



Kingdee IR Newsletter

Summary of Operating Activities during the Period

Revenue from Cloud Services Significantly Increased 80.1% Leading China's Enterprise Mobile Internet Market

(16 March 2016, Hong Kong) Kingdee International Software Group Company Limited (“Kingdee” or “Group”, Stock Code: 00268.HK, Stock Code: 00268.HK) today announced its audited annual results for the twelve months ended 31 December 2015 (the “Reporting Period”). During the reporting period, the total revenue was RMB1,586,224,000, an increase of 2.6% year-on-year. Revenue generated from Cloud services increased significantly by 80.1% year-on-year to RMB190,974,000, which made up 12% of total revenue. During the reporting period, the Group increased its investment in the Mobile Internet transformation and achieved rapid growth in the mobile platform and Cloud ERP business.

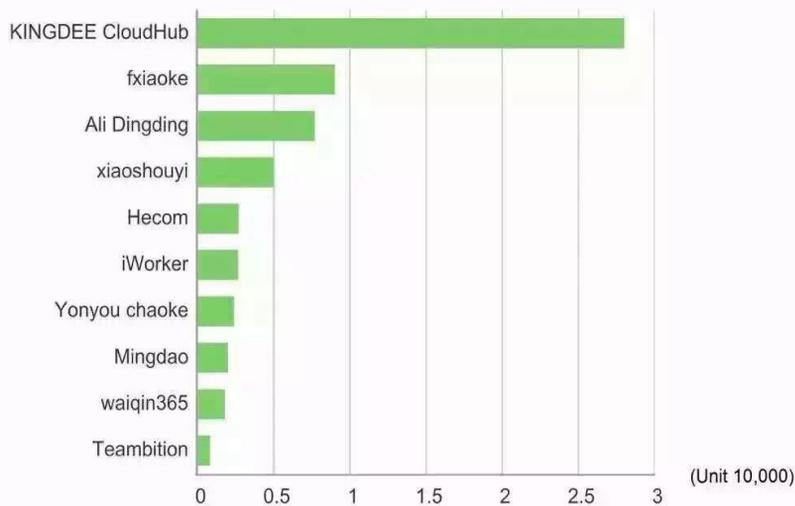


IDC: Kingdee CloudHub ranks No.1 in China Mobile-Office Market

According to the “IDC China Social Mobile-Office Software Market Tracker 2015 Report”, as of the end of 2015, the amount of registered individual users in China’s social mobile-office software market reached 83 million, and enterprise users reached 6 million. In the large enterprise market (with more than 1,000 employees), Kingdee CloudHub ranked No.1 with 28,000 enterprise users among many well-known enterprises, such as Haier, Vanke, Letv, Yili and ANTA. CloudHub product can seamlessly connect with Kingdee’s own ERP system, as well as access into many third-party enterprise-class applications, such as Kingsoft WPS Office and Coremail email system, through an open platform. CloudHub wins recognition and trust of large enterprise clients by providing good mobile-Internet product experiences and more professional enterprise-class product base and business setting designs.



China Social Mobile-office Software Market, 2015 -
Number of Large-scale Enterprise Customer by Vendor



Source : IDC Social Mobile-office Software Research, 2015

Kingdee EAS awarded the "Outstanding Product of Shenzhen"

Kingdee EAS was named in the 2015 “Outstanding Product of Shenzhen” in a ranking organized by the Shenzhen Computer Industry Association. As an ERP provider serving big and medium-sized enterprises and 13 years since its debut, Kingdee EAS has garnered a wide range of prestigious clients across China. Having introduced the “ERP+” concept, Kingdee EAS is also the ERP for the Internet era. It supports operations and management upgrades for enterprises in the aspects of connection, analytics and innovation.

Kingdee Holds Channel Partners Conference and Builds Win-Win Relationships in Trillion-scale Market

On 21-22 January, Kingdee Group 2016 Channel Partners Conference was held in Chengdu. More than 500 partner enterprises attended the conference. With "Comprehensive Upgrade, Growth with Innovation" as the theme of conference, Xu Shaochun, the Founder and CEO of Kingdee Group said, "Kingdee has entered into a new stage of development driven by Cloud ERP in the coming year. Kingdee will strengthen the medium-high-end market and integrate small and micro enterprise Cloud services and financial data. We will also build a mobile office platform accessed through CloudHub. We will complete the overall layout of the ecosystem, develop strong partnerships and work together to expand the trillion-scale enterprise mobile Internet services market.



