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**KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**

**金蝶國際軟件集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 268)**

**CONNECTED TRANSACTIONS IN RELATION TO TERMINATION OF  
CONTRACTUAL ARRANGEMENTS IN RESPECT OF QIANHAI BAIDI AND  
KINGDEE CLOUDHUB AND DISPOSAL OF THE ENTIRE EQUITY  
INTEREST IN SHANGHAI KINGDEE MEDICAL**

**THE TRANSACTIONS**

On 28 July 2016, Kingdee China, Zou Jin, Baijin Investment and Qianhai Baidi entered into the Qianhai Baidi Agreement whereby the parties thereto agreed that the Contractual Arrangements in relation to Qianhai Baidi would be terminated. In consideration of Kingdee China agreeing to enter into the Qianhai Baidi Agreement, a total consideration of RMB55,648,000 is payable by Zou Jin and Baijin Investment.

On 28 July 2016, Kingdee China, Hongjin Investment, Baijin Investment and Kingdee CloudHub entered into the Kingdee CloudHub Agreement whereby the parties thereto agreed that the Contractual Arrangements in relation to Kingdee CloudHub would be terminated. In consideration of Kingdee China agreeing to enter into the Kingdee CloudHub Agreement, a total consideration of RMB43,330,450 is payable by Baijin Investment.

On 28 July 2016, Kingdee China as seller, Baijin Investment and Chang Zhu as purchasers and Shanghai Kingdee Medical entered into the Kingdee Medical Agreement whereby Kingdee China conditionally agreed to sell, and Baijin Investment and Chang Zhu conditionally agreed to purchase, the entire equity interest in Shanghai Kingdee Medical at a consideration of RMB8,423,000.

The respective consideration under the Transaction Documents was determined based on, among other things, the Valuation contained in the valuation reports issued by Greater China Appraisal Limited. PricewaterhouseCoopers, the auditor of the Company, has reviewed the calculations of the discounted future estimated cash flows in relation to the Valuation which does not involve the adoption of accounting policies.

Given the increased competition in the respective markets in which Qianhai Baidi, Kingdee CloudHub and Kingdee Medical operate in, the Target Group is going through a business model transformation which is expected to incur significant capital outlay in the upcoming years. The Board believes that the financial resources required to support the growth of the Target Group will cause significant strain on the Group's financial resources and limit its ability to sustain and grow its core ERP business. The Board believes that the Transactions represent an opportunity for the Target Group to develop independently and with greater flexibility to business management such as offering equity incentive plans to its management team, thus allowing the Group to refocus its resources on strengthening its leadership in the ERP and Cloud ERP markets.

In the year ended 31 December 2014, the Target Business principally operated by Qianhai Baidi, Kingdee CloudHub and Shanghai Kingdee Medical (which included, before their respective date of incorporation, their predecessor businesses carried out by Kingdee China as separate lines of business) incurred unaudited combined after-tax losses of RMB5,070,000, RMB24,101,000 and RMB7,573,000, respectively. In the year ended 31 December 2015, the Target Business principally operated by Qianhai Baidi, Kingdee CloudHub, and Shanghai Kingdee Medical (which included, before their respective date of incorporation, their predecessor businesses carried out by Kingdee China as separate lines of business) incurred unaudited combined after-tax losses of RMB12,444,000, RMB81,299,000 and RMB18,178,000, respectively. The Board believes that the Transactions will alleviate further operating margin and financial pressures on the Group.

After the completion of the Transactions, the Group will continue to retain a 15% stake in Kingdee CloudHub through Hongjin Investment. The Board believes that the retention of such interest is a way to allow the Group to maintain a strategic relationship with Kingdee CloudHub and allow shareholders of the Company to benefit from any potential valuation upside from such interest in Kingdee CloudHub, while not having to solely bear the financial resources required to support Kingdee CloudHub's future growth.

Based on the consideration to be received by Kingdee China pursuant to the Transaction Documents, it is estimated that the Group would record, after taking into account the transaction costs, a net gain of approximately RMB139,000,000 (before taxation) from the Transactions.

Based on the above, although the Transactions are not in the ordinary course of business of the Group, the Directors (including the independent non-executive Directors) consider that the terms of the Transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and shareholders of the Company as a whole.

## **LISTING RULES IMPLICATIONS**

As Mr. Xu, an executive Director, the Chairman of the Board and the controlling shareholder of the Company, is beneficially interested in 100% of Baijin Investment's equity interest, Baijin Investment is an associate of Mr. Xu and is therefore a connected person of the Company. Accordingly, the Transactions constitute connected transactions of the Company under the Listing Rules.

