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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)

INTERIM RESULTS ANNOUNCEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the "Board") of directors (the "Directors") of Kingdee International Software Group Company Limited ("Kingdee" or the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2021 are as follows:

Financial highlights for the six months ended 30 June 2021

- Revenue increased by approximately 35.0% above the same period in 2020 to approximately RMB1,872,399,000
- Loss attributable to owners of the Company amounted to RMB248,108,000 for 1H 2021 (1H 2020: loss of RMB224,025,000)
- Basic loss per share attributable to owners of the Company amounted to RMB7.25 cents for 1H 2021 (1H 2020: basic loss per share of RMB6.87 cents)

BUSINESS REVIEW AND OUTLOOK

1. Group Financial Results

In the first half of 2021, the Group continued to develop the Cloud subscription services. The Group's Cloud service business achieved 55.1% yoy growth in revenue, accounting for approximately 66.1% of total revenue. Annual Recurring Revenue (ARR) of Kingdee Cloud subscription was approximately RMB1.27 billion, an increase of 71.5% yoy. Meanwhile, subscription related contract liabilities achieved growth of 82.2% yoy.

For the six months ended 30 June 2021, the Group recorded total revenue of RMB1,872,399,000, representing an increase of approximately 35.0% as compared to the same period in 2020 (1H2020: RMB1,387,445,000). Revenue from the ERP and other businesses achieved growth of 7.7% yoy.

For the six months ended 30 June 2021, loss attributable to owners of the Company for the same period was approximately RMB248,108,000 (1H2020: a loss of approximately RMB224,025,000 attributable to owners of the Company). The loss expansion was mainly due to the increased investment in product research and development of Kingdee Cloud Cosmic and Constellation.

Basic loss per share attributable to owners of the Company amounted to approximately RMB7.25 cents. (1H2020: basic loss per share of approximately RMB6.87 cents).

Net cash outflow from operating activities of the Company was approximately RMB96,513,000 (1H2020: net cash outflow of approximately RMB81,581,000).

2. Group Strategy Review

Kingdee adheres to the strategy of "Platform + Finance & HR & Tax + Ecosystem", takes "wholeheartedly serve enterprises and enlight every enterprise" as its mission, being committed to becoming "the most trustworthy enterprise service platform" and creating an environment of co-creation and win-win.

The main strategies of the Group include:

1. **Platform:** Cosmic PaaS platform, built on the cloud-native platform with KDDM as its core of technology, continues to enhance the technological capabilities such as low-code development, integration, master data management, process management and RPA, build unified low-code platform, unleash and develop productivity, help enterprises quickly respond to the ever-changing market demands, and build resilience system of enterprises.
2. **Finance & HR & Tax:** Facing the large, medium and small markets, Kingdee continues to launch various solution plans and products, applies design and service mindset to help customers to solve problems of finance, HR and taxation under the background of new-era, and helps customers achieve benefits from management with digital digitalization.
3. **Ecosystem:** Kingdee is committed to building a mutual benefit, co-built and win-win ecological environment. With the help of diversified ecological forces such as consultation, products, implementation and development, channels, and services, Kingdee will better reach and serve customers. Besides, Kingdee will continue to invest in Kingdee Cloud Cosmic, application market to build an ecological empowerment and development system so that our ecological partners can focus on their advantageous

fields and enjoy the shared benefit of digital economy.

4. **Customer Success:** Through the implementation of the mission of “wholeheartedly serve enterprises”, Kingdee accelerates the construction of customer success methodology, customer success system and customer success cloud to provide customers with a new generation of whole-process customer success service and enable enterprises and its personnel to succeed, grow and make achievements.

3. Group Business Review

Since the cloud transformation in 2014 and evolving from ERP to EBC (Enterprise Business Capability), Kingdee has assisted more and more enterprises to boost “enterprise capability”. Through persistent exploration in cloud services area and gaining customer trusts, Kingdee was well recognised by global research institutions including the following “only” awards: 1) the only Chinese enterprise SaaS vendor ranked top-five market share in Gartner’s 2020 Application Platform Software; 2) the only Chinese enterprise SaaS vendor selected into Gartner’s Global Market Guide for Cloud ERP; 3) the only Chinese vendor won IDC’s 2020 Global SaaS Customer Satisfaction Award, ranked No.1 in ERP SaaS customer satisfaction; 4) the only Chinese vendor selected into IDC’s 2021 Asia Pacific Manufacturing ERP SaaS MarketScape, as a Contender; 5) the only company ranked No.1 market share in IDC’s China’s Enterprise SaaS ERM market for four consecutive years; 6) the only company ranked No.1 market in IDC’s growth enterprise application software market for seventeen consecutive years.

Cloud Business Review

During the Reporting Period, revenue from the cloud business grew by approximately 55.1% yoy from RMB798,376,000 in the same period in 2020 to RMB1,238,258,000, accounting for 66.1% of the total revenue.

(1) Remarkable growth in Large Enterprise market, and milestone achievement with model customers.

As a new generation of self-innovative enterprise-class PaaS platform, Kingdee Cloud Cosmic officially released Version 4.0 in May, continuing to consolidate its advantages in high-barrier technology with 186 patent applications in total. Cosmic platform combined enterprise-class cloud-native technology and KDDM, passed the online concurrent tests of enterprise-level scenarios of millions and obtained certification from Huawei; Focusing on Xinchuang (Information Technology Application Innovation) ecosystem, it has won the Digital Ecological Compatibility certification from CAICT of MIIT, and the first batch of general capability evaluation certification of low-code development platform, the collective award of empowerment service for digital transformation, and Infosec compatibility certification from Huawei, GWT and Fei teng. Meanwhile, Kingdee Cloud Cosmic became the only SaaS+PaaS player of CNCF in China, fully integrating into the global cloud-native technology. In addition, Cosmic ISV continuously develop ecological partnership, and the total number of Cosmic ecological partners amounted to nearly 800. During the Reporting Period, there were new ISV application products in respect of pharmaceutical distribution, MES, WMS, and CRM.

In May, the SaaS application of Kingdee Cloud Cosmic became an independent new brand Kingdee Cloud Constellation, as the EBC Cloud for large enterprise market. It aims to encapsulate Kingdee’s over 20-year management experience, solutions and industry practice as a large enterprise to provide mature, assemblable

and expandable enterprise business capabilities for large enterprises, and realize the leap from ERP to EBC (Enterprise Business Capability). So far, Constellation has provided more than 200 SaaS applications such as Finance Cloud, Taxation Cloud, Human Resources Cloud, Coordination Cloud, Project Cloud, Supply Chain Cloud, Procurement Cloud, Marketing Cloud and Manufacturing Cloud, and the solutions are becoming more optimized.

During the Reporting Period, Cosmic and Constellation model clients made steady progress and completed a milestone breakthrough, officially launching Phase 1 of Huawei global human resources project. The two parties, Huawei and Kingdee, will make joint effort to build digital competencies face the future. China Tobacco Yunnan's integrated ERP based on Kingdee Cloud Cosmic was officially launched on 1 January 2021, which operated stably and replaced 3 sets of original systems, and achieved a new breakthrough in domestic self-controllable technology. In respect of Hisense Group's business middle office and data middle office, which is based on Kingdee Cloud Cosmic, it serves as the fundamental platform for information integration in the future. In the second phase, multiple modules of Kingdee Cloud Constellation were launched, greatly improving the efficiency of invoice management and the accuracy of capital management, and increasing efficiency of sharing large-scale operation.

During the Reporting Period, Kingdee Cloud Cosmic and Constellation recorded RMB160 million in revenue, an increase of 155.4% yoy. In the first half in 2021, Kingdee Cloud Cosmic and Constellation signed 142 new customers in total, including certain head and industry clients such as China Huaneng Group, Shagang Group, HPGC Renmintongtai, Guang Xi Bei Tou, Hengfeng Paper and German Continental AG.

(2) Favored by star high-growth Enterprises in Medium Market, and in-depth exploration in industry verticals.

Kingdee Cloud Galaxy has accumulated successful experience in digitalization and corporate management wisdom in the industry, helping high-growth enterprises to develop steadily. It can provide solutions such as financial cloud, manufacturing cloud, supply chain cloud, omni-channel marketing cloud, new retail cloud, PLM R&D cloud, data service cloud, low-code development cloud and Amoeba mode of operating management, as well as the industry-leading "PLM+ERP+MES" integrated solution. As the EBC cloud service for high-growth enterprises, Kingdee Cloud Galaxy focused on industry vertical capabilities, and grew with the booming industry leaders and unicorns, including high-tech industries such as Phytium, Sensoro, IntelliFusion and EV Power; life and health companies such as PharmaBlock Sciences, Angelalign, Smartee and Mednovogroup; leading manufacturing enterprises such as HMNTech, Huanghe, Cheersson and Sunny Precision. It continued to consolidate the manufacturing, food daily chemical, catering and other years of deep cultivation in the industry, helping to build best practices, and realizing the common refinement and individual adaptation of major industry solutions. In addition, Kingdee Cloud Galaxy has won the China Smart Manufacturing Recommended Products in 2020 (Intelligent Manufacturing Cloud, PLM Cloud) and the Outstanding Supplier of Intelligent Management Solutions. Kingdee Cloud Galaxy's HMNTech project has been included in "Typical Case of Innovative Solutions for Information Technology Applications in 2020" by MIIT, continued to upgrade the cloud delivery platform, realized rapid launch, promoted the ecological operation of partners and industries, and helped partners realize service transformation.

