
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)

INTERIM RESULTS ANNOUNCEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the "Board") of directors (the "Directors") of Kingdee International Software Group Company Limited ("Kingdee" or the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2022 are as follows:

Financial highlights for the six months ended 30 June 2022

- Revenue increased by approximately 17.3% above the same period in 2021 to approximately RMB2,196,656,000
- Loss attributable to owners of the Company amounted to RMB356,441,000 for 1H 2022 (1H 2021: loss of RMB248,108,000)
- Basic loss per share attributable to owners of the Company amounted to RMB10.38 cents for 1H 2022 (1H 2021: basic loss per share of RMB7.25 cents)

BUSINESS REVIEW AND OUTLOOK

1. Financial Results

In the first half of 2022, the Group constantly developed the cloud subscription services, enabling the Group's Cloud service business to achieve 35.5% yoy growth in revenue. Cloud service revenue accounted for approximately 76.4% of the Group's total revenue. Annual Recurring Revenue (ARR) of Kingdee Cloud subscription was approximately RMB1.86 billion, an increase of 46.5% yoy. Meanwhile, subscription related contract liabilities achieved a yoy growth of 56.0%.

For the six months ended 30 June 2022, the Group recorded total revenue of RMB2,196,656,000, representing an increase of approximately 17.3% as compared to the same period in 2021 (1H2021: RMB1,872,399,000). Revenue from the ERP and other businesses decreased by 18.1% yoy.

For the six months ended 30 June 2022, loss attributable to owners of the Company was approximately RMB356,441,000 (1H2021: a loss of approximately RMB248,108,000 attributable to owners of the Company). The loss expansion was mainly due to the increased investment in product research and development of Kingdee Cloud products especially Kingdee Cloud Constellation and HR SaaS, as well as the adverse impact on the delivery efficiency of the project owing to the continuation of COVID-19 pandemic.

Basic loss per share attributable to owners of the Company amounted to approximately RMB 10.38 cents. (1H2021: basic loss per share of approximately RMB7.25 cents).

Net cash outflow from operating activities of the Company was approximately RMB179,869,000 (1H2021: net cash outflow of approximately RMB96,513,000).

2. Strategy Review

Kingdee adheres to the strategy of "Platform + Finance & HR & Tax + Ecosystem", takes "wholeheartedly serve enterprises and enlighten every enterprise" as its mission, being committed to becoming "the most trustworthy enterprise service platform", aiming to help enterprises build the Enterprise Business Capability (hereinafter referred to as "EBC") and build a composable digital combat capability.

Key Strategic Initiatives:

1. Platform: Kingdee Cloud Cosmic PaaS platform, built on the cloud-native platform with Kingdee Dynamic Domain Model (KDDM) as its core of technology, continues to enhance the technological capabilities such as low-code development, master data management, process management and RPA (Robotic Process Automation), build unified low-code platform, unleash and develop productivity, lay a solid foundation for the construction of enterprise business capability platform, and help enterprises quickly respond to the ever-changing market demands.

2. Finance & HR & Tax: Kingdee continues to launch various solution plans and products, solving

customers' finance, HR and tax management issues based on design and service mindset, to enable customers achieving resilient growth.

3. Ecosystem: Kingdee is committed to building a mutual benefit, co-built and win-win ecological environment. Leveraging diverse ecosystem partners in consulting, product, implementation and development, channel and service, Kingdee is able to better reach out customers and serve customers. In addition, Kingdee will continue to invest in Kingdee Cloud Cosmic platform and its marketplace, to empower and support the development of partners which can fully concentrate on their specific fields.

4. Customer Success: Through the implementation of the mission of "wholeheartedly serve enterprises", the new generation of customer life-cycle experience based on Kingdee customer success methodology will enable customers achieving success, progress and excellence.

3. Group Business Review

Almost 30 years since its inception, Kingdee has provided digital management solutions to more than 7.4 million enterprises. Kingdee has been well recognized by renowned domestic and international research institutions in the first half of the year, with new awards including: 1) the only Chinese vendor ranked top-ten market share in Gartner's 2021 High Productivity aSaaS Platform; 2) the No.1 IDC aPaaS China public cloud market ("China ERP Application Platform-based Cloud Services Market Insights"); and 3) selected into Gartner's China Enterprise Low-Code Application Platform Competitive Landscape, as China's representative vendor in the enterprise low-code platform.

Cloud service business

During the Reporting Period, revenue from the cloud service business grew by approximately 35.5% yoy from RMB1,238,258,000 in the same period in 2021 to RMB1,677,482,000, accounting for 76.4% of the Group's total revenue.

(1) Large Enterprise accelerating cooperation with Top500 Companies, proceeded in building local substitution benchmarks

Over five years of intensive development, Kingdee Cloud Cosmic has evolved into a leading enterprise-class PaaS platform as China top 500 companies' top choice. With advanced concept of composable capabilities and enhanced platform reliability, agility and intelligence, Kingdee Cloud Cosmic has developed into a solid digital foundation for enterprise full cloud migration. Large and Mega-size enterprises would face problems under various scenarios including traditional IT structure upgrade, business digital innovation, and resolving bottlenecks in key business systems. Kingdee Cloud Cosmic offers KDDM, service orchestration engine, integration facilitation, multi-dimensional database engine, AI, RPA and other enterprise Packaged Business Capabilities (PBC). These PBC components will support the de-coupling and restructure of enterprise business operation and management and digital innovation, achieving the reshape of digital combat capabilities. Kingdee Cloud Cosmic consistently pursued independent innovation, and accumulated more than 230

patents and five national awards by end of the Period.

Kingdee Cloud Constellation is designed for large enterprise EBC, covering standard applications and features such as finance cloud (financial accounting, global treasurer, intelligent tax, budget management, consolidated statements, financial middle office, management accounting, expense management), supply chain cloud, procurement cloud, marketing cloud, manufacturing cloud, etc. Among them, Constellation HR Cloud, which combined Huawei's leading global human resources management practice, focuses on the main business key points of human resources management in large Chinese enterprises. It is a global human resources management cloud service application product that satisfies the organizational transformation of the main business of large enterprises and the flexible adjustment of innovative businesses. In addition, financial middle office, EPM (Enterprise Performance Management) and smart finance have prominent differentiation advantages, helping large enterprises to build world-class financial systems and accelerate localization substitution.

During the Reporting Period, Kingdee Cloud Cosmic and Constellation recorded RMB284 million in revenue, an increase of 77.6% yoy, and the dollar retention ratio remained stable compared to the same period last year. During the period, 476 customers were signed, including 194 new customers, such as Shandong Heavy Industry, China General Technology Group, Minmetals International, Gemdale Corporation, Liugong Group, Guangdong Energy, Chongqing Pharma, etc. At the same time, the Company continued to introduce strategic implementation partners and achieved major breakthrough in direct implementation by partners. This initiative was to support Kingdee's large enterprise business growth plan. Cosmic and Constellation have helped 122 enterprises to complete localization substitution, and supported Huawei, Vanke, China Merchants Group, Wuchan Zhongda, Hesteel Group, Shagang Group and many other world top 500 companies to carry out digital management reconstruction.

(2) Medium Enterprise expanding the lead, subscription ARR achieved rapid growth of 53% yoy

In the first half of 2022, Kingdee Cloud Galaxy offered in-depth service for customers' full transformation in the fields of finance, research and development, supply chain, marketing, manufacturing, etc. These capabilities were developed based on the best practices from more than half market share within the novel elites of SMEs that are engaged in manufacturing, specialize in niche markets and boast cutting-edge technologies, and various unicorn companies. Galaxy launched Kingdee Cloud Galaxy Ultra based on Cosmic PaaS platform, and introduced four enterprise growth plans together with EXIN, Amazon AWS, Ctrip Travel and Deloitte to accelerate the execution of Galaxy's platform and ecosystem strategy. Furthermore, Galaxy enhanced the competitiveness of "PLM+ERP+MES", by upgrading the Manufacturing Operations Management (MOM) solution and special solutions for the novel elites of SMEs. Galaxy also launched the supply chain control tower, a metrics design platform based on a customizable number of metrics, which strengthened data intelligence services.

During the Reporting Period, Kingdee Cloud Galaxy achieved revenue of approximately RMB786 million, an increase of 16.1% yoy. Subscription ARR expanded by 53% yoy. Dollar retention remained stable at 89%. Galaxy's customer base reached 28,300. During the period, Kingdee Cloud

Galaxy signed more than 300 national and provincial novel elites of SMEs; Newly signed DONG FANG ZHEN XUAN, Zhoushan Boeing, Shanghai Mabwell, Shenzhen Microgate, Digibird, Senba Dptoelectronic, HeyGears, Snapmaker, FACC, Zhongshan Lanju, Joyoung Soymilk & Food, Hong Kong Catalo and other enterprises.

