching and Research Press Co., Ltd.	Kingdee Cloud Galaxy	Media & Publication
Gwave Technology (Changzhou) Co., Ltd.	Kingdee Cloud Galaxy	IT
Beijing Biosishealing Co., Ltd.	Kingdee Cloud Galaxy	Biology
Chengdu Market Supervision and Administration (Jinniu District)	K/3 WISE	Public Utility

Analyst Reports

Date	Institutions	Rating	Price Target(HKD)
April 2019	SWS	Buy	12.20
April 2019	DBS	Hold	9.70
April 2019	Jefferies	Buy	12.10
April 2019	UOB	Buy	10.70 - 11.35
April 2019	BANL	Buy	12.00
April 2019	China Securities	Buy	12.47
May 2019	Macquarie	Outperform	11.40
May 2019	Nomura	Neutral	10.80
May 2019	Guoyuan Securities	Neutral	8.60
May 2019	Huatai Securities	Buy	10.80
June 2019	Macquarie	Outperform	11.40
June 2019	Korea Hana	Buy	10.48

Investor Conference Calendar



Date	Event	Location
4-8 April 2019	Haitong Securities Roadshow	Shanghai
10 April 2019	UBS Investment Conference	Hong Kong
12 April 2019	Kingdee Cloud Cosmic Event	Shanghai
17 April 2019	Kingdee Cloud Cosmic Event	Chengdu
22-23 April 2019	Merrill Lynch Roadshow	Singapore
23 April 2019	Industrial Securities Investment Conference	Shenzhen
23 April 2019	Guosen Securities Investment Conference	Shanghai
8 May 2019	JP. Morgan Investment Conference	Beijing
8 May 2019	Founder Securities Investment Conference	Shenzhen
8 May 2019	Shenwan Hongyuan Securities Investment Conference	Xiamen
14-15 May 2019	CLSA Investment Conference	Qingdao
15 May 2019	HSBC Investment Conference	Shenzhen
16 May 2019	Macquarie Securities Investment Conference	Hong Kong
17 May 2019	CICC Investment Conference	Shenzhen
22 May 2019	Huatai Securities Investment Conference	Shanghai
23 May 2019	Goldman Sachs Investment Conference	Hong Kong
27-29 May 2019	Nomura Investment Conference	Singapore

Investor Conference Calendar



Date	Event	Location
28 May 2019	Merrill Lynch Investment Conference	Shenzhen
30-31 May 2019	Morgan Stanley Investment Conference	Beijing
4 June 2019	DBS Investment Conference	Hong Kong
10 June 2019	Daiwa Investment Conference	Hong Kong
13 June 2019	Fidelity International Global Fund Managers Research	Shenzhen
19 June 2019	ICBC Investment Conference	Hong Kong
20 June 2019	Everbright Securities Investment Conference	Shenzhen
20 June 2019	Cathay Securities Investment Conference	Taipei
21 June 2019	CICC Investment Conference	Shanghai
25 June 2019	Founder Securities Investment Conference	Beijing
27 June 2019	Essence Securities Investment Conference	Shenzhen

2018 Interim Results Review

Revenue (RMB' mil)	2,809	+21.9% Y-O-Y	% of Turnover
- ERP business	1,959	+12.9% Y-O-Y	70%
- Cloud services business	849	+49.5% Y-O-Y	30%
Gross Profit Margin	81.70%		
R&D Costs of Total Revenue	14.40%		
Net Profit	412		
Basic Earnings Per Share	RMB 13.19 cents		
Cash and Cash Equivalents	1,453		