




Kingdee IR Newsletter

1Q 2019

Summary of Operating Activities during the Period

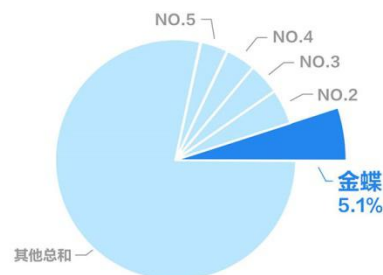
 **Kingdee announced 2018 annual results; revenue from Kingdee Cloud surged 49.5% Y-o-Y**



On 13 Mar 2019, Kingdee International Software Group Company Limited announced its annual results for the twelve months ended 31 December 2018. During the Reporting Period, the Group accelerated its efforts to promote technological innovation and achieved revenue growth of 21.9% year-on-year. As the Group made steady progress in transformation towards Cloud services and the ecosystem of its Cloud business was further strengthened, the revenue from Kingdee Cloud business surged 49.5% year-on-year. During the Reporting Period, the Group recorded total revenue of RMB 2.809 billion, representing a 21.9% year-on-year increase. The performance of Cloud services continued to improve with their revenue reached approximately RMB 849 million, up 49.5% year-on-year and accounting for 30.2% of the Group's total revenue. Management software business maintained steady development, with its revenue amounted to RMB 1.959 billion, up 12.9% year-on-year. The Group recorded gross profit of RMB 2.294 billion, up approximately 22.3% from a year ago. Its gross profit margin was approximately 81.7%. The Group recorded operating profit of approximately RMB 453 million, representing a 7.7% year-on-year growth; profit attributable to the shareholders of the Company grew by 32.9% from a year ago to RMB 412 million; net cash inflow generated from operating activities was approximately RMB 906 million, representing an increase of 9.9% year-on-year.

Kingdee retained the largest market shares of three SaaS business segments as it accelerated transformation towards Cloud services

International Data Corporation ("IDC") has recently released the latest "China Semiannual Public Cloud Services Tracker for 1H 2018". According to a chart titled "China SaaS Sales by Vendor for 1H 2018" in the report, Kingdee International Software Group ("Kingdee") outpaced Microsoft, SAP and other domestic and foreign competitors and remained the leader in China's SaaS market.



2018年上半年中国
SaaS 厂商销售收入占比

*数据来自IDC研究报告


Meanwhile, another IDC report titled "China Semiannual Enterprise-Grade SaaS ERM Application Software Market Tracker for 1H 2018" showed that Kingdee captured the largest share of domestic SaaS ERM public Cloud market with its share increasing from 14% last year to 15%. In addition, Kingdee ranked the first in SaaS financial Cloud market in the first half of 2018 and possessed 37.3% of the market share. The Company also took the top spot in overall enterprise-grade SaaS, SaaS ERM and SaaS financial Cloud service markets in 2016 and 2017.

Li Guangxue from Kingdee: Industrial Internet is a new growth engine for the Greater Bay Area

On 12-16 January, the 5th Global Shenzhen Entrepreneurs Convention was grandly held in Shenzhen. This spectacular event was co-organized by the Federation of Shenzhen Commerce and the Shenzhen General Chamber of Commerce and featured the theme of "seamless cooperation between Hong Kong and Mainland China". More than 80 business leaders, experts and scholars, including Ma Huateng, Wang Shi and Ma Weihua, gathered together to shed their insights on the development of the Greater Bay Area amid the current global economic situation.

Li Guangxue, the senior vice president of Kingdee and the president of Kingdee Golden Butterfly Cloud Computing Company, was invited to attend the forum featuring "seamless cooperation for joint development in the Greater Bay Area". He exchanged views with other participants on the future development of the Greater Bay Area. Mr. Li also had a thorough discussions with various guests such as Dai Zhikang, the chairman of Zendai Group; Wu Xian, the chairman of Wote Advanced Materials; Zhou Jinchang, the vice-chairman of Deloitte China and Lu Xianping, the president of Chipscreen Biosciences, at the "Forum on Cooperation for Greater Bay Area Development", a major event of the convention. They explored the ways to develop the Greater Bay Area into a growth engine amid the current global environment and the path to drive the economic growth of this area.