(3) Small and Micro Enterprise strengthening business-finance-tax integrated solutions, continuously improved market share

Kingdee Cloud Stellar is positioned to meet the requirements of small commerce businesses and industrial trade businesses in growth stage. Stellar kept improving product solutions to support the integration of "management + operation", helping enterprises to realize intelligent finance and tax management, digital and intelligent client management, online-offline integration and the integration of production, supply, distribution and collaboration. It redefined the industry benchmark for business-finance-tax integration. Through persistent innovation and marketing, the layout of Kingdee SME ecosystem continued to expand, which benefited Kingdee in market share gain.

During the Reporting Period, small and micro finance cloud service revenue maintained a fast growth rate of 74.1% yoy. Kingdee Cloud Stellar recorded a revenue growth of 337.7% yoy. Dollar retention was 72%. Stellar's customer base reached nearly 20,000.

(4) Cosmic ISV partners growing rapidly, moved forward in the layout of ecosystem strategy

Kingdee Cloud Cosmic ISV partner ecosystem continued to expand. Over 150 ISV partners developed their products based on Cosmic platform, covering 13 major sectors including intelligent manufacturing, transportation and logistics, wholesale and retail, finance, and life sciences. On strategic partners, Kingdee carried out cooperation with domestic and global consulting and service companies, and reached strategic partnership with Deloitte, Ernst& Young, ShineWing, HAND Enterprise, JGDT, etc. Meanwhile, Kingdee also deepened the collaboration with KPMG, iSoftStone and Chinasoft International. These partnerships formed Kingdee's implementation service ecosystem, and supported the Company's large enterprise market strategy. In addition, Kingdee co-built industry solutions with Huawei Cloud, Ali Cloud, Tencent Cloud, Amazon AWS and Meituan to offer comprehensive products on these platforms. Kingdee constantly improved the Xinchuang layout, completing product certifications with over twenty Xinchuang partners.

(5) Dedicating to core industry verticals, contributed to industry digital transformation

During the Reporting Period, in the steel and metallurgical industry, the Group entered into contracts with major customers including Jingye Group, Jiangsu Yonggang, China Minmetals Non-ferrous, Hunan Nonferrous, Shanxi Jingang, Anyang Iron and Steel Group. In property and construction industry, Kingdee signed Zhuhai Zhengfang, Xinyi Real Estate, New World China, and large construction and new infrastructure companies such as ZZTY and Heilan Smart Cloud. In property asset management industry, Wojiacloud released a smart state-owned asset management solution plan, and signed contracts with a number of state-owned enterprise customers such as Shanghai Huaxin Assets, Tianjin Urban Investment, Jinhua Urban Investment, etc., to support state-owned enterprises realizing online digital management of stock space assets and revitalize the value of

assets. Kingdee Credit Technology launched a SaaS platform based on its digital supply chain credit service. Relying on its data capabilities and risk management capabilities, the SaaS platform could significantly enhance supply chain financing capabilities for enterprises, by constructing credit portfolios for the upstream and downstream partners and immediately connect more than forty banks and financial institutions.

(6) Taken Xu Shaochun WeChat public account as leverage for improving Kingdee's customer success system

Pioneering in the enterprise service industry, Xu Shaochun WeChat Public Account (徐少春個人號) established the culture of "wholeheartedly serving the enterprise customers" through the entire user journey. In the first half of 2022, the Public Account received over 12,000 inquiries and consultations. Through optimizing the workflow, The Account enabled Kingdee's R&D team directly accessing to customer feedbacks, in order to promote product improvement. Going forward, Kingdee's customer success would take the Account as leverage for improving customer lifecycle experience.

ERP Business and others

During the Reporting Period, revenue from enterprise resource management plans and other businesses decreased approximately 18.1% yoy, from RMB634,141,000 in the same period last year to approximately RMB 519,174,000.

The board (the “Board”) of directors (the “Directors”) of Kingdee International Software Group Company Limited (the “Company”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022 are as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	6	1,108,651	1,044,880
Right-of-use assets	7	200,571	208,274
Intangible assets	6	1,126,876	1,037,366
Investment properties		1,538,286	1,538,286
Investments in associates	8	399,230	393,003
Deferred income tax assets		35,825	34,627
Financial assets at fair value through profit or loss	9	993,301	957,883
Trade and other receivables	10	54,251	53,156
Loans to third parties	10	32,102	23,470
Long-term bank deposits		1,945,000	1,325,000
		<u>7,434,093</u>	<u>6,615,945</u>
Current assets			
Inventories		37,388	30,418
Trade and other receivables	10	405,149	391,966
Loans to third parties	10	297,559	305,383
Contract assets		329,782	322,974
Contract obtaining costs		320,366	248,263
Financial assets at fair value through profit or loss	9	212,929	747,665
Derivative financial instruments	9	1,190	2,145
Pledged bank deposits		4,366	5,558
Short-term bank deposits		685,760	370,000
Cash and cash equivalents		1,078,333	2,046,815
		<u>3,372,822</u>	<u>4,471,187</u>
Total assets		<u>10,806,915</u>	<u>11,087,132</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION *(Continued)**As at 30 June 2022*

	Notes	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities	7	47,184	54,223
Deferred income tax liabilities		131,533	146,087
		<u>178,717</u>	<u>200,310</u>
Current liabilities			
Trade and other payables	12	674,883	759,248
Contract liabilities		2,411,267	2,164,713
Borrowings	13	50,000	-
Lease liabilities	7	26,658	25,563
Current income tax liabilities		17,283	17,979
Deferred income		109,056	116,180
		<u>3,289,147</u>	<u>3,083,683</u>
Total liabilities		<u>3,467,864</u>	<u>3,283,993</u>
Net assets		<u>7,339,051</u>	<u>7,803,139</u>
Equity			
Equity attributable to owners of the Company			
Share capital	11	83,540	83,484
Share premium	11	5,041,601	5,149,350
Other reserves		776,757	744,204
Retained earnings		1,263,013	1,619,454
		<u>7,164,911</u>	<u>7,596,492</u>
Non-controlling interests		<u>174,140</u>	<u>206,647</u>
Total equity		<u>7,339,051</u>	<u>7,803,139</u>

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT*For the six months ended 30 June 2022*

		Unaudited	
		Six months ended 30 June	
	Notes	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers	14	2,196,656	1,872,399
Cost of sales	15	<u>(865,848)</u>	<u>(698,266)</u>
Gross profit		<u>1,330,808</u>	<u>1,174,133</u>
Selling and marketing expenses	15	(1,049,932)	(887,846)
Administrative expenses	15	(233,952)	(207,553)
Net impairment losses on financial assets and contract assets	15	(34,474)	(27,702)
Research and development costs	15	(698,066)	(624,743)
Other income and gains - net	16	232,049	219,127
Operating loss		<u>(453,567)</u>	<u>(354,584)</u>
Finance income		49,811	25,724
Finance costs		<u>(2,056)</u>	<u>(3,749)</u>
Finance income - net		47,755	21,975
Share of profits of associates – net		3,545	7,473
Loss before income tax		<u>(402,267)</u>	<u>(325,136)</u>
Income tax credit	17	13,410	38,679
Loss for the period		<u>(388,857)</u>	<u>(286,457)</u>
Loss attributable to:			
Owners of the Company		(356,441)	(248,108)
Non-controlling interests		<u>(32,416)</u>	<u>(38,349)</u>
		<u>(388,857)</u>	<u>(286,457)</u>
Loss per share for loss attributable to owners of the Company (expressed in RMB cents per share)			
– Basic	18	<u>(10.38)</u>	<u>(7.25)</u>
– Diluted	18	<u>(10.38)</u>	<u>(7.25)</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2022*

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Loss for the period	<u>(388,857)</u>	<u>(286,457)</u>
<i>Items that may be reclassified to profit or loss</i>		
- Currency translation differences	<u>(3,947)</u>	<u>1,006</u>
Other comprehensive (loss)/income for the period	<u>(3,947)</u>	<u>1,006</u>
Total comprehensive loss for the period	<u>(392,804)</u>	<u>(285,451)</u>
Total comprehensive loss attributable to:		
- Owners of the Company	<u>(360,388)</u>	<u>(247,102)</u>
- Non-controlling interests	<u>(32,416)</u>	<u>(38,349)</u>
	<u><u>(392,804)</u></u>	<u><u>(285,451)</u></u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2022**(All amounts in Renminbi thousands unless otherwise stated)*

