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KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

金蝶國際軟件集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 268)

INTERIM RESULTS ANNOUNCEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the "Board") of directors (the "Directors") of Kingdee International Software Group Company Limited ("Kingdee" or the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2020 are as follows:

Financial highlights for the six months ended 30 June 2020

- Revenue decreased by approximately 6.6% below the same period in 2019 to approximately RMB1,387,445,000
- Loss attributable to owners of the Company amounted to RMB224,025,000 for 1H 2020 (1H 2019: profit of RMB109,640,000)
- Basic losses per share attributable to owners of the Company amounted to RMB6.87 cents for 1H 2020 (1H 2019: basic earnings per share of RMB3.40 cents)

Business Review and Outlook

1. Group Financial Results

- In the first half of 2020, the Group accelerated the cloud transformation strategy, mainly through promotion of subscription-based cloud products as well as termination of partial ERP software license products. The Group recorded total revenue of RMB1,387,445,000 (1H2019: RMB1,485,156,000), down by 6.6% year-on-year (yoy). Revenue from ERP business decreased by 37.0% yoy. Thanks to the execution of cloud transformation, the Group's cloud services business maintained rapid growth of 45.1% yoy, which accounted for 57.5% of the total revenue. Subscription-based cloud services delivered strong growth, which was reflected in cloud related contract liabilities expanding by 96.8% yoy to RMB711 million.
- As of the first half of 2020, the Company recorded a loss of RMB224,025,000 attributable to owners of the Company (1H2019: a profit of RMB109,640,000 attributable to owners of the Company), mainly due to the strategic cloud transformation, continuous investments in cloud R&D, especially Kingdee Cloud Cosmic. In addition, the COVID-19 pandemic affected the business in SME market.
- Basic losses per share attributable to owners of the Company amounted to approximately RMB6.87 cents (1H2019: basic earnings per share of RMB3.40 cents).
- Net cash outflow from operating activities of the Company was approximately RMB81,581,000 (net cash inflow in 1H2019: RMB189,203,000).

2. Group Strategy Review

Aiming to become the most trusted enterprise service platform, the Group is striving to build a win-win enterprise ecosystem for common growth. The Group is committed to develop the Kingdee Cloud ecosystem, based on the insights into Chinese enterprise management as well as new trend of digital transformation.

The Group's five strategic initiatives are:

- Promoting "Platform + Finance & HR Application + Ecosystem" to enhance Kingdee Cloud's competitiveness
- Establishing industry best practices to support the sustainable small and medium business growth

- Building unified sales and service business model to achieve high quality growth in large enterprise market
- Transforming channel partners to service partners to realize value growth
- Introducing Customer Success system to bring true customer success and customer experience

3. Group Business Review

As China's leading enterprise service company, the Group has retained the largest share in the enterprise application software for fast-growing enterprises for 16 consecutive years. The Group also maintains No.1 position in the enterprise-grade SaaS ERM (Cloud ERP) and Financial Cloud services for four consecutive years. The Group was selected into Gartner's Global High-Productivity PaaS vendor list and HCM (Human Capital Management) Market guide. Recently, the Group has become a Top-10 (4.47% weighting) major constituent stock of Hang Seng Tech Index, which was newly established by Hang Seng Indexes Company Limited ("Hang Seng Indexes") and launched on 27 July 2020.

Cloud Business Review

During the reporting period, revenue from the cloud business grew by approximately 45.1% yoy from RMB550,243,000 in the same period last year to RMB798,376,000, accounting for 57.5% of the total revenue.

(1) Kingdee Cloud Cosmic accelerated SaaS development and strengthened platform ecosystem, gained significant attractions in large enterprise market

Under the influence of COVID-19, de-globalization and bigger trade barriers, Chinese enterprises has become more demanding for IT upgrade as well as new IT platform containing business middle office, technology middle office and data middle office. In the post ERP era, large enterprises have laid out new requirements for digitalization platform and industrial internet platform. Kingdee Cloud Cosmic was able to gain attractions of many large enterprises with its proprietary platform technology.

As China's first local cloud-native platform solution, Kingdee Cloud Cosmic was selected into Gartner's High-Productivity (low-code or no-code) PaaS global vendor list. Cosmic has applied over 150 patents. These patents covered various aspects of technological innovation in cloud-native technology, application software development and enterprise management. Kingdee Cloud Cosmic's latest version V2.0 introduced a few major upgrades and optimized the system openness. Cosmic launched multiple major SaaS

applications including Treasury Management, Management Accounting, Retail, Manufacturing, as well as more than 45 business modules and features such as Smart Accounting Insights, Electronic Accounting Archives, Tax Risk Management, Treasury Monitor, Work Collaboration, Project Feasibility Study, Smart Searching, Speech Recognition, Multi-language Support, etc. As of current version, Kingdee Cloud Cosmic has released 140+ business modules on 20+ cloud applications to cover 15 solutions. During the Reporting Period, Kingdee Cloud Cosmic application market commenced its online operation, joined by over 220 ISV partners and 120 products which cover nine major industries including pharmaceutical distribution, architecture, steel, etc.

During the Reporting Period, Kingdee Cloud Cosmic recorded RMB62.7 million in revenue, an increase of 310% yoy. Kingdee signed 106 total customers including 78 new Cosmic customers and remaining as Cosmic upsell customers. Total contract value exceeded RMB150 million. New customers in SOE and large enterprise were SPIC, TravelSky Technology, CRRC Tangshan, ENN Energy, Guangzhou Aoyuan, OPPEIN Home, SF Express, TongCheng, etc. In addition, Kingdee Cloud Cosmic won a number of localization projects such as Hisense and China United Cement Corporation.

(2) Kingdee Cloud Galaxy led the restructuring of industry value chain, recognized as the star product in medium enterprise market

Based on the strong cloud technology, Kingdee Cloud Galaxy innovated in remote customer engagement and marketing and upgraded online implementation platform, which efficiently helped customers to resume production and operation. Kingdee Cloud Galaxy continued to bring new insights into its marketing leading solutions such as Smart Accounting, Smart Manufacturing and Omni-channel, and completed a milestone project for local system substitution and restructuring of industry value chain in the New Construction area. In addition, Kingdee Cloud Galaxy introduced digitalization solutions for 18 major industries including food, electronics, home furnishing, pharmaceutical, machinery, catering and auto parts based on real use cases and experiences. Along with model customers from the 18 industries, Kingdee launched the Smart Growth Plan for Micro, Small and Medium Businesses, to support SMEs' healthy growth. Meanwhile, Kingdee Cloud Galaxy was awarded with the "2019 CEIA Best Smart Factory Lite MES", e-works Smart Manufacturing Best Solution and Supplier, and the Top 100 O&M of China's information and technology services. Having built ecosystem partnership with major IaaS players in China, Kingdee Cloud Galaxy is now available in Huawei Cloud, JD Cloud and China Unicom Cloud's cloud market place, and is rolling out in Tencent Cloud, Alibaba Cloud and China Mobile Cloud's cloud market place as well.

During the reporting period, Galaxy maintained robust growth of 30% yoy to RMB501 million. Dollar retention rate was 87%. Having over 15,700 customers in total, Galaxy also gained new customers including MEGVII,

Yanjin Shop Food, iFlytek, Huanghe S&T, etc. The Group continued to push channel partners' service upgrade in order to accelerate customer cloud migration. In the 1H2020, Galaxy's channel partners were around 1,000.

(3) Kingdee Jingdou Cloud launched new generation product, supported the healthy growth of small and micro enterprises

During the reporting period, the Group launched a new generation of Jingdou Cloud emphasizing on "new accounting & taxation, new marketing and new business model". The Group also released a series of supporting measures bringing digitalization to small and micro customers to recover from the COVID-19 pandemic. Jingdou Cloud achieved revenue growth of 48% yoy and accumulated over 137,000 customers. Dollar retention rate remained at approximately 72%.

(4) Kingdee Guanyi Cloud made comprehensive optimization and continuously promoted competitiveness of its products

During the reporting period, revenue from Guanyi Cloud decreased by 14% yoy while dollar retention ratio was approximately 84%. Guanyi has been persistently improving its services, such as shifting from basic e-commerce service to more value-added services and promote innovation like mini video to attract user traffic.

(5) Kingdee Cloud ecosystem coped well with diversified industry demands

EAS Cloud continued to support cloud transformation for large enterprises and signed contracts with several China Top 500 enterprises and Fortune Global 500 enterprises such as Dalian Metro, Beidahuang Grain Group, Chow Tai Fook, Kweichow Moutai, China Galaxy Securities, CGB Credit Card Center and Zhongjin Lingnan Nonfemet. Kingdee Taxation and Invoice Cloud mainly focused on electronic invoices to realize paperless accounting and taxation and digital business innovation. Customer number and cloud subscription revenue both achieved over 50% growth yoy. Kingdee s-HR conducted in-depth cooperation with Tencent and launched one-stop online recruitment solutions, to enable cloud-based enterprise recruitment. CloudHub won the 2020 China SaaS Technology Innovation Award with innovative OTA (Over-the-Air Technology). During the pandemic, CloudHub timely released "Health Check-In" feature and enhanced audio/video conferencing technology to support the COVID-19 control. Kingdee Finance's Effective Loan business now covers 19 industries scenarios, using business scenarios and data technology to help small and micro enterprises in the pandemic. With loan digitalization innovation and strict compliance framework, Kingdee Finance was awarded with the CB Insights China FinTech Company in June 2020. Automotive cloud Cargeer achieved a 50% yoy increase in its active user base. Property management cloud Wojia

Cloud registered revenue growth of 586% yoy. Modern agriculture cloud Xinnong Interconnection Technology (joint venture with Wens Group) has completed the R&D of general function module on Kingdee Cloud Cosmic platform for daily livestock management. Industrial Internet platform Yundee (joint venture with China Unicom) has developed proprietary Industrial Internet solutions for regional industry clusters.