As each of the applicable percentage ratios in respect of the Transactions (in aggregate) calculated in accordance with the Listing Rules is less than 5%, the Transactions are subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of Listing Rules.

## **INTRODUCTION**

On 28 July 2016, Kingdee China, Zou Jin, Baijin Investment and Qianhai Baidi entered into the Qianhai Baidi Agreement whereby the parties thereto agreed that the Contractual Arrangements in relation to Qianhai Baidi would be terminated. In consideration of Kingdee China agreeing to enter into the Qianhai Baidi Agreement, a total consideration of RMB55,648,000 is payable by Zou Jin and Baijin Investment.

On 28 July 2016, Kingdee China, Hongjin Investment, Baijin Investment and Kingdee CloudHub entered into the Kingdee CloudHub Agreement whereby the parties thereto agreed that the Contractual Arrangements in relation to Kingdee CloudHub would be terminated. In consideration of Kingdee China agreeing to enter into the Kingdee CloudHub Agreement, a total consideration of RMB43,330,450 is payable by Baijin Investment.

On 28 July 2016, Kingdee China as seller, Baijin Investment and Chang Zhu as purchasers and Shanghai Kingdee Medical entered into the Kingdee Medical Agreement whereby Kingdee China conditionally agreed to sell, and Baijin Investment and Chang Zhu conditionally agreed to purchase, the entire equity interest in Shanghai Kingdee Medical at a consideration of RMB8,423,000.

## **THE TRANSACTION DOCUMENTS**

### **(1) The Qianhai Baidi Agreement**

#### **Date**

28 July 2016

#### **Parties**

- (a) Kingdee China;
- (b) Zou Jin;
- (c) Baijin Investment; and
- (d) Qianhai Baidi.

## **Subject matter**

Pursuant to the Qianhai Baidi Agreement, the parties thereto agreed that the Contractual Arrangements in relation to Qianhai Baidi would be terminated with effect from the date of the Qianhai Baidi Agreement.

Through the relevant Contractual Arrangements, Kingdee China controls 100% equity interest in Qianhai Baidi and therefore Qianhai Baidi had been consolidated into the accounts of the Group as a wholly-owned subsidiary of Kingdee China. As a result of the termination of the relevant Contractual Arrangements pursuant to the Qianhai Baidi Agreement, Qianhai Baidi would cease to be consolidated into the financial statements of the Group.

## **Consideration**

In consideration of Kingdee China agreeing to enter into the Qianhai Baidi Agreement, a total consideration of RMB55,648,000 is payable by Zou Jin as to RMB556,480 and Baijin Investment as to RMB55,091,520.

The amount of the above consideration was determined after arm's length negotiations among the parties to the Qianhai Baidi Agreement taking into account factors including but not limited to the equity contribution in Qianhai Baidi, the Valuation of Qianhai Baidi and its wholly-owned subsidiary 深圳前海百遞物流有限公司 (Shenzhen Qianhai Baidi Logistics Co., Ltd.\*) in the sum of RMB55,648,000 as appraised by an independent professional valuer, and the reasons for the Transactions as mentioned in the section headed "Reasons for and benefit of the Transactions" in this announcement.

The consideration is payable by Zou Jin and Baijin Investment to Kingdee China in the following installments:

<b>Time of payment</b>	<b>% of payment</b>
Within 15 business days after the date of the Qianhai Baidi Agreement	20%
Before 31 August 2016	30%
Before 31 December 2016	50%

## **(2) The Kingdee CloudHub Agreement**

### **Date**

28 July 2016

### **Parties**

- (a) Kingdee China;
- (b) Hongjin Investment;
- (c) Baijin Investment; and
- (d) Kingdee CloudHub.

## **Subject matter**

Pursuant to the Kingdee CloudHub Agreement, the parties thereto agreed that the Contractual Arrangements in relation to Kingdee CloudHub would be terminated with effect from the date of the Kingdee CloudHub Agreement.

Through the Contractual Arrangements, Kingdee China controls 100% equity interest in Kingdee CloudHub and therefore Kingdee CloudHub had been consolidated into the accounts of the Group as a 100% subsidiary of Kingdee China. As a result of the termination of the relevant Contractual Arrangements pursuant to the Kingdee CloudHub Agreement, Kingdee CloudHub would cease to be consolidated into the financial statements of the Group and Kingdee China's remaining 15% interest in Kingdee CloudHub will be accounted for as an interest in associate in the financial statements of the Group going forward.

