



# Kingdee IR Newsletter

## 3Q 2018

### Summary of Operating Activities during the Period

#### Kingdee's profit for 1H2018 surges 60% Y-o-Y with revenue from Kingdee Cloud increases by 43% Y-o-Y

(15 August, Hong Kong,) Kingdee International Software Group Company Limited ("Kingdee" or the "Group", stock code: 00268.HK) announced its interim results for the six months ended 30 June 2018 (the "Period"). While the Group stepped up efforts to promote product upgrades, its revenue for the Period grew by 21.3% from the previous year. It moved closer to the goal of strategic transformation towards Cloud services as the revenue from Kingdee Cloud surged 42.9% year-on-year. During the Period, the Group's revenue increased by 21.3% year-on-year to approximately RMB 1.279 billion. The Cloud services business maintained rapid growth and generated revenue of approximately RMB 355 million, representing a 25.6% year-on-year growth and accounting for 27.8% of the Group's total revenue. Meanwhile, the management software business maintained steady growth with its revenue increasing by 19.7% year-on-year to approximately RMB 924 million. The Group's gross profit for the Period grew by 21.4% year-on-year to approximately RMB 1.026 billion, while the gross profit margin reached approximately 80.2%. The Group's operating profit amounted to approximately RMB 167 million, representing 33.4% year-on-year growth. The profit attributable to the Group's shareholders amounted to approximately RMB 170 million, representing 59.5% year-on-year growth. The net cash inflow generated from operating activities grew by 14.6% year-on-year to approximately RMB 268 million.



#### Kingdee successfully held analyst briefing for 2018 interim results



On August 16, Kingdee successfully held analyst briefing for its 2018 interim results in Hong Kong. The event was well-received with around 610 participants in total amount, including 205 investors and analysts attending the meeting in person, and 406 analysts login to the website for joining the live broadcast. On the other hand, more than 40 journalists participated in the press conference, and the total amount of participants reached a record high.

## Kingdee Cloud - Cosmic, the new generation of Cloud services platform for large enterprises, was grandly launched

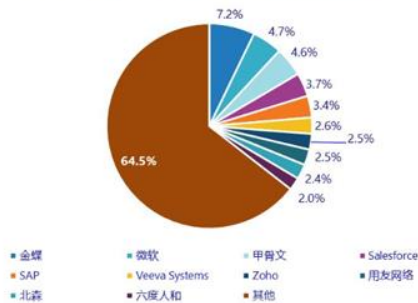
On 8 August 2018, the "8th China Management-Global Forum" organized by Kingdee Group was successfully held at Futian Shangri-La Hotel in Shenzhen. More than 3,000 political and business leaders gathered together at the event to exchange views on the way to transcendence in the Cloud Age. At a parallel forum of the event, the Company unveiled the new generation of Cloud services platform for large enterprises: Kingdee Cloud-Cosmic. Vivid demonstrations brought this product into the spotlight. Sun Yanfei, the president of Kingdee China, delivered a keynote speech that Cloud computing becomes a necessity in the digital economy and an answer to digital transformation. We need new technology, new applications and new management concepts to serve large enterprises in China. As the new generation of Cloud services platform for large enterprises, Kingdee Cloud-Cosmic embodies Kingdee's 25 years of experience in enterprise management. It is the first domestically-developed enterprise-level Cloud-native PaaS platform in China. Kingdee Cloud-Cosmic was developed in response to the ever-changing market, which showcases our operating philosophy: the sky's the limit.



## Kingdee outperforms domestic and overseas peers again and retains No.1 position in China's SaaS market for the second year



2017年中国企业级SaaS厂商销售收入占比



来源: IDC中国, 2018

According to IDC's "China Semi-annual Public Cloud Services Tracker" for the second half of 2017 released on 19 July, the size of China's public Cloud services market (IaaS, PaaS and SaaS) reached US\$4 billion in 2017. It is noteworthy that domestic SaaS market swelled at an annual growth rate of 40.1%. The report compiled by the internationally renowned market intelligence services provider also unveiled that Kingdee commanded the largest share of China's enterprise SaaS market in terms of sales value in 2017 and outperformed other domestic and foreign peers with a market share of 7.2%.