		Unaudited							
		Attributable to owners of the Company				Non-			
		Share	Share	Other	Retained				
Notes		capital	premium	reserves	earnings	Total	controlling interests	Total equity	
	Balance at 1 January 2022	83,484	5,149,350	744,204	1,619,454	7,596,492	206,647	7,803,139	
	Loss for the period	-	-	-	(356,441)	(356,441)	(32,416)	(388,857)	
	Other comprehensive loss								
	Currency translation differences	-	-	(3,947)	-	(3,947)	-	(3,947)	
	Total comprehensive loss	-	-	(3,947)	(356,441)	(360,388)	(32,416)	(392,804)	
	Transactions with owners								
	Employees share option scheme:								
	- Proceeds from shares issued	11	150	21,116	-	-	21,266	-	21,266
	Share award plan:								
	- Value of employee services received	11	-	61,334	-	-	61,334	-	61,334
	- Transfer shares to the awardees upon vesting	11	-	(117,841)	117,841	-	-	-	-
	- Shares purchased for share award plan		-	-	(81,341)	-	(81,341)	-	(81,341)
	Buy-back of shares		-	-	(72,260)	-	(72,260)	-	(72,260)
	Cancellation of shares	11	(94)	(72,166)	72,260	-	-	-	-
	Equity transactions with non-controlling interests	11	-	(192)	-	(192)	(91)	(283)	
	Total transactions with owners		56	(107,749)	36,500	-	(71,193)	(91)	(71,284)
	Balance at 30 June 2022	83,540	5,041,601	776,757	1,263,013	7,164,911	174,140	7,339,051	

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY *(Continued)**For the six months ended 30 June 2021**(All amounts in Renminbi thousands unless otherwise stated)*

		Unaudited						
		Attributable to owners of the Company				Non-		
		Share	Share	Other	Retained			
<i>Notes</i>		capital	premium	reserves	earnings	Total	controlling interests	
							Total equity	
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 period		-	-	-	(248,108)	(248,108)	(38,349)	(286,457)
Other comprehensive income								
Currency translation differences		-	-	1,006	-	1,006	-	1,006
Total comprehensive income/(loss)		-	-	1,006	(248,108)	(247,102)	(38,349)	(285,451)
Transactions with owners								
Employees share option scheme:								
- Proceeds from shares issued	11	108	9,112	-	-	9,220	-	9,220
Share award plan:								
- Value of employee services received	11	-	52,106	2,638	-	54,744	-	54,744
- Transfer shares to the awardees upon vesting	11	-	(86,688)	20,802	-	(65,886)	-	(65,886)
Equity transactions with non-controlling interests		-	-	5,865	-	5,865	(3,866)	1,999
Total transactions with owners		108	(25,470)	29,305	-	3,943	(3,866)	77
Balance at 30 June 2021		83,439	5,027,044	762,313	1,673,676	7,546,472	126,631	7,673,103

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT*For the six months ended 30 June 2022*

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Cash flows from operating activities:		
Cash generated from operations excluding net cash inflow in loans to third parties from the micro-credit business	(192,643)	(89,747)
Net cash inflow in loans to third parties from the micro-credit business	17,848	964
Interest paid	(2,036)	(1,849)
Income tax paid	(3,038)	(5,881)
Net cash outflow from operating activities	(179,869)	(96,513)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(79,248)	(145,400)
Proceeds from disposals of property, plant and equipment	276	471
Purchases of intangible assets	(251,219)	(232,556)
Payment for acquisition of a subsidiary	-	(80,311)
Pledged and short-term bank deposits placed - net	(934,568)	(1,053,871)
Interest received	1,033	5,311
Purchases of financial assets at fair value through profit or loss	(125,500)	(849,383)
Proceeds from disposal of financial assets at fair value through profit or loss	675,519	1,345,739
Loans provided to related parties	-	(200,000)
Proceeds from disposal of associates	18,855	15,000
Net cash outflow from investing activities	(694,852)	(1,195,000)
Cash flows from financing activities:		
Proceeds from share options exercised	21,266	9,220
Transaction with non-controlling interests	211	-
Proceeds from borrowings	50,000	-
Repayments of borrowings	-	(120,000)
Principal elements of lease payments	(15,838)	(15,654)
Payments for purchase of shares for share award plan	(81,341)	-
Payments for buy-back of shares	(72,260)	-
Net cash outflow from financing activities	(97,962)	(126,434)
Net decrease in cash and cash equivalents	(972,683)	(1,417,947)
Effects of exchange rate changes on cash and cash equivalents	4,201	(14,396)
Cash and cash equivalents at beginning of the period	2,046,815	2,753,631
Cash and cash equivalents at end of the period	1,078,333	1,321,288

Notes to the condensed consolidated interim financial information

1. General information

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

The Company is an investment holding company. The Company and its subsidiaries (together the “Group”) are principally engaged in the cloud services, including enterprise cloud services, Small & Micro business finance cloud services, and industry cloud services; and enterprise resource planning (“ERP”) business and others, including development and sales of software products, sales of hardware products, provision of implementation services, software solution consulting services, maintenance services, upgrade services, other supporting services, and others. The company has its primary listing on the Stock Exchange of Hong Kong Limited 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 values of financial assets at fair value through profit or loss and investment properties, 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 authorized for issue, the Group suffered an adverse impact on project implementation efficiency as a result of the COVID-19 pandemic in the first half of 2022.

These unaudited condensed consolidated interim financial statements are presented in thousands of Renminbi (RMB’000), unless otherwise stated. These unaudited condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 18 August 2022.

This condensed consolidated interim financial information has not been audited.

2. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with IAS 34, ‘Interim financial reporting’. The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2021 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Notes to the condensed consolidated interim financial information

3. Significant accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2021, as described in those annual financial statements.

(a) The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before intended use — Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract — Amendments to IAS 37
- Annual Improvements IFRS Standard 2018-2020
- Reference to the Conceptual Framework — Amendments to IFRS 3
- Amendments to AG5 Merger Accounting for common control combinations

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

(b) New standards and interpretations not yet adopted

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2024
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the six months ended 30 June 2022 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.

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

Notes to the condensed consolidated interim financial information

4. Estimates

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

In preparing this unaudited condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

5. Segment information

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

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

Cloud services business	—	Including enterprise cloud services, Small & Micro business finance cloud services, and industry 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 assesses the performance of the operating segments based on the profit for the period of each segment. Substantially all of the businesses of the Group are carried out in the PRC.

Notes to the condensed consolidated interim financial information

5. Segment information (Continued)

The unaudited segment information for the six months ended 30 June 2022 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)	1,677,482	519,174	-	2,196,656
- Products transferred at a point in time	-	175,469	-	175,469
- Services transferred over time	1,677,482	343,705	-	2,021,187
Operating (loss)/profit	(514,880)	27,669	33,644	(453,567)
Finance costs	(1,528)	(528)	-	(2,056)
Finance income	37,333	12,478	-	49,811
Finance income – net	35,805	11,950	-	47,755
Share of profits of associates - net	-	3,545	-	3,545
(Loss)/profit before income tax	(479,075)	43,164	33,644	(402,267)
Income tax credit/(expense)	22,816	(6,042)	(3,364)	13,410
Segment results	(456,259)	37,122	30,280	(388,857)
Depreciation and amortisation	145,431	59,263	-	204,693
Net impairment losses on financial assets and contract assets	3,082	31,392	-	34,474
Share-based payment	52,974	8,360	-	61,334

Notes to the condensed consolidated interim financial information

5. Segment information (Continued)

The unaudited segment information for the six months ended 30 June 2021 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)	1,238,258	634,141	-	1,872,399
- Products transferred at a point in time	-	254,664	-	254,664
- Services transferred over time	1,238,258	379,477	-	1,617,735
Operating (loss)/ profit	(433,223)	42,724	35,915	(354,584)
Finance costs	(2,903)	(846)	-	(3,749)
Finance income	16,322	9,402	-	25,724
Finance income – net	13,419	8,556	-	21,975
Share of profits of associate - net	-	7,473	-	7,473
(loss) /Profit before income tax	(419,804)	58,753	35,915	(325,136)
Income tax credit/(expense)	53,556	(11,286)	(3,591)	38,679
Segment results	(366,248)	47,467	32,324	(286,457)
Depreciation and amortisation	188,252	41,661	-	229,913
Net impairment losses on financial assets and contract assets	254	27,448	-	27,702
Share-based payment	11,415	44,048	-	55,463

Notes to the condensed consolidated interim financial information

5. Segment information *(Continued)*

The Company is incorporated in the Cayman Islands while the Group mainly operates its business in the PRC. Revenue from external customers from the PRC and other locations is RMB2,179,205,000 (the same period in 2021: RMB1,857,328,000) and RMB17,451,000 (the same period in 2021: RMB15,071,000), respectively for the six months period ended 30 June 2022.

There is no single customer that contributed to over 10% of the Group's revenue for the six months period ended 30 June 2022 and 2021.

