



Kingdee IR Newsletter

1Q 2018

Summary of Operating Activities during the Period

Kingdee announces 2017 annual results; revenue from Kingdee Cloud surges 87.7% Y-o-Y

(13 March 2018, Hong Kong) Kingdee International Software Group Company Limited (“Kingdee”) today announced its audited annual results for the twelve months ended 31 December 2017 (the “Period”).

During the Period, the Group’s Cloud business experienced phenomenal growth, with revenue from Cloud business growing 66.7% year-on-year, while the revenue from Kingdee Cloud surged 87.7% year-on-year. The Group’s revenue increased by 23.7% year-on-year to approximately RMB2.3 billion. The Cloud services business maintained rapid growth and generated revenue of approximately RMB570 million, representing a remarkable growth of 66.7% year-on-year and accounting for 24.7% of the Group’s total revenue. Meanwhile, the Group’s management software business maintained steady growth with its revenue increasing by 14.1% year-on-year to approximately RMB1.74 billion. The Group’s gross profit grew by 23.9% year-on-year to approximately RMB1.88 billion, while the gross profit margin reached 81.5%. The Group’s operating profit amounted to approximately RMB420 million, representing a 69.0% year-on-year growth. The net cash inflow generated from operating activities grew by 34.6% year-on-year to RMB820 million, thus showcased the Group’s operating performance continued to improve due to the Cloud business model. The board of directors proposed paying a final dividend of RMB 1.3 cents per share, with total amount of approximately RMB38.88million.



Kingdee held analyst briefing for 2017 annual results



On 14 March, Kingdee held the analyst briefing for 2017 annual results. The briefing was well-received with over 180 investors and analysts attending the meeting in person and over 350 participants joining the teleconference as well.

Kingdee forges strategic cooperation agreement with Huawei to speed up Cloud business expansion

(11 January) Kingdee International Software Group Company Limited, a leading enterprise Cloud services provider, has signed a strategic cooperation agreement with Huawei Technologies Co., Ltd (“Huawei”), a leading global information and communications technology solutions provider, in Shenzhen.



Pursuant to the agreement, both companies will carry out a multi-level and in-depth strategic cooperation for enterprises-grade services and technologies, including Cloud computing, Big Data, Internet of Things (“IoT”) and Artificial Intelligence (“AI”). The Company aims to combine their respective strengths through mutual cooperation to reinforce its leadership in the enterprise SaaS Cloud services industry and help enterprises to accelerate digitalization. This cooperation shows that Kingdee’s transformation towards Cloud services is gathering significant momentum. The signing ceremony for cooperation was attended by senior management from the two companies, including Mr. Xu Shaochun, the founder and chairman of Kingdee; Mr. Sun Yanfei, President of Kingdee China; Mr. Xu Zhijun, the rotating CEO of Huawei; and Mr. Zheng Yelai, the president of Huawei’s Cloud BU. According to the agreement, Kingdee and Huawei will cooperate in various advanced technology areas such as Cloud computing, Big Data, AI and IoT. The areas of cooperation include marketing, international expansion and talent management.

Kingdee Makes Strategic Investment in FXiaoKe

(Beijing, China) On 23 Jan, Kingdee International Software Group Company Limited (“Kingdee”) announced that the Company has made a strategic investment in FXiaoKe to become its largest single shareholder. According to a study by the Mobile Informatization Research Centre (“MIRC”), total revenue from Cloud-based CRM in China exceeded RMB1 billion for the first time in 2017 and is expected to increase by 41.7% year-on-year in 2018. FXiaoKe has long been recognized in the CRM market as a market leader. Kingdee made the strategic investment in FXiaoKe as it remains very optimistic about the prospects of China’s CRM market and is highly confident in FXiaoKe’s market leadership, product innovation capabilities and management team.



Mr. Xu Shaochun, the founder and chairman of Kingdee, said, “The strategic investment in FXiaoKe will enable us to strengthen the offerings for our Cloud-based CRM services and offer more comprehensive solutions to enterprises to help them implement digitalization. By combining our respective strengths, both companies can create more values to customers. We selected FXiaoKe as our partner because of its industry leading position, strong innovation and execution capabilities. Going forward, we will lend full support to its independent development.”