-  **Kingdee teamed up with Wen's Foodstuff Group to jointly develop a digital platform for agriculture and animal husbandry industry and helped the latter to reinforce its competence through Industrial Internet**



On 16 January, the ceremony to mark the official establishment of "Guangdong Xinnong Hulan Technology Co., Ltd." ("Xinnong Hulan") was held in Guangzhou. It is a joint venture formed by Kingdee International Software Group and Wen's Foodstuff Group, with an aim to capture tremendous opportunities arising in domestic agricultural and animal husbandry market.

While providing a digital platform for agriculture and animal husbandry industry, it will also conduct in-depth researches on breeding, supply chain and other areas. Besides, it will integrate Cloud computing, Big Data, Internet of Things, Blockchain, artificial intelligence and other technologies to offer comprehensive solutions to the agriculture and animal husbandry industry. The ceremony was attended by Robert Xu, the chairman of Kingdee, and Wen Zhifen, the chairman of Wen's Foodstuff Group.

-  **Robert Xu: The underlying essence of accounting is "truth"**



On 20 January, the annual meeting cum spring festival gala of Shenzhen Accounting Association was held in Wuzhou Hotel in Shenzhen. The event highlighted the theme of "embracing the new era, sharing the achievements of the association". Liu Yuting, former director of Accounting Department of the Ministry of Finance; Robert Xu, the president of Shenzhen Accounting Association and the chairman of Kingdee; Wang Jizhong, the executive president of Shenzhen Accounting Association; Cheng Fangqing, the invited president of Shenzhen Accounting Association; together with multitudinous members from the association attended it. They congratulated the association for achievements it made over the past year. Robert Xu, the president of Shenzhen Accounting Association and the chairman of Kingdee, was briefed on the work summary of the association for 2018 and its work plan for 2019. Then, he expressed gratitude to every members for their efforts made in the past year. Moreover, Mr. Xu delivered a speech on the "New World for Financial Management", depicting the blueprint of a new world of future financial management.



Kingdee's 2019 Partnership Conference: Accelerate transformation towards Cloud services and focus on Industrial Internet



"If we said that Consumer Internet had reshaped the operating models of retail, telecommunications and travel industries and created new value chains for them over the past decade, then Industrial Internet will usher in a new era for traditional industries," said Robert Xu, the founder and chairman of Kingdee, at the Company's 2019 National Partnership Conference on 21 January.

This event featured the theme of "accelerating transformation towards Cloud services, getting direct access to customers and helping them to succeed". Kingdee will formulate detailed plan for the Industrial Internet and create a win-win for its partners. "The essence of Industrial Internet is not Internet, but the traditional industries." Robert Xu said at the conference that the past decade saw a boom of Consumer Internet and the formation of new industrial value chains, while the next 10 years will witness the industrial value chains to be reshaped by Industrial Internet. During this process, we need to work together with partners so as to clearly understand the nature of their businesses and solve the real problems of customers.



Kingdee and Alibaba are included in the first batch of accredited Cloud service providers which passed the service capability assessment

The Information Technology Service Standards Branch of China Electronic Industry Standardization Technology Association (hereinafter referred to as ITSS Branch) announced the findings of its first Cloud service capability assessment. Kingdee Software (China) Co., Ltd. was included in the first batch of accredited enterprises which passed the SaaS service capability conformity assessment. Information Technology Service Standard ("ITSS") is a set of standards and methodologies for the provision of IT services, which are developed by ITSS' working group under the leadership and support of the Ministry of Industry and Information Technology as well as the Standardization Administration of China. The evaluation was based on the GB/T 36326-2018 ("General Requirements for Information Technology, Cloud Computing and Cloud Services Operation") and ITSS "PPTR" model (people, process, technology and resources used in the provision of IT services). It took into account the unique features of SaaS Cloud services and assessed the service providers' capability in five areas: people, operational process, technology, safety and operation management.

序号	企业名称	能力级别	证书编号
1	阿里云计算有限公司	二级	ITSS-YF-SAAS-2-330020190001
2	金蝶软件(中国)有限公司	二级	ITSS-YF-SAAS-2-440320190002
3	中国电子科技集团公司电子科学研究院	二级	ITSS-YF-SAAS-2-110020190003
4	江苏世轩科技股份有限公司	二级	ITSS-YF-SAAS-2-320020190004
5	网神信息技术(北京)股份有限公司	二级	ITSS-YF-SAAS-2-110020190005
6	中盈优创资讯科技有限公司	二级	ITSS-YF-SAAS-2-110020190006
7	北京易华录信息技术股份有限公司	三级	ITSS-YF-SAAS-3-110020190001
8	深圳市安云信息科技有限公司	三级	ITSS-YF-SAAS-3-440320190002
9	天津浩丞恒通科技有限公司	三级	ITSS-YF-SAAS-3-120020190003
10	北京卡达克数据有限公司	三级	ITSS-YF-SAAS-3-110020190004
11	南京鸣珂软件技术有限公司	三级	ITSS-YF-SAAS-3-320020190005
12	南京世轩医疗科技有限公司	三级	ITSS-YF-SAAS-3-320020190006
13	北京允睿讯通科技有限公司	三级	ITSS-YF-SAAS-3-110020190007
14	中科软科技股份有限公司	三级	ITSS-YF-SAAS-3-110020190008
15	领航动力信息系统有限公司	三级	ITSS-YF-SAAS-3-420020190009

