

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



**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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The board (the “Board”) of directors (the “Directors”) of Kingdee International Software Group Company Limited (“Kingdee International” or the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021, together with the comparative audited consolidated figures for the year ended 31 December 2020 are as follows:

Financial highlights for the year ended 31 December 2021

- Revenue increased by approximately 24.4% compared with 2020 to approximately RMB4,174,147,000, including the cloud services business revenue increased by 44.2% compared with 2020, and revenue contribution increased from 57.0% in 2020 to 66.1% in 2021. (2020: revenue of approximately RMB3,356,445,000)
- Loss attributable to owners of the Company amounted to approximately RMB302,330,000. (2020: loss of approximately RMB335,479,000)
- Net cash generated from operating activities amounted to approximately RMB660,563,000. (2020: approximately RMB473,017,000)
- Basic losses per share attributable to owners of the Company during the year amounted to approximately RMB9.23cents. (2020: basic losses per share of RMB10.12 cents).

BUSINESS REVIEW AND OUTLOOK

1. Financial Results

In 2021, the Group continued to concentrate on the Cloud subscription services, and realized 44.2% year over year (yoy) growth in cloud service revenue and contributed 66.1% of the Group revenue. Kingdee Cloud's subscription Annual Recurring Revenue (ARR) reached approximately RMB1.57 billion, an increase of 58.5% yoy. Meanwhile, Cloud subscription related contract liabilities achieved growth of 64.6% yoy.

For the year ended 31 December 2021, the Group recorded total revenue of RMB4,174,147,000, representing an increase of approximately 24.4% as compared to the same period in 2020 (2020: RMB3,356,445,000). Revenue from the ERP and other businesses decreased 2.0% yoy.

For the year ended 31 December 2021, loss attributable to owners of the Company was approximately RMB302,330,000 (2020: a loss of approximately RMB335,479,000 attributable to owners of the Company). The loss was mainly due to the increased investment in product research and development of Kingdee Cloud Cosmic and Kingdee Cloud Constellation.

Basic loss per share attributable to owners of the Company amounted to approximately RMB9.23 cents. (2020: basic loss per share of approximately RMB10.12 cents).

Net cash inflow from operating activities of the Company was up approximately 39.6% yoy RMB660,563,000 (2020: net cash inflow of approximately RMB473,017,000).

2. Strategy Review

Kingdee adheres to the strategy of "Platform + Finance & HR & Tax + Ecosystem", takes "wholeheartedly serve and enlighten every enterprise" as its mission, being committed to becoming "the most trustworthy enterprise service platform." Kingdee aims to help enterprises constructing new foundation for digital technology, as well as Enterprise Business Capability (EBC).

Key Strategic Initiatives:

1. Platform: Kingdee Cloud Cosmic PaaS platform, based on the cloud-native architecture and Kingdee Dynamic Domain Model (KDDM), continued to enhance the technological capabilities in the fields of Low-code Development, Master Data Management, Process management and RPA (robotic process automation). Building the capability of integrated low-end packageable platform and unlocking development productivity, Cosmic would be able to build the solid base of the enterprise business capability platform and help enterprises rapidly respond to dynamic market demand.

2. Finance & HR & Tax: Kingdee constantly introduced various SaaS solutions and products. Assessing the customer demand for human capital management, finance and taxation management in the new era, Kingdee focused thinking on product design and service to enable enterprise digital capabilities, to manage for efficiency.

3. Ecosystem: Kingdee remained committed to establish a mutual benefit, build-together and win-together ecosystem. Leveraging on the diverse converging forces in the ecosystem, including consulting, product development, implementation and development, channels and services, Kingdee would be able to better reach and serve customers and serving customers. Kingdee will maintain investment in the Cosmic PaaS platform and application marketplace, to construct key competencies and develop its ecosystem. Meanwhile, ecosystem partners will focus on their respective fields, and ride the digital economic surge with Kingdee.

4. Customer Success: Kingdee continued to carry out the mission of “wholeheartedly serving enterprises.” On the basis of Kingdee Customer Success methodology, enterprises and staff will enjoy a new generation of user journey experience, marked by success, growth and achievement.

3. Business Review of the Company

Since the cloud transformation in 2014, from ERP to EBC (enterprise business capability), Kingdee has been well recognized by domestic and global renowned research institutions. According to IDC’s China EA SaaS Public Cloud Service Market Tracking Report (1H2021) released in 2022, Kingdee ranked as No.1 within SaaS ERM (Enterprise Resource Management Cloud Service) market for Large, Medium and SME enterprises, also maintained as No.1 in the market share of SaaS EA (Enterprise Application Software Cloud Services) and Finance Cloud. Meanwhile, Kingdee has become the only Enterprise SaaS vendor in China that has entered into the top five of Gartner’s application platform software in 2020, as well as the only Chinese vendor to be selected in IDC’s Asia-Pacific manufacturing ERP SaaS MarketScape, as a Contender. In addition, Kingdee Cloud was selected in “The State of Low-Code Platforms of Forrester”, having the most case studies among all enterprise PaaS+SaaS platforms. Kingdee has attached great importance to user privacy and data security, and obtained the “grand slam” of security and privacy certifications, including ISO27001, ISO27701, Grade III Protection of Information Security, Cloud Security Alliance CSA-STAR.

Cloud Business Review

During the Reporting Period, cloud service revenues increased 44.2% yoy to RMB2,758,422,000, from RMB1,912,385,000 in the same period in 2020. Cloud service revenue accounted for approximately 66.1% of the Group revenue.

(1) Large Enterprise Market Breaking Through to Industry Model Customers, and Leading in Domestic Substitution

Kingdee Cloud Cosmic, the new generation self-innovated enterprise PaaS platform with the basis of packageable design philosophy, continued to consolidate its technological advantages with 213 patent applications in total. Kingdee introduced the industry leading Multi-Dimensional Database (MDD) supporting high performance and demanding business scenario applications such as consolidated financial reporting. MDD significantly enhanced Cosmic’s technological competence in the finance and taxation fields. Based on the enterprise level cloud native technology and KDDM (Kingdee Dynamic Domain Model), Cosmic passed the test of million-level concurrent online within enterprise-class scenarios, also obtained industry benchmark certification from Huawei. In addition, Cosmic actively engaged the Xinchuang (信创) ecosystem, and participated in the Standardization of General Capabilities of Low-Code of CAICT (信通院). Kingdee further continued to push the development ISV partner ecosystem for Cosmic, including opensource of Cosmic design system KDesign as well as opening up KDDM to equip the capability of rapid component development for ISV partners. During the period, ISV partners within the Cosmic marketplace was cumulatively grew to 1,200.

Kingdee Constellation has built up core competence and domestic substitution capabilities in finance, group taxation, global human resource, group production and procurement management fields, with its world-class applications including finance middle platform, enterprise performance management (EPM), global treasury management. During the period, Constellation EPM (Enterprise Performance Management), based on self-developed multi-dimensional database technology, has been successfully deployed in various Fortune Global 500 companies including State Power Investment Corporation and Zhejiang Communications Investment Group. Phase I of Global Human Resources system for Huawei has been completed after final check, and Phase II was steadily pushing forward. Based on the best practice of Huawei HR, Kingdee will officially launch Constellation HR in 2022. Constellation Global Treasury Management was deployed within Xiamen ITG to achieve

localization of treasury management, and enriched the finance middle platform applications including cost center, payables center, asset center, settlement center, taxation center, etc. Constellation provided super automation technology for the customer to enjoy improving business efficiency. Constellation Supply Chain and Manufacturing in combined were selected by large manufacturing customers as the core of next generation digital system. Constellation also proved its high performance with consistency in processing by over hundreds of billion rows of transaction data, supporting various enterprises break through the “bottleneck” problem of system performance.

During the Reporting Period, Kingdee Cloud Cosmic and Kingdee Cloud Constellation recorded RMB385 million in revenue, an increase of 102.9% yoy. The dollar retention ratio of Kingdee Cloud Cosmic and Constellation exceeded 120%. Total number of signed customers reached 551, of which 316 were new customers, including CCB Fintech, WZ Group, Shagang Group, Yixintang, BGI, Chinasoft International, Fenghua Advanced Technology. Over the past two years, Kingdee has been working with 102 enterprises to achieve domestic substitution, and supported the restructure of digitalization for various Fortune Global 500 companies including Huawei, Vanke, China Merchants Group, HBIS Group and State Power Investment Corporation

(2) Medium Enterprise Cloud Subscription Delivered Rapid Growth, Strengthened Industry-based Operations and Achieved Record-high Dollar Retention

Kingdee Cloud Galaxy has covered more than half of technologically advanced enterprises (专精特新) and unicorn companies, and established 800 industry digitalization models within 18 major industry verticals. As the first “ERP+MES+PLM” integrated SaaS solution in the market, Galaxy established a mature and technology leading products and industry best practices, to provide in-depth all-field digital transformation service around research and development, manufacturing, supply chain, marketing, finance, etc. During the reporting period, Galaxy sped up the development of data intelligent cloud service, in order to promote data inclusive for the healthy operation and precise decision making of medium enterprises, as well as better user experience. Meanwhile, Galaxy stayed committed to deepening industry-based operating expertise, by focusing on technologically advanced enterprise demand, enhancing market-leading development for 6 major industry verticals including high-tech, manufacturing, life science, food beverage and daily chemicals, wholesale and retail and innovative catering. Galaxy achieved mutual growth with vertical star companies and unicorn enterprises.