Notes to the condensed consolidated interim financial information

6. Property, plant, equipment and intangible assets

(a) Property, plant, equipment

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Opening net book amount at 1 January	1,044,880	746,148
Additions	91,166	77,999
Disposals	(324)	(350)
Depreciation	(27,071)	(21,724)
Closing net book amount at 30 June	<u>1,108,651</u>	<u>802,073</u>

(b) Intangible assets

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Opening net book amount at 1 January	1,037,366	785,500
Additions	250,687	285,824
Amortisation	(161,177)	(191,966)
Closing net book amount at 30 June	<u>1,126,876</u>	<u>879,358</u>

Notes to the condensed consolidated interim financial information

7. Leases

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

(a) Amounts recognised in the statement of financial position

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

	Unaudited	
	Six months ending 30 June	
	2022	2021
	RMB'000	RMB'000
Right-of-use assets		
Land use rights (i)	136,927	133,960
Buildings	63,644	76,753
	<u>200,571</u>	<u>210,713</u>
Lease liabilities		
Current	26,658	27,087
Non-current	47,184	58,610
	<u>73,842</u>	<u>85,697</u>

Additions to the right-of-use assets during the six months ended 30 June 2022 were RMB8,357,000.

- (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 statement of profit or loss

The income statement shows the following amounts relating to leases:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Land	2,161	1,972
Buildings	14,284	14,251
	<u>16,445</u>	<u>16,223</u>
Interest expense (included in finance cost)	1,984	1,205
Expense relating to short-term leases	6,322	9,698

The total cash outflow for leases in six months ended 30 June 2022 was RMB22,476,000 (the six months ended 30 June 2021: 25,837,000).

Notes to the condensed consolidated interim financial information

7. Leases (Continued)

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices. Rental contracts are typically made for fixed periods of 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 lessors.

8. Investments in associates

The carrying amount of equity-accounted investments has changed as follows for the six months ended 30 June 2022:

	Unaudited
	Six months ended 30 June 2022
	RMB'000
Beginning of the period	393,003
Additions	-
Dilution gains (Note 16)	15,216
Disposal (a)	(12,534)
Share of profit of associates - net	3,545
End of the period	399,230

(a) The Group has disposed of its 2.2% interest in Qijia Youdao Network Technology (Beijing)Co., Ltd ("Qijia Youdao") to an independent third party.

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

Notes to the condensed consolidated interim financial information

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

- (a) Classification of financial assets at fair value through profit or loss and derivative financial instruments

For the six months ended 30 June 2022, the Group classifies the following financial assets at fair value through profit or loss (FVPL) and derivative financial instruments:

- Debt investments that do not qualify for measurement at either amortised cost or FVOCI
- Equity investments that are held for trading, and
- Equity investments for which the entity has not elected to recognise fair value gains and losses through OCI

Financial assets measured at FVPL and derivative financial instruments include the following:

At 30 June 2022	Unaudited			
	Level 1(i) RMB'000	Level 2(i) RMB'000	Level 3(i) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
Wealth management products(ii)	-	-	159,335	159,335
Listed stock	53,594	-	-	53,594
Unlisted equity investment	-	-	993,301	993,301
Derivative financial instruments	-	1,190	-	1,190
	<u>53,594</u>	<u>1,190</u>	<u>1,152,636</u>	<u>1,207,420</u>
Less: non-current portion	-	-	(993,301)	(993,301)
Current portion	<u>53,594</u>	<u>1,190</u>	<u>159,335</u>	<u>214,119</u>
At 31 December 2021	Audited			
	Level 1(i) RMB'000	Level 2(i) RMB'000	Level 3(i) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
Wealth management products(ii)	-	-	703,193	703,193
Listed equity securities	44,472	-	-	44,472
Unlisted equity investment	-	-	957,883	957,883
Derivative financial instruments	-	2,145	-	2,145
	<u>44,472</u>	<u>2,145</u>	<u>1,661,076</u>	<u>1,707,693</u>
Less: non-current portion	-	-	(957,883)	(957,883)
Current portion	<u>44,472</u>	<u>2,145</u>	<u>703,193</u>	<u>749,810</u>

Notes to the condensed consolidated interim financial information

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

(Continued)

(i) The table analyses the Group's financial instruments carried at fair value as at 30 June 2022 and 31 December 2021 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

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

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

Specific valuation techniques used to value financial instruments include:

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

(ii) 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 return rate ranging from 2.30% to 4.10%. No single wealth management product investment accounted for over 5% of the Group's total assets. The fair values of these investments were determined based on income approach.

Notes to the condensed consolidated interim financial information**9. Financial assets at fair value through profit or loss and derivative financial instruments***(Continued)*

(b) The following table presents the changes in level 3 instruments for the six months ended 30 June 2022.

	Unaudited Financial assets at fair value through profit or loss RMB'000
At 1 January 2022	1,661,076
Additions	125,500
Disposals	(675,519)
Gains recognised in profit or loss	41,579
At 30 June 2022	1,152,636
Changes in unrealised gains for the period included in profit or loss at the end of the period	35,418

	Unaudited Financial assets at fair value through profit or loss RMB'000
At 1 January 2021	1,616,395
Additions	650,909
Disposals	(1,345,739)
Gains recognised in profit or loss	77,574
At 30 June 2021	999,139
Changes in unrealised gains for the period included in profit or loss at the end of the period	54,315

Notes to the condensed consolidated interim financial information

10. Trade and other receivables, loans to related parties, and loans to third parties

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Trade receivables (a)	319,772	287,655
Less: allowance for impairment of trade receivables	<u>(148,192)</u>	<u>(134,800)</u>
Trade receivables - net	171,580	152,855
Notes receivable	34,910	57,109
Advances to employees	8,295	9,158
Prepayments	58,979	50,618
VAT recoverable	18,924	27,768
Interest receivables	80,773	47,962
Receivables from related parties (Note 20(c))	21,144	19,476
Receivables from non-controlling interests	43,619	43,619
Other	38,027	50,739
Less: allowance for impairment of other receivables (excluding prepayments)	<u>(16,851)</u>	<u>(14,182)</u>
	459,400	445,122
Less: non-current portion	<u>(54,251)</u>	<u>(53,156)</u>
Current portion	<u>405,149</u>	<u>391,966</u>
Loans to third parties (b)		
Current portion	297,559	305,383
Non-current portion	<u>32,102</u>	<u>23,470</u>
	<u>329,661</u>	<u>328,853</u>

Notes to the condensed consolidated interim financial information

10. Trade and other receivables, loans to related parties, and loans to third parties (Continued)

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

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
0-90 days	133,357	118,441
91-180 days	21,385	15,620
181- 360 days	20,799	18,355
Over 360 days	144,231	135,239
	<u>319,772</u>	<u>287,655</u>

(b) The loans to third parties

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Loans to third parties	332,991	332,175
Less: Provisions for collective impairment assessment of the loans	<u>(3,330)</u>	<u>(3,322)</u>
Loans to third parties, net of provision	329,661	328,853
Less: non-current portion	<u>(32,102)</u>	<u>(23,470)</u>
Current portion	<u>297,559</u>	<u>305,383</u>

The loans to third parties represented loans made under the micro-credit business, which bear interest from 4.28% to 24.00% (31 December 2021: 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.

Notes to the condensed consolidated interim financial information

10. Trade and other receivables, loans to related parties, and loans to third parties (Continued)

(b) The loans to third parties (Continued)

The Group performed expected credit loss assessment of loans to third parties collectively by grouping loans with similar credit risk characteristics. During the six months ended 30 June 2022 and 2021, the majority of the loans were in stage 1 and there was no significant change in credit quality for loans for both periods.

11. Share capital and share premium

	Unaudited			Total RMB'000
	Number of shares (thousands)	Share capital RMB'000	Share premium RMB'000	
At 1 January 2022	3,472,181	83,484	5,149,350	5,232,834
Employee share option scheme				
- Proceeds from shares issued	7,270	150	21,116	21,266
Share award plan				
- Value of services received	-	-	61,334	61,334
- Transfer shares to the awardees upon vesting	-	-	(117,841)	(117,841)
Cancellation of shares	(4,641)	(94)	(72,166)	(72,260)
Equity transactions with non-controlling interests	-	-	(192)	(192)
At 30 June 2022	3,474,810	83,540	5,041,601	5,125,141
At 1 January 2021	3,466,598	83,331	5,052,514	5,135,845
Employee share option scheme				
- Proceeds from shares issued	3,317	108	9,112	9,220
Share award plan				
- Value of services received	-	-	52,106	52,106
- Transfer shares to the awardees upon vesting	-	-	(86,688)	(86,688)
At 30 June 2021	3,469,915	83,439	5,027,044	5,110,483

Notes to the condensed consolidated interim financial information

12. Trade and other payables

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Trade payables (a) and (b)	25,933	19,447
Salary and staff welfare payables	166,718	248,966
Deposits payable	165,766	162,862
Accrual for expenses	154,296	145,189
Value-added tax ("VAT") and other taxes payables	-	28,880
Construction payables (c)	50,982	37,115
Unpaid consideration for investment in financial assets at fair value through profit or loss	42,465	42,465
Unpaid business acquisition consideration	18,112	18,112
Others	50,611	56,212
	674,883	759,248

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

(b) As at 30 June 2022, the aging analysis of trade payables is as follows:

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
0-180 days	20,136	13,599
181- 360 days	819	810
Over 360 days	4,978	5,038
	25,933	19,447

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

Notes to the condensed consolidated interim financial information

13. Borrowings

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Short-term borrowings, unsecured	<u>50,000</u>	<u>-</u>

At 30 June 2022, all the Group's borrowings were repayable within one year and denominated in RMB.