## **Consideration**

In consideration of Kingdee China agreeing to enter into the Kingdee CloudHub Agreement, a total consideration of RMB43,330,450 is payable by Baijin Investment, which is equivalent to 85% of the appraised value of Kingdee CloudHub determined pursuant to the Valuation.

The amount of the above consideration was determined after arm's length negotiations among the parties to the Kingdee CloudHub Agreement taking into account factors including but not limited to the equity contribution in Kingdee CloudHub, the amount of outstanding principal and interest of the Kingdee CloudHub Loan (as set out in details below), the Valuation of Kingdee CloudHub in the sum of RMB50,977,000 as appraised by an independent professional valuer, and the reasons for the Transactions as mentioned in the section headed "Reasons for and benefit of the Transactions" in this announcement.

The consideration is payable by Baijin Investment to Kingdee China in the following installments:

<b>Time of payment</b>	<b>% of payment</b>
Within 15 business days after the date of the Kingdee CloudHub Agreement	20%
Before 31 August 2016	30%
Before 31 December 2016	50%

### **(3) The Kingdee Medical Agreement**

#### **Date**

28 July 2016

#### **Parties**

- (a) Kingdee China;
- (b) Baijin Investment;
- (c) Chang Zhu; and
- (d) Shanghai Kingdee Medical.

## **Subject matter**

Pursuant to the Kingdee Medical Agreement, Kingdee China conditionally agreed to sell, and Baijin Investment and Chang Zhu conditionally agreed to purchase, the entire equity interest in Shanghai Kingdee Medical.

## **Consideration**

The total consideration for the equity transfer contemplated under the Kingdee Medical Agreement is RMB8,423,000, which is payable by Baijin Investment as to RMB8,338,770 and Chang Zhu as to RMB84,230.

The amount of the above consideration was determined after arm's length negotiations among the parties to the Kingdee Medical Agreement taking into account factors including but not limited to the entire equity contribution in Shanghai Kingdee Medical, the amount of outstanding principal and interest of the Kingdee Medical Loan (as set out in details below), the Valuation of Shanghai Kingdee Medical and its subsidiary, Kingdee Medical, in the sum of RMB8,423,000 as appraised by an independent professional valuer, and the reasons for the Transactions as mentioned in the section headed "Reasons for and benefit of the Transactions" in this announcement.

The consideration is payable by Baijin Investment and Chang Zhu to Kingdee China in the following installments:

<b>Time of payment</b>	<b>% of payment</b>
Within 15 business days after the conditions precedent set out below have been satisfied	20%
Before 31 August 2016	30%
Before 31 December 2016	50%

## **Conditions precedent**

Completion of the equity transfer contemplated under the Kingdee Medical Agreement is subject to the satisfaction (or written waiver by Kingdee China) of the following conditions:

- (a) all internal authorisations (including without limitation approval by the board of directors and shareholders) required on the part of Kingdee China for the equity transfer contemplated under the Kingdee Medical Agreement having been obtained and not having been revoked;
- (b) all representations and warranties given by Kingdee China and Shanghai Kingdee Medical under the Kingdee Medical Agreement remaining true, complete and accurate in all material respects as at the date of completion;
- (c) Shanghai Kingdee Medical having registered Baijin Investment and Chang Zhu as the registered holders of 100% of the equity interest in Shanghai Kingdee Medical, and having provided a copy of the updated register of shareholders to Baijin Investment and Chang Zhu; and
- (d) Shanghai Kingdee Medical having made and completed necessary filings in relation to the equity transfer contemplated under the Kingdee Medical Agreement with Shanghai Municipal Administration for Industry and Commerce and other competent governmental authorities.

As at the date of this announcement, condition (a) above has been satisfied.

## **VALUATION**

Given that the Valuation was based on the income approach, which involves the calculation of discounted cash flows method, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules.

The Valuation contained in the valuation reports issued by Greater China Appraisal Limited has been prepared on the following principal bases and assumptions:

### **Basic Assumptions:**

1. Assumption of going concern.

### **General assumptions:**

1. there would be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in the countries where the Target Group is carrying on its businesses;
2. there would be no significant deviation in the industry trends and market conditions from the current market expectation;
3. there would be no material change in interest rates or foreign currency exchange rates from those currently prevailing;
4. there would be no major change in the current taxation law in the country where the Target Group and the comparable companies were operated;
5. all relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing and that no additional costs or fees are needed to procure such during the application;
6. the core management would sustain the technical capability and vision to develop and maintain the software services that support the ongoing cash flows and earnings of the Target Group;
7. the Target Group will continue to access to the legitimate copyrights of the artworks produced, trademarks entitled, software and database developed;
8. future revenue growth of the Target Group would not deviate significantly from its industry; and
9. the Target Group will retain competent management, key personnel, and technical staff to support the ongoing business operations.