During the Reporting Period, Kingdee Cloud Galaxy continued to maintain steady growth and realized revenue of approximately RMB1,418 million, an increase of over 24.3% year on year. Cloud subscription ARR expanded by 60.3% yoy. Dollar retention ratio achieved a historical high of 98.6%. Galaxy accumulated 25,400 customers by end of the period, with new customers including INNO Laser, Casio Electronics Technology, Weigao Holding, Zero Carbon Technology, Ritar Power, C-MER, Holy Ram Electronics, Jianghua Microelectronics and Qirun Tire. In addition, Cosmic-based Galaxy Premium product is expected to be released in the first half of 2022, which will enhance the product portfolio and support direct implementation and service by partners.

(3) SME Enterprise Highlighted Advantage in Product Combination, Enabled Integration of Business, Finance and Taxation Systems

With ongoing improvement and promotion of Kingdee Cloud Stellar, Kingdee Jingdou Cloud, Kingdee KIS Cloud subscription services and by enhancing SME ecosystem partner network deployment, Kingdee continued to enjoy expansion in the SME market share. By satisfying demand from growing small commercial and retail enterprises, Stellar established standardized business processes, achieved effective internal and external business collaborations, and improved finance and taxation management and business decision-making efficiency. Stellar further increased efforts in building a business/finance/taxation ecosystem for the SME market. Based on the rising demand from SMEs for the digital transformation of bank-enterprise direct link, Stellar, China Merchants Bank and Ping An Bank jointly

established a partnership to support SMEs achieving the integration and management of cash flow and business flow.

During the Reporting Period, SME market cloud service revenue achieved rapid growth of 82.8% yoy, and realized average dollar retention of approximately 85%. Stellar accumulated nearly 11,000 enterprise customers by end of the period.

(4) Cultivating Vertical Fields to Build Enterprise Digital Capabilities

In the metallurgical industry, leveraging on industry accumulation of services for hundreds of steel, nonferrous metals and coal chemical enterprises, Kingdee provided industry-specific solutions for the metallurgical industry including HBIS Group, Delong Steel, Tsingshan Holding and New Tianjin Steel Group. Kingdee also completed blueprint design for Shagang Group, the pre-onboard service for Jingye Group, completed the onboard of Huayin Aluminum and final acceptance inspection of Yongfeng Steel project.

In tobacco industry, the intelligent finance application practice project for China Tobacco Yunnan was granted the honorary title of the “2nd Award for Intelligent Finance Best Practice for the Year” as organized and selected by Shanghai National Accounting Institute.

In real estate and construction industry, Kingdee’s products and services covered the entire life cycle of investment, construction, sales, operation in terms of urban space development and operation project, and based on concentration on “Platform + Finance & HR & Tax + Ecosystem”, Kingdee helped the strategic upgrading of industrial digital transformation. During the period, Kingdee signed with Aoyuan Group, CCCC Real Estate, Power China and Central China and other Top 100 real estate enterprises as well as CRBC, Gansu Highway Aviation Tourism, Guangxi Tourism Development, and CNYD and other major construction enterprises.

Based on digital credit services, Kingdee Credit & Technology Co., Ltd. reached close cooperation and partnership with over 50 financial institutions, and was also granted the honour title of the Guangdong Finance Innovation Award regarding the enterprise finance by the Guangdong Provincial Government. Kingdee Apusic Cloud Computing Co.,Ltd. (“Kingdee Apusic”) continued to maintain the leading position in the Xinchuang (信创) field, and constantly made breakthroughs in finance, telecommunication, energy and other the key industries. Kingdee Apusic also led the market in terms of market share, customer satisfaction and number of customers in both central government and regional governments.

(5) Cultivating Ecosystem Strategy Development, to Win-Together with Partners

During the Reporting Period, Kingdee continued to develop the ecosystem, and strategically invested in Shanghai i-search. With innovative product integration, the Cosmic platform was strengthened by RPA (robotic process automation) technology, and co-built intelligent, effective and innovative applications with i-search, to support enterprise customers building up business capabilities.

On the strategic ecosystem side, Kingdee actively cultivated its partnership and collaboration with domestic and global consulting and implementation services including KPMG, iSoftStone, Chinasoft International, etc. Kingdee also worked closely with major players including Huawei, Alibaba, Tencent, AWS and Meituan to co-build industry solutions. Meanwhile, Kingdee Cloud products including Cosmic are fully compatible with 23 domestic Xinchuang (信创) partners including CEC Cloud, Huawei openEuler OS, Huawei Gauss DB (for open Gauss), Alibaba Cloud Compute Nest, Tencent Cloud TCS and 360 Browser, etc.

(6) Xu Shaochun WeChat Public Account as the Starting Point to Promote Reform in Customer Journey Experiences

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

Being the pioneer of enterprise service with the Xu Shaochun WeChat Public Account (徐少春个人号), Kingdee has established the culture of “wholeheartedly serving the enterprise customers” through the entire user journey. In 2021, the Public Account received over 35,000 inquiries and consultations, and the NPS (net promoter score) was improved by 16ppt yoy. In the future, based on the Xu Shaochun Public Account, Kingdee will be consistently optimizing the Customer Success System involving end-to-end customer journey.

ERP Business and others

During the Reporting Period, revenue from enterprise resource management plans and other businesses declined approximately 2.0% yoy, from RMB1,444,060,000 in the same period last year to RMB1,415,725,000. New customers included Kerry Logistic, Guangzhou City Construction Investment Group, Taiyuan Heavy Industry, etc.

Investment Property Business

For the ended 31 December 2021, the Group had amount of investment properties of RMB1,538,286,000 in total (31 December 2020: RMB1,650,971,000). During the Reporting Period, the Group fully used and leased parts of software parks of Beijing Kingdee, Shanghai Kingdee and Shenzhen Kingdee. As a result, the Group generated rental income of RMB72,016,000 during performance period (31 December 2020: RMB73,129,000). The decrease in rental income was due to the increase in the self-use area of the properties.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	2021	2020
		RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		1,044,880	746,148
Right-of-use assets	4	208,274	181,920
Intangible assets		1,037,366	785,500
Investment properties		1,538,286	1,650,971
Investments in associates		393,003	403,032
Deferred income tax assets		34,627	11,380
Financial assets at fair value through profit or loss		957,883	622,739
Trade and other receivables	5	53,156	49,526
Loans to third parties	5	23,470	57,449
Long-term bank deposits		1,325,000	30,000
		6,615,945	4,538,665
Current assets			
Inventories		30,418	18,922
Trade and other receivables	5	391,966	333,712
Loans to third parties	5	305,383	316,666
Contract assets	3	322,974	356,658
Contract obtaining costs	3	248,263	142,280
Financial assets at fair value through profit or loss		747,665	993,656
Derivative financial instruments		2,145	4,540
Pledged bank deposits		5,558	27,206
Short-term bank deposits		370,000	1,236,143
Cash and cash equivalents		2,046,815	2,753,631
		4,471,187	6,183,414
Total assets		11,087,132	10,722,079

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	As at 31 December	
		2021 RMB'000	2020 RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities	4	54,223	22,320
Deferred income tax liabilities		146,087	142,693
		<u>200,310</u>	<u>165,013</u>
Current liabilities			
Trade and other payables	9	759,248	794,603
Contract liabilities	3	2,164,713	1,483,943
Borrowings	8	-	120,000
Lease liabilities	4	25,563	28,712
Current income tax liabilities		17,979	39,671
Deferred income		116,180	131,660
		<u>3,083,683</u>	<u>2,598,589</u>
Total liabilities		<u><u>3,283,993</u></u>	<u><u>2,763,602</u></u>
Net assets		<u><u>7,803,139</u></u>	<u><u>7,958,477</u></u>
Equity			
Equity attributable to owners of the Company			
Share capital	6	83,484	83,331
Share premium	6	5,149,350	5,052,514
Other reserves	7	744,204	732,002
Retained earnings		1,619,454	1,921,784
		<u>7,596,492</u>	<u>7,789,631</u>
Non-controlling interests		<u>206,647</u>	<u>168,846</u>
Total equity		<u><u>7,803,139</u></u>	<u><u>7,958,477</u></u>