Meanwhile, according to IDC's "China Semi-annual Enterprise SaaS ERM Applications Tracker" for the second half of 2017.

Kingdee grasped a 17.5% share of China's SaaS ERM market and a 43.6% share of the country's SaaS Financial Cloud services market in 2017 in terms of sales value. Its share in SaaS Financial Cloud services sector outstripped the total of the next 14 largest services providers. This was the second time for the Company to capture the largest shares in China's enterprise SaaS, SaaS ERM and SaaS Financial Cloud services markets after 2016.

## Kingdee Cloud signs contract with Samsung for joint efforts to create a new model for 3C retail operations

Samsung China has recently launched its omni-channel marketing system on Kingdee Cloud, which will assist Samsung in managing thousands of its retail stores. This represents yet another world-class enterprise signed by Kingdee Cloud following Huawei, Tencent, OPPO, Alibaba and Haier. With the support of Kingdee Cloud, Samsung China can handle the business data of thousands of its stores nationwide in real time, thus enabling it to realize integrated management of business, finance and taxation and to drive the rapid growth of its retail business. It provides a useful means for Samsung to handle retail business more efficiently and effectively. In addition, Kingdee Cloud offers a series of customer relations management services, such as customer flow tracking and robot salesmen, which facilitate Samsung's retail stores to implement precision marketing and interactive marketing. This technological innovation not only improves customer satisfaction, but also redefines the relationship between "people, goods and retail stores."

## Kingdee and Tencent jointly issue China's first digital invoice on the Blockchain! Just a click to reimburse

On 10 August, China's first digital invoice on the Blockchain was issued in Shenzhen. Under the witness of Ren Rongfa, the deputy director of the State Administration of Taxation; Zhang Guojun, the director of the Shenzhen Municipal Office of the State Administration of Taxation; Ai Xuefeng, the deputy mayor of Shenzhen; Dr. Zhang Liangjie, the chief technology officer and senior vice president of Kingdee Group; Zeng Weiye, the representative of Tencent Technology, and the media, the first digital invoice on the Blockchain was issued by Guomao Rotary Restaurant. In cooperation with Tencent and Kingdee, the Shenzhen Municipal Office of the State Administration of Taxation has successfully developed an all-round invoice management system ranging from WeChat Pay through the issuance of invoices to the settlement of reimbursement. Shenzhen has become a pilot city in China to provide digital invoices on the Blockchain.



## Kingdee Jingdou Cloud leverages "data intelligence+open ecology" model to help micro, small and medium-sized enterprises to implement digital transformation



On 8 August, the 8th China Management-Global Forum cum Kingdee Users' Conference was successfully held in Shenzhen. More than 3,000 political and business leaders as well as notables attended the meeting. They exchanged views on the evolution, transformation and innovation of China's management model in the digital economy since the implementation of economic reform and opening-up 40 years ago. Meanwhile, the V.6 Jingdou Cloud was officially released at Kingdee's parallel forum. Based on the V.5 solutions for new retailing, it was developed with an aim to offer Cloud services to users through the "data intelligence + open ecology" model. At the event, business gurus, financial experts and business partners discussed with each other to figure out the ways to drive the business development of micro, small and medium-sized enterprises in the Cloud Age.

## Details of Kingdee Shuangjin Industrial Internet platform are unveiled

On 11 April, the summit conference featuring "Intelligent Technology Leads the Future Development and Digitalization of Enterprises - Digitalization in Zhejiang Province Driven by Kingdee EAS" was held by Kingdee EAS in Hangzhou. The conference attracted nearly a thousand of corporate executives, experts and scholars to exchange views on the ways to utilize emerging technologies to help enterprises implementing business transformation and innovations in the digital economy. At the meeting, Lan Jianping, Dean of Zhejiang Institute of Industry and Information Technology, elaborated on the implications of related policies, while the representatives from CRRC Zhuzhou Locomotive and Hailiang Group shared their experiences on successful implementation of digitalization with the audience.