### **Assumptions under the income approach:**

1. going forth, each of Qianhai Baidi, Kingdee CloudHub and Shanghai Kingdee Medical will be the sole beneficiary to the cash flow attached to the portfolio of core intangible assets and developed software that they respectively owned as of the Valuation Date; and
2. the long term sustainable growth rate is 3.0% for the period after 2020.

The Directors confirm that the profit forecast of the Target Group as contained in the Valuation has been made after due and careful enquiries.

Report from PricewaterhouseCoopers on the calculations of the discounted future estimated cash flows and letter from the Board in relation to the profit forecast of the Target Group are set out as Appendix I and Appendix II to this announcement respectively.

PricewaterhouseCoopers, the auditor of the Company, has reviewed the calculations of the discounted future estimated cash flows in relation to the Valuation which does not involve the adoption of accounting policies.

## **INFORMATION ON THE GROUP, KINGDEE CHINA AND HONGJIN INVESTMENT**

The Group is principally engaged in the provision of software products and Cloud services for corporates, hospitals, government organizations and other users worldwide.

Kingdee China is a direct wholly-owned subsidiary of the Company, which, together with its subsidiaries, principally carries out business in the corporate management software and internet services markets.

Hongjin Investment is an investment holding company and the registered holder of 15% of the equity interest in Kingdee CloudHub. Hongjin Investment is regarded as a controlled structured entity in the Group's consolidated financial statements.

## **INFORMATION ON THE COUNTERPARTIES**

Baijin Investment is an investment holding company and the registered holder of 99% and 85% of the equity interest in each of Qianhai Baidi and Kingdee CloudHub respectively.

As Mr. Xu, an executive Director, the Chairman of the Board and the controlling shareholder of the Company, is beneficially interested in 100% of Baijin Investment's equity interest, Baijin Investment is an associate of Mr. Xu and is therefore a connected person of the Company.

Zou Jin is an individual and the registered holder of 1% of the equity interest in Qianhai Baidi.

Chang Zhu is an individual and one of the proposed transferees of the equity interest in Shanghai Kingdee Medical.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, both Zou Jin and Chang Zhu are third parties independent of the Company and its connected persons.

## **INFORMATION ON THE TARGET GROUP**

Qianhai Baidi and its wholly owned subsidiary 深圳前海百遞物流有限公司 (Shenzhen Qianhai Baidi Logistics Co., Ltd.\*) are principally engaged in the provision of courier and logistics information services such as courier enquiry and tracking services.

Kingdee CloudHub is principally engaged in the provision of mobile Internet enterprise services through a mobile office platform offered to registered enterprises and organizations.



Shanghai Kingdee Medical is an investment holding company, and its non-wholly-owned subsidiary Kingdee Medical is principally engaged in the development and operation of medical information systems and software and medical records database, as well as the provision of mobile Internet hospital services through mobile service platforms which connect patients and hospitals.

The unaudited combined net loss before and after taxation and extraordinary items attributable to the Target Business principally operated by members of the Target Group (and their predecessors, if applicable) for each of the two financial years ended 31 December 2014 and 2015 were as follows:

	<b>Year ended 31 December</b>	
	<b>2014</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Target Business principally operated by Qianhai Baidi (and its subsidiary)</b>		
Loss before taxation	(5,070)	(11,670)
Loss after taxation	(5,070)	(12,444)
<b>Kingdee CloudHub</b>		
Loss before taxation	(24,101)	(81,299)
Loss after taxation	(24,101)	(81,299)
<b>Shanghai Kingdee Medical (and its subsidiary)</b>		
Loss before taxation	(7,573)	(18,178)
Loss after taxation	(7,573)	(18,178)

## **FINANCIAL EFFECT OF THE TRANSACTIONS**

Prior to the entering into of the Qianhai Baidi Agreement and the Kingdee CloudHub Agreement, as a result of the Contractual Arrangements, the Group had rights to variable returns from its involvement with Qianhai Baidi and Kingdee CloudHub as operating companies and had the ability to affect those returns through its power over these operating companies and is considered to control them. Consequently, the Group regards them as 100% controlled structured entities in its consolidated financial statements.