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Revenue from contracts with customers	3,10	4,174,147	3,356,445
Cost of sales	11	(1,540,575)	(1,147,437)
Gross profit		<u>2,633,572</u>	<u>2,209,008</u>
Selling and marketing expenses	11	(1,741,354)	(1,425,080)
Administrative expenses	11	(465,726)	(413,610)
Net impairment losses on financial assets and contract assets	11	(78,738)	(69,885)
Research and development costs	11	(1,184,544)	(983,874)
Fair value gains on investment properties		4,059	5,550
Other income and gains - net	12	<u>365,831</u>	<u>262,538</u>
Operating loss		<u>(466,900)</u>	<u>(415,353)</u>
Finance income		81,530	48,789
Finance costs		(5,094)	(12,855)
Finance income - net	13	<u>76,436</u>	<u>35,934</u>
Share of profits/(losses) of associates		<u>8,319</u>	<u>(3,320)</u>
Loss before income tax		<u>(382,145)</u>	<u>(382,739)</u>
Income tax credit	14	<u>43,790</u>	<u>41,044</u>
Loss for the year		<u>(338,355)</u>	<u>(341,695)</u>
Loss attributable to:			
Owners of the Company		(302,330)	(335,479)
Non-controlling interests		<u>(36,025)</u>	<u>(6,216)</u>
		<u>(338,355)</u>	<u>(341,695)</u>
Losses per share for loss attributable to owners of the Company (expressed in RMB cents per share)			
– Basic	16	<u>(9.23)</u>	<u>(10.12)</u>
– Diluted	16	<u>(9.23)</u>	<u>(10.12)</u>

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Loss for the year	<u>(338,355)</u>	<u>(341,695)</u>
Other comprehensive income/(loss):		
<i>Items that may be reclassified to income or loss:</i>		
Currency translation differences	<u>1,676</u>	<u>(24,631)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>1,676</u>	<u>(24,631)</u>
Total comprehensive loss for the year	<u><u>(336,679)</u></u>	<u><u>(366,326)</u></u>
Total comprehensive loss attributable to:		
Owners of the Company	(300,654)	(360,110)
Non-controlling interests	<u>(36,025)</u>	<u>(6,216)</u>
	<u><u>(336,679)</u></u>	<u><u>(366,326)</u></u>

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company						on-controlli
	Notes	Share capital	Share premium	Other reserves	Retained earnings	Total ng	ng interests	total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020		80,037	2,963,096	686,532	2,257,263	5,986,928	158,743	6,145,671
Loss for the year		-	-	-	(335,479)	(335,479)	(6,216)	(341,695)
Other comprehensive loss								
Currency translation differences	7	-	-	(24,631)	-	(24,631)	-	(24,631)
Total comprehensive loss		-	-	(24,631)	(335,479)	(360,110)	(6,216)	(366,326)
Transactions with owners								
Employees share option scheme:								
- Proceeds from shares issued	6	323	36,329	-	-	36,652	-	36,652
Share award plan:								
- Value of employee services received	6	-	100,857	-	-	100,857	-	100,857
- Transfer shares to the awardees upon vesting	6,7	-	(99,443)	64,920	-	(34,523)	-	(34,523)
Transactions with non-controlling interests		-	-	5,181	-	5,181	16,319	21,500
Dividend distribution	6	-	(36,756)	-	-	(36,756)	-	(36,756)
Issue of new shares		2,971	2,088,431	-	-	2,091,402	-	2,091,402
Total transactions with owners, recognised directly in equity		3,294	2,089,418	70,101	-	2,162,813	16,319	2,179,132
Balance at 31 December 2020		83,331	5,052,514	732,002	1,921,784	7,789,631	168,846	7,958,477

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Notes	Attributable to owners of the Company					on-controlling interests	
		Share capital	Share premium	Other reserves	Retained earnings	Total	ng interests	total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021		83,331	5,052,514	732,002	1,921,784	7,789,631	168,846	7,958,477
Loss for the year		-	-	-	(302,330)	(302,330)	(36,025)	(338,355)
Other comprehensive loss					-	-	-	-
Currency translation differences	7	-	-	1,676	-	1,676	-	1,676
Total comprehensive loss		-	-	1,676	(302,330)	(300,654)	(36,025)	(336,679)
Transactions with owners								
Employees share option scheme:								
- Proceeds from shares issued	6	153	15,046	-	-	15,199	-	15,199
Share award plan:								
- Value of employee services received	6	-	107,413	-	-	107,413	-	107,413
- Transfer shares to the awardees								
upon vesting	6,7	-	(25,623)	20,802	-	(4,821)	-	(4,821)
- Buy-back of shares	7	-	-	(35,820)	-	(35,820)	-	(35,820)
Transactions with non-controlling interests		-	-	25,544	-	25,544	4,456	30,000
Non-controlling interests arising on business combination		-	-	-	-	-	69,370	69,370
Total transactions with owners, recognised directly in equity		153	96,836	10,526	-	107,515	73,826	181,341
Balance at 31 December 2021		83,484	5,149,350	744,204	1,619,454	7,596,492	206,647	7,803,139

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT

		Year ended 31 December	
	Notes	2021	2020
		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		642,456	604,347
Net cash inflow/(outflow) in loans to third parties from the micro-credit business		31,334	(104,475)
Interest paid		(5,998)	(12,719)
Income tax paid		(7,229)	(14,136)
Net cash inflow from operating activities		660,563	473,017
Cash flows from investing activities			
Purchases of property, plant and equipment		(322,853)	(42,601)
Proceeds from disposals of property, plant and equipment		1,424	295
Purchases of intangible assets		(449,043)	(310,288)
Acquisition of subsidiaries, net of cash acquired		(50,304)	(12,000)
Pledged bank deposits and short-term and long-term bank deposits placed - net		(407,209)	(605,554)
Interest received		47,570	41,702
Purchases of financial assets at fair value through profit or loss		(1,550,303)	(4,689,463)
Proceeds from disposal of financial assets at fair value through profit or loss		1,510,976	4,189,898
Loans provided to related parties		(200,000)	(470,000)
Repayments of loans from related parties		200,000	470,000
Investments in associates		-	(132,500)
Proceeds from disposal of associates		15,000	69,885
Net cash outflow from investing activities		(1,204,742)	(1,490,626)
Cash flows from financing activities			
Proceeds from issue of new shares	6	-	2,091,402
Proceeds from issue of shares as a result of exercise of options		15,199	36,652
Transactions with non-controlling interests		30,000	4,000
Proceeds from borrowings		-	120,000
Repayments of borrowings		(120,000)	(199,625)
Principal elements of lease payments		(33,220)	(46,848)
Dividend paid	15	-	(36,715)
Settlement of payables for previous acquisition of non-controlling interests in a subsidiary		-	(3,175)
Payments for buy-back of shares		(35,820)	-
Net cash (outflow)/inflow from financing activities		(143,841)	1,965,691
Net (decrease)/increase in cash and cash equivalents		(688,020)	948,082
Effects of exchange rate changes on cash and cash equivalents		(18,796)	(93,221)
Cash and cash equivalents at beginning of the year		2,753,631	1,898,770
Cash and cash equivalents at end of year		2,046,815	2,753,631

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 place of business 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 Company and its subsidiaries (together the “Group”) are principally engaged in the cloud services, including enterprise cloud services, finance cloud services, industry cloud services and other cloud services; and enterprise resource planning (“ERP”) business, including development and sales of software products, sales of hardware products, provision of implementation services, software solution consulting services, maintenance services, upgrade services and other supporting services.

The Company has its primary listing on the Stock Exchange of Hong Kong Limited (“Stock Exchange”) since 15 February 2001.

The outbreak of the coronavirus disease 2019 (“COVID-19”) had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the Group including revenue, impairment of goodwill, fair value of financial assets at fair value through profit or loss, allowance for expected credit losses on trade and other receivables and contract assets so on. Due to the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 outbreak and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the consolidated financial statements are authorised for issue, COVID-19 does not have any material adverse impact on the financial position and operating result of the Group.

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

2 Basis of preparation(continued)**(a) New and amended standards adopted by the Group**

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

- Interest Rate Benchmark Reform –Phase 2 -- amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual improvement project	Annual Improvements IFRS Standard 2018-2020	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

3 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:

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

The chief operating decision-maker (the “CODM”) assesses the performance of the operating segments based on the profit or loss for the year of each segment. There were no segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources or to evaluate the performance of the operating segments. Substantially all of the businesses of the Group are carried out in the PRC.