ERP Business

During the reporting period, revenue from ERP business decreased by approximately 37.0% yoy from RMB934,913,000 in the same period last year to RMB589,069,000.

The Group continued to deepen cloud transformation and terminated the sale of KIS and K/3 WISE to accelerate cloud migration. Meanwhile, affected by COVID-19, Kingdee EAS business declined by 26%yoy.

Kingdee Apusic passed the Jakarta EE8 certification and became one of the two Chinese players to obtain the certification. Besides, Kingdee Apusic formed in-depth cooperation with Huawei, Tencent and other ecological players, entered Huawei Cloud Marketplace and announced sales. Through the cloud model, Apusic provided intelligent and secure application service middleware solutions for the government and enterprises.

Investment Property Business

As of 30 June 2020, the Group had carrying amount of investment properties of RMB1,856,200,000 (as of 31 December 2019: RMB1,856,200,000). During the reporting period, the Group fully used and leased available space in software parks in Beijing, Shanghai and Shenzhen. The Group generated net rental income of RMB38,634,000 in 1H2020 (RMB36,902,000 in 1H2019).

The board (the “Board”) of directors (the “Directors”) of Kingdee International Software Group Company Limited (the “Company”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020 are as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	6	555,318	546,524
Right-of-use assets	7	98,254	106,869
Intangible assets	6	948,040	923,323
Investment properties		1,856,200	1,856,200
Investments in associates	8	400,697	282,649
Financial assets at fair value through profit or loss	10	372,259	428,791
Trade and other receivables	9	22,000	22,000
Loans to third parties	9	35,386	12,350
		<u>4,288,154</u>	<u>4,178,706</u>
Current assets			
Inventories		4,891	7,357
Trade and other receivables	9	298,580	308,153
Loans to third parties	9	332,348	230,869
Contract assets and contract obtaining costs		537,306	512,352
Financial assets at fair value through profit or loss	10	998,838	596,151
Pledged bank deposits		-	128
Short-term bank deposits		391,756	687,667
Cash and cash equivalents		1,456,499	1,898,770
		<u>4,020,218</u>	<u>4,241,447</u>
Total assets		<u>8,308,372</u>	<u>8,420,153</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 30 June 2020

	Notes	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities	7	15,674	20,282
Trade and other payables	13	82,086	69,028
Deferred income tax liabilities		188,716	187,079
		<u>286,476</u>	<u>276,389</u>
Current liabilities			
Trade and other payables	13	505,666	615,596
Contract liabilities		1,186,615	996,996
Borrowings	12	234,000	199,625
Lease liabilities	7	20,381	21,341
Current income tax liabilities		16,656	39,085
Deferred income		138,333	125,450
		<u>2,101,651</u>	<u>1,998,093</u>
Total liabilities		<u>2,388,127</u>	<u>2,274,482</u>
Net assets		<u>5,920,245</u>	<u>6,145,671</u>
Equity			
Equity attributable to owners of the Company			
Share capital	11	80,269	80,037
Share premium	11	2,911,362	2,963,096
Other reserves		754,308	686,532
Retained earnings		2,033,238	2,257,263
		<u>5,779,177</u>	<u>5,986,928</u>
Non-controlling interests		<u>141,068</u>	<u>158,743</u>
Total equity		<u>5,920,245</u>	<u>6,145,671</u>

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT*For the six months ended 30 June 2020*

	Notes	Unaudited	
		Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
Revenue from contracts with customers	14	1,387,445	1,485,156
Cost of sales	15	(362,797)	(304,727)
Gross profit		1,024,648	1,180,429
Selling and marketing expenses	15	(860,070)	(762,694)
Administrative expenses	15	(189,203)	(163,439)
Net impairment losses on financial assets and contract assets	15	(21,561)	(19,895)
Research and development costs	15	(358,396)	(252,455)
Other income and gains - net	16	151,020	141,976
Operating (loss)/profit		(253,562)	123,922
Finance income		8,323	13,686
Finance costs		(3,690)	(8,249)
Finance income - net		4,633	5,437
Share of losses of associates		(1,952)	(10,229)
(Loss)/profit before income tax		(250,881)	119,130
Income tax credit/(expense)	17	9,181	(8,243)
(Loss)/profit for the period		(241,700)	110,887
(Loss)/profit attributable to:			
Owners of the Company		(224,025)	109,640
Non-controlling interests		(17,675)	1,247
		(241,700)	110,887
(Losses)/earnings per share for (loss)/profit attributable to owners of the Company (expressed in RMB cents per share)			
- Basic	18	(6.87)	3.40
- Diluted	18	(6.87)	3.30

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2020*

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
(Loss)/profit for the period	(241,700)	110,887
<i>Items that may be reclassified to profit or loss</i>		
-Currency translation differences	2,855	(388)
Other comprehensive income for the period, net of tax	2,855	(388)
Total comprehensive (losses)/income for the period	(238,845)	110,499
Total comprehensive (losses)/income attributable to:		
-Owners of the Company	(221,170)	109,252
-Non-controlling interests	(17,675)	1,247
	(238,845)	110,499

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2020**(All amounts in Renminbi thousands unless otherwise stated)*

		Unaudited							
		Attributable to owners of the Company				Non-			
		Share	Share	Other	Retained				
Notes		capital	premium	reserves	earnings	Total	controlling interests	Total equity	
Balance at 1 January 2020		80,037	2,963,096	686,532	2,257,263	5,986,928	158,743	6,145,671	
Comprehensive income									
Loss for the period		-	-	-	(224,025)	(224,025)	(17,675)	(241,700)	
Other comprehensive loss									
Currency translation differences		-	-	2,855	-	2,855	-	2,855	
Total comprehensive losses		-	-	2,855	(224,025)	(221,170)	(17,675)	(238,845)	
Transactions with owners									
Employees share option scheme:									
-Proceeds from shares issued		11	232	28,961	-	-	29,193	-	29,193
Share award plan:									
- Value of employee services received		11	-	55,547	-	-	55,547	-	55,547
- Transfer shares to the awardees upon vesting		11	-	(99,486)	64,921	-	(34,565)	-	(34,565)
Dividend declared		19	-	(36,756)	-	-	(36,756)	-	(36,756)
Total transactions with owners			232	(51,734)	64,921	-	13,419	-	13,419
Balance at 30 June 2020		80,269	2,911,362	754,308	2,033,238	5,779,177	141,068	5,920,245	

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY *(Continued)**For the six months ended 30 June 2019**(All amounts in Renminbi thousands unless otherwise stated)*

	Notes	Unaudited						
		Attributable to owners of the Company				Total	Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained earnings			
Balance at 1 January 2019		79,585	2,903,459	565,259	1,917,757	5,466,060	66,607	5,532,667
Comprehensive income								
Profit for the period		-	-	-	109,640	109,640	1,247	110,887
Other comprehensive loss								
Currency translation differences		-	-	(388)	-	(388)	-	(388)
Total comprehensive income		-	-	(388)	109,640	109,252	1,247	110,499
Transactions with owners								
Employees share option scheme:								
-Value of employee services received	11	-	508	-	-	508	-	508
-Proceeds from shares issued	11	224	25,053	-	-	25,277	-	25,277
Share award plan:								
- Value of employee services received	11	-	35,329	-	-	35,329	-	35,329
- Transfer shares to the awardees upon vesting	11	-	(81,788)	56,207	-	(25,581)	-	(25,581)
Capital contribution by non-controlling interests		-	-	-	-	-	20,700	20,700
Dividend declared	19	-	-	-	(33,074)	(33,074)	-	(33,074)
Total transactions with owners		224	(20,898)	56,207	(33,074)	2,459	20,700	23,159
Balance at 30 June 2019		79,809	2,882,561	621,078	1,994,323	5,577,771	88,554	5,666,325

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT*For the six months ended 30 June 2020*

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Cash flows from operating activities:		
Cash generated from operations excluding net cash outflow in loans to third parties from the micro-credit business	51,330	290,710
Net cash outflow in loans to third parties from the micro-credit business	(115,733)	(81,501)
Interest paid	(5,567)	(5,878)
Income tax paid	(11,611)	(14,128)
Net cash (outflow)/inflow from operating activities	(81,581)	189,203
Cash flows from investing activities:		
Purchases of property, plant and equipment	(7,824)	(13,524)
Proceeds from disposals of property, plant and equipment	41	263
Purchases of intangible assets	(247,050)	(265,993)
Payment for acquisition of a subsidiary	-	(6,200)
Pledged and short-term bank deposits withdrawn - net	296,038	77,330
Interest received	9,945	7,831
Purchases of financial assets at fair value through profit or loss	(1,870,122)	(1,528,000)
Proceeds from disposal of financial assets at fair value through profit or loss	1,567,457	888,381
Proceeds from disposal of investments in associates	-	5,026
Investments in associates	(125,000)	(167,522)
Loans provided to related parties	(270,000)	-
Repayments received from related parties	270,000	256,976
Net cash outflow from activities	(376,515)	(745,432)
Cash flows from financing activities:		
Proceeds from share options exercised	29,193	25,277
Capital contribution from non-controlling interests	-	20,700
Proceeds from borrowings	120,000	129,625
Repayments of borrowings	(85,625)	(170,125)
Repayments of lease liabilities	(12,132)	(10,147)
Dividends paid	(36,715)	(30,157)
Acquisition of non-controlling interests in subsidiaries	(3,175)	(5,796)
Net cash inflow/(outflow) from activities	11,546	(40,623)
Net decrease in cash and cash equivalents	(446,550)	(596,852)
Effect of exchange rate changes on cash and cash equivalents	4,279	384
Cash and cash equivalents at beginning of the period	1,898,770	1,452,848
Cash and cash equivalents at end of the period	1,456,499	856,380

Notes to the condensed consolidated interim financial information

1. General information

Kingdee International Software Group Company Limited (the “Company”) was incorporated in the Cayman Islands in 1999 as an exempted company with limited liability. The address of its office is Kingdee Software Park, 2 Keji 12th Road South, Hi-Tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People’s Republic of China (the “PRC”).