Kingdee K/3, which was unveiled at the Conference for Thousands of China Internet of Things CEOs, reshapes the manufacturing sector with digital technology



The 2019 Conference for Thousands of China Internet of Things CEOs was grandly held in Suzhou International Jinji Lake Convention Center recently. The conference was hosted by Yang Weiqi, the secretary-general of China Internet of Things Industry Application Alliance. Jin Xiaohu, the deputy director of Suzhou Bureau of Industry and Information Technology; and Lu Yuqing, the general manager of Suzhou Branch of China Telecom, delivered brilliant speeches to the audience.

As a major partner of the event, Suzhou Branch of Kingdee Software (China) Co., Ltd. was invited to the event and delivered an inspirational speech at the "Suzhou International Industrial Internet of Things Application Seminar".

The Shenzhen Enterprises Cloud Adoption Alliance was officially established to help enterprises to solve real problems and create new growth drivers

On 19 March, the ceremony to mark the official establishment of the "Shenzhen Enterprises Cloud Adoption Alliance" jointly formed by the Federation of Shenzhen Commerce and Kingdee was held. Both parties said that they would cooperate with each other to provide integrated Cloud adoption solutions to the enterprises in Shenzhen and China and to help them save costs and enhance operating efficiency through the adoption of Cloud services.



In the past few years, many companies were puzzled by the usefulness of Cloud adoption. Therefore, the representatives from the Ministry of Industry and Information Technology, the Federation of Shenzhen Commerce, Tencent Cloud, Huawei Cloud, Han's Laser, Bliss Cake and Kingdee were invited to the event for sharing their views with nearly 1,000 business operators how Cloud technology could really help them to solve problems and to create new growth drivers. Moreover, they offered the audience the practical guides to Cloud adoption. Qiu Mei, the permanent honorary president of the Federation of Shenzhen Commerce, said, "The Shenzhen Enterprises Cloud Adoption Alliance will adhere to its mission, persist in innovation, continue to create values to Shenzhen enterprises and help them to accelerate digital transformation."

How can large enterprises adopt Cloud services? Kingdee Cloud Cosmic took the initiative to establish the Industrial Ecosystem Alliance for helping them to do so

The heyday of consumer Internet seen in the last decade is giving way to Industrial Internet. To create an ecosystem for improving their competence is of the utmost importance to enterprises. On March 20, the 2019 nationwide exhibition of Kingdee Cloud Cosmic which featured "One Cloud Platform to Accommodate Three Cloud Service Models and Industrial Symbiosis" was kicked off in Guangzhou.



During the event, various conglomerates and business associations, including Kingdee, Huawei Cloud, Wens Foodstuff Group, C&D Corporaion, SZ Capital, China Unicom, the CIO Association of Guangdong, the ACCA and KPMG, jointly announced the establishment of the "Ecosystem Alliance for Kingdee Cloud Cosmic". The alliance is aimed to strengthen the cooperation among market players and to build an ecosystem alliance based on industrial leaders, thereby helping more large enterprises to adopt Cloud services. How can large enterprises adopt Cloud services? Sun Yanfei, the president of Kingdee China, believed that in the face of competition in high dimensions, traditional large enterprises should use digital technology to enhance their competitiveness, integrate themselves into the larger ecosystem through Industrial Internet, and link up with more enterprises so that they could acquire new competence in the future. The establishment of the "Ecosystem Alliance for Kingdee Cloud Cosmic" is aimed at helping large enterprises to create an industrial ecosystem through the Cosmic Cloud platform and to pursue the transformation towards Industrial Internet.