3 Segment information (continued)

The segment information for the year ended 31 December 2021 is as follows:

	Cloud services business RMB'000	ERP business and o thers RMB'000	Investment properties operating business RMB'000	The Group total RMB'000
Revenue (from external customers)	2,758,422	1,415,725	-	4,174,147
- Products transferred at a point in time	-	472,212	-	472,212
- Services transferred over time	2,758,422	943,513	-	3,701,935
Operating (loss)/profit	(695,099)	152,124	76,075	(466,900)
Finance income	52,191	29,339	-	81,530
Finance costs	(3,264)	(1,830)	-	(5,094)
Finance income – net	48,927	27,509	-	76,436
Share of profits of associates	-	8,319	-	8,319
(Loss)/profit before income tax	(646,172)	187,952	76,075	(382,145)
Income tax credit/(expense)	91,746	(40,349)	(7,607)	43,790
Segment results	(554,426)	147,603	68,468	(338,355)
				-
Depreciation and amortisation	352,632	85,936	-	438,568
Net impairment losses on financial assets and contract assets	2,468	76,270	-	78,738
Fair value gains on investment properties	-	-	4,059	4,059
Share-based payments	82,918	24,495	-	107,413

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

3 Segment information (continued)

The segment information for the year ended 31 December 2020 is as follows:

	Cloud services business RMB'000	ERP business and others RMB'000	Investment properties operating business RMB'000	The Group total RMB'000
Revenue (from external customers)	1,912,385	1,444,060	-	3,356,445
- Products transferred at a point in time	-	447,626	-	447,626
- Services transferred over time	1,912,385	996,434	-	2,908,819
Operating (loss)/profit	(606,786)	112,754	78,679	(415,353)
Finance income	-	48,789	-	48,789
Finance costs	(1,194)	(11,661)	-	(12,855)
Finance (costs)/income – net	(1,194)	37,128	-	35,934
Share of losses of associates	-	(3,320)	-	(3,320)
(Loss)/profit before income tax	(607,980)	146,562	78,679	(382,739)
Income tax credit/(expense)	8,272	40,640	(7,868)	41,044
Segment results	(599,708)	187,202	70,811	(341,695)
Depreciation and amortisation	362,356	130,192	-	492,548
Impairment charge of goodwill	-	22,881	-	22,881
Net impairment losses on financial assets and contract assets	2,504	67,381	-	69,885
Fair value gains on investment properties	-	-	5,550	5,550
Share-based payments	25,198	135,996	-	161,194

3 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 RMB4,145,077,000 (2020: RMB3,324,039,000) and RMB29,070,000 (2020: RMB32,406,000), respectively, for the year ended 31 December 2021.

There was no single customer that contributed to over 10% of the Group's revenue for the years ended 31 December 2021 and 2020.

(a) Assets and liabilities related to contracts with customers

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Current contract assets relating to ERP and cloud implementation contracts	380,384	395,807
Loss allowance	(57,410)	(39,149)
Total	<u>322,974</u>	<u>356,658</u>
Contract obtaining costs (i)	<u>248,263</u>	<u>142,280</u>
Contract liabilities – Cloud services business	1,713,355	996,836
Contract liabilities – ERP business and others	<u>451,358</u>	<u>487,107</u>
Total	<u>2,164,713</u>	<u>1,483,943</u>

(i) Contract obtaining costs

Management expects the incremental costs, primarily sale commissions paid/payable, as a result of obtaining the cloud services contracts are recoverable. The Group capitalised these incremental costs and amortised them in "Sales promotion" expenses when the related revenue is recognised. There was no impairment loss in relation to the costs capitalised.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cloud services business	770,420	437,419
ERP business and others	<u>487,107</u>	<u>454,203</u>
	<u>1,257,527</u>	<u>891,622</u>

3 Segment information (continued)

(a) Assets and liabilities related to contracts with customers (continued)

(iii) Unsatisfied long-term cloud services contracts

The following table shows unsatisfied performance obligations resulting from long-term fixed-price cloud services contracts.

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Aggregate amount of the transaction price allocated to long-term cloud services contracts that are partially or fully unsatisfied as at 31 December	<u>717,180</u>	<u>413,164</u>

Management expects that approximately 45% of the transaction price allocated to the unsatisfied contracts as of 31 December 2021 will be recognised as revenue during the next reporting period (RMB324,518,000). The remaining approximately 55% (RMB392,662,000) will be recognised in and after the 2023 financial year.

All other cloud services and ERP business contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4 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:

	2021 RMB'000	2020 RMB'000
Right-of-use assets		
Land use rights (i)	139,088	135,932
Buildings	69,186	45,988
	<u>208,274</u>	<u>181,920</u>
Lease liabilities		
Current	25,563	28,712
Non-current	54,223	22,320
	<u>79,786</u>	<u>51,032</u>

Additions to the right-of-use assets during the 2021 financial year were RMB61,323,000 (2020: RMB102,578,000).

(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 30 to 41 years, and for self-use.

(b) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets		
Land	3,944	2,059
Buildings	29,913	24,984
	<u>33,857</u>	<u>27,043</u>
Interest expense (included in finance cost)	3,053	3,484
Expense relating to short-term leases (included in cost of sales and administrative expenses)	7,675	6,708

The total cash outflow for leases in 2021 was RMB40,895,000 (2020: RMB53,556,000).

4 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 1 to 10 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.

(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.

5 Trade and other receivables, and loans to third parties

	2021 RMB'000	2020 RMB'000
Trade receivables (a)	287,655	253,947
Less: allowance for impairment of trade receivables	(134,800)	(131,060)
Trade receivables – net	152,855	122,887
Other receivables		
– Notes receivable	57,109	43,650
– Advances to employees (b)	9,158	6,183
– Prepayments	50,618	73,857
– VAT recoverable	27,768	29,280
– Interest receivables	47,962	13,775
– Receivables from related parties (c) (Note17)	19,476	17,637
– Receivables from non-controlling shareholders	43,619	39,500
– Others	50,739	48,729
– Less: allowance for impairment of other receivables (excluding prepayments)	(14,182)	(12,260)
	445,122	383,238
Less: non-current portion	(53,156)	(49,526)
Current portion	391,966	333,712
Loans to third parties (d)		
– Current portion	305,383	316,666
– Non-current portion	23,470	57,449
	328,853	374,115

The carrying amounts of trade and other receivables approximate their fair value. The Group's trade and other receivables are mainly denominated in RMB.

(a) Sales are generally made without prescribed credit terms in the sales contracts but customers usually take 1 to 3 months to settle the receivables. At 31 December 2021 and 2020, the aging analysis of trade receivables based on invoice date were as follows:

	2021 RMB'000	2020 RMB'000
0 - 90 days	118,441	97,363
91 - 180 days	15,619	5,419
181 - 360 days	18,355	12,402
Over 360 days	135,240	138,763
	287,655	253,947

5 Trade and other receivables, and loans to third parties (continued)**(b) Advances to employees**

The amounts advanced to employees were restricted for business purpose only, such as advances for selling expenses. Such advances were interest free, unsecured and repayable on demand. During the years ended on 31 December 2021 and 2020, the Group did not advance any cash to the directors for use on business activities.

(c) Receivables from related parties were unsecured, interest-free, and repayable on demand and denominated in RMB.

(d) Loans to third parties

	2021 RMB'000	2020 RMB'000
Loans to third parties	332,175	377,902
Less: Provision for collective impairment assessment of the loans	<u>(3,322)</u>	<u>(3,787)</u>
Loans to third parties, net of provision	328,853	374,115
Less: non-current portion	<u>(23,470)</u>	<u>(57,449)</u>
Current portion	<u><u>305,383</u></u>	<u><u>316,666</u></u>

The loans to third parties represented loans made under the micro-credit business, which bear interest from 4.28% to 24.00% (2020: 4.28% to 24.00%) per annum and are repayable with fixed terms agreed with the customers, and all denominated in RMB.

The fair values of the loans to third parties approximated their carrying amounts. 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.

The Group performed expected credit loss assessment of loans to third parties collectively by grouping loans with similar credit risk characteristics. During the years ended 31 December 2021 and 2020, the majority of the loans were in stage 1 and there was no significant change in credit quality for loans for both years.

6 Share capital and share premium

	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	3,043,133
Employee share option scheme				
– Exercise of share options	12,628	323	36,329	36,652
Share award plan				
– Value of services received	-	-	100,857	100,857
– Transfer shares to the awardees upon vesting	-	-	(99,443)	(99,443)
Dividend distribution	-	-	(36,756)	(36,756)
Issue of new shares (b)	133,280	2,971	2,088,431	2,091,402
At 31 December 2020	<u>3,466,598</u>	<u>83,331</u>	<u>5,052,514</u>	<u>5,135,845</u>
At 1 January 2021	3,466,598	83,331	5,052,514	5,135,845
Employee share option scheme				
– Exercise of share options	5,583	153	15,046	15,199
Share award plan				
– Value of services received	-	-	107,413	107,413
– Transfer shares to the awardees upon vesting	-	-	(25,623)	(25,623)
At 31 December 2021	<u>3,472,181</u>	<u>83,484</u>	<u>5,149,350</u>	<u>5,232,834</u>

(a) The total authorised number of ordinary shares as at 31 December 2021 was 4,000,000,000 (2020: 4,000,000,000) shares with a par value of HKD0.025 (2020: HKD0.025) per share. All issued shares were fully paid.