Kingdee Youshang.com Names "Best Financial Cloud Services Platform for Small and Micro Businesses in 2015"

By the end of 2015, the number of enterprise subscribers to Youshang.com exceeded 1 million and the total number of users exceeded 4 million. According to Kingdee 2015 interim report, in the first half of 2015, the revenue of online SaaS services of Youshang.com grew more than 70% YoY with the number of registered users increasing by over 40% YoY while the renewal rate of paid users maintained above 75%. National Information Industry Public Service Platform "Innovation Wins the Future" annual competition committee member and vice chief editor of "The Internet Economy" Bai Yun said: 'It is not easy to develop SaaS in the past 8-years. Leveraging on the most sensitive sector - finance, Youshang.com had garnered more than 1 million enterprise users and found the model for SaaS enterprise application in China. This product has made outstanding contribution for the finance interconnection of informatization for small micro enterprise.

Kingdee EAS help Vipshop, the biggest specialty retail e-commerce platform in the world, to establish an information management platform

Vipshop, the biggest specialty retail e-commerce platform in the world, has recently announced its FY2015 annual results (year ended 31 December 2015). The results demonstrated that Vipshop made e-commerce history once again by making profit for 13 consecutive quarters and achieving a total net revenue of RMB40.2 billion, increasing 74% year-on-year. To meet the demand of information management in the “ERP Service Platform” of Vipshop, Kingdee EAS conducted research of their information system and provided an information planning and construction proposal, which aims to establish an ERP service platform for Vipshop to support a efficient management of procurement, asset management, contracts and business process. Kingdee EAS can assist Vipshop in creating a platform that can connect data silos, information silos and application silos among the business systems, so as to deliver, share and transfer information among different systems. The platform will ultimately be an information management and working platform that improves internal management efficiency and provides service support to business development.

Kingdee K / 3 WISE "Internet + Smart Factory" Forum shines in Guangzhou

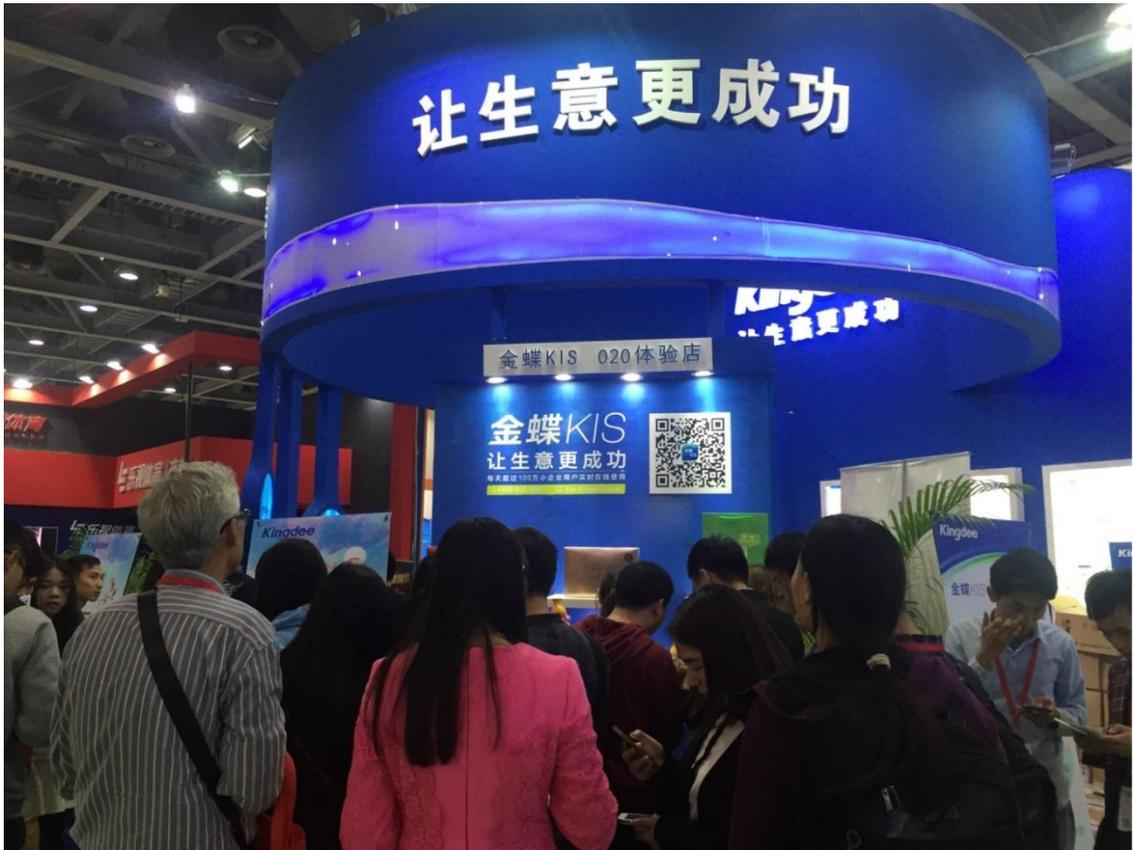
The Kingdee K / 3 WISE "Internet + Smart Factory" Best Practices Forum was held on 17 March 2016 in Mandarin Oriental, Guangzhou. Mr. Lin Feng, Senior Vice President of Kingdee said, "Kingdee partnered with Advantech to build smart factories in response to businesses' development needs. As the economy of China continues to develop and increasing consumer demand for personalized products, our manufacturers will further increase flexibility to meet customer needs. We have to find a way to connect customers effectively and promote intelligence upgrading and innovation." Some of the Guests commented, " Internet + Smart Factory is a way to use the Internet to update the enterprise management philosophy and to change the traditional concepts of business operations. The introduction of Industrial Intelligent Technology innovates the company's production methodology. The integration with Kingdee K / 3 WISE Smart Factory has brought significant room for imagination."