The Group's bank borrowings bear average interest rate of 2.9%.

The carrying amount of the current borrowings approximate their fair value, as the impact of discounting using a current borrowing rate is not significant.

14. Revenue from contracts with customers

	Unaudited Six months ended 30 June 2022 RMB'000		2021 RMB'000
Cloud services business	1,677,482	1,238,258	
- Enterprise cloud services	1,161,330	868,670	
- Small & Micro business finance cloud services	380,235	218,403	
- Industry cloud services	135,917	151,185	
ERP business and others	519,174	634,141	
- Revenue from sales of software and hardware products	175,469	254,664	
- Revenue from rendering of software implementation, maintenance services, and others	343,705	379,477	
	<u>2,196,656</u>	<u>1,872,399</u>	

Notes to the condensed consolidated interim financial information

15. Expenses by nature

Significant expense items are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Research and development costs		
Amounts incurred	794,806	667,911
Less: development costs capitalised	(249,063)	(228,722)
Add: amortisation	152,323	185,554
	698,066	624,743
Employee benefit expenses	1,906,823	1,545,690
Less: amount included in research and development costs	(529,464)	(423,672)
	1,377,359	1,122,018
Outsourcing services	232,020	247,898
Cost of inventories consumed and rental cost of cloud server	102,067	97,615
Depreciation of property, plant and equipment	27,071	21,724
Depreciation of right-of-use assets (Note 7(b))	16,445	16,223
Amortisation of trademarks, computer software, licenses, copyrights and customer relationship	8,854	6,412
Net impairment losses on financial assets	34,474	27,702

Notes to the condensed consolidated interim financial information

16. Other income and gains - net

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Other income		
VAT refund	56,449	69,655
VAT input tax surplus deduction	6,090	5,255
Government program research	56,425	22,761
Rental income-net	33,644	35,915
Interest income from loan to related parties	-	4,333
	152,608	137,919
Other gains		
Realised and unrealised net gains on financial assets at FVPL	47,806	85,401
Realised and unrealised net (losses)/gains on derivative financial instruments	(869)	7,360
Net foreign exchange gains/(losses)	1,435	(15,599)
Dilution gains (Note 8)	15,216	-
Gains on disposal of associates	6,321	-
Others	9,532	4,046
	79,441	81,208
	232,049	219,127

Notes to the condensed consolidated interim financial information

17. Income tax credit

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current income tax	2,341	(17,140)
Deferred income tax	(15,751)	(21,539)
	(13,410)	(38,679)

- (a) No provision for profits tax in the Cayman Islands and Hong Kong has been made as the Group has no assessable profits for the period in those jurisdictions.
- (b) 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 China will meet those requirements. Therefore, Kingdee China used a preferential corporate income tax rate of 10% for the six months ended 30 June 2022. The application of preferential tax rate stated above is subject to critical estimates of the management of the Group.
- (c) Kingdee Deeking, Kingdee Apusic, Beijing Kingdee Tianyanyun Technology Co., Ltd., Beijing Kingdee, Guanyi, Yundy Smart Technology Co., Ltd, Yunji and Shenzhen Kingdee Zhangwuyou Network Technology Co., Ltd. were each qualified as a High-tech Enterprise and was entitled to a preferential tax rate of 15% for the period ended 30 June 2022.
- (d) 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 met the requirements and was entitled to a preferential corporate income tax rate of 15% in 2022.
- (e) Shenzhen Kingdee Pay Technology was qualified as a Small and Low-profit Enterprise and was entitled to a preferential corporate income tax rate of 20% in 2022.
- (f) 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 met the requirements and was entitled to a preferential corporate income tax rate of 0% in 2022.
- (g) Other PRC subsidiaries of the Group applied the tax rate of 25%.

Notes to the condensed consolidated interim financial information

18. Losses per share

(a) Basic

Basic loss 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 period, excluding ordinary shares purchased and held for share award plan.

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Loss attributable to owners of the Company	(356,441)	(248,108)
Weighted average number of ordinary shares in issue (thousands)	3,435,411	3,421,063
	RMB(10.38)	RMB (7.25)
Basic loss per share	cents	cents

Notes to the condensed consolidated interim financial information

18. Losses per share (Continued)

(b) Diluted (Continued)

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and share awards. For the share options and share awards, the number of shares that could have been issued upon the exercise of all dilutive share options and share awards less the number of shares that could have been issued at fair value (determined as the average annual market share price of the Company's shares) for the same total proceeds is added to the denominator as the number of ordinary shares issued for no consideration.

As the Group incurred loss for the six months ended 30 June 2022 and 2021, the potential share options and share awards were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the six months ended 30 June 2022 and 2021 was the same as basic loss per share of the respective period.

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Loss attributable to owners of the Company	(356,441)	(248,108)
Loss used to determine diluted loss per share	(356,441)	(248,108)
Weighted average number of ordinary shares in issue (thousands)	3,435,411	3,421,063
Adjustment for –		
share options (thousands)	-	-
share awards (thousands)	-	-
Weighted average number of ordinary shares for diluted loss per share (thousands)	3,435,411	3,421,063
Diluted loss per share	RMB (10.38) cents	RMB (7.25) cents

19. Dividends

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (the six months ended 30 June 2021: Nil).

Notes to the condensed consolidated interim financial information

20. Related party transactions

The Group had transactions with related parties for the period ended 30 June 2022 as follows:

(a) Transactions with related parties

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Sales of products		
– Associates	3,087	5,102
– Companies controlled by Mr. Xu Shao Chun	1,715	341
	<u>4,802</u>	<u>5,443</u>
Sales of services		
– Associates	2,061	5,605
– Companies controlled by Mr. Xu Shao Chun	223	589
	<u>2,284</u>	<u>6,194</u>
Rental income		
– Associates	1,566	1,407
– Companies controlled by Mr. Xu Shao Chun	1,785	2,793
	<u>3,351</u>	<u>4,200</u>
Interest income		
– Associates	-	4,333

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

Notes to the condensed consolidated interim financial information

20. Related party transactions (Continued)

(b) Purchase of products and services

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Purchase of products		
– Associates	2,094	4,362
– Companies controlled by Mr. Xu Shao Chun	469	291
	<u>2,563</u>	<u>4,653</u>
Purchase of services		
– Associates	<u>28,116</u>	<u>16,546</u>

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

(c) Balances with related parties

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Payable to related parties recorded in “Contract Liabilities”	1,502	750
– Associates	387	-
– Companies controlled by Mr. Xu Shao Chun	<u>1,889</u>	<u>750</u>
Payable to related parties recorded in “Trade payables”		
– Associates	4,957	2,208
– Companies controlled by Mr. Xu Shao Chun	35	17
	<u>4,992</u>	<u>2,225</u>
Receivables from related parties (Note10)		
– Associates	14,099	14,319
– Companies controlled by Mr. Xu Shao Chun	7,045	5,157
	<u>21,144</u>	<u>19,476</u>

Notes to the condensed consolidated interim financial information

20. Related party transactions (Continued)

(d) Loans to related parties

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Loans to an associate		
At 1 January	-	-
Loans provided to related parties	-	200,000
Interests accrued	-	250
	<u> </u>	<u> </u>
At 30 June	<u> </u>	<u> </u>
	-	200,250

Management Discussion and Analysis

1. Major Financial Information

Revenue

For the year ended 30 July 2022, the Group recorded total revenue of RMB2,196,656,000, representing a yoy growth of 17.3% (1H2021: RMB1,872,399,000). Revenue from the Cloud Services increased by 35.5% yoy to RMB1,677,482,000 (1H2021: RMB1,238,258,000). Revenue from the ERP business and others amounted to RMB519,174,000 (1H2021: RMB634,141,000), a yoy decrease of 18.1%.