(b) In August 2020, a total of 133,280,000 new shares had been placed to certain third-party investors at a price of HK\$17.82 per share, the net proceeds from which were approximately RMB2,091,402,000.

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

7 *Other reserves*

	Merger reserve	Capital reserve	Statutory surplus reserve fund	Property revaluation	Shares held for share award plan	Translation	Other reserves	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note (b)	Note (c)	Note (d)		Note (a)			
At 1 January 2020	6,570	253,488	138,762	476,049	(315,273)	66,400	60,536	686,532
Currency translation differences	-	-	-	-	-	(24,631)	-	(24,631)
Transactions with non-controlling interests	-	-	-	-	-	-	5,181	5,181
Transfer shares to the awardees upon vesting	-	-	-	-	64,920	-	-	64,920
At 31 December 2020	6,570	253,488	138,762	476,049	(250,353)	41,769	65,717	732,002

7 Other reserves (continued)

	Merger reserve RMB'000 Note (b)	Capital reserve RMB'000 Note (c)	Statutory surplus reserve fund RMB'000 Note (d)	Property revaluation RMB'000	Shares held for share award plan RMB'000 Note (a)	Translation RMB'000	Other reserves RMB'000	Total RMB'000
At 1 January 2021	6,570	253,488	138,762	476,049	(250,353)	41,769	65,717	732,002
Currency translation differences	-	-	-	-	-	1,676	-	1,676
Payments for buy-back of shares (Note a)	-	-	-	-	(35,820)	-	-	(35,820)
Transactions with non-controlling interests	-	-	-	-	-	-	25,544	25,544
Transfer shares to the awardees upon vesting	-	-	-	-	20,802	-	-	20,802
At 31 December 2021	6,570	253,488	138,762	476,049	(265,371)	43,445	91,261	744,204

(a) During the year ended 31 December 2021, the Company bought back a total of 1,800,000 ordinary shares of the Company from the market at a total consideration of HK43,598,000 (equivalent to RMB35,820,000) for the purpose of share award plan under the Company's employee share award scheme.

(b) The merger reserve represented the difference between the carrying amounts of the capital of the subsidiaries at the date on which they were acquired by the Company and the nominal amounts of the Company's shares issued as consideration for the acquisitions.

(c) The capital reserve arose mainly from the reinvestment of dividends into the PRC subsidiaries and capitalisation of reserves of certain subsidiaries.

(d) The Company's subsidiaries in the PRC are required to follow the laws and regulations of the PRC and their articles of association. These subsidiaries are required to allocate at least 10% of their net profits to the reserve fund until the balance of such fund has reached 50% of their registered capital. The reserve fund can only be used, upon approval by the shareholders' meeting or similar authorities, to offset accumulated losses or increase capital.

8 Borrowings

	2021	2020
	RMB'000	RMB'000
Current		
Short-term borrowings, unsecured	<u>-</u>	<u>120,000</u>
	<u>-</u>	<u>120,000</u>

At 31 December 2020, the Group's bank borrowings were denominated in RMB, bear average interest rate of 4.67%, the borrowings were repaid in 2021.

9 Trade and other payables

	2021	2020
	RMB'000	RMB'000
Trade payables (a) and (b)	19,447	24,503
Salary and staff welfare payables	248,966	243,427
Deposits payable	162,862	130,372
Accrual for expenses	145,189	114,307
Value-added tax("VAT") and other taxes payables	28,880	54,136
Construction payables	37,115	105,032
Unpaid consideration for investment in financial assets at fair value through profit or loss	42,465	70,775
Unpaid consideration for investment in subsidiaries	18,112	-
Others	56,212	52,051
	<u>759,248</u>	<u>794,603</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) At 31 December 2021 and 2020, the aging analysis of the trade payables based on invoice date is as follows:

	2021	2020
	RMB'000	RMB'000
0 - 180 days	13,599	20,493
181 - 360 days	810	1,005
Over 360 days	<u>5,038</u>	<u>3,005</u>
	<u>19,447</u>	<u>24,503</u>

10 Revenue from contracts with customers

The Group's revenue includes revenues from cloud services business and ERP business. Revenue is stated net of applicable VAT in the PRC and comprises the following:

	2021	2020
	RMB'000	RMB'000
Cloud business	2,758,422	1,912,385
- Enterprise cloud services	1,901,575	1,356,311
- Small & Micro business finance cloud services	527,969	288,766
- Industry cloud services	328,878	267,308
ERP business and others	1,415,725	1,444,060
- Sales of software and hardware products	472,212	447,626
- Software implementation services	422,624	453,067
- Software solution consulting, maintenance, upgrade and other supporting services	520,889	543,367
	<u>4,174,147</u>	<u>3,356,445</u>

11 Expenses by nature

Expenses included in cost of sales, selling and marketing expenses, research and development costs, administrative expenses and net impairment losses on financial assets and contract assets are analysed as follows:

	2021	2020
	RMB'000	RMB'000
Research and development costs		
Amounts incurred	1,260,069	882,559
Less: development costs capitalised	(423,913)	(314,119)
Add: amortisation	348,388	415,434
	<u>1,184,544</u>	<u>983,874</u>
Employee benefit expenses	3,390,081	2,576,601
Less: amount included in development costs	(1,199,676)	(812,913)
	<u>2,190,405</u>	<u>1,763,688</u>
Depreciation of property, plant and equipment	49,994	40,274
Less: amount included in development costs	(12,110)	(5,558)
	<u>37,884</u>	<u>34,716</u>
Outsourcing services	587,312	410,357
Sales promotion and advertising	411,524	299,367
Cost of inventories consumed	185,870	172,904
Rental and utilities	39,060	29,128
Traveling expenses	78,165	61,924
Office expenses	36,841	31,985
Other taxes and surcharges	47,492	41,429
Impairment charge of goodwill	-	22,881
Training costs	13,920	12,062
Professional service fees	47,340	31,505
Depreciation of right-of-use assets	33,857	27,043
Amortisation of trademarks, licenses and copyrights	12,685	7,043
Amortisation of computer software for own use	4,421	3,083
Amortisation of customer relationship	1,333	5,229
Auditors' remuneration	3,400	7,160
- Audit services	3,400	3,630
- Non-audit services	-	3,530
Net impairment losses on financial assets and contract assets	78,738	69,885
Others	16,146	24,623
Total	<u>5,010,937</u>	<u>4,039,886</u>

12 Other income and gains/ (losses)– net

	2021	2020
	RMB'000	RMB'000
Other income		
VAT refund (a)	148,210	135,544
VAT input tax surplus deduction	10,559	8,462
Government program research income	79,798	60,965
Rental income - net	72,016	73,129
Interest income from loan to related parties(Note 17(a))	5,056	4,078
	<u>315,639</u>	<u>282,178</u>
Other gains/(losses)		
Realised and unrealised net gains on financial assets at	50,068	40,113
Realised and unrealised net gains on derivative financial		
instruments	27,211	4,540
(Losses)/gains on disposal of associates	(3,966)	37,963
Net foreign exchange losses	(24,761)	(95,297)
Others	1,640	(6,959)
	<u>50,192</u>	<u>(19,640)</u>
	<u><u>365,831</u></u>	<u><u>262,538</u></u>

- (a) According to the current tax regulations in the PRC, the development and sales of computer software products are subject to VAT with an applicable rate of 16%. From 1 April 2019, according to the circular “2019 No. 39 Notice of Ministry of Finance, the General Administration of Taxation and The General Administration of Customs”, the applicable rate for software industry has been changed from 16% to 13%.

In 2011, the State Council issued a circular regarding the “Taxation Policy for Encouraging the Development of Software and Integrated Circuits Industry” (Guo Fa [2011] No.4) (the “Circular”). Pursuant to the Circular, software enterprises engaged in the sales of self-developed software in the PRC are entitled to VAT refund to the extent that the effective VAT rate of the sales of the software in the PRC exceeds 3% of the sales amounts.

- (b) It mainly represented fair value gains from unlisted equity investment that are measured at FVPL.

13 Finance income– net

	2021 RMB'000	2020 RMB'000
Finance income		
– Interest income	<u>81,530</u>	<u>48,789</u>
Finance costs		
– Interest on borrowings	(2,041)	(9,371)
– Interest on lease liabilities	<u>(3,053)</u>	<u>(3,484)</u>
	<u>(5,094)</u>	<u>(12,855)</u>
	<u>76,436</u>	<u>35,934</u>

14 Income tax credit

Taxation on the PRC profits is calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC.

	2021 RMB'000	2020 RMB'000
Current income tax		
– Current tax on profits for the year	6,076	26,490
– Over-provision in prior year	(21,553)	(11,768)
Deferred income tax	<u>(28,313)</u>	<u>(55,766)</u>
	<u>(43,790)</u>	<u>(41,044)</u>

(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 years in those jurisdictions.