As a result of the transactions contemplated under the Qianhai Baidi Agreement and the Kingdee CloudHub Agreement, the Contractual Arrangements were terminated and the Group ceased to have rights to variable returns and power of control over Qianhai Baidi and Kingdee CloudHub. Accordingly, each of Qianhai Baidi and Kingdee CloudHub ceased to be a controlled structured entity in the consolidated financial statements of the Company with effect from the respective date of the Qianhai Baidi Agreement and the Kingdee CloudHub Agreement.

As Hongjin Investment, which is regarded as a controlled structured entity in the consolidated financial statements of the Company, remained as a 15% equity holder of Kingdee CloudHub, the Group's 15% interest in Kingdee CloudHub would be accounted for as an interest in associates in the consolidated financial statements of the Company.

Upon completion of the equity transfer contemplated under the Kingdee Medical Agreement, Shanghai Kingdee Medical will cease to be a subsidiary of the Company. The equity interest in Shanghai Kingdee Medical will be held by Baijin Investment as to 99% and Chang Zhu as to 1%.

Accordingly, the assets, liabilities and the financial results of the Target Group would be deconsolidated from the financial statements of the Group.

As the Target Business in terms of (i) the provision of courier and logistics information services such as courier enquiry and tracking services and (ii) the provision of mobile Internet enterprise services through a mobile office platform offered to registered enterprises and organizations have been carried out by Qianhai Baidi (and its subsidiary) and Kingdee CloudHub respectively not completely independent and have used certain assets (mainly office equipment) owned by Kingdee China, the Company considers that in substance, the transactions contemplated under the Qianhai Baidi Agreement and the Kingdee CloudHub Agreement are principally the disposal of business of the relevant companies within the Target Group with no material assets being included in the Target Group for disposal. Accordingly, other than the impact created by deconsolidating the assets of Shanghai Kingdee Medical (and its subsidiary), the loan continued to be owed (and serviced) by Shanghai Kingdee Medical post completion and the receipt of the consideration under the Transactions, the Company considers that there will be no material impact on the consolidated balance sheet of the Group as a result of the Transactions.

Based on the consideration to be received by Kingdee China pursuant to the Transaction Documents, it is estimated that the Group would record, after taken into account the transaction costs, a net gain of approximately RMB139,000,000 (before taxation) from the Transactions.

The actual gain to be recognised in the consolidated income statement of Group could be different from the estimated gain disclosed above owing to, amongst others, (i) the taxes to be incurred on the Transaction; (ii) change in the net asset value/liabilities of Shanghai Kingdee Medical from 31 December 2015 to the date on of completion of the Kingdee Medical Agreement; and (iii) the professional charges and expenses arising from the Transaction.

## **REASONS FOR AND BENEFIT OF THE TRANSACTIONS**

Given the increased competition in the respective markets in which Qianhai Baidi, Kingdee CloudHub and Kingdee Medical operate in, the Target Group is going through a business model transformation which is expected to incur significant capital outlay in the upcoming years. The Board believes that the financial resources required to support the growth of the Target Group will cause significant strain on the Group's financial resources and limit its ability to sustain and grow its core ERP business. The Board believes that the Transactions represent an opportunity for the Target Group to develop independently and with greater flexibility to business management such as offering equity incentive plans to its management team, thus allowing the Group to refocus its resources on strengthening its leadership in the ERP and Cloud ERP markets.

In the year ended 31 December 2014, the Target Business principally operated by Qianhai Baidi, Kingdee CloudHub and Shanghai Kingdee Medical (which included, before their respective date of incorporation, their respective predecessor businesses carried out by Kingdee China as separate lines of business) incurred unaudited combined after-tax losses of RMB5,070,000, RMB24,101,000 and RMB7,573,000, respectively. In the year ended 31 December 2015, the Target Business principally operated by Qianhai Baidi, Kingdee CloudHub and Shanghai Kingdee Medical (which included, before their respective date of incorporation, their predecessor businesses carried out by Kingdee China as separate lines of business) incurred unaudited combined after-tax losses of RMB12,444,000, RMB81,299,000 and RMB18,178,000, respectively, and believes that the Transactions will alleviate further operating margin and financial pressures on the Group.

