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)

ANNOUNCEMENT OF THE RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

Financial highlights for the six months ended 30 June 2016

– Revenue increased by approximately 20.5% over the same period in 2015 to approximately RMB913,204,000 (the six months ended 30 June 2015: Revenue of RMB757,981,000)
– Profit for the period increased by approximately 38.5% over the same period in 2015 to approximately RMB125,228,000 (the six months ended 30 June 2015: Profit of RMB90,444,000)
– Profit attributable to owners of the Company during the period increased by approximately 47.2% over the same period in 2015 to approximately RMB134,834,000 (the six months ended 30 June 2015: Profit of RMB91,597,000)
– Basic earnings per share for profit attributable to owners of the Company during the period is approximately RMB4.655 cents (the six months ended 30 June 2015: Basic earnings per share for profit of RMB3.465 cents)

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 2016 are as follows:

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2016

	Notes	**Unaudited 30 June 2016 RMB'000**	Audited 31 December 2015 RMB'000
ASSETS			
Non-current assets			
Land use rights	6	**127,086**	128,766
Property, plant and equipment	7	**837,440**	731,783
Intangible assets	7	**902,025**	601,218
Investments in associates		**27,689**	24,222
Investment properties		**848,741**	848,741
Financial assets at fair value through profit or loss	8	**6,000**	6,000
Entrusted loan		**69,400**	69,500
Total non-current assets		**2,818,381**	2,410,230
Current assets			
Inventories		**6,483**	4,047
Trade and other receivables	8	**336,294**	277,875
Entrusted loan	8	**300**	300
Due from customers on implementation contracts		**406,813**	391,193
Available-for-sale financial assets		**121,826**	225,177
Financial assets at fair value through profit or loss		**900**	1,267
Pledged bank deposits		**62,832**	102,832
Short-term bank deposits		**787,724**	543,658
Cash and cash equivalents		**1,165,137**	1,527,610
Total current assets		**2,888,309**	3,073,959
Total assets		**5,706,690**	5,484,189

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET *(Continued)*

As at 30 June 2016

	Notes	**Unaudited 30 June 2016 RMB'000**	Audited 31 December 2015 RMB'000
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	9	**72,441**	71,972
Share premium	9	**1,729,742**	1,682,784
Other reserves		**515,017**	512,763
Retained earnings		**1,084,384**	949,550
		3,401,584	3,217,069
Non-controlling interests		**50,729**	29,649
Total equity		**3,452,313**	3,246,718
LIABILITIES			
Non-current liabilities			
Borrowings	10	**1,471,405**	1,213,018
Deferred income tax liabilities		**74,324**	105,738
Total non-current liabilities		**1,545,729**	1,318,756
Current liabilities			
Trade and other payables	11	**374,124**	357,390
Due to customers on implementation contracts		**175,130**	183,991
Borrowings	10	**41,013**	243,500
Current income tax liabilities		**18,151**	37,262
Deferred income		**100,230**	96,572
Total current liabilities		**708,648**	918,715
Total liabilities		**2,254,377**	2,237,471
Total equity and liabilities		**5,706,690**	5,484,189

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2016

	Notes	**Unaudited Six months ended 30 June 2016 RMB'000**	2015 RMB'000
Revenue	12	**913,204**	757,981
Cost of sales	13	**(188,687)**	(158,498)
Gross profit		**724,517**	599,483
Selling and marketing expenses	13	**(471,650)**	(397,628)
Administrative expenses	13	**(135,977)**	(69,770)
Research and development costs	13	**(146,748)**	(106,537)
Other gains-net	14	**132,470**	104,573
Operating profit		**102,612**	130,121
Finance income		**15,353**	15,331
Finance costs		**(32,833)**	(47,284)
Finance costs-net		**(17,480)**	(31,953)
Share of loss of investments accounted for using the equity method		**(1,533)**	(85)
Profit before income tax		**83,599**	98,083
Income tax expense	15	**41,629**	(7,639)
Profit for the period		**125,228**	90,444
Attributable to：			
Owners of the Company		**134,834**	91,597
Non-controlling interests		**(9,606)**	(1,153)
		125,228	90,444
Earnings per share for profit attributable to owners of the Company			
-Basic	16	**RMB4.655 cents**	RMB3.465 cents
-Diluted	16	**RMB4.386 cents**	RMB3.275 cents

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Unaudited Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Profit for the period	**125,228**	90,444
Items that may be reclassified to profit or loss		
-Available-for-sale financial assets	**3,978**	-
-Currency translation differences	**(2,819)**	120
Other comprehensive income for the period	**1,159**	120
Total comprehensive income for the period, net of tax	**126,387**	90,564
Total comprehensive income attributable to:		
-Owners of the Company	**135,993**	91,717
-Non-controlling interests	**(9,606)**	(1,153)
	126,387	90,564

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

(All amounts in Renminbi thousand unless otherwise stated)

		Unaudited						
		Attributable to owners of the Company					Non-	
	Notes	Share capital	Share premium	Other reserves	Retained earnings	Total	controlling interests	Total equity
Balance at 1 January 2016		**71,972**	**1,682,784**	**512,763**	**949,550**	**3,217,069**	**29,649**	**3,246,718**
Comprehensive income								
Profit/(loss) for the period		**-**	**-**	**-**	**134,834**	**134,834**	**(9,606)**	**125,228**
Available-for-sale financial assets		**-**	**-**	**3,978**	**-**	**3,978**	**-**	**3,978**
Currency translation differences		**-**	**-**	**(2,819)**	**-**	**(2,819)**	**-**	**(2,819)**
Total comprehensive income		**-**	**-**	**1,159**	**134,834**	**135,993**	**(9,606)**	**126,387**
Transactions with owners								
Employees share option scheme:								
-Value of employee services	9	**-**	**17,923**	**-**	**-**	**17,923**	**-**	**17,923**
-Proceeds from shares issued	9	**469**	**14,947**	**-**	**-**	**15,416**	**-**	**15,416**
Equity transactions with non-controlling interests		**-**	**-**	**1,095**	**-**	**1,095**	**(1,299)**	**(204)**
Non-controlling interests arising on business combination		**-**	**-**	**-**	**-**	**-**	**31,985**	**31,985**
Share award plan:								
-Value of employee services	9	**-**	**14,088**	**-**	**-**	**14,088**	**-**	**14,088**
Total transactions with owners		**469**	**46,958**	**1,095**	**-**	**48,522**	**30,686**	**79,208**
Balance at 30 June 2016		**72,441**	**1,729,742**	**515,017**	**1,084,384**	**3,401,584**	**50,729**	**3,452,313**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the six months ended 30 June 2016