During the Reporting Period, Kingdee Cloud Galaxy maintained steady growth and achieved revenue of approximately RMB680 million, an increase of over 35.1% yoy, maintained its dollar retention at 87.1%, and

accumulated over 22,800 customers. Kingdee Cloud Galaxy continued to deepen the industry layout, and successively signed well-known enterprises such as KINGSEMI, Sillumin Semiconductor, Tong Hua Dong Bao Group, Sanyou Medical, ZET , CHIOPT Optics, Huaxin Optoelectronics and Kanhoo Industry. As industry solutions mature and service delivery and direct signatures to partners, Kingdee Cloud Galaxy's profitability has increased significantly.

(3) Rapid growth in Small & Micro enterprise market, and constructing the finance & tax service ecosystem

Kingdee Cloud Stellar was positioned to meet the need of the growing small business and retail enterprises, created standardized business process, achieved high-efficiency internal and external business coordination and improved the efficiency of fiscal and taxation management and management decision-making. Kingdee Cloud Stellar and Ding Talk jointly launched a data standard co-build plan based on the integration of business and finance, promoted the data interconnection among SaaS in the industry in order to realize one-stop digital management of business and finance. Kingdee launched the first product based on full data of small enterprises: the digital enterprise capability index. The SME business monitoring and analysis project, carried out in cooperation with the Ministry of Industry and Information Technology based on the basic data of the index, gained recognition of the Ministry of Industry and Information Technology.

During the Reporting Period, cloud business in the small enterprises market achieved rapid growth with a yoy revenue increase of 72.3%. The revenue of Kingdee Cloud Stellar and Jingdou Cloud increased by 54.8% yoy; The revenue of Kingdee KIS Cloud increased by 329.9% yoy and the renewal rate was about 91.6% by promoting the old customers of KIS on-premise products to upgrade the cloud subscription service.

(4) Advance in the ecosystem strategy, to achieve a Win-Win for Kingdee and Partners

During the Reporting Period, Kingdee actively laid out ecosystem, strategically invested in Shanghai i-search, carried out product integration innovation, enhanced Cosmic platform through RPA (Robot Process Automation) technology, jointly created intelligent, efficient and innovative application products, and assisted enterprises to reconstruct business capabilities. Meanwhile, Kingdee owns majority share of Beijing Infosin and provides full-life-cycle product solutions for the tobacco industry.

In terms of strategic ecosystem, Kingdee actively deepened partnership with domestic and foreign consulting and delivery partners such as KPMG, iSoftStone, Chinasoft International, and explored ecological services cooperation. Kingdee introduced solution plans for the industry with IaaS players such as Huawei Cloud, Alibaba Cloud, Tencent Cloud. Through active layout to integrate Xinchuang ecosystem, Kingdee Cloud Cosmic and other products have passed the adaptation certificate with 11 products of domestic Xinchuang partners such as Huawei Kunpeng, DM Database, KYLINSOFT, etc.

(5) Focused on core industry, and built the potential energy of the industry

In respect of the steel industry, combining with the experience of working for hundreds of enterprises in the steel, nonferrous metals and coal chemical industry, Kingdee has provided solutions in line with the characteristics of the metallurgical industry for enterprise including Delong Steel, Tsinghan Holding and Shandong Zhaojin.

During the period, Kingdee signed with well-known enterprises progressively including Shagang Group and Huayin Aluminum.

In respect of the tobacco industry, based on the framework of Kingdee Cloud Cosmic, Kingdee has gradually developed modules with the characteristic of tobacco industry such as Raw Material Cloud, Process Cloud, Marketing Cloud and Project Cloud, and those modules have been extensively applied in China Tobacco Yunnan project, which have been under stable operation.

In respect of the construction industry, our products covered the whole life cycle of investment, construction, sales, operation and service of urban space development and operation projects, and helped the digital transformation of enterprises in the construction industry. During the period, Kingdee signed with major real-estate enterprise including Aoyuan Group, China Overseas Grand Oceans, CCCG Real Estate Group, and construction enterprises including Power China and Guangxi Liugong.

Subsidiaries in various industries continued to make efforts in their industries: Through Asset Management Services Cloud and Property Services Cloud, Wojia Cloud served over 3,000 projects, covering over 170 cities nationwide. During the period, Wojia Yun signed with major property asset management enterprises including GZYXPMC and Onewo Technology. Kingdee Guanyi Cloud built the new generation of retail EBC based on Kingdee Cloud Cosmic platform. During the period, it signed with the Playboy Group, Red Star Macalline Group, Maxim's Cateres and Hotata. Kingdee Internet Finance reached cooperation in digital supply chain and financial technology with well-known enterprises including Oriental BJ, 361 Degrees and Tecon Biology.

(6) Internal Reform motivated by Xu Shaochun's WeChat Public Account, to enable customer success

Introduction of "Xu Shaochun's WeChat Public Account" aims to promote the culture of "wholeheartedly serving the enterprise customers" across the Group, and has become a major force driving Kingdee's cloud transformation. In the first half of 2021, the Public Account received nearly 5,000 effective consultations, also received over 240 customer appraisals, representing an increase of 110% yoy. Customer complaints also declined by 40% yoy. The Public Account has notably pushed forward internal reforms based on the feedbacks, and has built direct customer services and customer success model.

ERP Business and others

During the Reporting Period, revenue from enterprise resource management plans and other businesses grew about 7.7% yoy, from RMB589,069,000 in the same period last year to RMB634,141,000, of which EAS Cloud license revenue increased by 13.1% yoy. Kingdee signed with new customers including Xiangyu Real Estate, Bei da huang Grain Group, Jinhui Wine Group and Shenzhen Bus Group.

Business of investment properties operation

As of 30 June 2021, the Group had carrying amount of investment properties of RMB1,650,971,000 (31 December 2020: RMB1,650,971,000). During the Reporting Period, the Group fully used and leased available space in software parks in Beijing, Shanghai and Shenzhen. The Group generated net rental income of RMB35,915,000 during the period (30 June 2020: RMB38,634,000). The decrease in rental income was due to the increase in the self-use area of the properties.

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 2021 are as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	7	802,073	746,148
Right-of-use assets	8	210,713	181,920
Intangible assets	7	879,358	785,500
Investment properties		1,650,971	1,650,971
Investments in associates	9	394,920	403,032
Deferred income tax assets		22,400	11,380
Financial assets at fair value through profit or loss	10	825,885	622,739
Trade and other receivables	11	225,244	49,526
Loans to third parties	11	38,467	57,449
Long-term bank deposits		595,000	30,000
		<u>5,645,031</u>	<u>4,538,665</u>
Current assets			
Inventories		17,732	18,922
Trade and other receivables	11	318,772	333,712
Loans to related parties	11	200,250	-
Loans to third parties	11	304,845	316,666
Contract assets		356,079	356,658
Contract obtaining costs		187,500	142,280
Financial assets at fair value through profit or loss	10	246,721	993,656
Derivative financial instruments	10	3,833	4,540
Pledged bank deposits		37,941	27,206
Short-term bank deposits		1,714,279	1,236,143
Cash and cash equivalents		1,321,288	2,753,631
		<u>4,709,240</u>	<u>6,183,414</u>
Total assets		<u><u>10,354,271</u></u>	<u><u>10,722,079</u></u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION *(Continued)**As at 30 June 2021*

	Notes	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities	8	58,610	22,320
Deferred income tax liabilities		<u>140,316</u>	<u>142,693</u>
		<u>198,926</u>	<u>165,013</u>
Current liabilities			
Trade and other payables	13	615,135	794,603
Contract liabilities		1,690,768	1,483,943
Borrowings	14	-	120,000
Lease liabilities	8	27,087	28,712
Current income tax liabilities		16,650	39,671
Deferred income		<u>132,602</u>	<u>131,660</u>
		<u>2,482,242</u>	<u>2,598,589</u>
Total liabilities		<u><u>2,681,168</u></u>	<u><u>2,763,602</u></u>
Net assets		<u><u>7,673,103</u></u>	<u><u>7,958,477</u></u>
Equity			
Equity attributable to owners of the Company			
Share capital	12	83,439	83,331
Share premium	12	5,027,044	5,052,514
Other reserves		762,313	732,002
Retained earnings		<u>1,673,676</u>	<u>1,921,784</u>
		<u>7,546,472</u>	<u>7,789,631</u>
Non-controlling interests		<u>126,631</u>	<u>168,846</u>
Total equity		<u><u>7,673,103</u></u>	<u><u>7,958,477</u></u>

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT*For the six months ended 30 June 2021*