After the completion of the Transactions, the Group will continue to retain a 15% stake in Kingdee CloudHub through Hongjin Investment. The Board believes that the retention of such interest is a way to allow the Group to maintain a strategic relationship with Kingdee CloudHub and allow shareholders of the Company to benefit from any potential valuation upside from Kingdee CloudHub, while not having to solely bear the financial resources required to support Kingdee CloudHub's future growth.

Based on the above, although the Transactions are not in the ordinary course of business of the Group, the Directors (including the independent non-executive Directors) consider that the terms of the Transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and shareholders of the Company as a whole.

## **USE OF PROCEEDS FROM THE TRANSACTIONS**

It is intended that the net proceeds from the Transactions will be applied towards the ongoing operations and the development of the Group's Cloud ERP products.

## **LISTING RULES IMPLICATIONS**

As Mr. Xu, an executive Director, the Chairman of the Board and the controlling shareholder of the Company, is beneficially interested in 100% of Baijin Investment's equity interest, Baijin Investment is an associate of Mr. Xu and therefore a connected person of the Company. Accordingly, the Transactions constitute connected transactions of the Company under the Listing Rules.

Mr. Xu has abstained from voting at the relevant Board meeting on the resolutions approving the Transactions.

As each of the applicable percentage ratios in respect of the Transactions (in aggregate) calculated in accordance with the Listing Rules is less than 5%, the Transactions are subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of Listing Rules.

## **PROVISION OF FINANCIAL ASSISTANCE TO CONNECTED PERSONS**

### **Loan provided to Kingdee CloudHub by Kingdee China**

As Kingdee CloudHub has, as a result of the Kingdee CloudHub Agreement, ceased to be a controlled structured entity in the consolidated financial statements of the Company and become a subsidiary of Baijin Investment, Kingdee CloudHub has become an associate of Mr. Xu and therefore a connected person of the Company.

Pursuant to a loan agreement dated 1 January 2016 entered into between Kingdee China as lender and Kingdee CloudHub as borrower, Kingdee China agreed to advance to Kingdee CloudHub certain loans for so long as Kingdee China controls the entire interest in Kingdee CloudHub through the Contractual Arrangements, for the purpose of supplementing Kingdee CloudHub's general working capital. As of the date of the Kingdee CloudHub Agreement, Kingdee China has advanced to Kingdee CloudHub loans in the principal amount of RMB61,679,000 (the "**Kingdee CloudHub Loan**"). The term of the Kingdee CloudHub Loan is 3 years from 1 January 2016, with the principal amount and accrued interest repayable at maturity (namely, on 1 January 2019) or such earlier date Kingdee China and Kingdee CloudHub may agree. The Kingdee CloudHub Loan carries an interest rate of 5% per annum.

## Loan provided to Shanghai Kingdee Medical by Kingdee China

As Shanghai Kingdee Medical will, as a result of the completion of the equity transfer contemplated under the Kingdee Medical Agreement, become a subsidiary of Baijin Investment, Shanghai Kingdee Medical will become an associate of Mr. Xu and therefore a connected person of the Company.

Pursuant to a loan agreement dated 1 January 2016 entered into between Kingdee China as lender and Shanghai Kingdee Medical as borrower, Kingdee China agreed to advance to Shanghai Kingdee Medical certain loans for so long as Kingdee China controls the entire equity interest in Shanghai Kingdee Medical, for the purpose of supplementing Shanghai Kingdee Medical's general working capital. As of the date of the Kingdee Medical Agreement, Kingdee China has advanced to Shanghai Kingdee Medical loans in the principal amount of RMB104,979,000 (the "**Kingdee Medical Loan**"). The term of the Kingdee Medical Loan is 3 years from 1 January 2016, with the principal amount and accrued interest repayable at maturity (namely, on 1 January 2019) or such earlier date Kingdee China and Shanghai Kingdee Medical may agree. The Kingdee Medical Loan carries an interest rate of 5% per annum.