(All amounts in Renminbi thousand unless otherwise stated)

		Unaudited						
		Attributable to owners of the Company					Non-	
	Notes	**Share capital**	**Share premium**	**Other reserves**	**Retained earnings**	**Total**	**controlling interests**	**Total equity**
Balance at 1 January 2015		65,155	537,920	512,113	873,784	1,988,972	9,246	1,998,218
Comprehensive income								
Profit/(loss) for the period		-	-	-	91,597	91,597	(1,153)	90,444
Currency translation differences		-	-	120	-	120	-	120
Total comprehensive income		-	-	120	91,597	91,717	(1,153)	90,564
Transactions with owners								
Employees share option scheme:								
-Value of employee services	9	-	17,865	-	-	17,865	-	17,865
-Proceeds from shares issued	9	6,600	1,090,544	-	-	1,097,144	-	1,097,144
Equity transactions with non-controlling interests		-	-	(4,356)	-	(4,356)	7,562	3,206
Dividend declared	17	-	-	-	(30,000)	(30,000)	-	(30,000)
Total transactions with owners		6,600	1,108,409	(4,356)	(30,000)	1,080,653	7,562	1,088,215
Balance at 30 June 2015		71,755	1,646,329	507,877	935,381	3,161,342	15,655	3,176,997

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2016

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Cash flows from operating activities:		
Cash generated from operations	**254,062**	216,771
Interest paid	**(32,833)**	(47,284)
Income tax paid	**(17,096)**	(11,164)
Net cash generated from operating activities	**204,133**	158,323
Cash flows from investing activities:		
Purchases of property, plant and equipment	**(166,185)**	(80,880)
Proceeds from sale of property, plant and equipment	**13,883**	4,462
Purchase of intangible assets	**(217,068)**	(129,587)
Cash paid for contingent and deferred consideration for business combination	**(150,330)**	-
Pledged bank deposits withdrawn - net	**40,000**	-
Short-term bank deposits placed - net	**(244,066)**	(37,443)
Interest received	**15,353**	15,331
Repayments received from entrusted loans	**100**	200
proceeds of other investments - net	**99,541**	-
Investments in new associates	**(5,000)**	(20,000)
Net cash used in investing activities	**(613,772)**	(247,917)
Cash flows from financing activities:		
Proceeds from share options exercised	**15,416**	1,097,144
Proceeds from borrowings	**262,750**	100,000
Repayments of borrowings	**(231,000)**	(48,300)
Dividends paid	**-**	(30,000)
Disposal of interest in a subsidiary without loss of control	**-**	3,206
Net cash generated from financing activities	**47,166**	1,122,050
Net decrease in cash and cash equivalents	**(362,473)**	1,032,456
Cash and cash equivalents at beginning of the period	**1,527,610**	1,261,634
Cash and cash equivalents at end of the period	**1,165,137**	2,294,090

Notes to the condensed consolidated interim financial information

1. General information

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

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

The shares of the Company have been listed on the Stock Exchange of Hong Kong Limited since 15 February 2001.

These condensed consolidated interim financial statements are presented in thousands of Renminbi (RMB’000), unless otherwise stated. These condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 17 August 2016.

This condensed consolidated interim financial information has not been audited.

2. Basis of preparation

This unaudited condensed consolidated interim financial information for the half-year ended 30 June 2016 has been prepared in accordance with IAS 34, ‘Interim financial reporting’. The unaudited condensed consolidated interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2015 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

Other amendments to IFRSs effective for the financial year ending 31 December 2016 are not expected to have a material impact on the Group.

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 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 2015.

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. Upon the adoption of IFRS 8 'Operating Segments', the Group has identified the following operating segments:

ERP business and Cloud services business	-	sales and implementation of enterprise management software, provision of other related services, sales of hardware related to enterprise management software arrangements and sales of middleware software business and provision of E-commerce and other online management services
Others	-	operation of investment properties

The chief operating decision-maker assesses the performance of the operating segments based on the operating profit 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 2016 is as follows:

	ERP business and Cloud services business RMB'000	Others RMB'000	The Group Total RMB'000
Revenue (from external customers)	**913,204**	**-**	**913,204**
Operating profit	**67,843**	**34,769**	**102,612**
Finance income	**15,353**	**-**	**15,353**
Finance costs	**(32,833)**	**-**	**(32,833)**
Finance costs – net	**(17,480)**	**-**	**(17,480)**
Share of loss of investments accounted for using the equity method	**(1,533)**	**-**	**(1,533)**
Profit before income tax	**48,830**	**34,769**	**83,599**
Income tax expense	**40,821**	**808**	**41,629**
Segment results	**89,651**	**35,577**	**125,228**
Segment assets	**4,857,949**	**848,741**	**5,706,690**
Segment liabilities	**2,199,298**	**55,079**	**2,254,377**
Additions to non-current assets (other than financial instruments and deferred tax assets)	**408,151**	**-**	**408,151**
Depreciation and amortisation	**143,796**	**-**	**143,796**
Provision for doubtful trade and other receivables	**15,482**	**-**	**15,482**
Share-based payment	**32,011**	**-**	**32,011**

Notes to the condensed consolidated interim financial information

5. Segment information *(Continued)*

The unaudited segment information for the six months ended 30 June 2015 is as follows:

	ERP business and Cloud services business RMB'000	Others RMB'000	The Group Total RMB'000
Revenue (from external customers)	757,981	-	757,981
Operating profit	94,244	35,877	130,121
Finance income	15,331	-	15,331
Finance costs	(47,284)	-	(47,284)
Finance costs – net	(31,953)	-	(31,953)
Share of loss of investments accounted for using the equity method	(85)	-	(85)
Profit before income tax	62,206	35,877	98,083
Income tax expense	(4,051)	(3,588)	(7,639)
Segment results	58,155	32,289	90,444
Segment assets	4,700,356	831,159	5,531,515
Segment liabilities	2,302,139	52,379	2,354,518
Additions to non-current assets (other than financial instruments and deferred tax assets)	54,238	-	54,238
Depreciation and amortisation	131,220	-	131,220
Written-back for doubtful trade and other receivables	(12,827)	-	(12,827)
Share-based payment	17,865	-	17,865

Notes to the condensed consolidated interim financial information

6. Land use rights

	Unaudited Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Opening net book amount at 1 January	**128,766**	132,127
Amortisation charge	**(1,680)**	(2,070)
Closing net book amount at 30 June	**127,086**	130,057
Represented by:		
Cost	**148,892**	148,892
Accumulated amortisation charges	**(21,806)**	(18,835)
	127,086	130,057

The Group's interests in land use rights represent prepaid operating lease payments.

