

Press Release
(For Immediate Release)

Kingdee Announces 2017 Annual Results

Revenue from Kingdee Cloud Surges 87.7 Y-o-Y

(13 March 2018, Hong Kong) **Kingdee International Software Group Company Limited** (“Kingdee” or the “Group”, stock code: 00268.HK) today announced its audited annual results for the twelve months ended 31 December 2017 (the “Period”). During the Period, the Group’s Cloud business experienced phenomenal growth, with revenue from Cloud business growing 66.7% from the previous year, while the revenue from Kingdee Cloud surged 87.7% year-on year.

During the Period, the Group’s revenue increased by 23.7% year-on-year to approximately RMB2.3 billion. The Cloud services business maintained rapid growth and generated revenue of approximately RMB570 million, representing a remarkable growth of 66.7% year-on-year and accounting for 24.7% of the Group’s total revenue. Meanwhile, the Group’s management software business maintained steady growth with its revenue increasing by 14.1% year-on-year to approximately RMB1.74 billion. The Group’s gross profit for the period grew by 23.9% year-on-year to approximately RMB1.88 billion, while the gross profit margin reached approximately 81.5%. The Group’s operating profit amounted to approximately RMB420 million, representing a 69.0% year-on-year growth. The net cash inflow generated from operating activities grew by 34.6% year-on-year to approximately RMB820 million, thus showcased the Group’s operating performance continued to improve due to the Cloud business model. The board of directors proposed paying a final dividend of RMB 1.3 cents per share, with total amount of approximately RMB38.88million.

During the period, Kingdee launched the first AI financial assistant in China. Leveraging Cloud computing, Artificial Intelligence, Blockchain, Big Data, Internet of Things (“IoT”) as the new drivers for innovations, the Group reinforced the development of Cloud services and enhanced the ecosystem of this operation. According to a report released by IDC, Kingdee ranked first in five categories in China’s SaaS Cloud services and application software markets for growth enterprises, including the top position for enterprise SaaS services, SaaS ERP, SaaS financial applications and mobile office services.

Kingdee Cloud strengthened its distinct competitive advantages and recorded revenue growth of 87.7% year-on-year

As a new management model, Kingdee Cloud made remarkable achievements in products innovation and market expansion. While revenue from Kingdee Cloud climbed 87.7% year-on-year to approximately RMB390 million, the number of its customers surged by more than 120% from a year ago and the customer retention rate stayed above 90%. This business became a key growth driver for the Group and created a sustainable and stable cash flow stream. During the period, the Group focused on the concept of “unmanned accounting tool to help everyone handle their finances”, and Kingdee Cloud launched its own AI financial assistant. The product not only incorporated traditional robotic process automation (“RPA”) functions, but also integrated the latest AI technologies and various technological breakthroughs in different areas. Kingdee Cloud was able to substantially enhance user experience, and maintain its leadership in intelligent finance, intelligent manufacturing, omni-channel marketing and Amoeba management system. Furthermore, Kingdee Cloud achieved breakthroughs in distributed computing technology for multi-tenancy as its Cloud clusters were able to handle 50,000 concurrent connections at the same time, thus enabling it to support the high-availability concurrent applications for large and very large enterprises. During the Period, the Group forged agreements with a number of famous enterprises, including Huawei Consumer Business Group, Yunnan Baiyao Group and Yiling Pharmaceutical.

The Group’s Cloud services maintained leadership in different segments with further improvements in user experience

During the Period, the Group made significant improvements in mobile services for micro and small-sized enterprises and launched the “Jingdou Cloud” app. It enables micro and small-sized enterprises to implement real-time online operation and management, which significantly enhances their operating efficiency. The number of paying users increased by 75% from a year ago and maintained its retention rate above 70%. Meanwhile, the Group reinforced Cloud-based E-commerce services. Underpinned by its further integration with Kingdee’s Cloud products, Guanyi Cloud delivered highly organized, stable and reliable Cloud services to E-commerce operators and consolidated its leading

position in E-commerce Cloud services sector. In 2017, Guanyi Cloud handled over 1.1 billion orders with transactions worth nearly RMB200 billion. Moreover, according to IDC, CloudHub, Kingdee's mobile office Cloud service, ranked first in China's mobile office service sector for medium and large-sized enterprises in terms of market share for two consecutive years.

The Group's competitiveness in the high-end market substantially improved with steady growth in the management software business

The Group's management software business for large-sized enterprises maintained stable growth in the Period. Driven by the substantial improvement in the competitiveness of its products, the total contract value of EAS business grew 26.4% year-on-year. During the period, Kingdee EAS further enhanced its core solutions, including Shared Financial Resources Management, s-HR Human Resources, Digital Marketing, Intelligent Manufacturing and AI financial assistant, to help the large enterprises such as China Merchants Group and China Travel Services (HK) to implement digital transformation and internal data sharing. Meanwhile, based on the "Cloud + Terminal" model, Kingdee EAS made persistent efforts to drive innovations in its technology and applications. Thanks to the support of its "mobile marketing" enterprise SaaS Cloud services, its distributors could thus utilize their financial resources and operate the business more effectively. As to its international operation, the Group closely followed the government's Belt and Road policy and rapidly expanded its businesses in the Asia-Pacific region, the Group signed contracts with various enterprises, such as CITIC Telecom and Bank of China Group Investment Ltd.

Kingdee leveraged strategic cooperation and investment to accelerate the development of enterprise Cloud ecosystem

After years of business transformation, Kingdee has continuously strengthened its leading position in the enterprise Cloud service market. During the Period, Kingdee Cloud forged a strategic cooperation with Huawei Cloud, which marked another major milestone of Kingdee's external cooperation in the area of "IAAS + PAAS" after that with Amazon Web Services ("AWS"). In addition, Kingdee made strategic investments in PerceptIn, a startup in the Silicon Valley, and FXiaoKe, the top-tier CRM brand in China, which further added to, Kingdee Cloud's growing ecosystem has.

Mr. Robert Xu, the founder of Kingdee, commented, “In the year which marks the 25th anniversary of the founding of Kingdee, Kingdee Cloud evolved to be a new management model. While standing at a new starting point of development, we will never forget our original aspirations. Kingdee will make “serving customers innovatively and wholeheartedly” as its new mission, and will be committed to creating the most trustworthy enterprise Cloud service platform by combining the ‘Internet Plus’ strategy and our corporate value of ‘acting conscientiously +’. We are very confident in retaining our leading position in enterprise Cloud service sector and being No.1 in the market.”

~ The End ~

About Kingdee

Kingdee International Software Group Company Limited ("Kingdee International" or "Kingdee") was established in 1993. It is listed on the Main Board of the Hong Kong Stock Exchange (stock code: 268.HK) and headquartered in Shenzhen, the PRC. Adhering to the core values of “Acting in all Conscience, with Integrity and Righteousness”, the Company is committed to serving enterprises and strives to provide them with the most trustworthy services platform.

As a leading enterprise Cloud services provider in China, Kingdee International has commanded the largest share in the ERP sector for fast-growing enterprises for 13 consecutive years and grasped the biggest share in enterprise-grade SaaS Cloud services industry. Its Cloud services and products are the most preferred choices in the market. They include Kingdee Cloud (Cloud management services for medium and large-sized enterprises), Kingdee Jingdou Cloud (one-stop Cloud services platform for micro and small-sized enterprises) and Guanyi Cloud (Cloud services for E-commerce operators). With its strengths in management software and Cloud services, it provides services and products to more than 6.8 million enterprises, government agencies and other organizations around the world.

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