The Company is an investment holding company. The principal activities of its subsidiaries (the “Group”) are developing, manufacturing and selling of software products and provision of software-related technical services in the PRC.

The company has its primary listing on the Stock Exchange of Hong Kong Limited since 15 February 2001.

These unaudited condensed consolidated interim financial statements are presented in thousands of Renminbi (RMB’000), unless otherwise stated. These unaudited condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 18 August 2020.

This condensed consolidated interim financial information has not been audited.

2. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34, ‘Interim financial reporting’. The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

3. Significant accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements.

Taxes on income for the interim period are accrued using the tax rates that would be applicable to expected total annual assessable profits.

Notes to the condensed consolidated interim financial information

4. Estimates

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this unaudited condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

5. Segment information

The chief operating decision-maker has been identified as executive directors of the Company. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors consider the business from product perspective. The Group has identified the following operating segments:

ERP business	— Including sales of software and hardware products, provision of software implementation services, software solution consulting, maintenance, upgrade and other supporting services
Cloud services business	— Including enterprise cloud services, finance cloud services, industry cloud services and other cloud services
Investment properties operating business	— Operation of investment properties

The chief operating decision-maker assesses the performance of the operating segments based on the profit for the period of each segment. Substantially all of the businesses of the Group are carried out in the PRC.

Notes to the condensed consolidated interim financial information

5. Segment information (Continued)

The unaudited segment information for the six months ended 30 June 2020 is as follows:

	ERP business RMB'000	Cloud services business RMB'000	Investment properties operating business RMB'000	The Group Total RMB'000
Revenue (from external customers)	589,069	798,376	-	1,387,445
- Products transferred at a point in time	206,479	-	-	206,479
- Services transferred over time	382,590	798,376	-	1,180,966
Operating (loss)/profit	(10,259)	(281,937)	38,634	(253,562)
Finance costs	(1,172)	(2,518)	-	(3,690)
Finance income	7,473	850	-	8,323
Finance income/(cost) – net	6,301	(1,668)	-	4,633
Share of losses of associates	(1,952)	-	-	(1,952)
(Loss)/profit before income tax	(5,910)	(283,605)	38,634	(250,881)
Income tax (expense)/credit	(623)	13,667	(3,863)	9,181
Segment results	(6,533)	(269,938)	34,771	(241,700)
Segment assets	5,768,894	683,278	1,856,200	8,308,372
Segment liabilities	1,333,221	936,833	118,073	2,388,127
Additions to non-current assets (other than financial instruments and deferred tax assets)	51,367	225,549	-	276,917
Depreciation and amortization	54,131	197,717	-	251,848
Net impairment losses on financial assets and contract assets	18,996	2,565	-	21,561
Share-based payment	64,478	25,236	-	89,714

Notes to the condensed consolidated interim financial information

5. Segment information (Continued)

The unaudited segment information for the six months ended 30 June 2019 is as follows:

	ERP business RMB'000	Cloud services business RMB'000	Investment properties operating business RMB'000	The Group Total RMB'000
Revenue (from external customers)	934,913	550,243	-	1,485,156
Products transferred at a point in time	493,208	-	-	493,208
Services transferred over time	441,705	550,243	-	991,948
Operating profit/(loss)	211,541	(124,521)	36,902	123,922
Finance costs	(8,069)	(180)	-	(8,249)
Finance income	12,713	973	-	13,686
Finance income – net	4,644	793	-	5,437
Share of losses of associates	(10,229)	-	-	(10,229)
Profit/(loss) before income tax	205,956	(123,728)	36,902	119,130
Income tax (expense)/credit	(17,773)	13,220	(3,690)	(8,243)
Segment results	188,183	(110,508)	33,212	110,887
Segment assets	5,379,515	413,998	1,816,206	7,609,719
Segment liabilities	1,380,291	443,644	119,459	1,943,394
Additions to non-current assets (other than financial instruments and deferred tax assets)	142,810	166,768	-	309,578
Depreciation and amortization	113,774	99,383	-	213,157
Net impairment losses on financial assets and contract assets	18,995	900	-	19,895
Share-based payment	44,707	162	-	44,869

Notes to the condensed consolidated interim financial information

5. Segment information *(Continued)*

The Company is incorporated in the Cayman Islands while the Group mainly operates its business in the PRC. Revenue from external customers from the PRC and other locations is RMB1,370,340,000 (the same period in 2019: RMB1,470,006,000) and RMB17,105,000 (the same period in 2019: RMB15,150,000), respectively for the six months period ended 30 June 2020.

There is no single customer that contributed to over 10% of the Group's revenue for the six months period ended 30 June 2020 and 2019.

Notes to the condensed consolidated interim financial information

6. Property, plant, equipment and intangible assets

(a) Property, plant, equipment

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Opening net book amount at 1 January	546,524	490,236
Additions	29,544	15,103
Disposals	(173)	(5,339)
Depreciation	(20,577)	(18,952)
Closing net book amount at 30 June	555,318	481,048

(b) Intangible assets

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Opening net book amount at 1 January	923,323	899,668
Additions	243,489	268,717
Amortization	(218,772)	(183,722)
Closing net book amount at 30 June	948,040	984,663

Notes to the condensed consolidated interim financial information**7. Leases**

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	Unaudited	
	Six months ending 30 June	
	2020	2019
	RMB'000	RMB'000
Right-of-use assets		
Land use rights (i)	64,756	66,615
Buildings	33,498	47,982
	98,254	114,597
Lease liabilities		
Current	20,381	20,231
Non-current	15,674	26,190
	36,055	46,421

Additions to the right-of-use assets during the six months ended 30 June 2020 were RMB3,884,000.

- (i) The Group has land lease arrangement with mainland China government. The land use rights are located in the PRC and held on leases of between 32 to 43 years, and for self-use.

(b) Amounts recognised in the statement of profit or loss

The income statement shows the following amounts relating to leases:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Land	930	930
Buildings	11,569	9,553
	12,499	10,483
Interest expense (included in finance cost)	992	1,358
Expense relating to short-term leases (included in cost of sales and administrative expenses)	10,092	10,516

The total cash outflow for leases in six months ended 30 June 2020 was RMB22,728,600 (the six months ended 30 June 2019: 21,189,000).

Notes to the condensed consolidated interim financial information**7. Leases (Continued)****(c) The Group's leasing activities and how these are accounted for**

The Group leases various offices. Rental contracts are typically made for fixed periods of 2 months to 8 years, but may have extension options as described in (d) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Until 30 June 2020, the Group has not entered into any lease contract with variable lease payment arrangement or residual value guarantee arrangement.

(d) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

8. Investments in associates

The carrying amount of equity-accounted investments has changed as follows for the six months ended 30 June 2020:

	Unaudited
	Six months ended 30 June 2020
	RMB'000
Beginning of the period	282,649
Additions (a)	120,000
Disposal	–
Share of losses of associates	(1,952)
End of the period	400,697

- (a) During the six months ended 30 June 2020, according to the resolution of the shareholders' meeting of Citic Consumer Finance Co., LTD., an associate of the Group, a capital injection of RMB 400,000,000 in total was made by all shareholders according to the shareholding ratio, of which the Group invested RMB 120,000,000. After the capital injection, the shareholding ratio of each shareholder was unchanged.

All the associates of the Group are unlisted and operate in Mainland China.

Notes to the condensed consolidated interim financial information

9. Trade and other receivables, and loans to third parties

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Trade receivables (a)	256,524	259,905
Less: allowance for impairment of trade receivables	(154,015)	(141,952)
Trade receivables - net	102,509	117,953
Notes receivable	25,655	32,039
Advances to employees	6,012	11,369
Consideration receivable from disposal of an associate	27,844	28,125
Prepayments	50,841	61,843
VAT recoverable	27,282	35,474
Interest receivables	15,123	2,610
Receivables from related parties	17,766	15,309
Other	47,548	25,431
	320,580	330,153
Loans to third parties (b)		
Current portion	332,348	230,869
Non-current portion	35,386	12,350
	367,734	243,219

Notes to the condensed consolidated interim financial information**9. Trade and other receivables, and loans to third parties (Continued)**

(a) Sales are generally made without prescribed credit terms in the sales contracts but customers usually take one to three months to settle the receivables. The aging analysis of trade receivables were as follows:

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
0-180 days	96,734	86,478
181- 360 days	13,283	33,280
Over 360 days	146,507	140,147
	256,524	259,905

(b) The loans to third parties

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Loans to third parties	371,448	245,434
Less: Provisions for collective impairment assessment of the loans	(3,714)	(2,215)
Loans to third parties, net of provision	367,734	243,219
Less: non-current portion	(35,386)	(12,350)
Current portion	332,348	230,869

The loans to third parties represented loans under the micro-credit business, bear interest at 4.28% to 24.00% (31 December 2019: 4.28% to 24.00%) per annum and are repayable with fixed terms agreed with the customers, and all denominated in RMB.

As at 30 June 2020, RMB50,690,000 of loans to third parties was pledged for a short-term borrowing.

The fair values of the loans to third parties approximated their carrying amounts and the fair value hierarchy is level 2. The interest accrued was due within 12 months and presented in interest receivables.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

As at 30 June 2020, due to the actual loss rate of loans was less than 0.1% and no significant change in credit quality, the Group performs collective impairment assessment of loans to third parties by grouping together all its loans to third parties with similar credit risk characteristics, a general provision of 1% of the principal was provided against the loan principals.

Notes to the condensed consolidated interim financial information

10. Financial assets at fair value through profit or loss *(Continued)*

(i) The table analyses the Group's financial instruments carried at fair value as at 30 June 2020 and 31 December 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Discounted cash flow analysis.

(ai) This represented the Group's investments in various wealth management products issued by commercial banks. These products have a term ranging from 3 months to 36 months. They have an expected return rate ranging from 3% to 5%. No single wealth management product investment accounted for over 5% of the Group's total assets. The fair values of these investments were determined based on the statements provided by the counterparties. The fair values of these investments approximated to their carrying amounts as at 30 June 2020.