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Cloud business	1,677,482	1,238,258
- Enterprise cloud services	1,161,330	868,670
- Small & Micro business finance cloud services	380,235	218,403
- Industry cloud services	135,917	151,185
ERP business and others	519,174	634,141
- Revenue from sales of software and hardware products	175,469	254,664
- Revenue from rendering of software implementation, maintenance services, and others	343,705	379,477
	<u>2,196,656</u>	<u>1,872,399</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 RMB1,330,808,000 (1H2021: RMB1,174,133,000), a yoy increase of approximately 13.3%. The gross profit margin decreased by 2.1 pts yoy of approximately 60.6% (1H2021: approximately 62.7%). The decrease was mainly due to the yoy increase in implementation costs from large enterprise model projects.

Selling and marketing expenses

During the Reporting Period, selling and marketing expenses totaled approximately RMB1,049,932,000

(1H2021: RMB887,846,000), representing an increase of 18.3% yoy. The percentage of selling and marketing expenses as a percentage of revenue increased from 47.4% in 1H2021 to 47.8% in 1H2022.

Administrative expenses

During the Reporting Period, administrative expenses totaled approximately RMB233,952,000, representing a yoy increase of 12.7% (1H2021: approximately RMB207,553,000). The percentage of administrative expenses as a percentage of revenue decreased from 11.1% in 1H2021 to 10.7% in 1H2022.

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 approximately RMB794,806,000, representing an increase of approximately 19.0% yoy (1H2021: RMB667,911,000), of which, the R&D capitalization rate dropped to 31.3% (1H2021: 34.2%), the capitalized amount was RMB249,063,000, increased by approximately 8.9% yoy (1H2021: RMB228,722,000). Amortisation of research and development costs during the Reporting Period was RMB152,323,000, representing a decrease of 17.9% yoy (1H2021: RMB185,554,000), and the research and development costs recognised in the consolidated income statement was approximately RMB698,066,000, increased by 11.7% yoy (1H2021: RMB624,743,000). Research and development expenses as a percentage of revenue decreased from 33.4% in 1H2021 to 31.8% in 1H2022.

Other income and gains - net

During the Reporting Period, other income and gains-net was approximately RMB232,049,000, representing an increase of approximately 5.9% yoy (1H2021: approximately RMB219,127,000).

Operating loss

For the six months ended 30 June 2022, the Group recorded an operating loss of approximately RMB453,567,000 (1H2021: operating loss of approximately RMB354,584,000). Cloud business segment recorded an operating loss of approximately RMB514,880,000 (1H2021: loss of approximately RMB433,223,000); ERP business and other operating profit was approximately RMB 27,669,000 (1H 2021: profit of approximately RMB42,724,000). The business contribution from the investment properties of the Group declined by approximately 6.3% yoy to approximately RMB 33,644,000 (1H2021: approximately RMB35,915,000), 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 approximately RMB47,755,000. In the same period of 2021, the finance income-net value was approximately RMB21,975,000, 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 approximately RMB13,410,000 (1H 2021: approximately RMB38,679,000).

Loss and basic loss per share

For the six months ended 30 June 2022, the current loss attributable to owners of the Company was approximately RMB356,441,000 (1H2021: loss of approximately RMB248,108,000). Net loss margin attributable to owners of the Company was approximately 16.2% (1H2021: net loss margin of approximately 13.3%). Basic loss per share was approximately RMB10.38 cents (1H2021: basic loss per share of approximately RMB7.25cents).

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

For six months ended 30 June 2022, the Group's financial assets and derivative instruments at fair value through profit or loss amounted to RMB1,207,420,000, representing a decrease of RMB500,273,000 from 31 December 2021, including the non-current portion of RMB993,301,000 (31 December 2021: RMB957,883,000) and the current portion of RMB214,119,000 (31 December 2021: RMB749,810,000).

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

	30 June 2022	31 December 2021
	RMB'000	RMB'000
Investments designated at fair value through profit or loss		
Wealth management products (i)	159,335	703,193
Listed equity investment	53,594	44,472
Unlisted equity investment	993,301	957,883
Derivative financial instruments	1,190	2,145
	1,207,420	1,707,693
Less: non-current portion	(993,301)	(957,883)
current portion	214,119	749,810

(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 months to 12 months. They have an expected annual return rate ranging from 2.30% to 4.10%. No single wealth management product investment accounted for over 5% of the Group's total assets. The fair values of these investments were determined based on income approach,

Investment in associates

The changes in the book value of investments in associates during the six months ended 30 June 2022 are as follows:

	Six months ended 30 June
	2022
	RMB'000
Opening amount	393,003
Additions	-
Gains from equity dilution	15,216
Disposal(a)	(12,534)
Share of profit of associates - net	3,545
	<hr/>
Closing amount	399,230

(a) During the Reporting Period, the Group disposed 2.2% of the equity of Qijiayoudao Network Technology (Beijing) Co., Ltd. (企家有道網絡技術(北京)有限公司) (hereinafter referred to as “Qijiayoudao”) to independent third party.

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

Contract assets

During the Reporting Period, the contract assets of the Group were RMB329,782,000 as at 30 June 2022 and the corresponding contract assets were RMB322,974,000 as at 31 December 2021.

Loans to related parties

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Loans to an associate		
At 1 January	-	-
Loans provided to related parties	-	200,000
Interests accrued	-	250
	<u> </u>	<u> </u>
At 30 June	<u> </u>	<u> </u>
	-	200,250

Contract liabilities

During the Reporting Period, the Group's contract liabilities amounted to approximately RMB2,411,267,000 as at 30 June 2022. The corresponding contract liabilities amounted to approximately RMB2,164,713,000 as at 31 December 2021. 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 30 June 2022, the Group recorded a total cash and bank deposits of approximately RMB3,713,459,000 (31 December 2021: RMB3,747,373,000). As at 30 June 2022, the Group held asset management products of approximately RMB159,335,000 (31 December 2021: RMB703,193,000). 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 approximately RMB 92,363,000 as at 30 June 2022 (31 December 2021: RMB 110,848,000), which were mainly denominated in US dollar and Hong Kong dollar.

As at 30 June 2022, the Group's net current assets amounted to approximately RMB83,675,000 (31 December 2021: RMB1,387,504,000). As at 30 June 2022, the current ratio of current assets to current liabilities was approximately 1.03.

As at 30 June 2022, the Group's borrowings amounted to RMB50,000,000 (31 December 2021: RMB Nil)

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.

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.

Credit risk

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

The management manages the credit risk of cash and cash equivalents, pledged and short-term and long-term bank deposits and wealth management products (classified as financial assets at FVPL) by transacting with state-owned financial institutions and reputable commercial banks which are all high-credit-quality financial institutions in mainland China 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 sales to distributors, the Group has assessed the credit quality of the distributors, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The compliance with credit limits by distributors is regularly monitored by management.

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

The Group's investments in debt instruments, including loans to third parties, are considered to be low

risk investments. The credit ratings of the investments are monitored for credit deterioration.

For other receivables, management considers the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an on-going 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.

2. Employee and Remuneration Policy

During the Reporting Period, total number of employees in the Group reached 11,708. The Group adhered to the philosophy of “Customer foremost, long-term adherence to professionalism”, and continued to encourage product innovation and quality enhancement. The Group encouraged innovations within front-line organizations, and carried out the reform on each customer touchpoint to further improve customer experience. The Group implemented four matrices for improving the company organization, including matrix methodology, systematization, platform and intelligent organizations. Based on the philosophy of “Strivers oriented, long-term adherence to pure and visionary mind”, the Group persistently recruited leading talents and top-class graduates for cloud transformation, and encouraged job rotation among senior management and backbone employees. The Group aimed to develop management talents and innovation-driven talents, in order to inspire organizational dynamics.

3. Social Responsibility

In the first half of 2022, the Group carried out social responsibilities through proactive contribution to enterprises and colleges and universities fighting with COVID. During the Reporting Period, the Group activated cloud-based teaching service for colleges and universities, delivering lectures to their staff on the topic of Financial Big Data Analytics Course, Management Accounting Comprehensive Training Course and Human Resources Digital Management Course. The Group partnered with ZBG Education to launched a series of training courses of Enterprise Environment Financial Digital Practical Teaching for thousands of teachers and lecturers. In the first half of 2022, the Group successfully concluded the Sixth Innovation Cup of University Student Competition, and launched the China Software Cup of Developer Competition, Internet+Innovative and Entrepreneurial Enterprises Track. Nearly 500 colleges and universities participated in the competition, and around 20,000 students achieved skill enhancement from the competition. More than 500 digital talents were recruited by Kingdee’s ecosystem partners. 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.

Also, Kingdee provided digital management trainings to CEO and CIO and senior executives through Kingdee Digital Lectures. During the period, the Group commenced the online series of courses of CEO Digital Lectures - Entrepreneur Advanced Seminar and digital transformation workshops with 220 clients, empowering enterprise executives and fueling enterprise digital transformation.

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.