		Unaudited	
		Six months ended 30 June	
	Notes	2021	2020
		RMB'000	RMB'000
Revenue from contracts with customers	15	1,872,399	1,387,445
Cost of sales	16	<u>(698,266)</u>	<u>(496,951)</u>
Gross profit		<u>1,174,133</u>	<u>890,494</u>
Selling and marketing expenses	16	(887,846)	(725,916)
Administrative expenses	16	(207,553)	(189,203)
Net impairment losses on financial assets and contract assets	16	(27,702)	(21,561)
Research and development costs	16	(624,743)	(358,396)
Other income and gains - net	17	219,127	151,020
Operating loss		<u>(354,584)</u>	<u>(253,562)</u>
Finance income		25,724	8,323
Finance costs		<u>(3,749)</u>	<u>(3,690)</u>
Finance income - net		21,975	4,633
Share of profit/(loss) of associates		7,473	(1,952)
Loss before income tax		<u>(325,136)</u>	<u>(250,881)</u>
Income tax credit	18	38,679	9,181
Loss for the period		<u>(286,457)</u>	<u>(241,700)</u>
Loss attributable to:			
Owners of the Company		(248,108)	(224,025)
Non-controlling interests		<u>(38,349)</u>	<u>(17,675)</u>
		<u>(286,457)</u>	<u>(241,700)</u>
Loss per share for loss attributable to owners of the Company (expressed in RMB cents per share)			
- Basic	19	<u>(7.25)</u>	<u>(6.87)</u>
- Diluted	19	<u>(7.25)</u>	<u>(6.87)</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2021*

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Loss for the period	<u>(286,457)</u>	<u>(241,700)</u>
<i>Items that may be reclassified to profit or loss</i>		
-Currency translation differences	<u>1,006</u>	<u>2,855</u>
Other comprehensive income for the period, net of tax	<u>1,006</u>	<u>2,855</u>
Total comprehensive loss for the period	<u>(285,451)</u>	<u>(238,845)</u>
Total comprehensive loss attributable to:		
-Owners of the Company	<u>(247,102)</u>	<u>(221,170)</u>
-Non-controlling interests	<u>(38,349)</u>	<u>(17,675)</u>
	<u>(285,451)</u>	<u>(238,845)</u>

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

		Unaudited							
		Attributable to owners of the Company				Non-	Total		
		Share	Share	Other	Retained	controlling	Total		
Notes		capital	premium	reserves	earnings	interests	equity		
		Total							
	Balance at 1 January 2021	83,331	5,052,514	732,002	1,921,784	7,789,631	168,846	7,958,477	
	Loss for the period	-	-	-	(248,108)	(248,108)	(38,349)	(286,457)	
	Other comprehensive income								
	Currency translation differences	-	-	1,006	-	1,006	-	1,006	
	Total comprehensive (loss)/income	-	-	1,006	(248,108)	(247,102)	(38,349)	(285,451)	
	Transactions with owners								
	Employees share option scheme:								
	- Proceeds from shares issued	12	108	9,112	-	-	9,220	-	9,220
	Share award plan:								
	- Value of employee services received	12	-	52,106	2,638	-	54,744	-	54,744
	- Transfer shares to the awardees upon vesting	12	-	(86,688)	20,802	-	(65,886)	-	(65,886)
	Transactions with non-controlling interests	-	-	5,865	-	5,865	(3,866)	1,999	
	Total transactions with owners	108	(25,470)	29,305	-	3,943	(3,866)	77	
	Balance at 30 June 2021	83,439	5,027,044	762,313	1,673,676	7,546,472	126,631	7,673,103	

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY *(Continued)**For the six months ended 30 June 2020**(All amounts in Renminbi thousands unless otherwise stated)*

		Unaudited							
		Attributable to owners of the Company				Non-			
		Share	Share				controlling		
Notes		capital	premium	Other reserves	Retained earnings	Total	interests	Total equity	
	Balance at 1 January 2020	80,037	2,963,096	686,532	2,257,263	5,986,928	158,743	6,145,671	
	Loss for the period	-	-	-	(224,025)	(224,025)	(17,675)	(241,700)	
	Other comprehensive income								
	Currency translation differences	-	-	2,855	-	2,855	-	2,855	
	Total comprehensive (loss)/income	-	-	2,855	(224,025)	(221,170)	(17,675)	(238,845)	
	Transactions with owners								
	Employees share option scheme:								
	- Proceeds from shares issued	12	232	28,961	-	-	29,193	-	29,193
	Share award plan:								
	- Value of employee services received	12	-	55,547	-	-	55,547	-	55,547
	- Transfer shares to the awardees upon vesting	12	-	(99,486)	64,921	-	(34,565)	-	(34,565)
	Dividend declared	20	-	(36,756)	-	-	(36,756)	-	(36,756)
	Total transactions with owners		232	(51,734)	64,921	-	13,419	-	13,419
	Balance at 30 June 2020		80,269	2,911,362	754,308	2,033,238	5,779,177	141,068	5,920,245

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT*For the six months ended 30 June 2021*

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Cash flows from operating activities:		
Cash generated from operations excluding net cash outflow in loans to third parties from the micro-credit business	(89,747)	51,330
Net cash (outflow)/inflow in loans to third parties from the micro-credit business	964	(115,733)
Interest paid	(1,849)	(5,567)
Income tax paid	(5,881)	(11,611)
Net cash outflow from operating activities	(96,513)	(81,581)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(145,400)	(7,824)
Proceeds from disposals of property, plant and equipment	471	41
Purchases of intangible assets	(232,556)	(247,050)
Payment for acquisition of a subsidiary	(80,311)	-
Pledged and short-term bank deposits (paid)/withdrawn - net	(1,053,871)	296,038
Interest received	5,311	9,945
Purchases of financial assets at fair value through profit or loss	(849,383)	(1,870,122)
Proceeds from disposal of financial assets at fair value through profit or loss	1,345,739	1,567,457
Investments in associates	-	(125,000)
Loans provided to related parties	(200,000)	(270,000)
Repayments received from related parties	-	270,000
Proceeds from disposal of investments in associates	15,000	-
Net cash outflow from investing activities	(1,195,000)	(376,515)
Cash flows from financing activities:		
Proceeds from share options exercised	9,220	29,193
Proceeds from borrowings	-	120,000
Repayments of borrowings	(120,000)	(85,625)
Repayments of lease liabilities	(15,654)	(12,132)
Dividends paid	-	(36,715)
Acquisition of non-controlling interests in subsidiaries	-	(3,175)
Net cash inflow/(outflow) from financing activities	(126,434)	11,546
Net decrease in cash and cash equivalents	(1,417,947)	(446,550)
Effect of exchange rate changes on cash and cash equivalents	(14,396)	4,279
Cash and cash equivalents at beginning of the period	2,753,631	1,898,770
Cash and cash equivalents at end of the period	1,321,288	1,456,499

Notes to the condensed consolidated interim financial information

1. General information

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

The Company is an investment holding company. The Company and its subsidiaries (together the “Group”) are principally engaged in the cloud services, including enterprise cloud services, Small & Micro business finance cloud services, and industry cloud services; and enterprise resource planning (“ERP”) business and others, including development and sales of software products, sales of hardware products, provision of implementation services, software solution consulting services, maintenance services, upgrade services, other supporting services, and others.

The company has its primary listing on the Stock Exchange of Hong Kong Limited since 15 February 2001.

These unaudited condensed consolidated interim financial statements are presented in thousands of Renminbi (RMB’000), unless otherwise stated. These unaudited condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 18 August 2021.

This condensed consolidated interim financial information has not been audited.

2. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with IAS 34, ‘Interim financial reporting’. The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

3. Prior year adjustments

For the six months ended 30 June 2020, the Group recorded certain outsourcing service fees in relation to ERP and cloud implementation in “selling and marketing expenses”. During the six months ended 30 June 2021, the Group reassessed the nature of the above outsourcing service and considered that these service fees charged by outsourcers are directly related to ERP and cloud implementation services rendered by the Group to its customers, thus they should be accounted for as and recorded in “cost of sales”. Adjustments have been made to reclassify outsourcing service fees of RMB134,154,000 which were previously recorded in “selling and marketing expenses” for the six months ended 30 June 2020 to “cost of sales” to conform with the current reporting period presentation. These changes have been applied retrospectively in accordance with IAS 8 and there were no net impact on the loss for the six months ended 30 June 2020 and the financial position as at 30 June 2020.

The impact on the consolidated income statement for the six months ended 30 June 2020 is presented as below:

	Six months ended 30 June 2020 RMB'000
Increase in cost of sales	134,154
Decrease in gross profit	(134,154)
Decrease in selling and marketing expenses	(134,154)

4. Significant accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements.

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

5. Estimates

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

In preparing this unaudited condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

6. Segment information

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

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

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

The chief operating decision-maker assesses the performance of the operating segments based on the profit for the period of each segment. Substantially all of the businesses of the Group are carried out in the PRC.