Kingdee Flagship KIS products join IEBE 2016

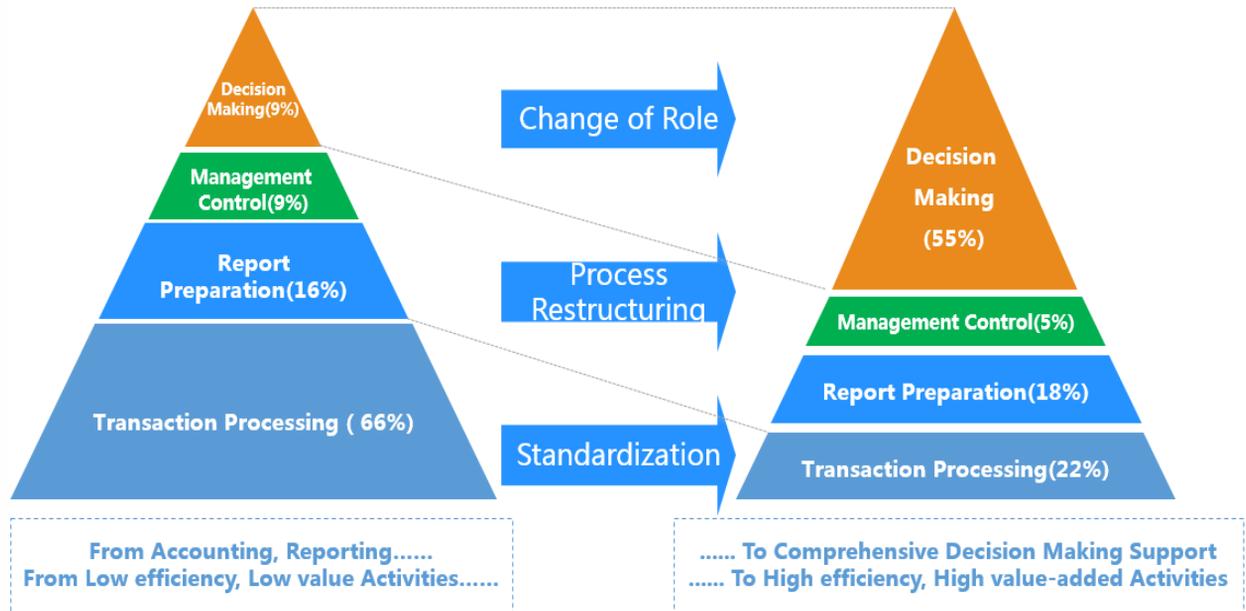
Organized by Guangdong E-business Association, the “International E-business Expo, IEBE” is currently the largest professional exhibition for e-commerce. It aims to build up a business ecosystem, as well as a communication and cooperation platform to help traditional enterprises understand all aspects of e-commerce and identify related e-commerce business partners. Guangzhou Kingdee Qisi brought Kingdee Flagship KIS products to the IEBE. The director of KIS product lines conducted a presentation on “The O2O transformation and upgrading of traditional businesses”. Kingdee also set up a micro-mall experience booth and product demonstration booth, where participants can experience convenient and efficient mobile marketing collaboration platform of KIS and ultimately understand how Kingdee Flagship KIS provides one-stop IT solutions for the O2O upgrading of small and medium enterprises.