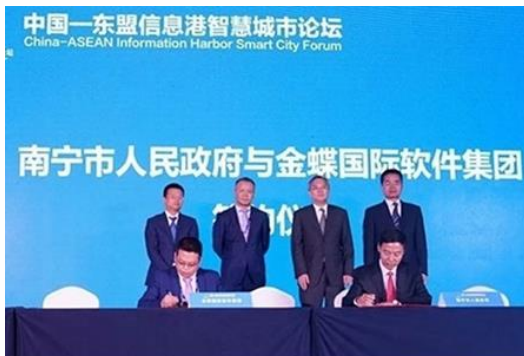


## Cloud adoption is the way for top 100 property enterprises to achieve transcendence

On 7-8 August, the "China Management-Global Forum" was grandly held in Shenzhen. More than 3,000 leading political, business and academic leaders, including Long Yongtu, the chairman of the China Management Global Forum and the chief negotiator of China's accession to the WTO; Zhu Hongren, the standing vice-chairman and president of the China Enterprise Confederation; Ding Yuan, the vice-president of the China-Europe International Business School; Chen Chunhua, the professor at National School of Development at Peking University; Wang Shi, the founder and honorary chairman of Vanke Group as well as the chairman of Asian Rowing Federation; Wen Zhifen, the chairman of Wens Group; Liu Zihong, the founder of Rouyu Science and Technology; and Robert Xu, the founder and chairman of Kingdee Group Shaochun, attended the forum. Moderated by Ai Cheng, the founder and investment partner of iAsk Media, the forum shed visionary insight on enterprise management. Meanwhile, a parallel forum on property & Wojia Cloud featuring "new ecosystem for intelligent and digital property market, whole-hearted services for my home" was successfully concluded. The helmsmen from top 100 property enterprises gathered together to explore the ways to create new ecosystem for property enterprises in the new era.



## Kingdee signed strategic cooperation agreement with Nanning City to promote the development of new-style smart cities



Kingdee International Software Group ("Kingdee") signed a strategic cooperation agreement with the Nanning Municipal People's Government at China-ASEAN Information Harbour's Forum on Smart City. Our cooperation is aimed at accelerating the development of new-style smart cities in Nanning, further promoting "Internet+ Applications" and speeding up the digitalization process in Nanning, Guangxi and China. Featuring the theme of "Smart City Creates A Bright Future", the mission of the forum was to explore the beautiful lives brought about by smart cities and the new ways, mechanisms, models and areas for the development of smart cities. Both sides will carry out extensive cooperation to facilitate digital cooperation between the cities in China and the ASEAN, to reach a consensus on smart city development and to explore an industrial mechanism for joint development of smart cities.

## Zhao Yanxi, Vice President of Kingdee: Establishing connectivity is crucial to the upgrading of manufacturing sector in the Era of Industrial Internet

In the Era of Industrial Internet, how can we implement innovations and upgrade the manufacturing sector in the future? On 24 August, Zhao Yanxi, the vice president of Kingdee Software (China) Co., Ltd., shed his insights on this subject matter at the "Industrial Internet Summit", a sideline meeting of the International Intelligent Industry Expo in China. According to him, the answer is to establish connectivity, with users, partners and terminals. He stressed that manufacturers are facing various challenges due to the change in external environment, including the growing demand for personalized products, ever-increasing labour costs and cross-border competition. Therefore, how to make use of new technologies and new ideas to optimize and redefine their businesses becomes utmost important.