Kingdee forges a strong alliance with JD.com, the brand new Zhihuiji brought new experience to individual smart stores

On 5 February 2018, Kingdee's Zhihuiji forged a closer partnership with JD Cloud and JD New Path to jointly provide individual businesses and new startups with fully upgraded Zhihuiji procurement-sales-inventory management system. This strong alliance in the industry will drive the transformation and business upgrade of traditional retail industry.

Kingdee forges a strong alliance with JD.com, the brand new Zhihuiji brought new experience to individual smart stores (Cont'd)

The upgraded version of Zhihuiji system integrates the respective strengths of the three parties. While JD New Path can take advantage of the unique features of Zhihuiji procurement-sales-inventory management system to improve the operating capability of JD.com's convenience stores; As the Cloud services provider in the alliance, JD Cloud can further strengthen its competitive edges in retailing, logistics and commercial stores management. Through the cooperation with



JD New Path, the new edition of Zhihuiji system combine the procurement, sales and inventory management system. The outstanding computing capability of JD Cloud will improve the speed and stability of Zhihuiji system and further enhance the intelligence level and user experience.

Kingdee Presented the 2017 Most Valuable TMT Stock Award at Golden Hong Kong Stock Awards Presentation Ceremony



On 19 January, Kingdee was presented the 2017 Most Valuable TMT Stock Award at Golden Hong Kong Stock Awards Presentation Ceremony. The Most Valuable TMT Stock Award is aimed at recognizing the fastest-growing TMT stocks listed in Hong Kong which are highly regarded by capital market and have enormous growth potential. The presentation of this award to Kingdee showcases that the market players and investors attach great importance to TMT sector. Moreover, it is not only a great inspiration, but also driving force to Kingdee.

Kingdee achieves excellent results as it takes advantage of favourable policies to promote the concept of common destiny with partners

On 22 January, Kingdee held 2018 National Partners' Conference in Jiaxing City, a revolutionary historical site for the CPC. Thousands of the owners of its business partners gathered together to exchange views on utilizing Cloud technology to drive transformation. The conference highlighted the theme of "Become Great: New Era, New Model, New Kingdee". Robert Xu, the founder and Chairman of the Board of Kingdee, said that China set off on its journey to becoming great in the city, so do Kingdee. The Company will accelerate the development of Cloud business and seize a larger market share of enterprise Cloud market. It will promote the concept of common destiny with its partners, work together with them for codevelopment.



China CFO 50+ Forum and the opening ceremony of Kingdee CFO Zhiliangzhi Research Institute was held in Shenzhen

On 23 March, the first forum on the theme of “Sharp Insight into the Future – Joint Discussion and Development of Resources Co-sharing in Finance Management” was successfully held by Kingdee CFO Zhiliangzhi Research Institute at InterContinental Shenzhen Hotel. More than 100 financial experts from different regions in China attended this private meeting. Robert Xu, the founder and chairman of Kingdee; Wei Zaisheng, the chairman of ZTE Group Finance; Sun Jia, the chief financial officer of China Vanke; Professor Xie Zhihua, the vice president of Beijing Technology and Business University; and Fu Huaquan, the vice president and chief financial officer of Hailiang Group, made a joint announcement to set up a non-profit charitable community known as the “China CFO 50+ Forum”, which consists of the top 50 chief financial officers in China with the mission of “eliminating false accounting” in the country. It has the core mission of “putting thoughts into action”. With a vision of “joint discussion and development of resources co-sharing in finance management”, they are committed to driving the innovation and development of finance management in China.



Robert Xu called for proper utilization of AI technology by enterprises at IT leaders summit

“Enterprises should not go with the flow. Not every enterprise needs to utilize AI technology. It should be applied to their core businesses,” said Robert Xu, the founder of Kingdee, while addressing the audience of the summit on business applications of AI technology. No matter how sophisticated AI technology is, it won't replace humans.



The 2018 China (Shenzhen) IT Leaders Summit featuring the theme of “The New Era: Digitalization in China and the Future World” kicked off on 25 March 2018. Industry moguls, including Robert Xu, the founder of Kingdee; Ding Jian, Executive Committee Member of the Confederation of Digitalization in China; Tang Wenbin, the co-founder of Megvii Inc.; Zhao Feng, CTO of Haier; Huang Xiaoqing, the co-founder of CloudMinds Technologies; and Zhang Bin, CEO of Wumei Holdings, exchanged views with each other on the integration of AI technology into physical businesses.