(bi) It mainly represented the Group's investment of 535,643,887 Series E Preferred Shares issued by Facishare Co., Ltd., which is mainly engaged in the business of social network working platform for precise interactive marketing and enterprise collaborative management.

Notes to the condensed consolidated interim financial information**10. Financial assets at fair value through profit or loss** *(Continued)*

(b)The following table presents the changes in level 3 instruments for the six months ended 30 June 2020.

	Unaudited
	Financial assets at fair value through profit or loss
	RMB'000
At 1 January 2020	965,803
Additions	1,870,122
Disposals	(1,567,457)
Gains recognised in profit or loss	33,220
At 30 June 2020	1,301,688
Changes in unrealized gains for the period included in profit or loss at the end of the period	3,768

Notes to the condensed consolidated interim financial information

11. Share capital and share premium

	Unaudited			
	Number of shares (thousands)	Share capital RMB'000	Share premium RMB'000	Total RMB'000
	At 1 January 2020	3,320,690	80,037	2,963,096
Employee share option scheme				
- Exercise of share options	10,306	232	28,961	29,193
Share award plan				
- Value of services received	-	-	55,547	55,547
-Transfer shares to the awardees upon vesting	-	-	(99,486)	(99,486)
Dividend declared	-	-	(36,756)	(36,756)
At 30 June 2020	3,330,996	80,269	2,911,362	2,991,631
At 1 January 2019	3,300,185	79,585	2,903,459	2,983,044
Employee share option scheme				
- Value of employee services received	-	-	508	508
- Exercise of share options	10,348	224	25,053	25,277
Share award plan				
- Value of services received	-	-	35,329	35,329
-Transfer shares to the awardees upon vesting	-	-	(81,788)	(81,788)
At 30 June 2019	3,310,533	79,809	2,882,561	2,962,370

Notes to the condensed consolidated interim financial information

12. Borrowings

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Short-term borrowings, unsecured	204,000	169,625
Short-term borrowings, secured	30,000	30,000
	<u>234,000</u>	<u>199,625</u>

Notes to the condensed consolidated interim financial information

13. Trade and other payables

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Trade payables (a)(b)	11,144	15,393
Salary and staff welfare payables	159,946	218,556
Deposits payable	150,000	133,611
Accrual for expenses	46,760	73,015
Value-added tax("VAT") and other taxes payables	31,464	71,732
Construction fee payable (d)	90,572	69,028
Government funds payable to project partners (c)	4,190	24,851
Unpaid business acquisition consideration	-	8,175
Others	93,676	70,263
	<u>587,752</u>	<u>684,624</u>
Less: non-current portion (d)	<u>(82,086)</u>	<u>(69,028)</u>
Current portion	<u>505,666</u>	<u>615,596</u>

(a) The fair values of trade and other payables approximate their carrying amounts. The carrying amounts of the Group's trade and other payables are mainly denominated in RMB.

(b) As at 30 June 2020, the aging analysis of trade payables is as follows:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
0-180 days	6,654	9,100
181- 360 days	1,181	669
Over 360 days	3,309	5,624
	<u>11,144</u>	<u>15,393</u>

(c) The Group entered into certain government development projects. According to the underlying contracts of these projects, the relevant government departments transfer the project funds to the Group directly and the Group is authorized to allocate the project funds to other third parties involved in the projects as the Group's partners.

(d) It mainly represents the Group's payables to the construction company for the construction costs incurred relating to Shenzhen Kingdee Software Park Phase II project.

Notes to the condensed consolidated interim financial information

14. Revenue from contracts with customers

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
ERP business	589,069	934,913
- Revenue from sales of software and hardware products	206,479	493,208
- Revenue from rendering of software implementation services	382,590	441,705
Cloud services business	798,376	550,243
- Enterprise cloud services	567,835	399,697
- Finance cloud services	126,744	68,790
- Industry cloud services	67,560	59,906
- Other cloud services	36,237	21,850
	<u>1,387,445</u>	<u>1,485,156</u>

Notes to the condensed consolidated interim financial information

15. Expenses by nature

Significant expense items are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Research and development costs		
Amounts incurred	389,755	339,550
Less: development costs capitalised	(243,397)	(262,530)
Add: amortization	212,038	175,435
	358,396	252,455
Employee benefit expenses	1,074,142	905,804
Less: amount included in research and development costs	(235,257)	(249,318)
	838,885	656,486
Outsourcing services	197,691	167,006
Cost of inventories consumed and rental cost of cloud server	79,463	62,769
Depreciation of property, plant and equipment	20,577	18,952
Depreciation of right-of-use assets	12,499	10,483
Amortization of computer software, licenses and copyrights	4,119	5,672
Amortization of customer relationship	2,615	2,615
Net impairment losses on financial assets	21,561	19,895

Notes to the condensed consolidated interim financial information

16. Other income and gains-net

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Other income		
VAT refund	52,540	80,468
Government program research	15,289	22,767
Rental income-net	38,634	36,902
	106,463	140,137
Other gains		
Loss on disposals of property, plant and equipment	-	(5)
Unrealised fair value gains/(losses) on financial assets at FVPL	14,038	(16,880)
Realised gains on financial assets at FVPL	29,452	15,252
Others	1,067	3,472
	44,557	1,839
	151,020	141,976

Notes to the condensed consolidated interim financial information

17. Income tax (credit)/expense

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current income tax	(10,818)	3,438
Deferred income tax	1,637	4,805
	(9,181)	8,243
	(9,181)	8,243

- (a) No provision for profits tax in the Cayman Islands and Hong Kong has been made as the Group has no assessable profits for the period in those jurisdictions.
- (b) Kingdee China and Kingdee Deeking Cloudcomputing Co., Ltd. ("Kingdee Deeking") were qualified as national important software enterprises and were entitled to preferential tax rates of 10% for the period ended 30 June 2020.
- (c) Shanghai Kingdee Deeking Cloudcomputing Co., Ltd., Shenzhen Kingdee Tianyan Middleware Corp., Ltd., Beijing Kingdee Management Software Co., Ltd., Shanghai Guanyi Cloudcomputing Software Co., Ltd and Kingdee Vehicle Network Technology Co., Ltd. were each qualified as a high-tech enterprise and was entitled to a preferential tax rate of 15% for the period ended 30 June 2020.
- (d) Other PRC subsidiaries of the Group applied the tax rate of 25%.

Notes to the condensed consolidated interim financial information**18. (Losses)/earnings per share****(a) Basic**

Basic (losses)/earnings per share are calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased and held for share award plan.

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
(Loss)/Profit attributable to owners of the Company	(224,025)	109,640
Weighted average number of ordinary shares in issue (thousands)	3,261,142	3,220,674
Basic (losses)/earnings per share	<u>RMB(6.87) cents</u>	<u>RMB 3.40 cents</u>

Notes to the condensed consolidated interim financial information**18. (Losses)/earnings per share(Continued)****(b) Diluted**

Diluted (losses)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and share awards. For the share options and share awards, the number of shares that could have been issued upon the exercise of all dilutive share options and share awards less the number of shares that could have been issued at fair value (determined as the average annual market share price of the Company's shares) for the same total proceeds is added to the denominator as the number of ordinary shares issued for no consideration. As the Group incurred losses for the six months ended 30 June 2020, the potential share options and share awards were not included in the calculation of dilutive losses per share, as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the six months ended 30 June was the same as basic losses per share.

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
(Loss)/profit attributable to owners of the Company	(224,025)	109,640
(Loss)/profit used to determine diluted earnings per share	(224,025)	109,640
Weighted average number of ordinary shares in issue (thousands)	3,261,142	3,220,674
Adjustment for–		
share options (thousands)	-	67,731
share awards (thousands)	-	37,453
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,261,142	3,325,858
Diluted (losses)/earnings per share	RMB(6.87) cents	RMB 3.30 cents

19. Dividends

Included in the 2019 final dividends of RMB36,756,000 (RMB1.1 cents per share) (approximately HKD1.2 cents per share), RMB36,715,000 were paid in June 2020, while the remaining RMB41,000 was outstanding as at 30 June 2020.

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2020 (the six months ended 30 June 2019: Nil).

Notes to the condensed consolidated interim financial information

20. Related party transactions

The Group had transactions with related parties for the period ended 30 June 2020 as follows:

(a) Transactions with related parties

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Sales of products		
– Associates	5,931	7,295
– Companies controlled by Mr. Xu Shao Chun	153	140
	<u>6,083</u>	<u>7,435</u>
Sales of services		
– Associates	6,732	2,420
– Companies controlled by Mr. Xu Shao Chun	241	238
	<u>6,973</u>	<u>2,658</u>
Rental income		
– Associates	915	1,028
– Companies controlled by Mr. Xu Shao Chun	6,418	7,570
	<u>7,333</u>	<u>8,598</u>
Interest income		
– Associates	1,550	5,335
– Companies controlled by Mr. Xu Shao Chun	-	2,624
	<u>1,550</u>	<u>7,959</u>

Products and services are sold based on the terms agreed with the counterparties in the ordinary course of business, and the rental rates and interest rates are determined in the same way.

Notes to the condensed consolidated interim financial information

20. Related party transactions (Continued)

(b) Purchase of products and services

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Purchase of products		
– Associates	2,512	1,989
– Companies controlled by Mr. Xu Shao Chun	27	173
	<u>2,538</u>	<u>2,162</u>
Purchase of services		
– Associates	15,333	9,740
– Companies controlled by Mr. Xu Shao Chun	-	212
	<u>15,333</u>	<u>9,952</u>

Products and services are purchased from associates and companies controlled by Mr. Xu Shao Chun are carried out on terms agreed with the counterparties in the ordinary course of business.