4. Outlook

In the first half of 2022, the repetition of COVID-19 breakout in China and uncertainties in global economic recovery post many challenges. The challenging environment pushed for the acceleration of digital transformation to pursue high quality growth across different industries and verticals. Kingdee will play a major role in the enterprise digital transformation by offering the new generation composable EBC digital platform and delivering agile innovation capabilities to resolve challenges, and realizing “data-driven enterprise, resilient growth.”

Looking forward, the Group will adhere to the Kingdee philosophy of “Customer foremost, long-term adherence to professionalism; Strivers oriented, long-term adherence to pure and visionary minds,” fighting alongside customers. On the basis of consistent self-innovation and advancing technology, Kingdee will promote open and win-win with ecosystem partners. Kingdee will continue to execute the “Platform + Finance & HR & Tax + Ecosystem” strategy and remain unwaveringly committed to cloud subscription model, to achieve the mission of “Creating another Kingdee with the cloud subscription business model.”

REPORT OF DIRECTORS

Share Option Schemes

Share option schemes were adopted by the Company to encourage and reward the contribution of eligible persons to the Company. Eligible persons include employees, directors, partners, consultants, suppliers and customers of the Group.

Pursuant to the share option scheme adopted by the Company at the extraordinary general meeting on 11 July 2005 (the “**2005 Scheme**”) and the adjustment made due to the bonus issue and the refreshment on the scheme limit in 2011, an aggregate of 529,501,600 share options were granted, of which 320,723,193 share options were exercised and 203,594,907 share options had lapsed since its adoption. Hence, 5,183,500 share options remained outstanding as at 30 June 2022. During the six months ended 30 June 2022 (the “**Reporting Period**”), 3,706,000 share options were exercised, 2,762,500 share options had lapsed and no share options were granted and/or cancelled.

At the annual general meeting of the Company convened on 8 May 2015, the Company terminated the 2005 Scheme and adopted a new share option scheme (the “**2015 Scheme**”) with a validity period of ten years. The remaining life of the 2015 Scheme was around 2 years and 8 months as at the date of this announcement. As at 30 June 2022, the Company had granted 40,000,000 share options under the 2015 Scheme, of which 22,291,000 share options were exercised and 8,945,000 share options had lapsed since its adoption. During the Reporting Period, 3,564,000 share options were exercised, 150,000 share options had lapsed and no share options were granted and/or cancelled. Hence, 8,764,000 share options remained outstanding as at 30 June 2022. According to the scheme mandate limit of the 2015 Scheme approved by the annual general meeting of the Company on 8 May 2015 (being 259,264,096 share options), less the 40,000,000 share options granted by the Company since its approval and plus the 8,945,000 lapsed share options since its adoption, the Company may further grant 228,209,096 share options, representing approximately 6.57% of the total number of shares of the Company in issue as at 30 June 2022.

Details of the share options granted, exercised and/or lapsed under the 2005 Scheme and 2015 Scheme during the Reporting Period are set out in the table below:

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

Name or category of participants	Date of grant	Exercise period (Note 2)	Exercise price per share (HKD)	Options held at 31 December 2021	Options granted during the Reporting Period	Options exercised during the Reporting Period	Options lapsed during the Reporting Period	Options held at 30 June 2022
Oriental Tao Limited (Note 1)	23/04/2014	23/04/2014 TO 22/04/2024	2.66	2,500,000	-	2,500,000	-	0
	12/05/2015	12/05/2015 TO 11/05/2025	4.6	2,500,000	-	2,500,000	-	0
Sub-total				5,000,000		5,000,000	-	0
Lin Bo	12/05/2015	12/05/2015 TO 11/05/2025	4.6	300,000	-	-	-	300,000
Sub-total				300,000		-	-	300,000
Other employees	22/03/2013	22/03/2013 TO 21/03/2023	1.34	4,755,000	-	450,000	1,562,500	2,742,500
	23/04/2014	23/04/2014 TO 22/04/2024	2.66	4,397,000	-	756,000	1,200,000	2,441,000
	12/05/2015	12/05/2015 TO 11/05/2025	4.6	9,678,000	-	1,064,000	150,000	8,464,000
Other employees in aggregate				18,830,000	-	2,270,000	2,912,500	13,647,500
TOTAL				24,130,000		7,270,000	2,912,500	13,947,500

Notes:

1. Mr. Xu Shao Chun, an executive director (“**Director**”) of the Company, the chairman of the board of Directors (the “**Board**”) and the chief executive officer of the Company, holds 100% of the interest in Easy Key Holdings Limited, which in turn holds 100% of the interest in Oriental Tao Limited.
2. The vesting period of the share options granted was four years and the vesting schedule was 25% after 12 months, 24 months, 36 months and 48 months from the date of grant, respectively.
3. The weighted average closing price prior to exercise of share options by each of Oriental Tao Limited and the other employees was approximately HK\$16.72 and HK\$17.84, respectively.
4. During the Reporting Period, no share options were granted and/or cancelled.

Share Award Scheme

The share award scheme was adopted by the Company (the “**Share Award Scheme**”) on 4 December 2015 to provide incentives and reward the contributions of certain employees and directors of the Group.

The Share Award Scheme shall be valid and effective for a period of 10 years commencing on the adoption date. The Board may, from time to time, in its absolute discretion select the Selected Participants after taking into account various factors as they deem appropriate and determine the number of Award Shares to be awarded to each of the Selected Participants. The awarded shares comprise Shares subscribed for or purchased by the Trustee out of the Company’s funds to the Trustee and be held on trust for the Selected Participants until such Shares are vested with the Selected Participants in accordance with the provisions of the Share Award Scheme.

The Board shall not make any further award of Awarded Shares which will result in the nominal value of the Shares awarded by the Board under the Share Award Scheme exceeding 3% of the issued share capital of the Company from time to time. For the avoidance of doubt, the 3% provided above shall exclude any Shares which have already been vested. The maximum number of Shares which may be awarded to a Selected Participant under the Share Award Scheme in any twelve (12)-month period shall not exceed 1% of the issued share capital of the Company from time to time. For details of the Share Award Scheme, please refer to the announcement of the Company dated 18 December 2015.

During the Reporting Period, the Company had granted 7,207,500 awarded shares pursuant to the Share Award Scheme; and as at 30 June 2022, a total of 1,337,500 awarded shares granted to the Directors were still outstanding, details of which are as follows:

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

Name of Director	As at 31 December 2021	Granted during the Reporting Period	Vested during the Reporting Period	As at 30 June 2022
Xu Shao Chun	1,525,000	150,000	925,000	750,000
Lin Bo	1,037,500	150,000	600,000	587,500

Use of proceeds from Placing

The Company completed the placing of 133,280,000 new Shares (the “**Placing Shares**”, each a “**Placing Share**”) at the price of HK\$17.82 per Placing Share (the “**Placing**”) under general mandates on 28 August 2020. The aggregate nominal value of the Placing Shares under the Placing is HK\$3,332,000. The closing price per share as quoted on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on the date of signing of the Placing Agreement was HK\$18.32.

The gross proceeds raised from the placing were approximately HK\$2,375.1 million and the net proceeds (after deducting the Placing commission and other related costs and expenses and professional fees) arising from the Placing were approximately HK\$2,353.0 million. On this basis, the net price per Placing Share was approximately HK\$17.65. The intended and actual use of proceeds from the Placing up to 30 June 2022 are set out as follows:

	Proceeds from the Placing	Proceeds utilised up to 30 June 2022	Unutilised funds as at 30 June 2022	Expected timeline for utilising unutilised funds (Note)
	HK\$'000	HK\$'000	HK\$'000	
Research and development (50.0%)	1,176,850	1,176,850	0	-
Future potential investments (30.0%)	706,110	625,543	80,567	By December 2022
Working capital and general corporate purposes (20.0%)	470,740	470,740	0	-

Note:

The expected timeline for utilising the unutilised funds is based on the best estimation of the future market conditions made by the Group. It may be subject to change based on the current and future development of market conditions.

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

As at 30 June 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

(the "SFO"), which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which would be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 to The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Interests in the shares/ underlying shares of the Company

Name of Directors	Number of shares/ underlying shares (where appropriate)	Capacity	Percentage of total number of issued shares (approximate)
Xu Shao Chun	682,198,624(L)	Interests of controlled corporation (Note 1)	
	750,000(L)	Beneficiary of a trust (Note 2)	
	20,501,057(L)	Beneficial owner	
Aggregate:	703,449,681		20.24%
Lin Bo	1,522,573(L)	Beneficial owner	
	587,500(L)	Beneficiary of a trust (Note 3)	
Aggregate:	2,110,073		0.06%
Gary Clark Biddle	1,230,000(L)	Beneficial owner	
Aggregate:	1,230,000		0.04%
Dong Ming Zhu	400,000(L)	Beneficial owner	
Aggregate:	400,000		0.01%
Liu Chia Yung	200,000(L)	Beneficial owner	
Aggregate:	200,000		0.01%

Notes:

The percentage represents the total number of the shares interested divided by the total number of issued shares of 3,474,810,271 as at 30 June 2022.