Kingdee recognised as “The Most Valuable E-Commerce Service Organisation 2015” at IEBE 2016

International E-Business Expo (IEBE) 2016 (Guangzhou) was held on 30 March 2016. Kingdee’s Flagship KIS products were displayed during the Mobile Internet and Application Exhibition. The IEBE E-commerce Dinner and Awards Ceremony brought awarded Kingdee as the title of the “Most Valuable E-Commerce Service Organization 2015”.

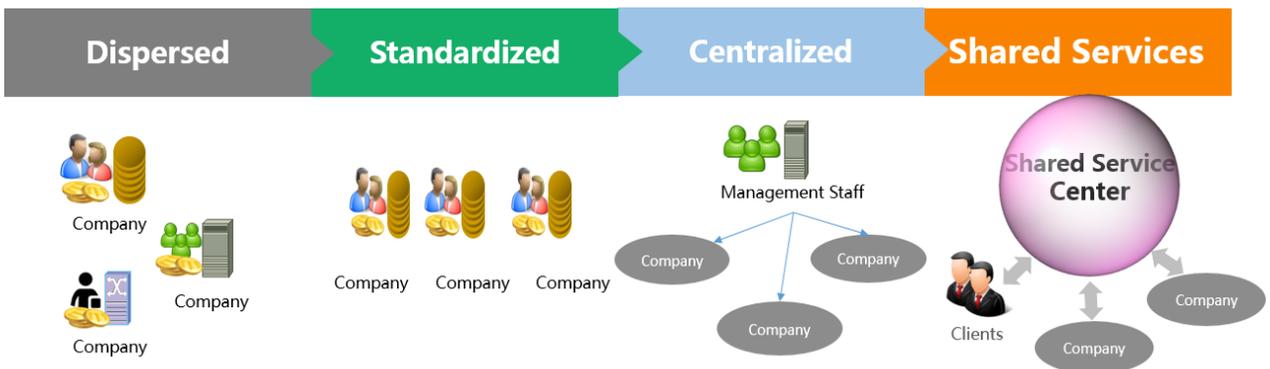


Change in Financial Management Function: From “Accountant” to “Consultant”



The Shared Services Model originates from the management practices of the world’s top 500 enterprises in the 1980s. The organization structure was dispersed but the management increasingly intensified. Financial Shared Service is the most notable management system in terms of saving costs, improving efficiency and service standards. At the same time, it boosts the development of core businesses and accelerates the standardization process. It helps enterprises to facilitate business expansion, acquisitions and diversification.

Financial Management: From Centralized to Shared Services



- ↪ Independent operations of subsidiaries with different processes within one Group.
- ↪ Separated financial officers without uniform information system.
- ↪ A set of unified and standardized processes designed and monitored by the Group.
- ↪ Each company's systems and processes remain separated.
- ↪ Centralized management of financial officers. Staffs are assigned responsibility for the financial management of multiple companies.
- ↪ Not service oriented, no service standards agreement and no performance targets.
- ↪ Providing financial services. Treating subsidiaries as internal clients and providing services for external customers.
- ↪ Development of service standards agreement and performance targets. Seeking for excellence, efficiency and satisfaction.
- ↪ Processes, as well as staff and responsibilities, are more diverse and specialized.