(c) Balances with related parties

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Payable to related parties recorded in “Contract Liabilities”		
– Associates	<u>59</u>	<u>719</u>
Payable to related parties recorded in “Trade payables”		
– Associates	78	132
– Companies controlled by Mr. Xu Shao Chun	8	8
	<u>86</u>	<u>140</u>
Receivables from related parties		
– Associates	13,340	12,047
– Companies controlled by Mr. Xu Shao Chun	4,426	3,262
	<u>17,766</u>	<u>15,309</u>

Notes to the condensed consolidated interim financial information

20. Related party transactions (Continued)

(d) Loans to related parties

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Loans to companies controlled by Mr. Xu Shao Chun		
At 1 January	-	104,979
Loans advanced during the period	-	-
At 30 June	-	104,979
Loans to an associate		
At 1 January	-	616,534
Loans provided to related parties	270,000	-
Repayment from related party	(270,000)	(256,976)
At 30 June	-	359,558

MANAGEMENT DISCUSSION AND ANALYSIS

1. Major Financial Information

Revenue

As at 30 June 2020, the Group recorded total revenue of RMB1,387,445,000, representing a yoy decrease of 6.6% (1H2019: RMB1,485,156,000). Revenue from the ERP business amounted to RMB589,069,000 (1H2019: RMB934,913,000), down by 37.0%yoy. Revenue from Cloud services increased by 45.1%yoy to RMB798,376,000 (1H2019: RMB550,243,000).

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
ERP business	589,069	934,913
- Revenue from sales of software and hardware products	206,479	493,208
- Revenue from rendering of software implementation services	382,590	441,705
Cloud business	798,376	550,243
- Enterprise cloud services	567,835	399,697
- Finance cloud services	126,744	68,790
- Industry cloud services	67,560	59,906
- Other cloud services	36,237	21,850
	<u>1,387,445</u>	<u>1,485,156</u>

Gross profit

During the Reporting Period, the Group recorded gross profit of RMB1,024,648,000 (1H2019: RMB1,180,429,000), down by 13.2% yoy. The gross profit margin declined 5.6 percentage point yoy to approximately 73.9% (1H2019: approximately 79.5%).

Selling and marketing expenses

During the reporting period, selling and marketing expenses amounted to approximately RMB860,070,000 (1H2019: RMB762,694,000). This represented yoy increase of 12.8%. As a percentage of revenue, the percentage of selling and marketing expenses increased from 51.4% in 1H2019 to 62.0% in 1H2020.

Administrative expenses and Net impairment losses on financial assets and contract assets

During the reporting period, administrative expenses and net impairment losses on financial assets and contract assets were RMB210,764,000 in aggregate, representing a yoy increase of 15.0%

(1H2019:RMB183,334,000). In terms of revenue percentage, the percentage of administrative expenses and net impairment losses on financial assets increased from 12.3% in 1H2019 to 15.2% in 1H2020.

Research and development expenses

During the Reporting Period, total research and development costs were RMB389,755,000, representing a yoy increase of 14.8% (1H2019: RMB339,550,000). The capitalized amount in 1H2020 was RMB243,397,000, down by 7.3% yoy (1H2019: RMB262,530,000). Amortisation of research and development costs was RMB212,038,000 in 1H2020, representing a yoy increase of 20.9% (1H2019: RMB175,435,000), and the research and development costs recognised in the consolidated income statement was RMB358,396,000 in 1H2020, up by 42.0% yoy (1H2019: RMB252,445,000).

Other income and gains-net

During the Reporting Period, other income and gains-net was RMB151,020,000, representing a yoy increase of 6.4% (1H2019: RMB141,976,000), mainly due to the interest income of RMB 29,452,000 from financial assets at fair value gains or loss. (1H2019:RMB15,252,000)

Operating profit

In 1H2020, operating profit decreased to loss of RMB253,562,000 (1H2019: profit of RMB123,922,000), mainly due to the Group's strategic suspension of sales of some ERP software license products, continuous increase in R&D investment in cloud products, especially the new generation of core product Kingdee Cloud Cosmic, and the outbreak of the COVID-19, which imposed adverse impact to the company's small, medium and micro enterprises Market. ERP business' operating profit decreased from profit of RMB211,541,000 in 1H2019 to loss of RMB10,259,000 in 1H2020. Cloud business' operating loss increased approximately 126.4% yoy to RMB281,937,000 (1H2019: loss of RMB124,521,000). Investment properties contributed RMB38,634,000 to operating profit (1H2019: RMB36,902,000), representing a growth of 4.7% yoy, mainly due to the lease revenue from investment properties.

Finance income -net

During the Reporting Period, the finance costs – net value amounted to RMB4,633,000. In 1H2019, finance costs – net value was RMB5,437,000.

Income tax expense

During the Reporting Period, the income tax expense amounted to a credit of RMB9,181,000 (1H2019: expense of RMB8,243,000), mainly due to the decrease in pre-tax profit.

Net Profit and Basic Earnings per Share

As at 30 June 2020, net loss attributable to owners of the Company was RMB224,025,000 (1H2019: net profit of RMB109,640,000). Net profit margin was -16.1% (1H2019: 7.4%). Basic losses per share was RMB6.87 cents (1H2019: basic earnings per share: RMB3.40 cents).

Financial assets at fair value through profit or loss

As at 30 June 2020, the Group's financial assets at fair value through profit or loss amounted to RMB1,371,097,000, representing an increase of RMB346,155,000 as compared with 31 December 2019, including the non-current portion of RMB372,259,000 (2019: RMB428,791,000) and the current portion of RMB998,838,000 (2019: RMB596,151,000).

Financial assets measured at fair value through profit or loss include the following:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Financial assets at fair value through profit or loss		
Wealth management products(i)	1,019,429	687,312
Preferred shares (ii)	258,259	254,491
Listed stock	69,409	59,139
Unlisted equity investment	<u>24,000</u>	<u>24,000</u>
	1,371,097	1,024,942
Less: non-current portion	<u>(372,259)</u>	<u>(428,791)</u>
	<u>998,838</u>	<u>596,151</u>

- i. This represented the Group's investments in various wealth management products issued by commercial banks. These products have a term ranging from 3 months to 36 months. They have an expected return rate ranging from 3% to 5%. No single wealth management product investment accounted for over 5% of the Group's total assets. The fair values of these investments were determined based on the statements provided by the counterparties. The fair values of these investments approximated to their carrying amounts as at 30 June 2020.
- ii. It mainly represented the Group's investment of 535,643,887 Series E Preferred Shares issued by Facishare Co., Ltd., which is mainly engaged in the business of social network working platform for precise interactive marketing and enterprise collaborative management.

Investments in associates

The carrying amount of the Group's investments in associates as at 30 June 2020 was RMB400,697,000 (as at 31 December 2019: RMB282,649,000).

The changes in the book value of the associate investment for six months ended 30 June 2020 are as follows:

	For the six months ended June 30,2020 RMB'000
Beginning of the period	282,649
Additions	120,000
Disposal	-
Share of losses of associates	(1,952)
End of the period	<u>400,697</u>

All the associates of the Group are unlisted and operate in Mainland China.

Loans to third parties

	30 June 2020 RMB'000	31 December 2019 RMB'000
Loans to third parties		
—Current portion	332,348	230,869
—Non-current portion	35,386	12,350
	<u>367,734</u>	<u>243,219</u>

The loans to third parties represented loans under the micro-credit business, bear interest at 4.28% to 24.00% (31 December 2019: 4.28% to 24.00%) per annum and are repayable with fixed terms agreed with the customers, and all denominated in RMB.

As at 30 June 2020, RMB50,690,000 of loans to third parties was pledged for a short-term borrowing.

The fair values of the loans to third parties approximated their carrying amounts and the fair value hierarchy is level 2. The interest accrued was due within 12 months and presented in interest receivables.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

As at 30 June 2020, due to the actual loss rate of loans was less than 0.1% and no significant change in credit quality, the Group performs collective impairment assessment of loans to third parties by grouping together all its loans to third parties with similar credit risk characteristics, a general provision of 1% of the principal was provided against the loan principals.

Contract assets and contract obtaining costs

During the reporting period, the Group's contract assets and contract obtaining costs amounted to RMB537,306,000. As at 31 December 2019, the corresponding contract assets and contract obtaining costs amounted to RMB512,352,000.

Contract liabilities

During the Reporting Period, as at 30 June 2020, the Group's contract liabilities amounted to RMB1,186,615,000. The corresponding contract liabilities amounted to RMB996,996,000 as at 31 December 2019.

	30 June 2020	31 December 2019
	RMB'000	RMB'000
Contract Liabilities		
—ERP Business	475,130	454,203
—Cloud Service Business	711,485	542,793
	<u>1,186,615</u>	<u>996,996</u>

Liquidity, financial and capital resources

As at 30 June 2020, the Group recorded a total cash and bank deposits of RMB1,848,255,000 (31 December 2019: RMB2,586,565,000). As at 30 June 2020, the Group held wealth management products of RMB1,019,429,000(31 December 2019: RMB687,312,000). A substantial part of the Group's cash, bank deposit and wealth management products were denominated in RMB and the RMB-equivalent of the part denominated in foreign currencies was nearly RMB197,426,000 as at 30 June 2020 (31 December 2019: RMB180,074,000), which were mainly denominated in US dollar and Hong Kong dollar ("HKD")

As at 30 June 2020, the Group's net current assets amounted to approximately RMB1,918,567,000 (31 December 2019: RMB2,243,354,000). As at 31 December 2019, the current ratio being current assets over current liabilities was approximately 1.91, representing a slight decrease as compared with 2.12 as at 31 December 2019.

As at 30 June 2020, the Group's borrowings amounted to RMB234,000,000 (31 December 2019: RMB199,625,000), representing a half-to-half increase of 17.2%. Gearing ratio is calculated as net debt (representing total borrowings less cash and cash equivalents) over total capital (representing total equity plus net debt). No gearing ratio was calculated at 30 June 2020 in the Group.

Interest rate risk

The Group's interest rate risk arises from short-term and long-term borrowings. Except for the borrowings and bank deposits, fluctuation of market rates does not have significant impact on the Group's cash flows.

Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. There is no other written policy on managing the interest rate risk and management will take appropriate steps to minimize its impact on the income statement.

Foreign exchange risk

The functional currency of the Company and its major subsidiaries is RMB. The majority of the revenues of the Group are derived from operations in the PRC.

Foreign exchange risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign exchange risk facing the Group mainly comes from movements in the USD/RMB and HKD/RMB exchange rates.

The Group does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost, at fair value through profit or loss (FVPL) and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

The management manages the credit risk of cash and cash equivalents, pledged and short-term bank deposits and wealth management products (classified as financial assets at FVPL) by transacting with state-owned financial institutions and reputable commercial banks which are all high-credit-quality financial institutions in the PRC and Hong Kong.

In relation to trade receivables and contract assets, the Group has two kinds of distribution channels, one is sales to distributors and the other is sales to end customers.

For distributors, the Group has assessed the credit quality of the distributors, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by distributors is regularly monitored by management.

For sales to end customers, the Group has no significant concentration of credit risk in trade receivables since the balance of trade receivables is composed of numerous individual small items and the exposure spreads over a large number of customers.

The Group's investments in debt instruments, including loans to third parties and related parties are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

For other receivables, management makes periodic collective assessment as well as individual assessment on the recoverability of the receivables based on historical settlement record and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balances of other receivables.

Fund and working capital management

Our funds and liquidity management are centrally carried out by our fund management department. Our fund management department is generally responsible for overall management and implementation of funds, including formulating the capital management policy for our Group, guiding, coordinating and standardizing the fund management of regional companies, making annual funding plans, reviewing and summarizing annual capital budget, overseeing and assessing fund management of each regional company. Our finance departments of regional companies are committed to implementing the fund management policies formulated by our headquarters and are responsible for making funding plans and executing capital operations at subsidiary level. We have also adopted sophisticated fund management policies and implemented a set of rules and guidelines on fund management, such as the Group Capital Internal Control Management Measures (《集團資金基礎內控管理辦法》) and Fund Settlement Of Branch Offices Management Measures (《分支機構資金結算管理辦法》), to enhance the effectiveness and efficiency of fund management, thereby ensuring our financial security and reducing cost of capital.

To manage our idle cash on hand, we purchase and redeem wealth management products using them as our "cash pool" from which we could readily access cash as needed and generate higher yield than bank deposits. The underlying financial assets of the wealth management products in which we invested primarily consist of the low risk wealth management products issued by financial institutions. The amount of the purchase will be determined based on our surplus funds. Our main treasury policy on fund management is the Wealth Management Administration Solution (《資金理

財管理辦法》)。We consistently comply with our treasury policy during the procedures of purchasing the wealth management products and managing the relevant departments, as well as in conducting business, accounting and filing.

2. Employee and Remuneration Policy

During the reporting period, total number of employees in the Group reached 9,382. Based on core value of “Acting in all Conscience, with Integrity and Righteousness”, the Group was committed to implementing Kingdee Philosophy, recognizing employees and organizations with outstanding contributions to customers during the pandemic, and consolidating customer-centric corporate culture. In the meantime, the Group continued to encourage product and technology innovation, improved the quality of products, strategically raised wage and incentives for R&D staff. The Group continued to implement the strategy of “talent activation, talent introduction, talent development” to attract elite talents, top-class professionals and graduates for cloud transformation while spurring high potentials to develop in job rotation, so as to comprehensively promote younger, hierarchization, more professional and more digitalized workforce.

3. Social Responsibility

During the pandemic, Kingdee leveraged its advantages in cloud platform and big data, provided data monitoring and analysis for small- and medium-sized enterprises to resume work and production, guaranteed 24-hour telephone and online customer services and maintained normal operation of customers' business. In addition, Kingdee provided priority services to enterprises in affected areas. Meanwhile, Kingdee, together with management experts and leaders from 18 industries, released the Smart Growth Plan for Micro, Small and Medium Businesses to help SMEs break through business bottlenecks and achieve smart growth. Kingdee also helped enterprises tide over difficulties with the “Golden Selection Plan”, which selected quality products from served enterprises and promoted them in the market, as well as a number of support measures for enterprises and products preferential services.

Kingdee donated RMB10 million through China Siyuan Foundation for Poverty Alleviation to support front-line medical workers fighting against COVID-19 in Wuhan and surrounding areas,

continued to support the Siyuan Foundation Ya'an Poor Students Phase III Project and initiated the Third Kingdee Education Relocation Class Project. During the reporting period, Kingdee contributed to the China Management Model 50, a public forum promoting theoretical and practical dialogues, communication and cooperation. Kingdee, management experts and entrepreneurs jointly advanced enterprise management in China.

4. Outlook

The Group maintained solid growth for cloud business, despite of COVID-19 in the first half of 2020. The Group remained confident in the long-term development of enterprise cloud service industry, and the Group will continue working toward the goal of 60% cloud revenue contribution in 2020.

Currently, enterprise cloud transformation is the prevailing trend in China. New infrastructure projects will bring a new round of growth in the digital economy. Contactless business scenarios and deep industrial internet applications are emerging. Industry value chain continues to upgrade and restructure. Global supply chain is shifting towards industry clusters. Enterprise Business Capability (EBC) has become the core competence for enterprises. Localization is fully undergoing. The Group will embrace the golden opportunity to grow and prosper.

In the second half of 2020, the Group is committed to invest in cloud transformation and product development in the post COVID-19 period, which should bring pressure to profitability. The Group will remain focusing on the "Platform + Finance & HR application + Ecosystem" strategy and R&D, in order to uplift product competitiveness and solidify the leadership in the enterprise SaaS sector. The Group will embrace crisis as an opportunity for growth, and start a new chapter in the ever changing environment.

REPORT OF DIRECTORS

Share Option Schemes

The share option scheme is to encourage and reward the contribution of eligible persons to the Company. The eligible persons include employees, directors, consultants, suppliers and customers of the Group.

Pursuant to the share option scheme adopted by the Company on 11 July 2005 (the “**2005 Scheme**”) and the adjustment made due to the bonus Issue and the refreshment on the scheme limit in 2011, an aggregate of 529,501,600 share options were granted, of which 312,464,693 share options were exercised, 189,677,407 share options had lapsed since its adoption. During the six months ended 30 June 2020, 6,930,500 share options were exercised and 10,844,100 share options had lapsed. Hence, 27,359,500 share options remained outstanding as at 30 June 2020.

At the annual general meeting of the Company held on 8 May 2015, the Company terminated the 2005 Scheme and adopted a new share option scheme (the “**2015 Scheme**”) with a validity period of ten years. The remaining life of the 2015 Scheme was around 4 years and 8 months as at the date of this report. As at 30 June 2020, the Company had granted 40,000,000 share options under the 2015 Scheme, of which 15,374,500 share options were exercised and 5,180,000 share options had lapsed since its adoption. During the six months ended 30 June 2020, 3,375,000 share options were exercised and 670,000 share options had lapsed. Hence, 19,445,500 share options remained outstanding as at 30 June 2020. According to the scheme mandate limit of the 2015 Scheme as approved at the annual general meeting of the Company on 8 May 2015 (being 259,264,096 share options), less the 40,000,000 share options granted by the Company since its approval, the Company may further grant 219,264,096 share options (including the lapsed share options since the refreshment)], representing approximately 6.58% of the total number of shares of the Company in issue as at 30 June 2020.

Details of the share options granted, exercised and/or lapsed under the 2005 Scheme and 2015 Scheme during the six months ended 30 June 2020 are set out in the table below:

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Name or category of participants	Date of grant	Exercise period (Note 2)	Exercise price per share (HKD)	Options held at 31 December 2019	Options granted during the reporting period	Options exercised during the reporting period	Options lapsed during the reporting period	Options held at 30 June 2020
Oriental Gold Limited (Note1)	23/04/2014	23/04/2014 to 22/04/2024	2.66	2,500,000	-	-	-	2,500,000
	12/05/2015	12/05/2015 to 11/05/2025	4.6	2,500,000	-	-	-	2,500,000
Sub-total				5,000,000				5,000,000
Lin Bo	16/03/2011	16/03/2011 to 15/03/2021	4.275	400,000	-	-	-	400,000
	12/05/2015	12/05/2015 to 11/05/2025	4.6	300,000	-	-	-	300,000
Sub-total				700,000				700,000
Dong Ming Zhu	22/03/2013	22/03/2013 to 21/03/2023	1.34	200,000	-	-	-	200,000
	12/05/2015	12/05/2015 to 11/05/2025	4.6	200,000	-	-	-	200,000
Sub-total				400,000				400,000
Other employees in aggregate								
	23/04/2010	23/04/2010 to 22/04/2020	2.5917	7,721,000	-	2,368,000	5,353,000	-
	16/03/2011	16/03/2011 to 15/03/2021	4.275	1,940,000	-	400,000	-	1,540,000
	19/08/2011	19/08/2011 to 18/08/2021	3.75	6,157,000	-	450,000	-	5,707,000

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22/03/2013	22/03/2013 to 21/03/2023	1.34	15,871,600	-	1,907,500	5,453,600	8,510,500
23/04/2014	23/04/2014 to 22/04/2024	2.66	10,344,500	-	1,805,000	37,500	8,502,000
12/05/2015	12/05/2015 to 11/05/2025	4.6	20,490,500	-	3,375,000	670,000	16,445,500
Sub-total			62,524,600	-	10,305,500 (Note 3)	11,514,100	40,705,000
TOTAL			68,624,600		10,305,500	11,514,100	46,805,000

Notes:

1. Mr. Xu Shao Chun, an executive Director, the chairman of the Board of Directors (the “**Board**”), the President and the Chief Executive Officer of the Company, holds 100% interests in Easy Key Holdings Limited, which in turn holds 100% interests in Oriental Gold Limited.
2. The vesting period of the share options granted was four years and the vesting schedule was 25% after 12 months, 24 months, 36 months and 48 months from the date of grant, respectively.
3. The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised is 10.37(HKD).