Zhejiang businessmen in Zhongshan visited Kingdee to accelerate their digital transformation

On 27 March, the Zhejiang Chamber of Commerce in Zhongshan organized the site visit known as "Cloud Adoption – Getting to Know Kingdee and its Sample Clients", aiming to promote Cloud adoption by the Zhejiang enterprises in Zhongshan City. With an emphasis on the development of Industrial Internet, the event provided an opportunity for participants to explore the future direction of enterprises' transformation towards Cloud services.



Co-organized by the Zhongshan branch of Kingdee Software (China) Company Limited, it attracted 50 representatives from a variety of enterprises to attend, including those from Topstrong Living Innovation & Integration, Juhao Lighting Electrical and Guofang Home Furniture. They had in-depth discussions with Zhang Haijun, the vice president of Kingdee China and the general manager of Kingdee Cloud Galaxy; and Xu Minghui, the general manager of Kingdee's Zhongshan branch.

Robert Xu: Traditional virtues inspired the Chinese people to pursue technological innovations



On 31 March, Robert Xu, the founder and chairman of Kingdee, attended the high-level panel discussion at the China (Shenzhen) IT Summit in conjunction with a number of business leaders like Liu Erfei, the managing director of e-China Alliances; Andrew Yan, the managing partner of SAIF Partners; and Yu Yingtao, the co-president of Tsinghua Unigroup. The discussion featured the theme of "Global Technological Cooperation and Competition", in which they shared the outstanding achievements made by China in global competition and technological innovations after 40 years of reform and opening up. "Benefiting from four decades of reform and opening-up policy, China has transformed from a poor country into the one boasting significant technological innovations. Such changes were driven by the traditional 'virtues' of the Chinese people. Despite the extremely poor conditions facing the Chinese, we have proved ourselves that we could overcome them and accomplish remarkable achievements," said Robert Xu.

Selected New Contracts Signed in Q4

Customers	Products	Industry
Shenzhen Gemdale Property Management Group Company	EAS	Property
Shanghai Haixin Group Co.,Ltd.	EAS	Conglomerate
Shanghai Hospital Development Center	EAS	Medicare
Hunan Dongfanghong Construction Group	EAS	Manufacturing
Hubei X.J.Group CORPORATION	Kingdee Cloud	Appliance
Shanghai Genuo Biological Technology Co., Ltd.	Kingdee Cloud	Biotech
Tianjin Shareshine Technology Co.,Ltd.	Kingdee Cloud	Manufacturing
Fujian Sunye Group Limited	Kingdee Cloud	Conglomerate
ITT (Xiamen) Electronic Technology Co., Ltd	K/3 WISE	Manufacturing

Analyst Reports

Date	Institutions	Rating	Price Target (HKD)
Jan 2019	Merrill Lynch	BUY	11.00
Feb 2019	Citi	BUY	10.10
Feb 2019	Core Pacific-Yamaichi	BUY	10.00
Mar 2019	Jefferies	BUY	12.10
Mar 2019	Merrill Lynch	BUY	12.00
Mar 2019	Macquarie Securities	OUTPERFORM	11.40
Mar 2019	Sinolink Securities	BUY	12.00
Mar 2019	Founder Securities	RECOMMEND	11.00
Mar 2019	CICC	HOLD	9.00
Mar 2019	Credit Suisse	UNDERPERFORM	8.70

Investor Conference Calendar

Date	Event	Location
09 Jan 2019	DBS Investment Conference	Singapore
11 Jan 2019	Credit Suisse Investment Conference	Hong Kong
14 Jan 2019	Deutsche Bank Investment Conference	Shenzhen
14 Mar 2019	2018Annual Results Briefing	Hong Kong
14-15 Mar 2019	Jefferies Roadshow	Hong Kong
18 Mar 2019	Citi Roadshow	Hong Kong
19 Mar 2019	Founder Securities Roadshow	Guangzhou
20-21 Mar 2019	Founder Securities Roadshow	Shenzhen
25 Mar 2019	Morgan Stanley Investment Conference	Hong Kong
28-29 Mar 2019	Tianfeng Securities Roadshow	Beijing

(0268.HK) Stock Information

Closing Price (31/12/2018)	HKD 9.08
52 Week Range	HKD 5.50 – 11.34
Market Cap	HKD 30.02 Billion
Shares Outstanding	3.31 Billion Shares
Listing Date (Main Board)	20/07/2005

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	81.7%		
R&D Costs of Total Revenue	14.4%		
Net Profit	412		
Basic earnings per share	RMB 13.19cents		
Cash and Cash Equivalents	1,453		

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