Financial Management: From Centralized to Shared Services

Financial Shared Service aims to shift standardized and repetitive financial processes of different business units from individual financial departments to a shared service center. This will enable each department to focus on high value added works and support the effective implementation of the group's strategy.

Kingdee started practicing Financial Shared Service since 2009 and have helped more than 30 enterprises to establish shared service centers, accumulating extensive applicable experience in the industry. Kingdee can help shorten the implementation cycle and reduce risk due to the instability of organization and personnel arrangement.

The Shared Services platform is used for receiving tasks from each business unit and passing these tasks to staff according to assignment rules. It also provides monitoring services for management to understand the distribution of tasks, processing quality and their timing rate. The Shared Services platform is the core management tool of shared services.

The Achievements of Kingdee Financial Shared Service center

- ☁ **Supporting the company's strategy:** The solution helps to establish the capabilities of rapid replication and support rapid corporate growth and expansion. It also enhances the Group's overall management efforts and lays a solid foundation for the effective implementation of the group's strategy.
- ☁ **Promoting financial transformation:** Implementing shared services will drive both the strategic financial and operational financial transformation. Staff is transferred from systematic finance to operational finance, involving them in the entire business management lifecycle. They have become trusted financial partners.
- ☁ **Improving financial efficiency:** The solution helps to achieve the informatization for over 90% of the routine work. The reimbursement process has been accelerated from 5-7 days to within 3 days, account reporting to within 2 days and reports to be completed on the 1st day of the following month.
- ☁ **Lowering financial costs:** Basic financial processing personnel costs are lowered around 37% on average. Basic financial staff costs will be lowered from 55% to 35%. Daily costs including salaries and other fixed costs will be reduced.
- ☁ **Product case studies:** Customers are engaged for case studies analysis, providing information system planning, enhancing EAS products and improving product competitiveness. By implementing Kingdee financial shared services center, the methodology of implementing and consulting financial shared service function was formed and became a valuable case study of Kingdee shared services.

Selected New Contracts Signed in Q1

Customers	Products	Industry / Sector
ANTA Sports (China) Products Limited	EAS	Manufacturing
ChangCheng Property Group Co. , Ltd	EAS	Construction & Real Estate
CRRC Corporation Limited	EAS	Manufacturing
Best Character Automobile	CloudHub	Conglomerate
Bao He Tang (Jiaozuo) Pharmaceutical Co., Ltd	K/3 WISE	Manufacturing
Bureau of Land and Resources, Shilin Yi Autonomous County (Yunnan Province)	K/3 WISE	Government
Midland Realty (Shenzhen) Co. Ltd.	K/3 CLOUD	Construction & Real Estate
Fujian Xinliyuan Reflective Material Co., Ltd	Cloud ERP	Manufacturing

Analyst Reports

Time	Institutions	Rating	Target Price
March, 2016	Guosen Securities	Buy	HKD3.41
March, 2016	CICC	Buy	HKD3.30
March, 2016	DBS Vickers Securities	Buy	HKD3.90
March, 2016	China Galaxy International	Buy	HKD3.16
March, 2016	Macquarie Securities Group	Outperform	HKD3.55
March, 2016	CCB International	Outperform	HKD3.08
March, 2016	Southwest Securities	Accumulate	HKD3.40

Investor Conference Calendar

Time	Venue	Event
18, 21 March, 2016	Hong Kong	2015 Post-Result Roadshow
17, March, 2016	Hong Kong	2015 Annual Result Announcement
7-8, January, 2016	Shenzhen	2016 CICC Investor Day

(0268.HK) Information

Closing Price (05/05/2016)	HKD 2.55
52 Wk Range	HKD 2.29 - 6.41
Market Cap	HKD 7.48 Billion
Shares Outstanding	2.91Billion Shares
Listing Date (Main Board)	20/07/2005

2015 Annual Results Review

Revenue (RMB' mil)	1,586.22	% of Turnover
-ERP business	1,395.25	87.96%
-Cloud services business	190.97	12.04%
Gross Profit Margin	81.5%	
R&D Costs of Total Revenue	14.8%	
Net Profit	105.77	
Cash and Cash Equivalents	1,527.61	

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