Notes to the condensed consolidated interim financial information

6. Segment information (Continued)

The unaudited segment information for the six months ended 30 June 2021 is as follows:

	Cloud services business RMB'000	ERP business and others RMB'000	Investment properties operating business RMB'000	The Group Total RMB'000
Revenue (from external customers)	1,238,258	634,141	-	1,872,399
- Products transferred at a point in time	-	254,664	-	254,664
- Services transferred over time	1,238,258	379,477	-	1,617,735
Operating (loss)/profit	(433,223)	42,724	35,915	(354,584)
Finance costs	(2,903)	(846)	-	(3,749)
Finance income	16,322	9,402	-	25,724
Finance income – net	13,419	8,556	-	21,975
Share of profit of associates	-	7,473	-	7,473
(Loss)/profit before income tax	(419,804)	58,753	35,915	(325,136)
Income tax (expense)/credit	53,556	(11,286)	(3,591)	38,679
Segment results	(366,248)	47,467	32,324	(286,457)
Depreciation and amortisation	188,252	41,661	-	229,913
Net impairment losses on financial assets and contract assets	254	27,448	-	27,702
Share-based payment	11,415	44,048	-	55,463

Notes to the condensed consolidated interim financial information

6. Segment information (Continued)

The unaudited segment information for the six months ended 30 June 2020 is as follows:

	Cloud services business RMB'000	ERP business and others RMB'000	Investment properties operating business RMB'000	The Group Total RMB'000
Revenue (from external customers)	798,376	589,069	-	1,387,445
- Products transferred at a point in time	-	206,479	-	206,479
- Services transferred over time	798,376	382,590	-	1,180,966
Operating profit/(loss)	(281,937)	(10,259)	38,634	(253,562)
Finance costs	(2,518)	(1,172)	-	(3,690)
Finance income	850	7,473	-	8,323
Finance income/(cost) – net	(1,668)	6,301	-	4,633
Share of losses of associates	-	(1,952)	-	(1,952)
Profit/(loss) before income tax	(283,605)	(5,910)	38,634	(250,881)
Income tax (expense)/credit	13,667	(623)	(3,863)	9,181
Segment results	(269,938)	(6,533)	34,771	(241,700)
Depreciation and amortisation	197,717	54,131	-	251,848
Net impairment losses on financial assets and contract assets	2,565	18,996	-	21,561
Share-based payment	25,236	64,478	-	89,714

Notes to the condensed consolidated interim financial information

6. Segment information *(Continued)*

The Company is incorporated in the Cayman Islands while the Group mainly operates its business in the PRC. Revenue from external customers from the PRC and other locations is RMB1,857,328,000 (the same period in 2020: RMB1,370,340,000) and RMB15,071,000 (the same period in 2020: RMB17,105,000), respectively for the six months period ended 30 June 2021.

There is no single customer that contributed to over 10% of the Group's revenue for the six months period ended 30 June 2021 and 2020.

Notes to the condensed consolidated interim financial information

7. Property, plant, equipment and intangible assets

(a) Property, plant, equipment

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Opening net book amount at 1 January	746,148	546,524
Additions	77,999	29,544
Disposals	(350)	(173)
Depreciation	(21,724)	(20,577)
Closing net book amount at 30 June	802,073	555,318

(b) Intangible assets

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Opening net book amount at 1 January	785,500	923,323
Additions	285,824	243,489
Amortisation	(191,966)	(218,772)
Closing net book amount at 30 June	879,358	948,040

Notes to the condensed consolidated interim financial information

8. Leases

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

(a) Amounts recognised in the statement of financial position

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

	Unaudited	
	Six months ending 30 June	
	2021	2020
	RMB'000	RMB'000
Right-of-use assets		
Land use rights (i)	133,960	64,756
Buildings	76,753	33,498
	<u>210,713</u>	<u>98,254</u>
Lease liabilities		
Current	27,087	20,381
Non-current	58,610	15,674
	<u>85,697</u>	<u>36,055</u>

Additions to the right-of-use assets during the six months ended 30 June 2021 were RMB46,352,000.

- (i) The Group has land lease arrangement with mainland China government. The land use rights are located in the PRC and held on leases of between 31 to 42 years, and for self-use.

(b) Amounts recognised in the statement of profit or loss

The income statement shows the following amounts relating to leases:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Land	1,972	930
Buildings	14,251	11,569
	<u>16,223</u>	<u>12,499</u>
Interest expense (included in finance cost)	1,205	992
Expense relating to short-term leases (included in cost of sales and administrative expenses)	9,698	10,092

The total cash outflow for leases in six months ended 30 June 2021 was RMB25,837,000 (the six months ended 30 June 2020: 22,728,600).

Notes to the condensed consolidated interim financial information**8. Leases** *(Continued)***(c) The Group's leasing activities and how these are accounted for**

The Group leases various offices. Rental contracts are typically made for fixed periods of 3 months to 8 years, but may have extension options as described in (d) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Until 30 June 2021, the Group has not entered into any lease contract with variable lease payment arrangement or residual value guarantee arrangement.

(d) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

9. Investments in associates

The carrying amount of equity-accounted investments has changed as follows for the six months ended 30 June 2021:

	Unaudited
	Six months ended 30 June 2021
	RMB'000
Beginning of the period	403,032
Additions	-
Disposal (a)	(15,585)
Share of profit of associates	7,473
End of the period	394,920

(a) The Group has disposed of all of its 5% interest in Shenzhen Fast Learning Education Development Co., Ltd ("Fast Learning Education") in May 2021 to an independent third party.

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

Notes to the condensed consolidated interim financial information

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

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

For the six months ended 30 June 2021, the Group classifies the following financial assets at fair value through profit or loss (FVPL) and derivative financial instruments:

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

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

At 30 June 2021	Unaudited			
	Level 1(i) RMB'000	Level 2(i) RMB'000	Level 3(i) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
Wealth management products(ii)	-	-	173,254	173,254
Listed stock	73,467	-	-	73,467
Unlisted equity investment	-	-	825,885	825,885
Derivative financial instruments	-	3,833	-	3,833
	<u>73,467</u>	<u>3,833</u>	<u>999,139</u>	<u>1,076,439</u>
Less: non-current portion	-	-	(825,885)	(825,885)
Current portion	<u>73,467</u>	<u>3,833</u>	<u>173,254</u>	<u>250,554</u>
At 31 December 2020	Audited			
	Level 1(i) RMB'000	Level 2(i) RMB'000	Level 3(i) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
Wealth management products(ii)	-	-	993,656	993,656
Unlisted equity investment	-	-	622,739	622,739
Derivative financial instruments	-	4,540	-	4,540
	-	4,540	1,616,395	1,620,935
Less: non-current portion	-	-	(622,739)	(622,739)
Current portion		<u>4,540</u>	<u>993,656</u>	<u>998,196</u>

Notes to the condensed consolidated interim financial information

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

(Continued)

(i) The table analyses the Group's financial instruments carried at fair value as at 30 June 2021 and 31 December 2020 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

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

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

Specific valuation techniques used to value financial instruments include:

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

(ii) This represented the Group's investments in various wealth management products issued by commercial banks and state-owned financial institutions. These products have a term ranging from 1 month to 12 months. They have an expected return rate ranging from 2.50% to 4.85%. No single wealth management product investment accounted for over 5% of the Group's total assets. The fair values of these investments were determined based on income approach.

Notes to the condensed consolidated interim financial information**10. Financial assets at fair value through profit or loss and derivative financial instruments***(Continued)*

(b) The following table presents the changes in level 3 instruments for the six months ended 30 June 2021.

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

	Unaudited Financial assets at fair value through profit or loss RMB'000
At 1 January 2020	965,803
Additions	1,870,122
Disposals	(1,567,457)
Gains recognised in profit or loss	33,220
At 30 June 2020	1,301,688
Changes in unrealised gains for the period included in profit or loss at the end of the period	3,768

Notes to the condensed consolidated interim financial information

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

	Unaudited	Audited
	30 June	31 December
	2021	2020
	RMB'000	RMB'000
Trade receivables (a)	244,155	253,947
Less: allowance for impairment of trade receivables	<u>(143,664)</u>	<u>(131,060)</u>
Trade receivables - net	100,491	122,887
Notes receivable	42,971	43,650
Advances to employees	8,850	6,183
Prepayments	250,169	73,857
VAT recoverable	22,388	29,280
Interest receivables	39,568	13,775
Receivables from related parties	19,702	17,637
Loans to related parties (b)	200,250	-
Receivables from non-controlling interests	45,619	39,500
Other	31,169	48,729
Less: allowance for impairment of other receivables (excluding prepayments)	<u>(16,911)</u>	<u>(12,260)</u>
	744,266	383,238
Less: non-current portion	<u>(225,244)</u>	<u>(49,526)</u>
Current portion	<u>519,022</u>	<u>333,712</u>
Loans to third parties (c)		
Current portion	304,845	316,666
Non-current portion	<u>38,467</u>	<u>57,449</u>
	<u>343,312</u>	<u>374,115</u>

Notes to the condensed consolidated interim financial information

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

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

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
0-90 days	86,493	97,363
91-180 days	10,699	5,419
181- 360 days	15,486	12,402
Over 360 days	131,477	138,763
	<u>244,155</u>	<u>253,947</u>

- (b) The Group has provided RMB200,000,000 of loan to Citic Consumer Finance Co., Ltd. with a term of 182 days starting from 25 January 2021 and ending on 26 July 2021 of which the annual interest rate is 5%.

- (c) The loans to third parties

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Loans to third parties	346,776	377,902
Less: Provisions for collective impairment assessment of the loans	<u>(3,464)</u>	<u>(3,787)</u>
Loans to third parties, net of provision	343,312	374,115
Less: non-current portion	<u>(38,467)</u>	<u>(57,449)</u>
Current portion	<u>304,845</u>	<u>316,666</u>

The loans to third parties represented loans made under the micro-credit business, which bear interest from 4.28% to 24.00% (31 December 2020: 4.28% to 24.00%) per annum and are repayable with fixed terms agreed with the customers, and all denominated in RMB.