The Live Symphony Orchestra - New Year's Concert featuring the theme of conscience and dream to celebrate Kingdee's 25th anniversary

“Without music, life would be empty.” Music is a feeling which cannot be expressed in language; eternal and classic melody always makes us joyful. On 11 March, Kingdee's Live Symphony Orchestra - New Year's Concert was held at the Shenzhen Concert Hall. Lin Daye, a famous Chinese conductor who had studied at the prestigious Hochschule fur Musik Hanns Eisler in Berlin; together with Chen Guanfu, a top 10 Chinese mezzo-soprano singer, and the Shenzhen Symphony



Orchestra delivered wonderful musical performance to nearly 1,600 Kingdee's customers. The thrilling performance led them to travel through a century of history and feel the power of “conscience and dream” which has been vigorously promoted by Kingdee over the past 25 years.

Selected New Contracts Signed in Q1

Customers	Products	Industry/Sector
Hubei Daily Media Group	EAS	Public Utility
Jointown Pharmaceutical Group Co., Ltd	EAS	Manufacturing
Shanghai Pudong Water (Group) Co., Ltd	EAS	Conglomerate
Fujian Da Feng Shou Beverage Co., Ltd	EAS	Social Services
Shenzhen Mcentury Business Management Co., Ltd	Kingdee Cloud	Conglomerate
Hubei Xiangjiang Electric Appliance Co.,Ltd.	Kingdee Cloud	Others
Amlog IC (Shanghai) Inc.	Kingdee Cloud	Manufacturing
Shanghai Kouwa Products Co., Ltd	Kingdee Cloud	Manufacturing
Bank of China Investment Management	K/3 WISE	Finance

Analyst Reports

Date	Institutions	Rating	Price Target (HKD)
Mar 2018	Founder Securities	Recommend	8.41
Mar 2018	Guotai Junan	Overweight	8.30
Mar 2018	CCB International	Outperform	8.25
Mar 2018	Everbright Securities	Buy	8.00
Mar 2018	First Shanghai Securities	Buy	7.92
Mar 2018	Nomura Securities	Buy	7.80
Mar 2018	Industrial Securities	Overweight	7.71
Mar 2018	TF Securities	Buy	7.70
Mar 2018	Jefferies	Buy	7.20
Mar 2018	Shenwan Hongyuan Securities	Buy	7.10
Mar 2018	CICC	Buy	7.00
Mar 2018	Credit Suisse	Neutral	6.90
Jan 2018	CICC	Recommend	6.10
Jan 2018	Guotai Junan	Overweight	5.28

Investor Conference Calendar

Date	Event	Location
March 21-22	Tianfeng Securities Road Show	Shanghai
March 19-20	Credit Suisse Asian Investment Conference	Hong Kong
March 14-16	2017 Annual Results Announcement Roadshow	Hong Kong
March 14	2017 Annual Results Announcement	Hong Kong
Jan 18	Essence International Seminar	Shenzhen
Jan 11-12	NDR	Beijing
Jan 10	Morgan Stanley's Investment Conference	Beijing
Jan 09	SWS Research Road Show	Shanghai
Jan 08	UBS Investment Summit	Shanghai
Jan 05	Guosen Securities Investment Summit	Shenzhen
Jan 05	Everbright Securities Investment Summit	Shanghai

(0268.HK) Information

Closing Price (03/05/2018)

HKD 7.83

52 Week Range

HKD 2.98 – 9.08

Market Cap

HKD 25.62 Billion

Shares Outstanding

3.272 Billion Shares

Listing Date (Main Board)

20/07/2005

2017 Annual Results Review

Revenue (RMB' mil)	2,303.46	% of Turnover
-ERP business	1,735.27	75.34%
-Cloud services business	568.19	24.66%
Gross Profit Margin	81.5%	
R&D Costs of Total Revenue	14.99%	
Net Profit	310.00	
Cash and Cash Equivalents	1,056.68	
Final Dividend per share	RMB 1.3 cents	

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