## DEFINITIONS

"associate"	has the meaning ascribed to it under the Listing Rules
"Baijin Investment"	深圳白金投資有限公司 (Shenzhen Baijin Investment Company Limited*), a company incorporated in the PRC and wholly owned by Mr. Xu
"Board"	the board of Directors
"Chang Zhu"	Mr. Chang Zhu (常柱)
"Company"	Kingdee International Software Group Company Limited, a company incorporated in the Cayman Islands with limited liabilities, whose shares are listed on the Stock Exchange (Stock Code: 268)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Contractual Arrangements"	the arrangements contemplated under (i) the series of contracts entered into on 30 April 2015 in respect of Qianhai Baidi among Kingdee China, Zou Jin, Baijin Investment and Qianhai Baidi; and (ii) the series of contracts entered into on 31 July 2015 in respect of Kingdee CloudHub among Kingdee China, the then equity holders of Kingdee CloudHub and Kingdee CloudHub, as amended and supplemented by the supplemental agreement thereto dated 30 June 2016 by Kingdee China, the original equity holders of Kingdee CloudHub, Hongjin Investment, Baijin Investment and Kingdee CloudHub
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"ERP"	enterprise resource planning
"Group"	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic China
“Hongjin Investment”	深圳弘金投資有限公司 (Shenzhen Hongjin Investment Company Limited*), a company incorporated in the PRC, the equity interest of which is held as to 99% by Mr. Xu and as to 1% by Chang Zhu, and is regarded as a controlled structured entity in the Group’s consolidated financial statements through certain contractual arrangements entered into among Kingdee China, the equity holders of Hongjin Investment and Hongjin Investment
“Kingdee China”	金蝶軟件(中國)有限公司 (Kingdee Software (China) Co., Ltd*), a company incorporated in the PRC and a direct wholly-owned subsidiary of the Company
“Kingdee CloudHub”	深圳雲之家網絡有限公司 (Shenzhen CloudHub Network Co., Ltd.*), a company incorporated in the PRC, the equity interest of which is held by Baijin Investment as to 85% and Hongjin Investment as to 15% respectively
“Kingdee CloudHub Agreement”	the termination agreement dated 28 July 2016 entered into among Kingdee China, Hongjin Investment, Baijin Investment and Kingdee CloudHub in relation to the termination of Contractual Arrangements in respect of Kingdee CloudHub
“Kingdee Medical”	金蝶醫療軟件科技有限公司 (Kingdee Medical Software Technology Co., Ltd.*), a company incorporated in the PRC and an indirect non-wholly-owned subsidiary of the Company, the equity interest of which is owned by Shanghai Kingdee Medical as to 81.48% and a third party independent of the Company or its connected persons as to 18.52%
“Kingdee Medical Agreement”	the agreement dated 28 July 2016 entered into among Kingdee China, Baijin Investment, Chang Zhu and Shanghai Kingdee Medical in respect of the proposed transfer of the entire equity interest in Shanghai Kingdee Medical
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Xu”	Mr. Xu Shao Chun, an executive Director, the Chairman of the Board and the controlling shareholder of the Company
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Qianhai Baidi”	深圳前海百遞網絡有限公司 (Shenzhen Qianhai Baidi Network Co., Ltd.*), a company incorporated in the PRC, the registered equity interest of which is held by Baijin Investment as to 99% and Zou Jin as to 1% respectively
“Qianhai Baidi Agreement”	the termination agreement dated 28 July 2016 entered into among Kingdee China, Zou Jin, Baijin Investment and Qianhai Baidi in relation to the termination of Contractual Arrangements in respect of Qianhai Baidi

“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Kingdee Medical”	上海金蝶醫療衛生軟件有限公司 (Shanghai Kingdee Medical Software Co., Ltd.*), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company; as of 31 December 2015, the unaudited consolidated net asset of Shanghai Kingdee Medical prepared in accordance with the generally accepted accounting principles of the PRC was RMB1,486,000
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Business”	the business of (i) the provision of courier and logistics information services such as courier enquiry and tracking services; (ii) the provision of mobile Internet enterprise services through a mobile office platform offered to registered enterprises and organizations and (iii) the development and operation of medical information systems, software and mobile Internet hospital services through mobile service platforms, which is principally operated by Qianhai Baidi (and its subsidiary), Kingdee CloudHub and Shanghai Kingdee Medical (and its subsidiary) respectively
“Target Group”	Qianhai Baidi, Kingdee CloudHub, Shanghai Kingdee Medical and their respective subsidiaries
“Transactions”	the transactions contemplated under the Transaction Documents
“Transaction Documents”	the Qianhai Baidi Agreement, the Kingdee CloudHub Agreement and the Kingdee Medical Agreement
“Valuation”	the valuation of the fair value of Qianhai Baidi (and its subsidiary), Kingdee CloudHub and Shanghai Kingdee Medical (and its subsidiary) respectively as at the Valuation Date in each case based on the income approach, as stated in the valuation reports issued by Greater China Appraisal Limited, an independent professional valuer
“Valuation Date”	30 April 2016
“Zou Jin”	Ms. Zou Jin (鄒謹)
“%”	per cent