The fair values of the loans to third parties approximated their carrying amounts. The interest accrued was due within 12 months and presented in interest receivables.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

The Group performed expected credit loss assessment of loans to third parties collectively by grouping loans with similar credit risk characteristics. During the six months ended 30 June 2021 and 2020, the majority of the loans were in stage 1 and there were no significant change in credit quality for loans for both periods.

Notes to the condensed consolidated interim financial information

12. Share capital and share premium

	Unaudited			
	Number of shares (thousands)	Share capital RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2021	3,466,598	83,331	5,052,514	5,135,845
Employee share option scheme				
- Proceeds from shares issued	3,317	108	9,112	9,220
Share award plan				
- Value of services received	-	-	52,106	52,106
- Transfer shares to the awardees upon vesting	-	-	(86,688)	(86,688)
At 30 June 2021	3,469,915	83,439	5,027,044	5,110,483
At 1 January 2020	3,320,690	80,037	2,963,096	3,043,133
Employee share option scheme				
- Proceeds from shares issued	10,306	232	28,961	29,193
Share award plan				
- Value of services received	-	-	55,547	55,547
- Transfer shares to the awardees upon vesting	-	-	(99,486)	(99,486)
Dividend declared	-	-	(36,756)	(36,756)
At 30 June 2020	3,330,996	80,269	2,911,362	2,991,631

Notes to the condensed consolidated interim financial information

13. Trade and other payables

	Unaudited	Audited
	30 June	31 December
	2021	2020
	RMB'000	RMB'000
Trade payables (a) and (b)	11,659	24,503
Salary and staff welfare payables	134,106	243,427
Deposits payable	150,924	130,372
Accrual for expenses	128,885	114,307
Value-added tax ("VAT") and other taxes payables	31,445	54,136
Construction payables (c)	46,637	105,032
Unpaid consideration for investment in financial assets at fair value through profit or loss	42,465	70,775
Unpaid business acquisition consideration	12,000	-
Others	57,014	52,051
	<u>615,135</u>	<u>794,603</u>

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

(b) As at 30 June 2021, the aging analysis of trade payables is as follows:

	Unaudited	Audited
	30 June	31 December
	2021	2020
	RMB'000	RMB'000
0-180 days	8,936	20,493
181- 360 days	1,505	1,005
Over 360 days	1,218	3,005
	<u>11,659</u>	<u>24,503</u>

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

Notes to the condensed consolidated interim financial information

14. Borrowings

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Short-term borrowings, unsecured	-	120,000

15. Revenue from contracts with customers

	Unaudited Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Cloud services business	1,238,258	798,376
- Enterprise cloud services	868,670	567,835
- Small & Micro business finance cloud services	218,403	126,744
- Industry cloud services	151,185	103,797
ERP business and others	634,141	589,069
- Revenue from sales of software and hardware	254,664	206,479
- Revenue from rendering of software implementation, maintenance services, and others	379,477	382,590
	1,872,399	1,387,445

Notes to the condensed consolidated interim financial information

16. Expenses by nature

Significant expense items are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Research and development costs		
Amounts incurred	667,911	389,755
Less: development costs capitalised	(228,722)	(243,397)
Add: amortisation	185,554	212,038
	<u>624,743</u>	<u>358,396</u>
Employee benefit expenses	1,545,690	1,074,142
Less: amount included in research and development costs	(423,672)	(235,257)
	<u>1,122,018</u>	<u>838,885</u>
Outsourcing services	247,898	197,691
Cost of inventories consumed and rental cost of cloud server	97,615	79,463
Depreciation of property, plant and equipment	21,724	20,577
Depreciation of right-of-use assets	16,223	12,499
Amortisation of computer software, licenses and copyrights	1,711	4,119
Amortisation of customer relationship	4,701	2,615
Net impairment losses on financial assets	27,702	21,561

Notes to the condensed consolidated interim financial information

17. Other income and gains - net

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Other income		
VAT refund	69,655	52,540
VAT input tax surplus deduction	5,255	-
Government program research	22,761	15,289
Rental income-net	35,915	38,634
Interest income from loan to related parties	4,333	-
	137,919	106,463
Other gains		
Realised and unrealised gains on financial assets at FVPL	85,401	43,490
Fair value change of derivative financial instruments	7,360	-
Net foreign exchange loss	(15,599)	(71)
Others	4,046	1,138
	81,208	44,557
	219,127	151,020

Notes to the condensed consolidated interim financial information

18. Income tax (credit)/expense

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current income tax	(17,140)	(10,818)
Deferred income tax	(21,539)	1,637
	(38,679)	(9,181)
	(38,679)	(9,181)

- (a) No provision for profits tax in the Cayman Islands and Hong Kong has been made as the Group has no assessable profits for the period in those jurisdictions.
- (b) Kingdee China was qualified as National Important Software Enterprise (“NISE”) and was entitled to preferential tax rates of 10% for the period ended 30 June 2021.
- (c) Kingdee Deeking Cloudcomputing Co., Ltd., Shanghai Kingdee Deeking Cloudcomputing Co., Ltd., Kingdee Apusic Cloud Computing Co.,Ltd., Beijing Kingdee Tianyan Technology Co., Ltd., Beijing Kingdee Management Software Co., Ltd., Shanghai Guanyi Cloudcomputing Software Co., Ltd., Shanghai Kingdee Internet Technology Co., Ltd., and Shenzhen Kingdee Zhangwuyou Network Technology Co., Ltd. were each qualified as a High-tech Enterprise and was entitled to a preferential tax rate of 15% for the period ended 30 June 2021.
- (d) Other PRC subsidiaries of the Group applied the tax rate of 25%.

Notes to the condensed consolidated interim financial information

19. Losses per share

(a) Basic

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Loss attributable to owners of the Company	(248,108)	(224,025)
Weighted average number of ordinary shares in issue (thousands)	3,421,063	3,261,142
Basic loss per share	<u>RMB(7.25) cents</u>	<u>RMB (6.87) cents</u>

Notes to the condensed consolidated interim financial information**19. Losses per share** *(Continued)***(b) Diluted**

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and share awards. For the share options and share awards, the number of shares that could have been issued upon the exercise of all dilutive share options and share awards less the number of shares that could have been issued at fair value (determined as the average annual market share price of the Company's shares) for the same total proceeds is added to the denominator as the number of ordinary shares issued for no consideration. As the Group incurred loss for the six months ended 30 June 2021, the potential share options and share awards were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the six months ended 30 June was the same as basic loss per share.

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Loss attributable to owners of the Company	(248,108)	(224,025)
Loss used to determine diluted loss per share	(248,108)	(224,025)
Weighted average number of ordinary shares in issue (thousands)	3,421,063	3,261,142
Adjustment for–		
share options (thousands)	-	-
share awards (thousands)	-	-
Weighted average number of ordinary shares for diluted loss per share (thousands)	3,421,063	3,261,142
Diluted loss per share	RMB(7.25) cents	RMB (6.87) cents

20. Dividends

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2021 (the six months ended 30 June 2020: Nil).

Notes to the condensed consolidated interim financial information

21. Related party transactions

The Group had transactions with related parties for the period ended 30 June 2021 as follows:

(a) Transactions with related parties

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Sales of products		
– Associates	5,102	5,931
– Companies controlled by Mr. Xu Shao Chun	341	153
	<u>5,443</u>	<u>6,083</u>
Sales of services		
– Associates	5,605	6,732
– Companies controlled by Mr. Xu Shao Chun	589	241
	<u>6,194</u>	<u>6,973</u>
Rental income		
– Associates	1,407	915
– Companies controlled by Mr. Xu Shao Chun	2,793	6,418
	<u>4,200</u>	<u>7,333</u>
Interest income		
– Associates	4,333	1,550

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

Notes to the condensed consolidated interim financial information

21. Related party transactions (Continued)

(b) Purchase of products and services

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Purchase of products		
– Associates	4,362	2,512
– Companies controlled by Mr. Xu Shao Chun	291	27
	<u>4,653</u>	<u>2,538</u>
Purchase of services		
– Associates	<u>16,546</u>	<u>15,333</u>

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

(c) Balances with related parties

	Unaudited	Audited
	30 June	31 December
	2021	2020
	RMB'000	RMB'000
Payable to related parties recorded in “Contract Liabilities”	3,229	1,352
– Associates	582	-
– Companies controlled by Mr. Xu Shao Chun	<u>3,811</u>	<u>1,352</u>
Payable to related parties recorded in “Trade payables”		
– Associates	274	-
– Companies controlled by Mr. Xu Shao Chun	24	-
	<u>298</u>	<u>-</u>
Receivables from related parties		
– Associates	16,083	11,251
– Companies controlled by Mr. Xu Shao Chun	<u>3,619</u>	<u>6,034</u>
	<u>19,702</u>	<u>17,285</u>

Notes to the condensed consolidated interim financial information

21. Related party transactions (Continued)

(d) Loans to related parties

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Loans to an associate		
At 1 January	-	
Loans provided to related parties	200,000	270,000
Repayment from related party	-	(270,000)
Interests accrued	250	-
	<hr/>	<hr/>
At 30 June	200,250	-
	<hr/> <hr/>	<hr/> <hr/>

22. Events after reporting period

The loan made to Citic Consumer Finance Co., Ltd. by Kingdee China is fully repaid in July 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Major Financial Information

Revenue

For the year ended 30 June 2021, the Group recorded total revenue of RMB1,872,399,000, representing a year-on-year growth of 35.0% (1H2020: RMB1,387,445,000). Revenue from the Cloud Services increased by 55.1% yoy to RMB1,238,258,000 (1H2020: RMB798,376,000). Revenue from the ERP business and others amounted to RMB634,141,000 (1H2020: RMB589,069,000), increased by 7.7% year-on-year.