Notes to the condensed consolidated interim financial information

7. Property, plant, equipment and intangible assets

	Unaudited	
	Property, plant and equipment RMB'000	Intangible assets RMB'000
Six months ended 30 June 2016		
Opening net book amount at 1 January 2016	**731,783**	**601,218**
Additions	**138,112**	**420,249**
Disposals	**(9,781)**	**-**
Depreciation and amortisation	**(22,674)**	**(119,442)**
Closing net book amount at 30 June 2016	**837,440**	**902,025**
Six months ended 30 June 2015		
Opening net book amount at 1 January 2015	728,218	577,065
Additions	41,094	129,587
Disposals	(5,038)	-
Depreciation and amortisation	(19,429)	(109,721)
Closing net book amount at 30 June 2015	744,845	596,931

Notes to the condensed consolidated interim financial information

8. Trade and other receivables

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Trade receivables(a)	**268,959**	244,964
Less: allowance for impairment	**(119,818)**	(112,703)
Trade receivables - net	**149,141**	132,261
Notes receivable	**6,631**	9,149
Advance to employees	**29,063**	21,567
Prepayments	**53,743**	55,671
VAT recoverable	**60,807**	41,299
Receivables from related parties	**4,390**	1,408
Others	**32,519**	16,520
	336,294	277,875
Entrusted loan		
Current portion	**300**	300
Non-current portion	**69,400**	69,500
	405,994	347,675

(a) Sales are generally made without prescribed credit in the sales contracts but customers usually take 1 to 3 months to settle the receivables. The ageing analysis of trade receivables is as follows:

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
0-180 days	**105,521**	103,029
181- 360 days	**30,138**	11,294
Over 360 days	**133,300**	130,641
	268,959	244,964

Notes to the condensed consolidated interim financial information

9. Share capital and share premium

	Number of issued shares (thousands)	Ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2016	**2,918,148**	**71,972**	**1,682,784**	**1,754,756**
Employee share option scheme				
- Value of services received	**-**	**-**	**17,923**	**17,923**
- Exercise of share options	**22,347**	**469**	**14,947**	**15,416**
Share award plan				
- Value of services received	**-**	**-**	**14,088**	**14,088**
At 30 June 2016(Unaudited)	**2,940,495**	**72,441**	**1,729,742**	**1,802,183**
At 1 January 2015	2,574,437	65,155	537,920	603,075
Employee share option scheme				
- Value of services provided	-	-	17,865	17,865
- Exercise of share options	333,232	6,600	1,090,544	1,097,144
At 30 June 2015(Unaudited)	2,907,669	71,755	1,646,329	1,718,084

10. Borrowings

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Non-current		
Long-term bank borrowings, unsecured	**339,237**	105,000
Convertible bonds(a)	**1,132,168**	1,108,018
	1,471,405	1,213,018
Current		
Current portion of long-term borrowings, unsecured	**41,013**	243,500
	1,512,418	1,456,518

Notes to the condensed consolidated interim financial information

10. Borrowings(continued)

(a) The Group issued US$175,000,000 4.0% convertible bond on 14 April 2014. The bond mature in five years from the issue date. The bond can be converted into the Company’s ordinary shares, at the holder’s option at any time on or after 25 May 2014 up to the close of business (at the place where the bond certificate evidencing such bond is deposited for conversion) on the 10th day prior to the maturity date (both days inclusive), at HK$3.90 per share. The values of the liability component and the equity conversion component were determined at issuance of the bond. The liability component is subsequently stated at amortised cost until it is extinguished on conversion or maturity of the bond. The residual amount, representing the value of the equity conversion component, is accounted for as a conversion option reserve included in equity.

The convertible bonds recognized in the balance sheet are calculated as follows:

	RMB'000
Face value of convertible bonds issued on 14 April 2014	1,076,793
Transaction costs	(20,214)
Equity component	(8,696)
Liability component on initial recognition at 14 April 2014	1,047,883
Interest expense	31,420
Interest accrued	(30,590)
Effects of currency translation	(5,816)
Liability component at 31 December 2014(Audited)	1,042,897
Interest expense	46,730
Interest accrued	(45,455)
Effects of currency translation	63,846
Liability component at 31 December 2015(Audited)	1,108,018
Interest expense	**23,881**
Interest accrued	**(23,209)**
Effects of currency translation	**23,478**
Liability component at 30 June 2016(Unaudited)	**1,132,168**

Interest expense on the liability component of the bond was calculated at the effective interest rate of 4.22% per annum.

Notes to the condensed consolidated interim financial information

11. Trade and other payables

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
Trade payables (a)	**25,655**	22,322
Amounts due to related parties	**626**	333
Salary and staff welfare payables	**75,790**	77,034
Advances from customers	**62,468**	119,277
VAT and business tax payable	**29,399**	34,821
Accrued expenses	**10,972**	37,348
Construction fee payable	**12,172**	7,767
Contingent consideration for a business acquisition	**55,440**	-
Deferred consideration for a business acquisition	**41,580**	-
Deposits of distributors	**40,349**	39,136
Interest payable	**12,864**	12,663
Others	**6,809**	6,689
	374,124	357,390

(a) As at 30 June 2016, the ageing analysis of trade payables is as follows:

	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
0-180 days	**19,110**	18,718
181- 360 days	**3,828**	582
Over 360 days	**2,717**	3,022
	25,655	22,322

Notes to the condensed consolidated interim financial information

12. Revenue

	Unaudited Six months ended 30 June 2016 RMB'000	2015 RMB'000
ERP business	**718,294**	676,178
Cloud services business	**194,910**	81,803
	913,204	757,981

13. Expenses by nature

Expenses included in cost of sales, selling and marketing expenses, research and development costs and administrative expenses are analysed as follows:

	Unaudited Six months ended 30 June 2016 RMB'000	2015 RMB'000
Research and development costs		
Amounts incurred	**189,045**	139,672
Less: development costs capitalised	**(154,592)**	(130,872)
Add: amortisation	**112,295**	97,737
	146,748	106,537
Employee benefit expenses	**556,193**	440,366
Less:amount included in research and development costs	**(144,126)**	(124,015)
	412,067	316,351
Cost of inventories consumed	**10,802**	3,379
Depreciation of property, plant and equipment	**22,674**	19,429
Amortisation of computer software, licenses and copyrights	**6,279**	11,360
Amortisation of customer relationship	**868**	624
Amortisation of land use rights	**1,680**	2,070
Impairment of receivables	**15,482**	(12,827)