(b) According to regulation (Gao Ji [2022] No. 390) issued by the National Development and Reform Commission, the entity can register for the National Important Software Enterprise (“NISE”) in tax bureau if the entity complies with relevant requirements with a tax rate of 10%. Based on management’s assessment, it is highly probable that Kingdee Software (China) Co., Ltd. (“Kingdee China”) will meet those requirements. Therefore, Kingdee China used a preferential corporate income tax rate of 10% for the year ended 31 December 2021 (2020: 10%). The application of preferential tax rate stated above is subject to critical estimates of the management of the Group.

14 Income tax credit (continued)

(c) Kingdee Deeking Cloudcomputing Co., Ltd. was qualified as a High-tech Enterprise from 2019 to 2022 and was entitled to a preferential corporate income tax rate of 15% in 2021 (2020: 15%).

Kingdee Apusic was consistently qualified as a High-tech Enterprise from 2020 to 2023 and was entitled to a preferential corporate income tax rate of 15% in 2021 (2020: 15%).

Beijing Kingdee Management Software Co., Ltd. was consistently qualified as High-tech Enterprise from 2019 to 2022 and were entitled to a preferential corporate income tax rate of 15% in 2020 (2020: 15%).

Shanghai Guanyi Cloud Computing Software Co., Ltd. was consistently qualified as High-tech Enterprise from 2019 to 2022 and were entitled to a preferential corporate income tax rate of 15% in 2021 (2020: 15%).

Yundee Zhihui Technology Co., Ltd. was qualified as High-tech Enterprise from 2021 to 2024 and was entitled to a preferential corporate income tax rate of 15% in 2021 (2020: 25%).

Shenzhen Zhangwuyou Network Technology Co., Ltd. was qualified as High-tech Enterprise from 2020 to 2023 and was entitled to a preferential corporate income tax rate of 15% in 2021 (2020: 15%).

Beijing Kingdee Yunji Technology Co., Ltd. was qualified as High-tech Enterprise from 2019 to 2022 and was entitled to a preferential corporate income tax rate of 15% in 2021.

The Shenzhen Municipal Finance Bureau and the State Administration of Taxation, Shenzhen Municipal Taxation Bureau, levy corporate income tax at a reduced rate of 15% for eligible enterprises located in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone from 1 January 2021 to 31 December 2025. Kingdee Vehicle Network Technology Co., Ltd. met the requirements and was entitled to a preferential corporate income tax rate of 15% in 2021 (2020: 15%).

Shenzhen Kingdee Pay Technology Co., Ltd. was qualified as a Small and Low-profit Enterprise and was entitled to a preferential corporate income tax rate of 20% in 2021 (2020: 25%)

According to the relevant requirements of the "Notice of the State Council on Printing and Distributing Several Policies for Promoting the High-quality Development of the Integrated Circuit Industry and Software Industry in the New Era" (Guo Fa [2020] No. 8), Kingdee Cloud Technology Co., Ltd. met the requirements and was entitled to a preferential corporate income tax rate of 0% in 2021 (2020: 25%).

(d) Other PRC subsidiaries of the Group applied the tax rate of 25%.

The taxation on the Group's profit before income tax differs from the theoretical amount that would have arisen using the principal rate of the PRC corporate income tax due to the following:

14 Income tax credit (continued)

	2021	2020
	RMB'000	RMB'000
Loss before tax	<u>(382,145)</u>	<u>(382,739)</u>
Tax calculated at the statutory tax rate of 25% (2020: 25%)	(95,536)	(95,685)
Tax effects of:		
Preferential tax rates	46,584	59,692
Tax losses for which no deferred income tax asset was recognised	87,177	49,292
Expenses not deductible for tax purposes	2,358	8,428
Utilisation of tax losses not recognised in previous	(210)	(2,809)
Re-measurement of deferred tax due to a change in applicable tax rate	-	4,869
Additional deductible allowance for research and development expenses	(62,610)	(53,063)
Over-provision in prior year	<u>(21,553)</u>	<u>(11,768)</u>
	<u><u>(43,790)</u></u>	<u><u>(41,044)</u></u>

15 Dividends

The board of directors did not recommend the payment of a final dividend for the year ended 31 December 2021(2020: nil).

16 Losses per share**(a) Basic**

Basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased and held for share award plan.

	2021	2020
Loss attributable to owners of the Company (RMB'000)	(302,330)	(335,479)
Weighted average number of ordinary shares in issue (thousands)	<u>3,276,466</u>	<u>3,315,661</u>
Basic losses per share (RMB cents per share)	<u>(9.23)</u>	<u>(10.12)</u>

(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 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 years ended 31 December 2021 and 2020, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as the effect of their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the years ended 31 December 2021 and 2020 was the same as basic losses per share of the respective period.

17 Related party transactions

Mr. Xu Shao Chun, who owned 20.26% of the Company's shares as at 31 December 2021, is the Company's single largest shareholder.

(a) Transactions with related parties

Save as disclosed in employee share-based arrangements and directors' emoluments in the consolidated financial statements, the Group had transactions with related parties for the year ended 31 December 2021 as follows:

	2021 RMB'000	2020 RMB'000
Sales of products		
– Associates	4,093	12,191
– Companies controlled by Mr. Xu Shao Chun	704	1,441
	<u>4,797</u>	<u>13,632</u>
Sales of services		
– Associates	22,152	11,054
– Companies controlled by Mr. Xu Shao Chun	246	638
	<u>22,398</u>	<u>11,692</u>
Rental income		
– Associates	2,785	1,766
– Companies controlled by Mr. Xu Shao Chun	4,877	11,304
	<u>7,662</u>	<u>13,070</u>
Interest income		
– Associates	5,056	4,078
	<u>5,056</u>	<u>4,078</u>

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

17 Related party transactions (continued)**(b) Purchases of products and services**

	2021	2020
	RMB'000	RMB'000
Purchases of products		
– Associates	10,628	7,897
– Companies controlled by Mr. Xu Shao Chun	<u>244</u>	<u>561</u>
	<u><u>10,872</u></u>	<u><u>8,458</u></u>
Purchases of services		
– Associates	<u>50,207</u>	<u>44,499</u>
	<u><u>50,207</u></u>	<u><u>44,499</u></u>

Products and services 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

	2021	2020
	RMB'000	RMB'000
Receivables from related parties (Note5)		
– Associates	14,319	11,251
– Companies controlled by Mr. Xu Shao Chun	<u>5,157</u>	<u>6,034</u>
	<u><u>19,476</u></u>	<u><u>17,285</u></u>
Payable to related parties recorded in “Contract		
– Associates	<u>750</u>	<u>1,352</u>
Payable to related parties recorded in “Trade payables”		
– Associates	2,208	-
– Companies controlled by Mr. Xu Shao Chun	<u>17</u>	<u>-</u>
	<u><u>2,225</u></u>	<u><u>-</u></u>

17 Related party transactions (continued)**(d) Key management compensation**

Key management comprise the Company's directors and senior management. The compensation paid or payable to key management for employee services is shown below.

	2021	2020
	RMB'000	RMB'000
Salaries and other short-term employee benefits	22,314	18,553
Share-based payments	<u>17,340</u>	<u>17,435</u>
	<u><u>39,654</u></u>	<u><u>35,988</u></u>

(e) Loans to related parties

	2021	2020
	RMB'000	RMB'000
Loans to an associate		
At 1 January	-	-
Loans advanced during the year	200,000	470,000
Repayments received from related parties	<u>(200,000)</u>	<u>(470,000)</u>
At 31 December	<u><u>-</u></u>	<u><u>-</u></u>

18 Subsequent events

From January 2022 to February 2022, the Company repurchased and cancelled 4,640,800 ordinary shares, representing approximately 0.1337% of the total number of issued shares of the Company as at 31 Dec 2021. The total amounts paid were approximately HKD88,350,000 (equivalent to approximately RMB71,369,000).

MANAGEMENT DISCUSSION AND ANALYSIS

1. Major Financial Information

Revenue

For the year ended 31 December 2021, the Group recorded total revenue of RMB4,174,147,000, representing a year-on-year growth of 24.4% (2020: RMB3,356,445,000). Revenue from the Cloud Services increased by 44.2% yoy to RMB2,758,621,000 (2020: RMB1,912,385,000). Revenue from the ERP business and others amounted to RMB1,415,526,000 (2020: RMB1,444,060,000), a year-on-year decrease of 2.0%.

	2021 RMB'000	2020 RMB'000
Cloud business	2,758,422	1,912,385
- Enterprise cloud services	1,901,575	1,356,311
- Small and Micro business finance cloud services	527,969	288,766
- Industry cloud services	328,878	267,308
ERP business and others	1,415,725	1,444,060
- Sales of software and hardware products	472,212	447,626
- Software implementation services	422,624	453,067
- Software solution consulting, maintenance, upgrade and other supporting services	520,889	543,367
	<u>4,174,147</u>	<u>3,356,445</u>

The above-mentioned increase in revenue from cloud services business was mainly attributable to the increase in revenue from the subscription of Kingdee Cloud products.