	For the six months ended 30	
	June	
	2021	2020
	RMB'000	RMB'000
Cloud business	1,238,258	798,376
Enterprise cloud services	868,670	567,835
Small & Micro business finance cloud services	218,403	126,744
Industry cloud services	151,185	103,797
ERP business and others	634,141	589,069
Revenue from sales of software and hardware products	254,664	206,479
Revenue from rendering of software implementation, maintenance services, and others	379,477	382,590
	<u>1,872,399</u>	<u>1,387,445</u>

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

Gross profit

The Group recorded gross profit of RMB1,174,133,000 (1H2020 [restated]: RMB890,494,000), increased by 31.9% yoy. The gross profit margin decreased by 1.5 percentage points yoy to approximately 62.7% (1H2020 [restated]: approximately 64.2%). The decrease was mainly due to the year-on-year increase in outsourcing costs for the implementation of benchmarking projects in the large enterprise market.

Selling and marketing expenses

During the Reporting Period, selling and marketing expenses amounted to approximately RMB887,846,000 (1H2020 [restated]: RMB725,916,000). This represented a yoy increase of 22.3%. As a percentage of revenue, the percentage of selling and marketing expenses decreased from 52.3% in the first half of 2020 to 47.4% in the first half of 2021.

Administrative expenses and net impairment losses on financial assets and contract assets

During the Reporting Period, administrative expenses and net impairment losses on financial assets and contract assets were RMB235,255,000 in aggregate, representing a yoy increase of 11.6% (1H2020: RMB210,764,000). In terms of revenue percentage, the percentage of administrative expenses and net impairment losses on financial assets decreased from 15.2% in the first half of 2020 to 12.6% in the first half of 2021.

Research and development expenses

During the Reporting Period, the Group continued to focus on Platform + Finance & HR & Tax + Ecosystem” and increased R&D investment in Kingdee Cloud Cosmic. Total research and development costs were RMB667,911,000, representing a yoy increase of 71.4% (1H2020: RMB389,755,000), of which, during the Reporting Period, the R&D capitalization rate dropped to 34.2% (1H2020: 62.4%), the capitalized amount was RMB228,722,000, decreased by 6.0% yoy (1H2020: RMB243,397,000). Amortisation of research and development costs was RMB185,554,000, representing a yoy decrease of 12.5% (1H2020: RMB212,038,000), and the research and development costs recognised in the consolidated income statement was RMB624,743,000, increased by 74.3% yoy (1H2020: RMB358,396,000).

Other income and gains - net

During the Reporting Period, other income and gains-net was RMB219,127,000, representing a yoy increase of 45.1% (1H2020: RMB151,020,000), mainly due to the increase in income from changes in fair value of FXiaoKe.

Operating loss

As at 30 June 2021, the Group recorded an operating loss of RMB354,584,000 (1H2020: operating loss was RMB253,562,000), due to the fact that the Group continued to develop cloud subscription service, and increased the R&D investment in cloud products mainly Kingdee Cloud Cosmic and Kingdee Cloud Constellation. ERP business and others’ operating profit was approximately RMB42,724,000 (1H2020: loss of RMB10,259,000). Cloud business’ operating loss increased by 53.7% to RMB433,223,000 (1H2020: loss of RMB281,937,000). Investment properties operating business’ operating profit declined by 7.0% yoy to RMB35,915,000 (1H2020: RMB38,634,000), due to the increase in self-use area of the Group’s properties.

Finance income-net

During the Reporting Period, the finance income-net value amounted to RMB21,975,000. In the same period of 2020, the finance costs-net value was RMB4,633,000, mainly due to the increase in finance income during the Reporting Period.

Income tax credit

During the Reporting Period, the income tax credit amounted to RMB38,679,000 (1H2020: income tax credit amount to RMB9,181,000), mainly due to the loss of the Group and the increase of R&D costs during the Reporting Period.

Net loss and basic loss per share

As at 30 June 2021, the current loss attributable to owners of the Company was RMB248,108,000 (1H2020: loss of approximately RMB224,025,000). Net loss margin was 13.3% (1H2020: net loss margin of 16.1%). Basic loss per share was approximately RMB7.25 cents (1H2020: basic loss per share of RMB6.87 cents).

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

As at 30 June 2021, the Group's financial assets and derivative instruments at fair value through profit or loss amounted to RMB1,076,439,000, representing a decrease of RMB544,496,000 as compared with 31 December 2020, including the non-current portion of RMB825,885,000 (31 December 2020: RMB622,739,000) and the current portion of RMB250,554,000 (31 December 2020: RMB998,196,000).

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

	30 June 2021	31 December 2020
	RMB'000	RMB'000
Investments designated at fair value through profit or loss		
Wealth management products (i)	173,254	993,656
Listed equity investment	73,467	-
Unlisted equity investment	825,885	622,739
Derivative financial instruments	3,833	4,540
	<u>1,076,439</u>	<u>1,620,935</u>
Less: non-current portion		
current portion	<u>(825,885)</u>	<u>(622,739)</u>
	<u>250,554</u>	<u>998,196</u>

- (i) This represented the Group's investments in various wealth management products issued by commercial banks and state-owned financial institutions. These products have a term ranging from 1 months to 12 months. They have an expected annual return rate ranging from 2.50% to 4.85%. No single wealthy management product investment accounted for over 5% of the Group's total assets. The fair values of these investments were determined based on income approach.

Investments in associates

The changes in the book value of investments in associates during the six months ended 30 June 2021 are as follows:

	For the six months ended 30 June 2021
	RMB'000
Opening amount	403,032
Additions	-
Disposal (a)	(15,585)
Share of losses of associates	7,473
Closing amount	<u><u>394,920</u></u>

(a) The Group will dispose of 5% of the equity of Shenzhen Kuaixue Education Development Co., LTD. (hereinafter referred to as "Kuaixue education"). In May 2021, the Group sold all its 5% stake in Kuaixue Education to an independent third party.

Contract assets

During the Reporting Period, the contract assets of the Group were RMB356,079,000 as at 30 June 2021 and RMB356,658,000 as at 31 December 2020.

Loans to related parties

During the Reporting Period, the Group provided a loan of RMB200,000,000 to CITIC Consumer Finance Co., Ltd. for a period of 182 days from 25 January 2021 to 26 July 2021 at an annual interest rate of 5%.

	For six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Loans to an associate		
At 1 January	-	-
Loans from related parties	200,000	270,000
Repayment from related parties	-	(270,000)
Interest accrued	250	-
At 30 June	<u><u>200,250</u></u>	<u><u>-</u></u>

Contract liabilities

During the Reporting Period, the Group's contract liabilities amounted to RMB1,690,768,000 as at 30 June 2021. The corresponding contract liabilities amounted to RMB1,483,943,000 as at 31 December

2020. The increase in contract liabilities during the year was mainly due to the growth of the Group's cloud service business.

Liquidity, financial and capital resources

As at 30 June 2021, the Group recorded a total cash and bank deposits of RMB3,668,508,000 (31 December 2020: RMB4,046,980,000). As at 30 June 2021, the Group held asset management products of RMB173,254,000 (31 December 2020: RMB993,656,000). A substantial part of the Group's cash, bank deposit and wealth management products were denominated in RMB and the RMB-equivalent of the part denominated in foreign currencies were RMB764,663,355 as at 30 June 2021 (31 December 2020: RMB1,813,457,000), which were mainly denominated in US dollar and Hong Kong dollar.

As at 30 June 2021, the Group's net current assets amounted to approximately RMB2,226,998,000 (31 December 2020: RMB3,584,825,000). As at 30 June 2021, the current ratio of current assets to current liabilities is approximately 1.90, a slightly decrease from 2.38 as at 31 December 2020.

As at 30 June 2021, the Group's borrowings amounted to RMB Nil (31 December 2020: RMB120,000,000), representing a yoy decrease of 100%. Gearing ratio is calculated as net debt (representing total borrowings less cash and cash equivalents) over total capital (representing total equity plus net debt). The Group has no net debt ratio at the end of the Reporting Period.

Cash flow and fair value interest rate risk

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

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

Foreign exchange risk

The functional currency of the Company and its major subsidiaries is RMB. The majority of the revenues of the Group are derived from operations in the PRC.

Foreign exchange risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign exchange risk facing the Group mainly comes from movements in the US dollars/RMB and Hong Kong dollars/RMB exchange rates.

The Group does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Credit risk

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

The management manages the credit risk of cash and cash equivalents, pledged and short-term bank deposits, long-term bank deposits and wealth management products (classified as financial assets at FVPL) by transacting with state-owned financial institutions and reputable commercial banks which are all high-credit-quality financial institutions in the PRC and Hong Kong.