Notes to the condensed consolidated interim financial information

14. Other gains

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Subsidy income		
- VAT refund	**77,077**	57,539
- Government grants	**10,473**	8,989
Rental income-net	**34,769**	35,877
Re-measurement of the contingent consideration for business acquisition	**-**	1,367
Profit/(loss) on disposals of property, plant and equipment	**4,102**	(452)
Investment income	**2,744**	-
Others	**3,305**	1,253
	132,470	104,573

Notes to the condensed consolidated interim financial information

15. Income tax expense

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Current income tax	**(2,246)**	9,271
Deferred income tax	**(39,383)**	(1,632)
	(41,629)	7,639

(a) No provision for profits tax in the Cayman Islands and Hong Kong has been made as the Group has no income assessable for profits tax for the period in those jurisdictions.

(b) Kingdee Software (China) Co., Ltd.("Kingdee China") was qualified as a national important software enterprise and was entitled to a preferential tax rate of 10% for the period ended 30 June 2016. Approximately RMB 51,000,000 of income tax expense recognized in 2015 is reversed.

(c) Shanghai Kingdee Deeking cloudcomputing Software Co., Ltd., Kingdee Medical Software Technology Co., Ltd., Shenzhen Kingdee Tianyan Middleware Co., Ltd. and Beijing Kingdee Management Software 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 2016.

(d) Shenzhen Kingdee Qisi Technology Co., Ltd. was qualified as a software enterprise by Shenzhen Software Industry Association on 8 October 2015 and was entitled to tax exemption for two years and thereafter to a preferential rate at half of the corporate income tax rate for three years.

(e) Shanghai Guanyi cloudcomputing Software Co.,Ltd was qualified as a new software enterprise in 2015 and was entitled to tax exemption for two years (from 2014) and thereafter to a preferential rate at half of the corporate income tax rate for three years.

(f) Shenzhen Qianhai Baidi Network Co., Ltd. ("Qianhai Baidi") met the conditions of promoted industries within the Shenzhen – Hongkong modern service cooperation zone and is entitled to a preferential corporate income tax rate of 15% (2015: 15%) for seven years with effect from 2014.

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

Notes to the condensed consolidated interim financial information

16. Earnings per share

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Profit attributable to owners of the Company	**134,834**	91,597
Weighted average number of ordinary shares in issue (thousands)	**2,896,535**	2,643,596
Basic earnings per share	**RMB4.655 cents**	RMB3.465 cents

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. The Company has only two categories of dilutive potential ordinary shares: Share options and convertible bonds. The convertible bond is anti-dilutive and is ignored in the calculation of diluted earnings per share.

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Profit attributable to owners of the Company	**134,834**	91,597
Profit used to determine diluted earnings per share	**134,834**	91,597
Weighted average number of ordinary shares in issue (thousands)	**2,896,535**	2,643,596
Adjustments – share options (thousands)	**177,660**	153,209
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**3,074,195**	2,796,805
Diluted earnings per share	**RMB4.386cents**	RMB3.275 cents

Notes to the condensed consolidated interim financial information

17. Dividends

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2016 (the six months ended 30 June 2015: Nil).

18. Related party transactions

The Group is controlled by Mr. Xu Shao Chun, who owns 26.86% of the Company's shares. The remaining 73.14% of the shares are widely held. The ultimate controlling party of the Group is Mr. Xu Shao Chun.

The Group had transactions with related parties for the period ended 30 June 2016 as follows:

(a) Transactions with related parties

	Unaudited Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Sales of goods		
- Investments accounted for using the equity method	**4,344**	4,673
- Companies controlled by the ultimate controlling party	**-**	510
	4,344	5,183
Rental income from companies controlled by the ultimate controlling party	**1,777**	458

Goods are sold based on the price lists in force and terms that would be available to third parties.

(b) Balances with related parties

	Unaudited	Audited
	30 June	31 December
	2016	2015
	RMB'000	RMB'000
Period-end balances arising from sales of goods		
- Investments accounted for using the equity method	**626**	333
Due from companies controlled by the ultimate controlling party	**4,390**	1,408

Notes to the condensed consolidated interim financial information

19. Events after the reporting period

(a) Shares purchased for share award plan

The Group purchased and held 7,734,000 ordinary shares of the Company for a total consideration of HKD 18,622,000 in July 2016, intended for the purpose of recognizing and rewarding the contributions of the eligible persons to the growth and development of the Group.

(b) Disposal of interest in subsidiaries

On 28 July 2016, Kingdee China, Zou Jin, Shenzhen Baijin Investment Company Limited ("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 RMB 55,648,000 is payable by Zou Jin and Baijin Investment.

On 28 July 2016, Kingdee China, Shenzhen Hongjin Investment Company Limited ("Hongjin Investment"), Baijin Investment and Shenzhen CloudHub Network Co., Ltd.(the "CloudHub") entered into the Kingdee CloudHub Agreement whereby the parties thereto agreed that the Contractual Arrangements in relation to CloudHub would be terminated. In consideration of Kingdee China agreeing to enter into the Kingdee CloudHub Agreement, a total consideration of RMB 50,977,000 is payable by Baijin Investment.

On 28 July 2016, Kingdee China as seller, Baijin Investment and Chang Zhu as purchasers and Shanghai Kingdee Medical Software Co., Ltd. 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 Software Co., Ltd. at a consideration of RMB 8,423,000.

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.

Management Discussion and Analysis

I. Key Financial Information

In the first half of 2016, the Group’s enterprise management software business grew steadily and resumed its growth trend. Meanwhile, the Cloud services business (including Cloud ERP and Cloud services for small and micro enterprises) surged 138.3% year-on-year, with its contribution to the Group's total revenue climbing to 20% for the first time.

While Chinese enterprises leveraged the "Internet +" strategy to further promote business transformations, they attached greater importance to management software, and drove increasing demand for these products. The market was filled with tremendous opportunities. As the Group drove business transformations and structural optimization, reinforced the applications of advanced technologies in mobile Internet, social networking, Cloud computing and Big Data, and made relentless efforts in product and services innovation, it achieved sustainably strong growth during the reporting period.