Share Award Scheme

The share award scheme was adopted by the Company (the “**Share Award Scheme**”) to provide incentives and reward the contributions of certain employees and directors of the Group.

The Company approved the adoption of the Share Award Scheme on 4 December 2015. The Share Award Scheme shall be valid and effective for a period of 10 years commencing on the adoption date. Please refer to the announcement of the Company dated 18 December 2015 for further details.

During the six months ended 30 June 2020, the Company had granted 10,608,000 award shares pursuant to the Share Award Scheme; and as at 30 June 2020, a total of 3,800,000 awarded shares granted to the Directors were still outstanding, details of which are as follows:

Name of Director	As at 31 December 2019	Granted during the reporting period	Vested during the reporting period	As at 30 June 2020
Xu Shao Chun	4,200,000	-	1,800,000	2,400,000
Lin Bo	2,250,000	-	850,000	1,400,000

Directors’ and Chief Executive’s Interests or Short Positions in the Shares, Underlying Shares or Debentures

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”), which would be required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Divisions 7 and 8 of Part XV of the SFO or which would be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) as set out in Appendix 10 of The Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

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Long positions/short positions in shares/underlying shares of the Company

Name of Directors	Number of shares/ underlying shares (where appropriate)	Capacity	Percentage of total number of issued share (approximate)
Xu Shao Chun	715,198,624(L)	Interests of controlled corporation (Note 1)	
	2,400,000(L)	Beneficiary of a trust (Note 2)	
	18,684,760(L)	Beneficial owner	
<i>Aggregate:</i>	736,283,384		22.10%
Lin Bo	1,284,004(L)	Beneficial owner	
	1,400,000(L)	Beneficiary of a trust (Note 4)	
<i>Aggregate:</i>	2,684,004		0.08%
Gary Clark Biddle	1,183,000(L)	Beneficial owner	
<i>Aggregate:</i>	1,183,000		0.04%
Dong Ming Zhu	400,000(L)	Share option (Note 3)	
<i>Aggregate:</i>	400,000		0.01%
Liu Chia Yung	200,000(L)	Beneficial owner	
<i>Aggregate:</i>	200,000		0.01%

Notes:

The percentage represents the total number of the shares interested divided by the total number of issued shares of 3,330,996,071 as at 30 June 2020.

1. Of the 715,198,624 shares, 419,312,000 shares (of which 5,000,000 are share options granted under the 2005 Scheme and 2015 Scheme) were held through Oriental Gold Limited and 295,886,624 shares were held through Billion Ocean Limited. Oriental Gold Limited and Billion Ocean Limited are wholly owned by Easy Key Holdings Limited, which is in turn wholly owned by Mr. Xu Shao Chun. Therefore, Mr. Xu Shao Chun is deemed to be interested in those 715,198,624 shares.

2. The 2,400,000 shares are the awarded shares granted to Mr. Xu Shao Chun under the Share Award Scheme and held by the trustee to the Share Award Scheme - Bank of Communications Trustee Limited. Details of the awarded shares are set out in the paragraph headed "Share Award Scheme" of this report.

3. Details of the share options are set out in the paragraph headed "Share Option Schemes" of this report.

4. The 1,400,000 shares are the awarded shares granted to Mr. Lin Bo under the Share Award Scheme and held by the trustee to the Share Award Scheme - Bank of Communications Trustee Limited. Details of the awarded shares are set out in the paragraph headed "Share Award Scheme"

of this report.

5. (L) denotes long position.

Save as disclosed in this paragraph, as at 30 June 2020, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which would be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the section headed "Share Option Schemes" above, none of the Directors or their respective associates (as defined under the Listing Rules) was granted by the Company, or any of its subsidiaries, any rights or options to acquire shares or debentures in the Company during the six months ended 30 June 2020.

Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares, Underlying Shares and Debentures

As at 30 June 2020, as far as the Directors were aware, the following persons (other than the Directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Part XV of the SFO and required to be recorded in the register required to be kept under section 336 of the SFO:

Long positions in shares/ underlying shares of the Company

Name	Number of shares/ underlying shares (where appropriate)	Capacity	Percentage of total number of issued share (approximate)
Easy Key Holdings Limited (Note 1)	715,198,624(L)	Interests of controlled corporation	21.47%
Oriental Gold Limited (Note 1)	414,312,000 (L) 5,000,000 (L)	Beneficial owner Other/share option (Note 2)	
<i>SUBTOTAL</i>	419,312,000 (L)		12.59%
Billion Ocean Limited (Note 1)	295,886,624(L)	Beneficial owner	8.88%
The Capital Group Companies, Inc. (Note 3)	299,492,761(L)	Interests of controlled corporation	8.99%

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Capital Research and Management Company	299,492,761(L)	Beneficial owner	8.99%
	29,773,348 (L)		
	16,992,050 (S)	Interests of controlled corporation	
JPMorgan Chase & Co. (Note 4)	109,437,000 (L)	Investment manager	
	24,603,865 (L)	Approved lending agent	
	6,244,000 (L)	Person having a security interest in shares	
	170,058,213 (L)		5.11%
Subtotal	16,992,050 (S)		0.51%
	24,603,865 (P)		0.74%
JD Oriental Investment Limited (Note 5)	231,330,000(L)	Beneficial owner	6.94%
FMR LLC	209,200,485(L)	Investment manager	6.28%
BlackRock, Inc. (Note 6)	201,109,248 (L)	Interests of controlled corporation	6.04%
	4,688,000 (S)		0.14%

Notes:

The percentage represents the total number of the shares interested divided by the total number of issued shares of 3,330,996,071 as at 30 June 2020.

1. Oriental Gold Limited and Billion Ocean Limited are wholly owned by Easy Key Holdings Limited, which is in turn wholly owned by Mr. Xu Shao Chun.
2. Details of the share options are set out in the section headed “Share Option Schemes” of this report.
3. According to the disclosure of interest form filed by The Capital Group Companies, Inc. on June 2020 regarding the relevant event which took place on 24 June 2020, those 299,492,761 shares were held by Capital Research and Management Company which is wholly owned by The Capital Group Companies, Inc.
4. According to the disclosure of interests forms filed by JPMorgan Chase & Co. on 30 June 2020 regarding the relevant event which took place on 25 June 2020,
 - a) JPMorgan Chase & Co. was deemed to be interested in the shares of the Company as follows:

Name of controlled corporation	Name of controlling person	% control	Direct interest (Y/N)	Number of Shares
China International Fund Management Co., Ltd.	JPMORGAN ASSET MANAGEMENT (UK) LIMITED	49.00	Y	2,824,000 (L)
JPMORGAN ASSET MANAGEMENT (Taiwan) Limited	JPMorgan Asset Management (Asia) Inc.	100.00	Y	5,263,000 (L)
J.P. Morgan Securities LLC	J.P. Morgan Broker-Dealer Holdings Inc.	100.00	Y	1,410,000 (L)
JPMORGAN CHASE BANK, N.A. – LONDON BRANCH	JPMorgan Chase Bank, National Association	100.00	Y	24,603,865 (L)
JPMORGAN ASSET MANAGEMENT (UK) LIMITED	JPMORGAN ASSET MANAGEMENT HOLDINGS (UK) LIMITED	100.00	Y	1,097,000 (L)

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J.P. Morgan Investment Management Inc.	JPMorgan Asset Management Holdings Inc.	100.00	Y	7,980,000 (L)
J.P. Morgan Structured Products B.V.	J.P. Morgan International Finance Limited	100.00	Y	-
JPMorgan Asset Management (Japan) Limited	JPMorgan Asset Management (Asia) Inc.	100.00	Y	1,568,000 (L)
JPMorgan Chase Bank, National Association	JPMorgan Chase & Co.	100.00	Y	4,944,000 (L)
JPMorgan Asset Management (Asia Pacific) Limited	JPMorgan Asset Management (Asia) Inc.	99.99	Y	85,761,000 (L)
J.P. MORGAN SECURITIES PLC	J.P. MORGAN CAPITAL HOLDINGS LIMITED	100.00	Y	34,607,348 (L) 16,992,050 (S)
JPMORGAN ASSET MANAGEMENT (UK) LIMITED	JPMORGAN ASSET MANAGEMENT HOLDINGS (UK) LIMITED	100.00	N	2,824,000(L)
JPMORGAN ASSET MANAGEMENT HOLDINGS (UK) LIMITED	JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED	100.00	N	3,921,000 (L)
JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED	JPMorgan Asset Management Holdings Inc.	100.00	N	3,921,000 (L)
JPMorgan Asset Management Holdings Inc.	JPMorgan Chase Holdings LLC	100.00	N	104,493,000 (L)
JPMorgan Chase Holdings LLC	JPMorgan Chase & Co.	100.00	N	105,903,000 (L)
JPMorgan Asset Management (Asia) Inc.	JPMorgan Asset Management Holdings Inc.	100.00	N	92,592,000 (L)
J.P. Morgan Broker-Dealer Holdings Inc.	JPMorgan Chase Holdings LLC	100.00	N	1,410,000 (L)
JPMorgan Chase Bank, National Association	JPMorgan Chase & Co.	100.00	N	59,211,213 (L) 16,992,050 (S)
J.P. Morgan International Finance Limited	JPMorgan Chase Bank, National Association	100.00	N	34,607,348 (L) 16,992,050 (S)
J.P. MORGAN CAPITAL HOLDINGS LIMITED	J.P. Morgan International Finance Limited	100.00	N	34,607,348 (L) 16,992,050 (S)

and b) details of JPMorgan Chase & Co.'s derivatives interests were as follows:

- Listed derivatives – Cash settled: 115,000(S)
- Unlisted derivatives – Physically settled: 85,852(S)
- Unlisted derivatives – Cash settled: 18,134,340(L) and 950,269(S)