On behalf of the Board  
**Kingdee International Software Group Company Limited**  
**Lin Bo**  
*Director*

Shenzhen, the People’s Republic of China, 28 July 2016

*As at the date of this announcement, the Board comprises Mr. Xu Shao Chun (Chairman of the Board and Chief Executive Officer) Mr. Chen Deng Kun and Mr. Lin Bo (Chief Financial Officer) as executive directors; Ms. Dong Ming Zhu and Mr. Chen Zhang as non-executive directors; and Mr. Gary Clark Biddle, Mr. Wu Cheng and Mr. Liu Chia Yung as independent non-executive directors.*

\* *for identification purposes only*

## **APPENDIX I – REPORT FROM PRICEWATERHOUSECOOPERS ON THE CALCULATION OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF THE TARGET GROUP**

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this announcement.*

### **INDEPENDENT AUDITOR’S ASSURANCE REPORT ON THE CALCULATION OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATIONS OF SHANGHAI KINGDEE MEDICAL SOFTWARE CO., LTD, SHENZHEN QIANHAI BAIDI NETWORK CO., LTD AND SHENZHEN CLOUDHUB NETWORK CO., LTD**

#### **TO THE BOARD OF DIRECTORS OF KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuations (the “**Valuations**”) dated 28 July 2016 prepared by Greater China Appraisal Limited in respect of the appraisal of the fair values of the 100% equity interests in Shanghai Kingdee Medical Software Co., Ltd, Shenzhen Qianhai Baidi Network Co., Ltd and Shenzhen Cloudhub Network Co., Ltd (the “**Target Companies**”) are based. The Valuations are in connection with the announcement of Kingdee International Software Group Company Limited (the “**Company**”) dated 28 July 2016 (the “**Announcement**”) relating to the disposal by the Company of 100% equity interests in Shanghai Kingdee Medical Software Co., Ltd and Shenzhen Qianhai Baidi Network Co., Ltd and 85% equity interest in Shenzhen Cloudhub Network Co., Ltd by the Company. The Valuations based on the discounted future estimated cash flows are regarded as profit forecasts under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

#### **Directors’ Responsibility for the Discounted Future Estimated Cash Flows**

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set on pages 7 to 8 of the Announcement. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuations and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

#### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Auditor's Responsibilities**

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuations are based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Companies.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out on pages 7 to 8 of the Announcement. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

### **Opinion**

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows, has been properly compiled in all material respects in accordance with the bases and assumptions made by directors of the Company as set out on pages 7 to 8 of the Announcement.

**PricewaterhouseCoopers**  
Certified Public Accountants  
Hong Kong, 28 July 2016



**APPENDIX II – LETTER FROM THE BOARD IN RELATION TO THE PROFIT FORECAST ON THE TARGET GROUP**



**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)**

28 July 2016

The Stock Exchange of Hong Kong Limited  
11/F., One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

Dear Sirs or Madams,

**CONNECTED TRANSACTIONS IN RELATION TO TERMINATION OF CONTRACTUAL ARRANGEMENTS IN RESPECT OF QIANHAI BAIDI AND KINGDEE CLOUDHUB AND DISPOSAL OF THE ENTIRE EQUITY INTEREST IN SHANGHAI KINGDEE MEDICAL**

We refer to the announcement of the Company dated 28 July 2016 (the “**Announcement**”). Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings in this letter when used herein.

We refer to the valuation reports prepared by Greater China Appraisal Limited, an independent professional valuer (the “**Valuer**”) in relation to the Valuation as at the Valuation Date. The Valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules (the “**Forecast**”).

We hereby confirm that we have discussed with the Valuer about different aspects and reviewed information and documents in relation to the basis and assumptions based upon which the discounted cash flows in the Valuation has been prepared, and reviewed the Valuation prepared by the Valuer for which the Valuer is responsible for. We have also reviewed the calculations for the discounted cash flow in the valuation report issued by the Valuer. We have also considered the report from the auditor of the Company, PricewaterhouseCoopers as set out in Appendix I to the Announcement regarding the calculations for which the discounted cash flows in the Valuation upon which the Forecast has been made.

On the basis of the foregoing, in accordance with the requirements under Rule 14.62(3) of the Listing Rules, we confirm that the Forecast has been made after due and careful enquiry by us.

On behalf of the Board  
**Kingdee International Software Group Company Limited**  
**Lin Bo**  
*Director*