Revenue

For the six months ended 30 June 2016, the Group recorded total revenue of RMB913,204,000, representing an increase of 20.5% year-on-year (1H2015: RMB757, 981,000). Revenue from the ERP business was RMB718,294,000, up 6.2% year-on-year (1H2015: RMB676,178,000). Revenue from the Cloud services business surged by 138.3% year-on-year to RMB194,910,000 (1H2015: RMB81,803,000).

Gross Profit

During the reporting period, the Group recorded gross profit of RMB724,517,000, representing an increase of 20.9% year-on-year (1H2015: RMB599,483,000). Gross profit margin for the reporting period was approximately 79.3% (1H2015: approximately 79.1%).

Profit

The Group maintained sound operational controls. For the six months ended 30 June 2016, profit attributable to owners of the Company amounted to RMB134,834,000 (1H2015: RMB91,597,000). Net profit margin for the reporting period was approximately 14.8% (1H2015: approximately 12.1%). Basic earnings per share were RMB4.655 cents (1H2015: RMB3.465 cents).

Cash Flow

For the six months ended 30 June 2016, net cash inflow generated from operating activities reached RMB204,133,000, representing an increase of 28.9% year-on-year (1H2015: RMB158,323,000).

II. Sub Business Reporting

(1) Enterprise management software

During the reporting period, with growing confidence of the Chinese enterprises, the Group saw tremendous potential and ample room for growth in the enterprise management software market.

1. ERP for medium and large-sized enterprises

The Group achieved stable growth in EAS solutions for large-sized enterprises during the reporting period. Its financial information sharing solutions enabled large enterprises to apply standardized, intelligent solutions to broader applications, and hence was picked as the Most Preferred Software for Financial Information Sharing in China". Meanwhile, the Group worked closely with strategic partners and social organizations to explore high value-added customers and signed a number of major contracts, including contracts with Mengniu for its global financial resources management, China New Era Group Corporation under CECEP for its financial management project and Country Garden for its property management and leasing services project.

In response to the need for business transformation from the manufacturing sector and the national policy of "Made in China 2025", the Group cooperated with a number of automation manufacturers to launch the "Smart Factory Solution" during the reporting period. It showcased at the Hannover Messe how manufacturing enterprises can combine ERP systems with intelligent industrial equipment to realize transparent management, flexible production and intelligent operation. It received widespread recognition from market players.

2. Management software for small and micro enterprises

During the reporting period, in order to meet small and medium-sized enterprises' demand for starting E-commerce businesses, the Group launched the innovative one-stop E-commerce ERP solution to help them carry out omni-channel marketing, E-commerce and supply chain management. This product gained widespread recognition from the market. During the reporting period, revenue from the KIS business line grew by 20.7% year-on-year. Additionally, it won the title of "the Most Competitive Products in China's Software and Information Services Industry" at the China International Software & Information Service Fair.

According to the "PRC Semi-annual Enterprise Applications Tracker (2H2015)" released by IDC, an internationally recognized third-party research institute, Kingdee retained the No.1 position in China's application software market for SMEs in 2015 and maintained the leading market position for 12 consecutive years.

(2) Cloud Services Business

As the Chinese economy entered a new normalized growth phase, there was strong demand for SaaS services amid increasing labor costs and the rapid development of advanced manufacturing and modern service industries. In response to the demand for new enterprise IT services, the Group further enhanced Cloud services development through Internet-enabled services, technological advancement in accordance to market conditions.

1. Cloud ERP

During the reporting period, the Group's Cloud ERP business achieved outstanding performance with revenue from this segment doubling from the same period of last year and accounted for over 10% of the Group's total revenue. The retention rate of paying users of public Cloud ERP services maintained at 98%. As Cloud ERP users pay on an annual basis, this business model generated stable cash flow to the Group. Moreover, it signed contracts with Tencent, Coca-Cola, Vanke, Haier, Blackmores, Jaguar Land Rover and other well-known enterprises. The Group's Cloud ERP business scale ranked No. 1 in China.

The Group completed the acquisition of a controlling interest in Guanyi and integrated Kingdee Cloud ERP and Guanyi C-ERP during the reporting period, which was of strategic importance for its business innovation in the future.

2. Cloud services for small and micro enterprises

During the reporting period, the Group implemented comprehensive strategies and reinforced the development of SaaS services for small and micro enterprises. Through Youshang.com (which was upgraded to Jingdou Cloud), it offers one-stop Cloud services covering procurement, sales, inventories and financial management, with the number of registered users jumping by more than 50% from a year ago. Meanwhile, underpinned by effective targeted telemarketing and the expansion of distribution channels, revenue from online SaaS services surged over 60% year-on-year and the retention rate of paying users remained above 75%.

3. Mobile Office Cloud

The Group integrated Mobile Office Cloud services with ERP system during the reporting period to create the competitive advantages through product differentiation. This business segment experienced significant growth with the number of registered enterprises and organizations and the number of registered users exceeded 2 million and 20 million respectively. Newly added customers included various well-known brands such as LeTV, BGI, PetroChina, China State Construction and Liby, with daily user activity of more than 30 million. As a result, the applications of its Mobile Office Cloud services were expanded to wider industry sectors. Furthermore, the number of distribution channel partners increased to more than 600 with over 80,000 enterprises using the services and the daily user activity of over 30 million times. According to the IDC statistics, CloudHub ranked as the top mobile office market app in terms of its sophistication, market share in the medium and large-sized enterprise market and overall competitiveness.

(3) Big Data Services

During the Reporting period, in order to meet the diversified and multitudinous requirements for enterprise financial services, Kingdee Internet Finance expanded the number and scope of channels for funding sources to help SMEs increase trust and improve financing efficiency. Kingdee Internet Finance cooperated with 20 finance institutions including Mybank, Ping An Bank, Bao Shang Bank and Hanhua Finance. The registered enterprise was over 50,000 and accumulated loan applicants exceeded 20,000, with aggregate amount of over RMB 7 billion. In May, Kingdee Credit Company obtained regulatory filing license for enterprises credit, which marks the Group's development of financial data services achieving further progress. In the second half of this year, the Group will focus on risk control systems based on big data analysis and further explore new business models for financial services for SMEs.

(4) Cloud Infrastructure Software Business

During the reporting period, Kingdee leveraged the growing trend of locally-developed infrastructure software and increasing concern about information security in China to drive the development of locally-developed new generation middleware with enhanced information security. It vigorously promoted information sharing and exchange among the government departments and central government-owned enterprises. It launched the ADP Big Data platform products and government data sharing solutions. In addition, the Group participated in the 20th China International Software Expo and the 5th Chinese Defense Information Equipment and Technology Exhibition, and was presented the Innovation Award at the China International Software & Information Service Fair.