Gross Profit

The Group recorded gross profit of RMB2,633,572,000 (2020: RMB2,209,008,000), a year-on-year increase of 19.2%. The gross profit margin decreased by 2.7 percentage points yoy of approximately 63.1% (2020: approximately 65.8%). The decrease was mainly due to the year-on-year increase in delivery labour costs of benchmarking projects in the large enterprise market.

Selling and marketing expenses

During the Reporting Period, selling and marketing expenses totaled approximately RMB1,741,354,000 (2020: RMB1,425,080,000), representing an increase of 22.2% yoy. The percentage of selling and marketing expenses as a percentage of revenue decreased from 42.5% in 2020 to 41.7% in 2021.

Administrative expenses

During the Reporting Period, administrative expenses and the expenses of net impairment losses on financial assets and contract assets were RMB465,726,000 in aggregate, representing a yoy increase of 12.6% (2020: RMB413,610,000). The percentage of administrative the expenses and net impairment losses on financial assets and contract assets as percentage in revenue decreased from 12.3% in 2020 to 11.2% in 2021.

Research and development expenses

During the Reporting Period, the Group continued to focus on Platform + Finance & HR & Tax + Ecosystem” and increased R&D investment in Kingdee Cloud Cosmic and Kingdee Cloud Constellation. Total research and development costs were RMB1,260,069,000, representing an increase of 42.8% yoy (2020: RMB882,559,000), of which, the R&D capitalization rate dropped to 33.6% (2020: 35.6%), the capitalized amount was RMB423,913,000, increased by 35.0% yoy (2020: RMB314,119,000). Amortisation of research and development costs during the Reporting Period was RMB348,388,000, representing a decrease of 16.1% yoy (2020: RMB415,434,000), and the research and development costs recognised in the consolidated income statement was RMB1,184,544,000, increased by 20.4% yoy (2020: RMB983,874,000).

Other income and gains- net

During the Reporting Period, other income and gains-net was RMB365,831,000, representing an increase of 39.3% yoy (2020: RMB262,538,000), mainly to the change in foreign exchange loss.

Operating loss

For the year ended 31 December 2021, the Group recorded an operating loss of RMB466,900,000 (2020: operating loss of RMB415,353,000), due to the fact that the Group continued to develop cloud subscription service, and increased the R&D investment in cloud products including Kingdee Cloud Cosmic and Kingdee Cloud Constellation. Cloud business’ segment recorded an operating loss of RMB695,099,000 (2020: loss of RMB606,786,000). ERP business and other operating profit was approximately RMB152,124,000 (2020: loss of RMB112,754,000). The business contribution from the investment properties of the Group declined by 3.3% yoy to approximately RMB76,075,000 (2020: RMB78,679,000), due to the increase in self-use of the Group’s properties.

Finance income-net

During the Reporting Period, the finance income-net amounted to RMB76,436,000. In the same period of 2020, the finance income-net value was RMB35,934,000, mainly due to the increase in finance income during the Reporting Period.

Income tax credit

During the Reporting Period, the income tax credit amounted to RMB43,790,000, which remains on a stable level compared with the same period of last year (2020: income tax credit amount to RMB41,044,000), mainly due to the taxable loss resulting from the increased R&D costs.

Loss and loss per share

For the year ended 31 December 2021, the current loss attributable to owners of the Company was RMB302,330,000 (2020: loss of approximately RMB335,479,000). Net loss margin attributable to owners of the Company was approximately 7.2% (2020: net loss margin of approximately 10.0%). Basic loss per share was approximately RMB9.23cents (2020: basic loss per share of approximately RMB10.12 cents).

Financial assets and derivative instruments at fair value through profit or loss

For the year ended 31 December 2021, the Group's financial assets and derivative instruments at fair value through profit or loss amounted to RMB1,707,693,000, representing an increase of RMB86,758,000 as compared with 31 December 2020, including the non-current portion of RMB957,883,000 (2020: RMB622,739,000) and the current portion of RMB749,810,000 (2020: RMB998,196,000).

Financial assets and derivative instruments at fair value through profit or loss included the following:

	2021 RMB'000	2020 RMB'000
Investments designated at fair value through profit or loss		
Wealth management products (i)	703,193	993,656
listed equity investment	44,472	
Unlisted equity investment (ii)	957,883	622,739
	1,705,548	1,616,395
Less: non-current portion	(957,883)	(622,739)
	747,665	993,656

(i) This represented the Group's investments in various wealth management products issued by commercial banks and state-owned financial institutions. These products have

a term ranging from 1 month to 12 months. They have an expected annual return rate ranging from 2.30% to 5.00%. No single wealthy management product investment accounted for over 5% of the Group's total assets. The fair values of these investments were determined based on income approach.

(ii) The increase in unlisted equity investments during the year was mainly due to the Group's investment in Dmall Inc., which is mainly engaged in omni-channel digital retail cloud solutions business, and the investment in Shanghai i-Search Software Co., Ltd, which is mainly engaged in intelligent software research and development and technical services in RPA industry. The fair values of these investments were determined based on market approach.

Investment in associates

	2021 RMB'000	2020 RMB'000
At 1 January	403,032	282,649
Additions	-	127,500
Disposal	(18,348)	(3,797)
Share of profit/(loss) of associates	8,319	(3,320)
At 31 December	393,003	403,032

(a) Individually immaterial associates

In the opinion of the directors, none of the associates is material to the Group. Summarised aggregate financial information of the individually immaterial associates that are accounted for using the equity method are as following:

	2021 RMB'000	2020 RMB'000
Aggregate carrying amounts of individually immaterial associates	393,003	403,032
Aggregate amounts of the Group's share of:		
Profit/(loss) for the year	8,319	(3,320)
Other comprehensive income	-	-
Total comprehensive profit/(loss)	8,319	(3,320)

(b) All the associates of the Group are unlisted and operate in Mainland China. There are no significant contingent liabilities relating to liabilities of the associates for which the Group is severally liable.

(c) Unrecognised share of losses of associates

	2021	2020
	RMB'000	RMB'000
		0
At 1 January	21,719	17,188
Unrecognised share of losses during the year	10,241	4,531
At 31 December	<u>31,960</u>	<u>21,719</u>

Contract assets

During the Reporting Period, the contract assets of the Group were RMB322,974,000 as at 31 December 2021 and the corresponding contract liabilities were RMB356,658,000 as at 31 December 2020.

Loans to related parties

During the Reporting Period, the Group provided a loan of RMB200,000,000 to CITIC Consumer Finance for a period of 182 days from 25 January 2021 to 26 July 2021 at an annual interest rate of 5.00%.

	2021	2020
	<u>RMB'000</u>	<u>RMB'000</u>
Loans to an associate		
At 1 January	-	-
Loans advanced during the year	200,000	470,000
Repayments received from related parties	<u>(200,000)</u>	<u>(470,000)</u>
At 31 December	<u>-</u>	<u>-</u>

Loans to third parties

	2021	2020
	RMB'000	RMB'000
Loans to third parties	332,175	377,902
Less: Provision for collective impairment assessment of the loans	<u>(3,322)</u>	<u>(3,787)</u>
Loans to third parties, net of provision	328,853	374,115
Less: non-current portion	<u>(23,470)</u>	<u>(57,449)</u>
Current portion	<u>305,383</u>	<u>316,666</u>

The loans to third parties represented loans made under the micro-credit business, which bear interest from 4.28% to 24.00% (2020: 4.28% to 24.00%) per annum and are

repayable with fixed terms agreed with the customers, and all denominated in RMB.

The fair values of the loans to third parties approximated their carrying amounts. 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.

The Group performed expected credit loss assessment of loans to third parties collectively by grouping loans with similar credit risk characteristics. During the years ended 31 December 2021 and 2020, the majority of the loans were in stage 1 and there was no significant change in credit quality for loans for both years.

Contract liabilities

During the Reporting Period, the Group's contract liabilities amounted to RMB2,164,713,000 as at 31 December 2021. The corresponding contract liabilities amounted to RMB1,483,943,000 as at 31 December 2020. The increase in contract liabilities during the year was mainly due to the growth of the Group's cloud service business.

Liquidity, financial and capital resources

As at 31 December 2021, the Group recorded a total cash and bank deposits of RMB3,747,373,000 (31 December 2020: RMB4,046,980,000). As at 31 December 2021, the Group held asset management products of RMB703,193,000 (31 December 2020: RMB993,656,000). 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 were RMB110,848,000 as at 31 December 2021 (31 December 2020: RMB1,813,457,000), which were mainly denominated in US dollar and Hong Kong dollar.