1. Of the 682,198,624 shares, 386,312,000 shares were held through Oriental Tao Limited and 295,886,624 shares were held through Billion Tao Limited. Oriental Tao Limited and Billion Tao Limited are wholly owned by Easy Key Holdings Limited, which is in turn wholly owned by Mr. Xu Shao Chun. Therefore, Mr. Xu Shao Chun is deemed to be interested in those 682,198,624 shares.
2. The 750,000 shares are the awarded shares granted to Mr. Xu Shao Chun under the Share Award Scheme and held by the trustee to the Share Award Scheme - Bank of Communications Trustee Limited. Details of the awarded shares are set out in the section headed "Share Award Scheme" of this announcement.

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

3. The 587,500 shares are the awarded shares granted to Mr. Lin Bo under the Share Award Scheme and held by the trustee to the Share Award Scheme - Bank of Communications Trustee Limited. Details of the awarded shares are set out in the section headed "Share Award Scheme" of this announcement.
4. (L) denotes long position.

Save as disclosed above, as at 30 June 2022, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which would be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

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

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

As at 30 June 2022, as far as the Directors were aware, the following persons (other than the Directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Part XV of the SFO and required to be recorded in the register required to be kept under section 336 of the SFO:

Long positions in shares/ underlying shares of the Company

Name	Number of shares/ underlying shares (where appropriate)	Capacity	Percentage of total number of issued shares (approximate)
Easy Key Holdings Limited (Note 1)	682,198,624(L)	Interests of controlled corporation	19.63%
Oriental Tao Limited (Note 1)	386,312,000 (L)	Beneficial owner	11.12%
Billion Tao Limited (Note 1)	295,886,624(L)	Beneficial owner	8.52%

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

		Interests of controlled corporation	
	31,418,522 (L)		
	26,830,365 (S)		
JPMorgan Chase & Co. (Note 2)	229,046,000 (L)	Investment manager	
	1,050,000 (S)		
	209,863,698 (P)	Approved lending agent	
	2,488,645 (L)	Person having a security interest in shares	
	472,816,865 (L)		13.61%
Subtotal	27,880,365 (S)		0.80%
	209,863,698 (P)		6.04%
The Capital Group Companies, Inc. (Note 3)	247,309,679 (L)	Interests of controlled corporation	7.12%

Notes:

The percentage represents the total number of the shares interested or short positions divided by the total number of issued shares of 3,474,810,271 as at 30 June 2022.

1. Oriental Tao Limited and Billion Tao Limited are wholly owned by Easy Key Holdings Limited, which is in turn wholly owned by Mr. Xu Shao Chun.

2. According to the disclosure of interests form filed by JPMorgan Chase & Co. on 7 June 2022 regarding the relevant event which took place on 2 June 2022:

a) JPMorgan Chase & Co. was deemed to be interested in the shares of the Company as follows:

Name of controlled corporation	Name of controlling person	% control	Direct interest (Y/N)	Number of shares
China International Fund Management Co., Ltd.	JPMORGAN ASSET MANAGEMENT (UK) LIMITED	49	Y	2,622,000 (L)
JPMorgan Asset Management (Taiwan) Limited	JPMorgan Asset Management (Asia) Inc.	100	Y	2,577,000 (L)
J.P. Morgan SE	J.P. Morgan International Finance Limited	100	Y	54,000 (L)
J.P. Morgan Securities LLC	J.P. Morgan Broker-Dealer Holdings Inc.	100	Y	463,576 (L) 206,931 (S)
JPMORGAN CHASE BANK, N.A. - LONDON BRANCH	JPMorgan Chase Bank, National Association	100	Y	209,863,698 (L)
		100	Y	7,316,000 (L)

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

JPMORGAN ASSET MANAGEMENT (UK) LIMITED	JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED			1,050,000 (S)
J.P. Morgan Investment Management Inc.	JPMorgan Asset Management Holdings Inc.	100	Y	94,682,000 (L)
JPMorgan Chase Bank, National Association	JPMorgan Chase & Co.	100	Y	4,697,000 (L)
JPMorgan Asset Management (Asia Pacific) Limited	JPMorgan Asset Management (Asia) Inc.	99.99	Y	117,152,000 (L)
J.P. MORGAN SECURITIES PLC	J.P. MORGAN CAPITAL HOLDINGS LIMITED	100	Y	33,389,591 (L)
				26,623,434 (S)
JPMORGAN ASSET MANAGEMENT (UK) LIMITED	JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED	100	N	2,622,000 (L)
JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED	JPMorgan Asset Management Holdings Inc.	100	N	9,938,000 (L)
				1,050,000 (S)
JPMorgan Asset Management Holdings Inc.	JPMorgan Chase Holdings LLC	100	N	224,349,000 (L)
				1,050,000 (S)
JPMorgan Chase Holdings LLC	JPMorgan Chase & Co.	100	N	224,812,576 (L)
				1,256,931 (S)
JPMorgan Asset Management (Asia) Inc.	JPMorgan Asset Management Holdings Inc.	100	N	119,729,000 (L)
J.P. Morgan International Finance Limited	JPMorgan Chase Bank, National Association	100	N	33,443,591 (L)
				26,623,434 (S)
JPMorgan Chase Bank, National Association	JPMorgan Chase & Co.	100	N	243,307,289 (L)
				26,623,434 (S)
J.P. Morgan Broker-Dealer Holdings Inc.	JPMorgan Chase Holdings LLC	100	N	463,576 (L)
				206,931 (S)
J.P. MORGAN CAPITAL HOLDINGS LIMITED	J.P. Morgan International Finance Limited	100	N	33,389,591 (L)
				26,623,434 (S)

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

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

- Listed derivatives – Cash settled: 147,000 (S)
- Unlisted derivatives – Physically settled: 359,039 (S)
- Unlisted derivatives – Cash settled: 21,292,000 (L) and 11,309,350 (S)

3. According to the disclosure of interest form filed by The Capital Group Companies, Inc. on 7 February 2022, The Capital Group Companies, Inc. were deemed to be interested in the shares of the Company as follows:

Name of controlled corporation	Name of controlling person	% control	Direct interest (Y/N)	Number of shares
Capital Research and Management Company	The Capital Group Companies, Inc.	100	Y	239,160,679 (L)
Capital Research and Management Company	The Capital Group Companies, Inc.	100	N	8,149,000 (L)
Capital Group International, Inc.	Capital Research and Management Company	100	N	8,149,000 (L)
Capital International Sarl	Capital Group International, Inc.	100	Y	1,053,000 (L)
Capital International, Inc.	Capital Group International, Inc.	100	Y	7,096,000 (L)

4. (L) denotes long position, (S) denotes short position and (P) denotes lending pool.

Save as disclosed above, as at 30 June 2022, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest and short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Purchase, Sale or Redemption of Shares

During the Reporting Period, the Company had repurchased the following Shares on the Stock Exchange:

Trading day	Number of Shares repurchased	Price per Share or Highest Price Paid (HK\$)	Lowest Price Paid (HK\$)
28 January 2022	2,500,000	19.10	18.76
8 February 2022	990,800	18.90	18.58
14 February 2022	1,150,000	19.26	19.02
TOTAL	4,640,800		

Those 4,640,800 Shares repurchased were cancelled on 28 February 2022.

During the Reporting Period, the Company purchased 6,586,000 shares of the Company on the Stock Exchange for an aggregate consideration of approximately HK\$100,297,074.52 pursuant to the Company's Share Award Scheme as adopted by the Company on 4 December 2015.

Change of Information of Directors

During the Reporting Period, save as disclosed hereinbelow, there was no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- Mr. Xu Shao Chun (an executive Director) ceased to be an independent non-executive director of Zero2IPO Holdings Inc. (a company listed on the Stock Exchange, stock code: 1945) on 6 June 2022; and
- Ms. Katherine Rong Xin (an independent non-executive Director) was being appointed as an independent non-executive director of Landsea Green Life Service Company Limited (a company listed on the Stock Exchange, stock code: 1965) on 12 April 2022.

Corporate Governance

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

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

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

Code of Conduct Regarding Directors' Securities Transactions

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

Audit Committee

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

Interim Dividend

The Board did not declare an interim dividend for the Reporting Period (six months ended 30 June 2021: nil).

Appreciation

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

By order of the Board

Kingdee International Software Group Company Limited

Chairman

Xu Shao Chun

Shenzhen, the People's Republic of China, 18 August 2022

As at the date 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.

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