III. Organization and Talent Retention

During the reporting period, the Group conducted global recruitment of top management staff with vision and excellent leadership. It continued to hire young employees who were born after 1985 and 1990 to support the execution of its corporate strategy. The Group focused on the human resources strategy highlighting the “motivation, introduction and development” of talents. For key talents, the Group increased their incentives through a new restricted stock unit scheme. Meanwhile, some independent subsidiaries were set up for its Internet operations and their key staff members were granted shares in order to increase their incentives.

IV. Corporate Social Responsibility

During the reporting period, the Group continued to support various charitable activities and projects. The educational programme for immigrants sponsored by Kingdee and arranged by the China Siyuan Foundation was successfully completed. Moreover, it continued to make donations to the China Siyuan Foundation for its Project II for impoverished students in earthquake-stricken Ya'an City, Sichuan, as well as other large-scale charitable causes like the "Campaign to Encourage the Participation in Charitable Activities". The Group also set up Kingdee Pearl Rowing Club to promote sports activities in China.

During the reporting period, the Group continued to strengthen cooperation with different government departments, business associations and tertiary education institutions. It was selected as the vice chairman of the Committee for the Cooperation between Colleges and Businesses under the Graduates' Career Development Council of the Ministry of Education. Both parties co-hosted the first "Kingdee Cloud Management Innovation Award" for domestic university students and achieved remarkable results. The Group also explored the ways to nurture talents through the "3+1" training model with Jimei University and Zhejiang Normal University. In view of the government's initiative to promote "Mass Entrepreneurship and Innovation", the Group improved its training programmes for E-commerce talents and established a mutually beneficial link for tertiary education institutions and its

E-commerce customers. Moreover, it provided an on-the-job training environment for undergraduates to develop products, thereby helping the society to nurture “interdisciplinary” professionals.

V. Business Outlook

According to IDC’s estimate, enterprises’ expenditures on Cloud services will make up nearly 50% of the global IT infrastructure expenditures by 2020. There will be ample room for Enterprise software and Cloud services market to grow. The Cloud ERP sector is expected to see significant growth in the future, and the Cloud services for small and micro enterprises are set to take off. The integration of Mobile Office Cloud and ERP system will significantly disrupt the traditional management model, while Big Data is becoming the strategic asset to businesses.

The Group will leverage these new drivers to strengthen its core competitiveness in ERP business and innovate Cloud ERP solutions to deliver more high value-added services to customers. Kingdee will focus its resources on capitalizing on new industry trends and continue to create new features and applications for management software in an effort to enhance and solidify its competitive edge.

In view of the multibillion dollar market, Kingdee is committed to its mission of helping customers "drive success through effective management of data" and will strive to be the most trustworthy Big Data services provider. Going forward, Kingdee will redefine the ways of business management, helping Chinese enterprises to transform towards mobile Internet and to outperform their peers around the world.

REPORT OF DIRECTORS

Outstanding Share Options

Outstanding share options under the 2001 Scheme, 2002 Scheme, 2005 Scheme and 2015 Scheme

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

The share option scheme adopted by the Company on 30 January 2001 (the “2001 Scheme”) and the share option scheme adopted by the Company on 26 April 2002 (the “2002 Scheme”), were both terminated by the Company on 30 June 2005. As at 30 June 2016, there is no share option granted under the 2001 Scheme or the 2002 Scheme that is outstanding.

Pursuant to the share option scheme adopted by the Company on 11 July 2005 (the “2005 Scheme”) and the adjustment made due to the Bonus Issue and the refreshment on the scheme limit in 2011, an aggregate of 529,501,600 share options were granted, of which 229,847,293 share options were exercised, 147,361,006 share options lapsed and 152,293,301 share options remained outstanding as at 30 June 2016.

At the annual general meeting of the Company held on 8 May 2015, the Company terminated the 2005 Scheme and adopted a new share option scheme (the “2015 Scheme”) with a validity period of ten years. As at 30 June 2015, the Company has granted 40,000,000 share options under the 2015 Scheme, of which none of the share options were exercised, and none of the share options lapsed. According to the scheme mandate limit of the 2015 Scheme as approved at the annual general meeting of the Company on 8 May 2015 (being 259,264,096 share options), the Company may further grant 219,264,096 share options (including the lapsed share options since the refreshment), representing approximately 7.45% of the issued share capital of the Company as at 30 June 2016.

Details of the share options granted under the 2005 Scheme and 2015 Scheme are set out in the table as follows:

Name or category of participants	Options held at 31 December 2015	Options granted during the reporting period	Options exercised during the reporting period	Options lapsed during the reporting period	Options held at 30 June 2016
Directors					
Xu Shao Chun(1)	2,800,000	-	-	-	2,800,000
Oriental Gold Limited (1)	9,900,000	-	-	-	9,900,000
Lin Bo	1,325,000	-	300,000	-	1,025,000
Chen Deng Kun	12,879,000	-	-	4,320,000	8,559,000
Gary Clark Biddle	1,180,000	-	-	-	1,180,000

Wu Cheng	300,000	-	-	-	300,000
Dong Ming Zhu	400,000	-	-	-	400,000
Liu Chia Yung	200,000	-	-	-	200,000
Other employees in aggregate	237,142,879	0	22,046,578	47,167,000	167,929,301
Total	**266,126,879**	**0**	**22,346,578**	**51,487,000**	**192,293,301**

Note:

1. Easy Key Holdings Limited is wholly owned by Mr. Xu Shao Chun, the Chairman of the Board and the Chief Executive Officer of the Company, which wholly owns Oriental Gold Limited and Billion Ocean Limited.

Share Award Scheme

The share award scheme was adopted by the Company to provide incentives and reward the contributions of certain employees and directors of the Group.