As at 31 December 2021, the Group's net current assets amounted to approximately RMB1,387,504,000 (31 December 2020: RMB3,584,825,000). As at 31 December 2021, the current ratio of current assets to current liabilities was approximately 1.45.

As at 31 December 2021, the Group's borrowings amounted to RMB Nil (31 December 2020: RMB120,000,000), representing a decrease of 100% yoy. Gearing ratio was calculated as net debt (representing total borrowings less cash and cash equivalents) over total capital (representing total equity plus net debt). The Group has no net debt ratio at the end of the Reporting Period.

Cash flow and fair value interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings carried at floating rates exposed the Group to cash flow interest-rate risk whereas those carried at fixed rates exposed the Group to fair value interest-rate risk.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2021, the Group had no borrowings (2020: RMB120,000,000) bearing with floating interest rates.

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 People's Republic of China.

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 faced by the Group mainly comes from movements in the US dollars/RMB and Hong Kong dollars/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.

As at 31 December 2021, if RMB had weakened/strengthened by 5% against the Hong Kong dollars with all other variables held constant, loss before income tax for the year would have been approximately RMB4,556,000 lower/higher (2020: profit before income tax would have been approximately RMB80,399,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of Hong Kong dollars denominated assets.

As at 31 December 2021, if RMB had weakened/strengthened by 5% against the USD with all other variables held constant, loss before income tax for the year would have been approximately RMB 918,000 lower/higher (2020: profit before income tax would have been approximately RMB10,202,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of USD denominated cash at bank and in hand.

Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost, contractual cash flows of debt instruments carried at fair value through profit or loss (FVPL) and deposits with banks and other 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, long-term bank deposits and asset management products (classified as financial assets at FVPL) by only 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, credit records and other factors. Credit limit are set based on credit quality assessed. The management will also adopt certain monitoring procedures to ensure that the distributors will purchase within the credit limit.

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 the third parties and related parties as well as entrust loans are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

For other receivables, the management considers the possibility of default when assets are initially recognized and whether the credit risk increased significantly on an ongoing basis. 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.

We are committed to safeguarding overall financial security and maintaining a strong cash position and a healthy debt profile with strong repayment ability. By adopting a full, reasonable and professional assessment mechanism, preparing annual and monthly funding plans, The Group has established disciplined fund management principal, which allows us to efficiently manage market risks.

For budget management, we have established a monthly, quarterly and annual budget management system, then seek approval from our chief financial officer. The capital budget plans should be made based on the objective basis of the Group’s business plans, project schedules, and contractual payment terms to ensure that the plan accurately matches the actual business needs.

Major properties

The following table sets forth the details of the major properties held by the Group as of 31 December 2021.

Property name	Location	Existing use	Lease term	Total Fair value
				RMB’000
Beijing Kingdee Software Valley	No. 4 Fuxing Street, Mapo Town, Shunyi District, Beijing City, the PRC	Offices	Long-term	649,770

Shanghai Kingdee Development Center	No. 88 Chenhui Road, Zhangjiang High Technology Park, Pudong District, Shanghai City, the PRC	Offices	Long-term	338,050
Shenzhen Kingdee Development Center	No. 2, No.12 Technology Road South, High Technology Park, Nanshan District, Shenzhen City, Guangdong Province, the PRC	Offices	Long-term	476,636
Shenzhen W1-B	Level 4, Building W1, High-tech Industrial Village, No. 1 Technology Road South, Nanshan District, Shenzhen City, Guangdong Province, the PRC	Offices	Long-term	73,830
				1,538,286

2. Employee and Remuneration Policy

During the Reporting Period, total number of employees in the Group reached 11,588. The Group stay committed to the core philosophy of “Customer Foremost, Long-term Adherence to Professionalism”. Kingdee continuously recognized product technological innovation and quality construction, encouraged front-line organizations to innovate based on scenarios of users. During the period, the Group implemented the “Four Modernizations” featuring matrix, platform, systematization and intelligence of the organizations. Meanwhile, adhering to the principle of “Strivers Oriented, Long-term Adherence to Pure and Calm Mind”, the Group increased the introduction of leading talents in cloud transformation and fresh graduates from first-class universities, encourages more young talents to rotate, cultivates compound talents, and stimulates the vitality of the organization.

3. Social Responsibility

In order to actively response to the country’s call for “Building a High-Quality Education System”, Kingdee actively work with universities to develop academic training and

practical teaching, so as to convey high-level digital and intellectual talents for the development of the information industry. During the Reporting Period, Kingdee served 136 universities including the Central University of Finance and Economics, Capital University of Economics and Business, Shanghai Lixin University of Accounting and Finance, Shanxi University of Finance and Economics, and Shenzhen University to help universities carry out curriculum construction, faculty development, talent training, and social services. Kingdee helped nearly 1,800 schools' teachers improve their practical teaching ability. Through organizing a number of universities students' skills competitions, in which thousands of students from more than 500 universities participated and helped cultivate over 400 talents for the industry.

During the Reporting Period, by relying on its digital classroom, Kingdee provided digital management training for enterprises, and shared digital transformation practice and its training with more than 300 senior executives such as CEO and CIO of Chinese enterprises to promote the digital transformation of Chinese enterprises by empowering corporate executives.

The Group continued to support selection of the China Management Model Excellence Award and the "China Management Model 50+" forum ("China Management Global Forum"), by joining hands with the management experts at home and abroad, entrepreneurs and all sectors of society to advance enterprise management. Meanwhile, Kingdee is very committed to advancing basic education in areas where education resources are scarce, supporting welfare undertakings and implementing various measures to support students at different levels in different places including Sichuan, Hunan and Jiangsu to realize their dreams.

4. Outlook

2021 marks the opening year of the "14th Five-Year Plan". In the context of incentives from national policies and the pressure of the COVID-19 pandemic, industries and sectors are accelerating their digital remodeling and pursuing high-quality development. By building the new generation packageable EBC (Enterprise Business Capabilities) with Kingdee, enterprise can achieve "Digital Governed Enterprise, Resilient Growth".

In future, the Group will remain unswervingly committed to the cloud subscription model, and will fully implement the strategy of "Platform + Finance & HR & Tax + Ecosystem" by continuously improving the experience of products and services. The Group will also strive for "Creating Other Kingdee with the Cloud Subscription Model". By committing to the Kingdee Philosophy of "Customer Foremost, Long-term Adherence to Professionalism; Strivers Oriented, Long-term Adherence to Pure and Calm Mind", the Group is always on the same road with every customer, and wholeheartedly advances enterprise digital transformations.

Dividend

In respect of the year ended December 31, 2021, no dividend is proposed by the directors of the Company (2020: Nil).

Purchase, Sale or Redemption of Shares

During the year ended 31 December 2021, the Company purchased 1,800,000 shares of the Company on the Stock Exchange for an aggregate consideration of HK\$43,598,336.97 pursuant to the Company's Share Award Scheme as adopted by the Company on 4 December 2015.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 13 May 2022 to Wednesday, 18 May 2022 (both days inclusive), during which periods no transfer of shares will be registered. In order to be qualified to attend, participate in and vote at the AGM to be held on Wednesday, 18 May 2022, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 12 May 2022.

Corporate Governance

The Company had complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (applicable to the Reporting Period) throughout the year ended 31 December 2021 except the following: During the Reporting Period, Mr. Xu Shao Chun assumed the roles of both the Chairman and Chief Executive Officer of the Company which deviated from code provision A.2.1 of the Code which specifies that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Board considers that Mr. Xu Shao Chun, as one of the main founders of the Group, has abundant knowledge of the IT industry and unique strategic perspectives. The Board believes that he can lead the Group to formulate effective strategies and react promptly to market changes. His continual 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.

Audit Committee

As of the date of this announcement, the audit committee of the Company (the "Audit Committee") comprised two independent non-executive Directors, namely Mr. Zhou Jun Xiang (Chairman) and Mr. Liu Chia Yung and one non-executive Director, namely Mr. Gary Clark Biddle. The Audit Committee has reviewed the accounting principles and practices adopted by the Company, discussed auditing, internal control, risk management and financial reporting matters, and reviewed the audited consolidated financial

statements of the Group for the year ended 31 December 2021.

Auditor

PricewaterhouseCoopers was appointed as the external auditor of the Company for the year of 2021, and there has been no change in the Company's auditor in any of the preceding three years. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditor will be proposed at the forthcoming AGM.

Auditor's Procedures Performed on this Results Announcement

The figures in respect of the announcement of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and the related notes thereto for the year ended 31 December 2021 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this results announcement.

By order of the Board
Kingdee International Software Group Company Limited
Chairman
Xu Shao Chun

Shenzhen, the People's Republic of China, 16 March 2022.

As at the time of issue of this announcement, 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. Gary Clark Biddle as non-executive directors; and Mr. Liu Chia Yung, Mr. Zhou Jun Xiang and Ms. Katherine Rong Xin as independent non-executive directors.