In relation to trade receivables and contract assets, the Group has two kinds of distribution channels, one is sales to distributors and the other is sales to end customers.

For distributors, the Group has assessed the credit quality of the distributors, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by distributors is regularly monitored by management.

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

The Group's investments in debt instruments, including loans to the third parties and related parties as well as entrust loans are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

For other receivables, the management considers the possibility of default when assets are initially recognized and whether the credit risk increased significantly on an ongoing basis. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balances of other receivables.

Fund and working capital management

Our funds and liquidity management are centrally carried out by our fund management department. Our fund management department is generally responsible for overall management and implementation of funds, including formulating the capital management policy for our Group, guiding, coordinating and standardizing the fund management of regional companies, making annual funding plans, reviewing and summarizing annual capital budget, overseeing and assessing fund management of each regional company. Our finance departments of regional companies are committed to implementing the fund management policies formulated by our headquarters and are responsible for making funding plans and executing capital operations at subsidiary level. We have also adopted sophisticated fund management policies and implemented a set of rules and guidelines on fund management, such as the Group Capital Internal Control Management Measures (《集團資金基礎內控管理辦法》) and Fund Settlement Of Branch

Offices Management Measures (《分支機構資金結算管理辦法》), to enhance the effectiveness and efficiency of fund management, thereby ensuring our financial security and reducing cost of capital.

To manage our idle cash on hand, we purchase and redeem wealth management products using them as our “cash pool” from which we could readily access cash as needed and generate higher yield than bank deposits. The underlying financial assets of the wealth management products in which we invested primarily consist of the low- risk wealth management products issued by financial institutions. The amount of the purchase will be determined based on our surplus funds. Our main treasury policy on fund management is the Wealth Management Administration Solution (《資金理財管理辦法》). We consistently comply with our treasury policy during the procedures of purchasing the wealth management products and managing the relevant departments, as well as in conducting business, accounting and filing.

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

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

2. Employee and Remuneration Policy

During the Reporting Period, total number of employees in the Group reached 10,589. Based on core value of “Acting in all Conscience, with Integrity and Righteousness”, the Group was committed to implementing Kingdee Philosophy, continuously recognized product technological innovation and quality construction, encouraged front-line organizations to innovate based on scenarios of users, and consolidated the culture of “customer-centric, long-term professionalism”. During the period, the Group implemented the matrix, platform, systematization and intelligence of the organizations. Meanwhile, the Group continued to implement the strategy to attract leading and elite talents, top-class professionals and graduates for cloud transformation so as to promote younger, hierarchization, more professional and echelon talents.

3. Social Responsibility

Kingdee actively work with universities to develop academic training and practical teaching, so as to convey high-level digital and intellectual talents for the development of the information industry. During the period, Kingdee signed school-enterprise cooperation agreements with 11 universities including Southern University of Science and Technology, Chengdu University and Hubei University to help universities train digitalized and intelligent talents. Through providing internship training and other ways, Kingdee helped to cultivate over 200 graduates for the industry. During the pandemic, Kingdee

combined on-site guidance and distance teaching mode to provide teaching support for over 60 universities including Central University of Finance and Economics, Southwest Petroleum University and Hubei University of Economics, benefiting a total of nearly 10,000 students.

During the Reporting Period, Kingdee set up digital classroom to share digital management strategy and digital leadership with more than 300 senior executives such as CEO and CIO of Chinese enterprises to promote the digital transformation of Chinese enterprises, and provide an engine for accelerating digital transformation of Chinese enterprises and industries.

Kingdee contributed to the China Management Model 50, a public forum for promoting theoretical and practical dialogues, communication and cooperation. Kingdee, management experts and entrepreneurs jointly advanced enterprise management in China. Meanwhile, Kingdee was very concerned about the basic education in areas where education resources are scarce, practiced welfare undertakings and took various measures to support students at different levels in different places including Sichuan, Hunan and Jiangsu to realize their dreams.

4. Outlook

Kingdee will continue to unswervingly transform to the cloud subscription service model, fully execute the strategy of "Platform + Finance & HR & Tax + Ecosystem", and continuously improve the user experience of products and services. In the next three years, a new Kingdee with subscription business model will be created. Committed to the philosophy of " Putting customers at the center, Insisting professionalism in the long-run; Regarding hardworking as the foundation, Keeping a pure heart and pure mind for a long time", Kingdee has always been with every customer side by side to achieve digital transformation, helps enterprises in all industries resolve challenges and realise consistent growth.

REPORT OF DIRECTORS

Share Option Schemes

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

Pursuant to the share option scheme adopted by the Company at the extraordinary general meeting on 11 July 2005 (the “**2005 Scheme**”) and the adjustment made due to the bonus issue and the refreshment on the scheme limit in 2011, an aggregate of 529,501,600 share options were granted, of which 315,801,193 share options were exercised, 197,797,407 share options had lapsed since its adoption. Hence, 15,903,000 share options remained outstanding as at 30 June 2021. During the six months ended 30 June 2021, 2,279,000 share options were exercised and 5,665,000 share options had lapsed.

At the annual general meeting of the Company convened on 8 May 2015, the Company terminated the 2005 Scheme and adopted a new share option scheme (the “**2015 Scheme**”) with a validity period of ten years. The remaining life of the 2015 Scheme was around 3 years and 8 months as at the date of this report. As at 30 June 2021, the Company had granted 40,000,000 share options under the 2015 Scheme, of which 17,677,000 share options were exercised and 8,795,000 share options had lapsed since its adoption. During the six months ended 30 June 2021, 1,037,500 share options were exercised and 2,535,000 share options had lapsed. Hence, 13,528,000 share options remained outstanding as at 30 June 2021. According to the scheme mandate limit of the 2015 Scheme approved by the annual general meeting of the Company on 8 May 2015 (being 259,264,096 share options), less the 40,000,000 share options granted by the Company since its approval and plus the 8,795,000 lapsed share options since the refreshment, the Company may further grant 228,059,096 share options representing approximately 6.57% of the total number of shares of the Company in issue as at 30 June 2021.

Details of the share options granted, exercised and/or lapsed under the 2005 Scheme and 2015 Scheme during the six months ended 30 June 2021 are set out in the table below:

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

Name or category of participants	Date of grant	Exercise period (Note 2)	Exercise price per share (HKD)	Options held at 31 December 2020	Options granted during the reporting period	Options exercised during the reporting period	Options lapsed during the reporting period	Options held at 30 June 2021
Oriental Gold Limited (附註 1)	23/04/2014	23/04/2014 TO 22/04/2024	2.66	2,500,000	-	-	-	2,500,000
	12/05/2015	12/05/2015 TO 11/05/2025	4.6	2,500,000	-	-	-	2,500,000
Sub-total				5,000,000				5,000,000
Lin Bo	16/03/2011	16/03/2011 TO 15/03/2021	4.275	400,000	-	400,000	-	0
	12/05/2015	12/05/2015 TO 11/05/2025	4.6	300,000	-	-	-	300,000
Sub-total				700,000		400,000		300,000
Dong Ming Zhu	22/03/2013	22/03/2013 TO 21/03/2023	1.34	200,000	-	-	-	200,000
	12/05/2015	12/05/2015 TO 11/05/2025	4.6	200,000	-	-	-	200,000
Sub-total				400,000				400,000

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

Other employees							
16/03/2011	16/03/2011 TO 15/03/2021	4.275	1,010,000	-	10,000	1,000,000	0
19/08/2011	19/08/2011 TO 18/08/2021	3.75	5,490,000	-	304,000	1,795,000	3,391,000
22/03/2013	22/03/2013 TO 21/03/2023	1.34	7,017,500	-	817,500	1,000,000	5,200,000
23/04/2014	23/04/2014 TO 22/04/2024	2.66	7,229,500	-	747,500	1,870,000	4,612,000
12/05/2015	12/05/2015 TO 11/05/2025	4.6	14,100,500	-	1,037,500	2,535,000	10,528,000
Other employees in aggregate			34,847,500		2,916,500	8,200,000	23,731,000
TOTAL			40,947,500		3,316,500	8,200,000	29,431,000

Notes:

1. Mr. Xu Shao Chun, an executive Director, the chairman of the Board of Directors (the “**Board**”) and the chief executive officer of the Company, holds 100% of the interest in Easy Key Holdings Limited, which in turn holds 100% of the interest in Oriental Gold Limited.
2. The vesting period of the share options granted was four years and the vesting schedule was 25% after 12 months, 24 months, 36 months and 48 months from the date of grant, respectively.
3. The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised is HKD 29.01.
4. During the reporting period, no share options were cancelled.

Share Award Scheme

The share award scheme was adopted by the Company (the “**Share Award Scheme**”) 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. The Board may, from time to time, in its absolute discretion select the Selected Participants after taking into account various factors as they deem appropriate and determine the number of Award Shares to be awarded to each of the Selected Participants. The Awarded Shares will be comprised of Shares subscribed for or purchased by the Trustee out of cash arranged by the Company out of the Company’s funds to the Trustee and be held on trust for the Selected Participants until such Shares are vested with the Selected Participants in accordance with the provisions of the Share Award Scheme.