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

As at 30 June 2016, the Company had granted 22,948,000 shares pursuant to the Share Award Scheme and there were a total of 3,937,500 outstanding Awarded Shares granted to the directors of the Company, details of which are as follows:

Name of Director	As at 31 December 2015	Granted during the reporting period	Vested during the reporting period	As at 30 June 2016
Xu Shao Chun	1,000,000	2,000,000	250,000	2,750,000
Lin Bo	250,000	600,000	62,500	787,500
Chen Deng Kun	-	400,000	-	400,000

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

As at 30 June 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which will be required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers"(the "Model Code") as set out in Appendix 10 of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in shares/ underlying shares of the Company

Name of Directors	Number of shares/ underlying shares (where appropriate)	Types of interests	Percentage of issued share capital
Xu Shao Chun	765,298,624	Interests of controlled corporation (Note 1)	
	11,815,200	Beneficial owner	
	15,450,000	Share award /Share option (Note 2)	
Aggregate:	**792,563,824**		*26.95%*
Lin Bo	363,500	Beneficial owner	
	1,812,500	Share award / Share option (Note 2)	
Aggregate:	**2,176,000**		*0.07%*
Chen Deng Kun	1,919,000	Beneficial owner	
	8,959,000	Share award / Share option (Note 2)	
Aggregate:	**10,878,000**		*0.37%*
Gary Clark Biddle	1,180,000	Share award / Share option (Note 2)	
Aggregate:	**1,180,000**		*0.04%*
Wu Cheng	780,000	Beneficial owner	
	300,000	Share award / Share option (Note 2)	
Aggregate:	**1,080,000**		*0.04%*
Dong Ming Zhu	400,000	Share award / Share option (Note 2)	
Aggregate:	**400,000**		*0.01%*
Liu Chia Yung	200,000	Share award / Share option (Note 2)	
Aggregate:	**200,000**		*0.01%*

Notes:

1. Of the 765,298,624 shares, 409,412,000 shares were held through Oriental Gold Limited and 355,886,624 shares were held through Billion Ocean Limited. Easy Key Holdings Limited is

wholly owned by Mr. Xu Shao Chun, which wholly owns Oriental Gold Limited and Billion Ocean Limited. Therefore, Mr. Xu Shao Chun is deemed to be interested in those 765,298,624 shares.

2. Details of the share options and the award share are set out in the paragraph headed "Outstanding Share Options" and "Share Award Scheme" of this report.

Save as disclosed in this paragraph, as at 30 June 2016, 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 will 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 will be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will 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 "Outstanding Share Options" above, none of the Directors or their respective associates (as defined under the Listing Rules) was granted by the Company, or any of its subsidiaries, any rights or options to acquire shares or debentures in the Company during the six months ended 30 June 2016

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

As at 30 June 2016, 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 issued share capital
Easy Key Holdings Limited(Note 1)	765,298,624(L)	Beneficial owner	
	9,900,000(L)	Other/share option (Note 3)	
SUBTOTAL	775,198,624(L)		26.36%
Oriental Gold Limited (Note 1)	409,412,000 (L) (Note 2)	Beneficial owner	
	9,900,000 (L)	Other/share option (Note 3)	

SUBTOTAL	419,312,000 (L)		14.26%
Billion Ocean Limited (Note 1)	355,886,624(L)	Beneficial owner	12.10%
JD Oriental Investment Limited(Note 4)	288,526,000(L)	Investment manager	9.81%
FMR LLC	209,200,485(L)	Investment manager	7.11%
Credit Suisse Group AG	236,739,571(L)	Investment manager	8.05%
(Note 5)	136,570,733(S)	Investment manager	4.64%

Notes:

1. Easy Key Holdings Limited is wholly owned by Mr. Xu Shao Chun; Oriental Gold Limited and Billion Ocean Limited are wholly owned by Easy Key Holdings Limited.

2. Out of the 409,412,000 shares (L), 130,000,000 shares (the "Lent Shares") are made available to Credit Suisse AG ("CSAG") on the basis that CSAG in turn agrees to make available to Credit Suisse Securities (Europe) Limited ("CSSEL") for purposes of stock lending by CSSEL to investors of the Guaranteed Convertible Bonds *(as defined below)* procured by CSSEL and for purposes of on-lending by CSSEL to Macquarie Bank Limited ("Macquarie") to facilitate stock lending by Macquarie to investors in the Bonds procured by Macquarie. During the terms of the lending arrangement, Oriental Gold Limited will not have the right to recall the Lent Shares and it will not have voting rights on the Lent Shares. It is expected that the Lent Shares will be returned to Oriental Gold Limited on or before the earlier of (i) the date on which all the Guaranteed Convertible Bonds are redeemed or converted and (ii) 14 April 2017.

3. Details of the share options are set out in the section headed "Outstanding Share Options" of this report.

4. According to the disclosure forms filed by JD Oriental Investment Limited, Max Smart Limited, JD.com, Inc., JD.com Investment Limited and Liu Qiangdong Richard on 26 May 2015, Max Smart Limited, JD.com, Inc., JD.com Investment Limited and Liu Qiangdong Richard were deemed to be interested in the shares of the Company as follows:

Name of controlled corporation	**Name of controlling shareholder**	**% control**	**Direct interest**	**Number of shares**	
Max Smart Limited	Liu Qiangdong Richard	100	N	Long position	288,526,000
JD.com, Inc.	Max Smart Limited and Fortune Rising Holdings Limited	82.8	N	Long position	288,526,000
JD.com Investment Limited	JD.com, Inc.	100	N	Long position	288,526,000
JD Oriental Investment Limited	JD.com Investment Limited	100	Y	Long position	288,526,000

5. Credit Suisse Group AG had interest in a total of 236,739,571 shares (L) and 136,570,733 shares (S) in the Company through its various controlled corporations as follows:

Name of controlled corporation	Name of controlling shareholder	% control	Direct interest	Number of shares
Credit Suisse AG	Credit Suisse Group AG	100.00	N	Long position 23,063,049 Short position 2,386,801
Credit Suisse (Hong Kong) Limited	Credit Suisse AG	100.00	Y	Long position 23,063,049 Short position 2,386,801
Credit Suisse AG	Credit Suisse Group AG	100.00	N	Long position 130,500,000 Short position 130,500,000
Credit Suisse AG	Credit Suisse Group AG	100.00	N	Long position 2,540,000 Short position 0
Credit Suisse Asset Management International Holding Ltd	Credit Suisse AG	100.00	N	Long position 2,540,000 Short position 0
Credit Suisse Funds AG	Credit Suisse Asset Management International Holding Ltd	100.00	Y	Long position 2,540,000 Short position 0
Credit Suisse AG	Credit Suisse Group AG	100.00	N	Long position 0 Short position 2,230,000
Credit Suisse International	Credit Suisse Group AG	20.00	Y	Long position 0 Short position 2,230,000
Credit Suisse International	Credit Suisse Group AG	80.00	Y	Long position 0 Short position 2,230,000
Credit Suisse AG	Credit Suisse Group AG	100.00	N	Long position 77,449,390 Short position 1,370,000
Credit Suisse Investments (UK)	Credit Suisse AG	100.00	N	Long position 77,449,390 Short position 1,370,000
Credit Suisse Investment Holdings (UK)	Credit Suisse Investments (UK)	100.00	N	Long position 77,449,390 Short position 1,370,000
Credit Suisse Securities (Europe) Limited	Credit Suisse Investment Holdings (UK)	100.00	Y	Long position 77,449,390 Short position 1,370,000
Credit Suisse AG	Credit Suisse Group AG	100.00	N	Long position 3,187,132 Short position 83,932
Credit Suisse Holdings (USA) Inc.	Credit Suisse Group AG	43.00	N	Long position 3,187,132 Short position 83,932

Credit Suisse Holdings (USA) Inc.	Credit Suisse AG	57.00	N	Long position Short position	3,187,132 83,932
Credit Suisse (USA), Inc	Credit Suisse Holdings (USA), Inc	100.00	N	Long position Short position	3,187,132 83,932
Credit Suisse Securities (USA) LLC	Credit Suisse (USA), Inc	100.00	Y	Long position Short position	3,187,132 83,932

6. (L) denotes long position and (S) denotes short position.