## Winners of 2018 Outstanding Chinese Management Model Awards are announced; guests exchange views on Chinese management model over past four decades

On 7-8 August, the "China Management-Global Forum" On 7 August, the first Chinese Management Model 50+ Forum cum the 11th Outstanding Chinese Management Model Awards Presentation Ceremony was held in Shenzhen. Chen Chunhua, the professor at National School of Development at Peking University; Robert Xu, the founder of Kingdee Group, initiated the Chinese Management Model 50+ Forum ("C50+ Forum") and participated in the event. They were joined by scholars from top business and management schools, including Renmin University of China, Southeast University, Central University of Finance and Economics and Beijing Technology and Business University, as well as more than 1,000 corporate managers. This year's Outstanding Chinese Management Model Awards ("Outstanding Award") featured the theme of "Survival in Digital Age and Redefining Management". Nine winners of the awards were selected from 80 companies. ENN Energy, Handu Yishe, Tuba Rabbit, Kutesmart and SIASUN Robot won the Innovative China Management Model Awards, while Haier, JD.com, Shangpin Home Collection and Sany Group won the Outstanding Chinese Management Model Awards.



## Symposium to mark the 40th anniversary of China's opening-up policy: IT sector becomes a major growth engine



In the afternoon of 16 September, China Info 100 featuring the theme of "Responding to the needs in Information Age and insisting on the innovation of public policies: a symposium to commemorate the 40th anniversary of China's economic reform" was grandly opened in Beijing. Wang Qinmin, the consultant of China Info 100, the vice chairman of the 12th National Committee of the Chinese People's Political Consultative Conference, and the director of the National E-government Expert Committee, attended the

meeting. He was joined by more than 100 guests on this occasion, including famous experts and scholars, entrepreneurs, senior government officials, key witnesses who bore testimony to the Chinese economic reform over the past four decades and reporters from major media. The symposium was hosted by China Info 100, co-organized by Beijing Xinbaihui Institute of Information Economy and co-sponsored by Yili Group and SAP (China) Co., Ltd.

The meeting was moderated by Robert Xu, a member of China Info 100 and the founder cum chairman of Kingdee International Software Group. He noted at the meeting that this year saw the 40th anniversary of China's opening-up policy. Four decades ago, China made a historic decision to reform and open up its economy. Since then, the country has evolved to the world's second largest economy, transforming itself from a nation striving to catch up with others to the one leading others. Looking back on the past 40 years, China started informatization process from scratch and has gradually realized quantitative achievements and qualitative achievements. Nowadays, informatization becomes an important cornerstone for the country's development, reform, innovation and stability. The public policies introduced during the economic reform and opening-up have ensured, supported and accelerated the informatization process in China, laying a solid foundation for an informatization boom.

## 金蝶国际软件集团董



## Robert Xu expected that the successful 2018 Rowing Masters Regatta will drive the popularity of rowing sport in China



Premier rowers took challenges from their counterparts again in Yuanjiang. On 25 August, the “2018 ASKPCB China Rowing Masters Regatta” was grandly held in Haojiang Lake, Yuanjiang in Hunan Province. This spectacular was co-sponsored by China Rowing Association, the Yuanjiang Municipal CPC Government, Kingdee International Software Group and Shenzhen Hegret Rowing Sports Technology Group. With overwhelming response to last year’s regatta, this year’s event attracted 343 rowers from 40 domestic and overseas rowing clubs to join, including those from world-famous

universities such as Cambridge, Oxford, Harvard and Cornell, and those from leading domestic universities like Tsinghua University, Zhongshan University, Southeast University and Tianjin University of Science and Technology. More than 5,000 audiences flocked to watch the competition. While commenting on the sponsorship of China Rowing Masters Regatta in Yuanjiang for the second time, Robert Xu stressed that he wanted to further promote this top-tier international rowing championship in Yuanjiang. Therefore, not only a rowing base will be developed at the project in Double-Lake New Area we invested, vigorous efforts will be made to promote rowing sport in this area. We hope that rowing sport will blossom in Juanjiang and hence drive the development of local economy, thereby laying a solid foundation for the promotion of rowing sport in China.