5. According to the disclosure of interest forms filed by JD Oriental Investment Limited, Max Smart Limited, JD.com, Inc., JD.com Investment Limited and Liu Qiangdong Richard on 28 April 2020, Max Smart Limited, JD.com, Inc., JD.com Investment Limited and Liu Qiangdong Richard were deemed to be interested in the shares of the Company as follows:

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest (Y/N)	Number of shares
Max Smart Limited	Liu Qiangdong Richard	100.00	N	231,330,000
JD.com, Inc.	Max Smart Limited and Fortune Rising Holdings Limited	78.50	N	231,330,000
JD.com Investment Limited	JD.com, Inc.	100.00	N	231,330,000
JD Oriental Investment Limited	JD.com Investment Limited	100.00	Y	231,330,000

6. According to the disclosure of interest form filed by BlackRock, Inc. on 2 July 2020 regarding the relevant event which took place on 30 June 2020,

a) BlackRock, Inc. was deemed to be interested in the shares of the Company as follows:

Name of controlled corporation	Name of controlling person	% control	Direct interest (Y/N)	Number of Shares
Trident Merger, LLC	BlackRock, Inc.	100.00	N	3,419,000 (L)

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BlackRock Investment Management, LLC	Trident Merger, LLC	100.00	Y	3,419,000 (L)
BlackRock Holdco 2, Inc.	BlackRock, Inc.	100.00	N	197,690,248 (L) 4,688,000 (S)
BlackRock Financial Management, Inc.	BlackRock Holdco 2, Inc.	100.00	N	190,101,248 (L) 4,688,000 (S)
BlackRock Financial Management, Inc.	BlackRock Holdco 2, Inc.	100.00	Y	7,589,000 (L)
BlackRock Holdco 4, LLC	BlackRock Financial Management, Inc.	100.00	N	81,878,888 (L) 288,000 (S)
BlackRock Holdco 6, LLC	BlackRock Holdco 4, LLC	90.00	N	81,878,888 (L) 288,000 (S)
BlackRock Delaware Holdings Inc.	BlackRock Holdco 6, LLC	100.00	N	81,878,888 (L) 288,000 (S)
BlackRock Institutional Trust Company, National Association	BlackRock Delaware Holdings Inc.	100.00	Y	35,384,000 (L) 288,000 (S)
BlackRock Fund Advisors	BlackRock Delaware Holdings Inc.	100.00	Y	46,494,000 (L)
BlackRock Capital Holdings, Inc.	BlackRock Financial Management, Inc.	100.00	N	45,514,000 (L) 4,377,000 (S)
BlackRock Advisors, LLC	BlackRock Capital Holdings, Inc.	100.00	Y	45,514,000 (L) 4,377,000 (S)
BlackRock International Holdings, Inc.	BlackRock Financial Management, Inc.	100.00	N	62,709,248 (L) 23,000 (S)
BR Jersey International Holdings L.P.	BlackRock International Holdings, Inc.	86.00	N	62,709,248 (L) 23,000 (S)
BlackRock Lux FincoS.à.r.l.	BlackRock HK Holdco Limited	100.00	N	1,716,000 (L)
BlackRock Japan Holdings GK	BlackRock Lux FincoS.à.r.l.	100.00	N	1,716,000 (L)
BlackRock Japan Co., Ltd.	BlackRock Japan Holdings GK	100.00	Y	1,716,000 (L)
BlackRock Holdco 3, LLC	BR Jersey International Holdings L.P.	100.00	N	58,072,499 (L) 23,000 (S)
BlackRock Canada Holdings LP	BlackRock Holdco 3, LLC	99.90	N	814,000 (L)
BlackRock Canada Holdings ULC	BlackRock Canada Holdings LP	100.00	N	814,000 (L)
BlackRock Asset Management Canada Limited	BlackRock Canada Holdings ULC	100.00	Y	814,000 (L)
BlackRock Australia Holdco Pty. Ltd.	BR Jersey International Holdings L.P.	100.00	N	1,212,400 (L)
BlackRock Investment Management (Australia) Limited	BlackRock Australia Holdco Pty. Ltd.	100.00	Y	1,212,400 (L)
BlackRock (Singapore) Holdco Pte. Ltd.	BR Jersey International Holdings L.P.	100.00	N	3,424,349 (L)
BlackRock HK Holdco Limited	BlackRock (Singapore) Holdco Pte. Ltd.	100.00	N	3,038,349 (L)
BlackRock Asset Management North Asia Limited	BlackRock HK Holdco Limited	100.00	Y	1,322,349 (L)
BlackRock Cayman 1 LP	BlackRock Holdco 3, LLC	100.00	N	57,258,499 (L) 23,000 (S)
BlackRock Cayman West Bay Finco Limited	BlackRock Cayman 1 LP	100.00	N	57,258,499 (L) 23,000 (S)

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BlackRock Cayman West Bay IV Limited	BlackRock Cayman West Bay Finco Limited	100.00	N	57,258,499 (L) 23,000 (S)
BlackRock Group Limited	BlackRock Cayman West Bay IV Limited	90.00	N	57,258,499 (L) 23,000 (S)
BlackRock Finance Europe Limited	BlackRock Group Limited	100.00	N	16,174,644 (L)
BlackRock (Netherlands) B.V.	BlackRock Finance Europe Limited	100.00	Y	501,000 (L)
BlackRock Advisors (UK) Limited	BlackRock Finance Europe Limited	100.00	Y	1,005,000 (L)
BlackRock International Limited	BlackRock Group Limited	100.00	Y	256,000 (L)
BlackRock Group Limited-Luxembourg Branch	BlackRock Group Limited	100.00	N	40,827,855 (L) 23,000 (S)
BlackRock Luxembourg Holdco S.à.r.l.	BlackRock Group Limited-Luxembourg Branch	100.00	N	40,827,855 (L) 23,000 (S)
BlackRock Investment Management Ireland Holdings Limited	BlackRock Luxembourg Holdco S.à.r.l.	100.00	N	13,410,855 (L)
BlackRock Asset Management Ireland Limited	BlackRock Investment Management Ireland Holdings Limited	100.00	Y	13,410,855 (L)
BLACKROCK (Luxembourg) S.A.	BlackRockLuxembourg Holdco S.à.r.l.	100.00	Y	27,398,000 (L) 23,000 (S)
BlackRock Investment Management (UK) Limited	BlackRock Finance Europe Limited	100.00	N	3,400,484 (L)
BlackRock Investment Management (UK) Limited	BlackRock Finance Europe Limited	100.00	Y	11,268,160 (L)
BlackRock Fund Managers Limited	BlackRock Investment Management (UK) Limited	100.00	Y	3,400,484 (L)
BlackRock (Singapore) Limited	BlackRock (Singapore) Holdco Pte. Ltd.	100.00	Y	386,000 (L)
BlackRock UK Holdco Limited	BlackRock Luxembourg Holdco S.à.r.l.	100.00	N	19,000 (L)
BlackRock Asset Management (Schweiz) AG	BlackRock UK Holdco Limited	100.00	Y	19,000 (L)

b) Details of BlackRock, Inc.'s derivative interests were as follows:

- Unlisted derivatives – Cashsettled: 72,000 (L) and 4,510,000 (S)

7. (L) denotes long position; (S) denotes short position; and (P) denotes lending pool.

Save as disclosed above, as at 30 June 2020, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest and short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Purchase, Sale or Redemption of Shares

During the six months ended 30 June 2020, neither the Company, nor any of its subsidiaries, had repurchased, sold or redeemed any of its listed securities.

Change of Information of Directors

During the six months ended 30 June 2020, there was no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Corporate Governance

The Company had complied with all the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2020, except for the deviation in respect of the roles of chairman and chief executive officer under Code provision A.2.1. During the reporting period, Mr. Xu Shao Chun assumed the roles of both the Chairman and the chief executive officer of the Company. The Board considers that Mr. Xu Shao Chun, as one of the main founders of the Company, has abundant knowledge of the IT industry and possesses a unique strategic perspective. The Board believes that he can lead the Company to formulate effective strategies and react promptly to market changes. His continuous service in both roles is beneficial to the stable and healthy development of the Company. However, the Board will review and make appropriate changes when necessary in order to enhance the level of corporate governance of the Company.

The Board is always committed to improving its level of corporate governance, besides publishing a series of management systems, the Company also, from time to time, arranges trainings for Directors, senior managers, and related employees in relation to duties of the Directors, continuing professional development, and other aspects of compliance with the Listing Rules as well as other relevant laws and regulations, so that the employees will always be equipped with the necessary knowledge and skills to perform their duties in a better way.

The Company will continue to comply with the Listing Rules and other relevant laws and regulations as amended from time to time; further enhance its level of corporate governance; improve and enhance its internal control in respect of disclosure of required information; and enhance its communication with its investors and other stakeholders.

Code of Conduct Regarding Directors' Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transaction on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry to each of the Directors, all the Directors confirmed that they had complied with such code of conduct throughout the reporting period.

Audit Committee

The audit committee of the Company had reviewed with the management the accounting principles and practice adopted by the Company and discussed the auditing, internal controls and financial reporting matters. The audit committee had also reviewed the Group's unaudited consolidated results for the six months ended 30 June 2020. The audit committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

Interim Dividend

The Board did not declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

Appreciation

On behalf of the Board, I would like to express our sincere thanks to all our managements and staff for their dedication during the reporting period. Also, I would like to thank our shareholders for their continuous support.

By order of the Board

Kingdee International Software Group Company Limited

Xu Shao Chun

Chairman

Shenzhen, the People's Republic of China, 18 August 2020

As at the date of this report, the Board comprises Mr. Xu Shao Chun (Chairman of the Board and Chief Executive Officer) and Mr. Lin Bo (Chief Financial Officer) as executive Directors; Ms. Dong Ming Zhu and Mr. Zhou Bo Wen as non-executive Directors; and Mr. Gary Clark Biddle, Mr. Cao Yang Feng and Mr. Liu Chia Yung as independent non-executive Directors.

This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.