Save as disclosed above, as at 30 June 2016 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.

Issue of Guaranteed Convertible Bonds

Crotona Asset Limited (the Company's wholly owned subsidiary, as Issuer and the Company, as Guarantor) issued five-year guaranteed convertible bond in the principal amount of USD 175,000,000 which bear interest at a rate of 4% per annum payable semi-annually (the "**Guaranteed Convertible Bonds**") on 14 April 2014. The estimated net proceeds from the issue of the Guaranteed Convertible Bonds, after deduction of commission and expenses, is approximately USD171.9 million. As at 30 June 2016, in the net proceeds raised form the issue of the Guaranteed Convertible Bonds, (i) approximately USD83.3 million had been used to repay existing short-term bank loans; (ii) approximately USD37.5 million had been used for general corporate purposes; (iii) approximately USD44 million had been used for investing into financial product; and (iv) approximately USD7.1 million intended to use for working capital and general corporate purposes. There was no conversion or redemption of the Guaranteed Convertible Bonds during the period from 14 April 2014 to 30 June 2016

Please also refer to the announcements of the Company dated 8 April 2014, 10 April 2014, 14 April 2014 and 15 April 2014 for the details of the Guaranteed Convertible Bonds.

Subscription of New Shares

On 16 May 2015, the Company, JD Oriental Investment Limited (the "**Subscriber**") and JD.com Inc. (the "**Subscriber's Guarantor**") entered into a subscription agreement (the "**Subscription Agreement**"), pursuant to which the Company had agreed to allot and issue and the Subscriber had agreed to subscribe for the 288,526,000 new ordinary shares of HKD0.025 each in the share capital of the Company (the "**Subscription Shares**") at the aggregate subscription price of HKD1,327,219,600 (the "**Subscription Price**"), representing HKD4.60 per Subscription Share (the "**Subscription**").

The aggregate nominal value of the Subscription Shares is HKD7,213,150. The gross proceeds arising from the Subscription are approximately HKD1,327,219,600 and the net proceeds arising from the Subscription are approximately HKD1,326,719,600, representing HKD4.598 per Subscription Share. The completion of the Subscription had been fulfilled on 26 May 2015.

As at 31 December 2015, among the net proceeds raised from the Subscription Share, (i) approximately HKD560,000,000 had been used to repay bank loans; (ii)approximately HKD196,000,000 had been used for working capital and general corporate purposes; (iii)approximately HKD445,000,000 had been used for investing into financial product; and (iv)approximately HKD125,000,000 proposed to be used for enhance the capital base of the Company and to prepare for any further potential acquisitions.

As at the date of the report announcement, among the net proceeds raised from the Subscription Shares, (i)approximately HKD560,000,000 had been used to repay bank loans; (ii)approximately HKD300,000,000 had been used for working capital and general corporate purposes; (iii)approximately HKD181,000,000 had been used for investment purpose; (iv)approximately HKD272,000,000 had been used for investing into financial product; and (v)approximately HKD13,000,000 proposed to be used for working capital and general corporate purposes.

Major Transaction

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 RMB 55,648,000 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 RMB 43,330,450 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 RMB 8,423,000.

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.

Purchase, Sale or Redemption of Shares

Pursuant to the Company's Share Award Scheme as announced by the Company on 18 December 2015, through a trust company, the Company purchased 13,300,000 shares of the Company on the open market for an aggregate consideration of HK$38,854,000 during the reporting period ended 30 June 2016. In addition, 7,734,000 shares of the Company were purchased for an aggregate consideration of HK$18,622,000 in the period occurring after the reporting period and before the announcement. Save for the aforementioned purchases, neither the Company, nor any of its subsidiaries, had purchased any of the listed securities,

As at 30 June 2016, neither the Company nor any of its subsidiaries, had sold or redeemed any of the listed securities.

Change of Information of Directors and Senior Management

Mr.Yang Jian resigned as Chief Financial Officer on 1 January 2016.

Mr.Lin Bo was appointed as Chief Financial Officer on 1 January 2016.

Mr.Yang Jian resigned as Executive Director on 16 March 2016.

Mr.Lin Bo was appointed as Executive Director on 16 March 2016.

Mr.Chen Deng Kun resigned as Executive Director on 17 August 2016.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Corporate Governance

The Company has 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 ended 30 June 2016, except for the deviation in respect of the roles of Chairman and CEO under Code provision A.2.1. During the reporting period, Mr. Xu Shao Chun assumed the roles of both the Chairman and the CEO of the Company. The Board considers that Mr. Xu Shao Chun, as one of the main founders of the Company, has abundant knowledge of the IT industry and possesses a unique strategic perspective. The Board believes that he can lead the Company to formulate effective strategies and react promptly to market changes. His continuous service in both roles is beneficial to the stable and healthy development of the Company. However, the Board will review and make appropriate changes when necessary in order to enhance the level of corporate governance of the Company.

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, the Directors confirmed that they had complied with such code of conduct throughout the reporting period.

Audit Committee

The audit committee of the Company has reviewed with the management the accounting principles and practiced adopted by the Company and discussed the auditing, internal controls and financial reporting matters. The audit committee has reviewed the Group's unaudited consolidated results for the six months ended 30 June 2016. 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 does not declare an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

Appreciation

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

By order of the Board

Kingdee International Software Group Company Limited

Xu Shao Chun

Chairman

Shenzhen, the People's Republic of China, 17 August 2016

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. Chen Zhang as non-executive directors; and Mr. Gary Clark Biddle, Mr. Wu Cheng and Mr. Liu Chia Yung 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.*