## Selected New Contracts Signed in Q3

Customers	Products	Industry
Shenzhen Expressway Company Limited	EAS	Transportation
General Bureau of Guangdong State Farms	EAS	Government
Heifei Binhu New District Construction Investment Co., Ltd.	EAS	Public Utility
Beijing BOE Property Co.,Ltd.	EAS	Construction and Real estate
Hunan KangYiLai Biotechnology Co., Ltd.	Kingdee Cloud	Others
Nanjing Special Motor Factory Co. Ltd	Kingdee Cloud	Manufacturing
Suzhou MIS Medical Information Technology Co., Ltd.	Kingdee Cloud	Manufacturing
Shenzhen Cojact Electronics Technology Co Ltd.	Kingdee Cloud	Wholesaling and Retailing
Morningstar Information(Shenzhen)Co., Ltd.	K/3 WISE	Finance

# Investor Conference Calendar

Date	Event	Location
8 August	8th China Management-Global Forum	Shenzhen
16 August	Interim Results Announcement	Hong Kong
16-17 August	Jefferies International Investment Conference	Hong Kong
23-24 August	Founder Securities Investment Conference	Shenzhen
30 August	Citibank Investment Conference	Hong Kong
4 September	Nomura Securities Investment Conference	Shanghai
6-7 September	Credit Suisse Investor Conference	Taipei
21 September	Zhixin Caijing Investment Strategy Conference	Shenzhen

## Analyst Reports

Date	Institutions	Rating	Price Target (HKD)
September 2018	Macquarie	Outperformance	9.60
September 2018	Guoyuan Securities	Recommend	9.20
September 2018	Phillip Capital	Neutral	8.74
August 2018	China Galaxy International	Buy	9.86
August 2018	Tianfeng Securities	Buy	9.90
August 2018	Shenwan Hongyuan	Neutral	8.09
August 2018	Guotai Junan International	Hold	8.40
August 2018	Haitong Securities	Buy	9.10
August 2018	Guangfa Securities	Buy	N/A
August 2018	Everbright Securities	Overweight	N/A
August 2018	RHB	Buy	11.4
August 2018	Nomura	Buy	10.20
August 2018	Jefferies	Buy	11.10
August 2018	Oriental Patron	Hold	7.50
August 2018	First Shanghai	Buy	9.42
August 2018	DBS	Hold	7.20
August 2018	Industrial Securities	Overweight	7.53
August 2018	Huatai Securities	Hold	9.40
July 2018	Merrill Lynch	Buy	12.00

# (0268.HK) Information

Closing Price (5/11/2018)	HKD 7.14
52 Week Range	HKD 3.72 – 11.34
Market Cap	HKD 23.54Billion
Shares Outstanding	3.297 Billion Shares
Listing Date (Main Board)	20/07/2005

## 2018 Interim Results Review

Revenue (RMB' mil)	1,279.10	+21.3% Y-O-Y	% of Turnover
-ERP business	923.96	+19.7% Y-O-Y	72.24%
-Cloud services business	355.15	+25.6% Y-O-Y	27.76%
Gross Profit Margin	80.2%		
R&D Costs of Total Revenue	15.59%		
Net Profit	169.77		
Basic earnings per share	RMB 5.54 cents		
Cash and Cash Equivalent	744.05		

## Contact Us

### Kingdee International Software Group Investor Relations & Securities Dept.

<b>Fredrick Law</b>	Director	Email : fredrick_law@Kingdee.com
<b>Summer Gan</b>	Director	Email : summer_gan@kingdee.com
<b>Yoriko Huang</b>	Assistant Manager	Email : yanni_huang@kingdee.com
		Tel : +86 755 86072591

### PRChina Limited

<b>David Shiu</b> <b>Charles Chan</b> <b>Rachel Kwok</b>	Email: kingdee@prchina.com.hk Tel: +852 2522 1838
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