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

During the six months ended 30 June 2021, the Company had granted 6,376,000 award shares pursuant to the Share Award Scheme; and as at 30 June 2021, a total of 2,562,500 awarded shares granted to the Directors were still outstanding, details of which are as follows:

Name of Director	As at 31 December 2020	Granted during the reporting period	Vested during the reporting period	As at 30 June 2021
Xu Shao Chun	2,700,000	200,000	1,375,000	1,525,000
Lin Bo	1,650,000	150,000	762,500	1,037,500

Equity-linked Agreement

On 21 August 2020, the Company and J.P. Morgan Securities plc (the “Placing Agent”) entered into the placing agreement (the “Placing Agreement”), pursuant to which the Company agreed to appoint the Placing Agent, and the Placing Agent agreed to act as agent for the Company, to procure places to subscribe for, or failing which to subscribe as principal, 133,280,000 new Shares (the “Placing Shares”, each a “Placing Share”) at the price of HK\$17.82 per Placing Share (the “Placing”), representing approximately 4.00% of the existing issued share capital of the Company as at the date of the Placing Agreement and approximately 3.85% of the enlarged issued share capital of the Company immediately following the completion of the Placing on 28 August 2020 (the “Completion”). The aggregate nominal value of the Placing Shares under the Placing is HK\$3,332,000. The closing price per share as quoted on the Stock Exchange on the date of signing of the Placing Agreement was HK\$18.32. The Directors consider that the Placing will raise capital for the Company to maintain the cash flow position of the Group, enhance the capital base of the Company and prepare for any future potential investments, including to support the Company’s cloud transformation, and the Placing is in the interests of the Group and the Shareholders as a whole.

Completion took place on 28 August 2020. The Placing Shares were allotted and issued under the general mandate granted to the Board at the annual general meeting of the Company held on 12 May 2020, to more than six professional, institutional and other investors with the price of HK\$17.82 per Placing Share on Completion. Upon Completion, the gross proceeds raised from the placing was approximately HK\$2,375.1 million and the net proceeds (after deducting the placing commission and other related costs and expenses and professional fees) arising from the Placing were approximately HK\$2,353.0 million. On this basis, the net price per Placing Share was approximately HK\$17.65. The net proceeds were intended to be used in accordance with the intended purposes disclosed in the announcement of the Company dated 21 August 2020.

	Proceeds from the Placing HK\$'000	Proceeds utilitised up to 30 June 2021 HK\$'000	Unutilised funds as at 30 June 2021 HK\$'000	Expected timeline for utilising unutilised funds (Note 1)
Research and development (50.0%)	1,176,850	738,045	438,805	June 2022
Future potential investments (30.0%)	706,110	530,483	175,627	December 2022
Working capital and general corporate purposes (20.0%)	470,740	470,740	-	-

Note:

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

Save for the Placing Agreement as disclosed above, there was no equity-linked agreement being entered into during the six months ended 30 June 2021 or subsisting at the end of the six months ended 30 June 2021.

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

As at 30 June 2021, 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 would 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 would be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Interests in the shares/ underlying shares of the Company

Name of Directors	Number of shares/ underlying shares (where appropriate)	Capacity	Percentage of total number of issued shares (approximate)
Xu Shao Chun	682,198,624(L)	Interests of controlled corporation (Note 1)	
	1,525,000(L)	Beneficiary of a trust (Note 2)	
	19,786,263(L)	Beneficial owner	
<i>Aggregate:</i>	703,509,887		20.27%
Lin Bo	1,713,775(L)	Beneficial owner	
	1,037,500(L)	Beneficiary of a trust (Note 3)	
<i>Aggregate:</i>	2,751,275		0.08%
Gary Clark Biddle	1,183,000(L)	Beneficial owner	
<i>Aggregate:</i>	1,183,000		0.03%
Dong Ming Zhu	400,000(L)	Share option (Note 4)	
<i>Aggregate:</i>	400,000		0.01%
Liu Chia Yung	200,000(L)	Beneficial owner	
<i>Aggregate:</i>	200,000		0.01%

Notes:

The percentage represents the total number of the shares interested divided by the total number of issued shares of 3,469,915,071 as at 30 June 2021.

- Of the 682,198,624 shares, 386,312,000 shares (of which 5,000,000 are share options granted under the 2005 Scheme and 2015 Scheme) were held through Oriental Gold Limited and 295,886,624 shares were held through Billion Ocean Limited. Oriental Gold Limited and Billion Ocean Limited are wholly owned by Easy Key Holdings Limited, which is in turn wholly owned by Mr. Xu Shao Chun. Therefore, Mr. Xu Shao Chun is deemed to be interested in those 682,198,624 shares.
- The 1,525,000 shares are the awarded shares granted to Mr. Xu Shao Chun under the Share Award Scheme and held by the trustee to the Share Award Scheme - Bank of Communications Trustee Limited. Details of the awarded shares are set out in the paragraph headed "Share Award Scheme" of this report.
- The 1,037,500 shares are the awarded shares granted to Mr. Lin Bo under the Share Award Scheme and held by the trustee to the Share Award Scheme - Bank of Communications Trustee Limited. Details of the awarded shares are set out in the paragraph headed "Share Award Scheme" of this report.
- Details of the share options are set out in the paragraph headed "Share Option Schemes" of this report.
- (L) denotes long position.

Save as disclosed in this paragraph, as at 30 June 2021, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which would be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the section headed "Share Option Schemes" above, none of the Directors or their respective associates (as defined under the Listing Rules) was granted by the Company, or any of its subsidiaries, any rights or options to acquire shares or debentures in the Company during the six months ended 30 June 2021.

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

As at 30 June 2021, as far as the Directors were aware, the following persons (other than the Directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Part XV of the SFO and required to be recorded in the register required to be kept under section 336 of the SFO:

Long positions in shares/ underlying shares of the Company

Name	Number of shares/ underlying shares (where appropriate)	Capacity	Percentage of total number of issued share (approximate)
Easy Key Holdings Limited (Note 1)	682,198,624(L)	Interests of Controlled corporation	19.66%
Oriental Gold Limited (Note 1)	386,312,000 (L)	Beneficial owner	11.13%
Billion Ocean Limited (Note 1)	295,886,624(L)	Beneficial owner	8.53%
	17,650,592 (L) 6,742,371 (S)	Interests of controlled corporation	
JPMorgan Chase & Co. (Note 4)	192,844,000 (L) 89,042,175 (P) 6,382,000 (L)	Investment manager Approved lending agent Person having a security interest in shares	

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	305,918,767 (L)		8.82%
Subtotal	6,742,371 (S)		0.19%
	89,042,175 (P)		2.57%
JD Oriental Investment Limited (Note 5)	200,180,000(L)	Beneficial owner	5.77%
FMR LLC	209,200,485(L)	Investment manager	6.03%
Schroders Plc	173,693,020 (L)	Investment manager	5.01%

Notes:

The percentage represents the total number of the shares interested or short positions divided by the total number of issued shares of 3,469,915,071 as at 30 June 2021.

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

2. According to the disclosure of interests forms filed by JPMorgan Chase & Co. on 8 June 2021 regarding the relevant event which took place on 3 June 2021.

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

Name of controlled corporation	Name of controlling person	% control	Direct interest (Y/N)	Number of Shares
China International Fund Management Co., Ltd.	JPMORGAN ASSET MANAGEMENT (UK) LIMITED	49	Y	1,446,000 (L)
JPMorgan Asset Management (Taiwan) Limited	JPMorgan Asset Management (Asia) Inc.	100	Y	3,514,000 (L)
J.P. Morgan AG	J.P. Morgan International Finance Limited	100	Y	34,000 (L)
J.P. Morgan Securities LLC	J.P. Morgan Broker-Dealer Holdings Inc.	100	Y	1,435,000 (L) 40,000 (S)
JPMORGAN CHASE BANK, N.A. - LONDON BRANCH	JPMorgan Chase Bank, National Association	100	Y	89,042,175 (L)
J.P. Morgan Investment Management Inc.	JPMorgan Asset Management Holdings Inc.	100	Y	91,515,000 (L)
JPMORGAN ASSET MANAGEMENT (UK) LIMITED	JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED	100	Y	6,540,000 (L)
JPMorgan Chase Bank, National Association	JPMorgan Chase & Co.	100	Y	8,118,000 (L)
JPMorgan Asset Management (Asia Pacific) Limited	JPMorgan Asset Management (Asia) Inc.	99.99	Y	81,711,000 (L)
J.P. MORGAN SECURITIES PLC	J.P. MORGAN CAPITAL HOLDINGS LIMITED	100	Y	22,563,592 (L) 6,702,371 (S)

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JPMORGAN ASSET MANAGEMENT (UK) LIMITED	JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED	100	N	1,446,000 (L)
JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED	JPMorgan Asset Management Holdings Inc.	100	N	7,986,000 (L)
JPMorgan Asset Management Holdings Inc.	JPMorgan Chase Holdings LLC	100	N	184,726,000 (L)
JPMorgan Chase Holdings LLC	JPMorgan Chase & Co.	100	N	186,161,000 (L)
				40,000 (S)
JPMorgan Asset Management (Asia) Inc.	JPMorgan Asset Management Holdings Inc.	100	N	85,225,000 (L)
J.P. Morgan International Finance Limited	JPMorgan Chase Bank, National Association	100	N	22,597,592 (L)
				6,702,371 (S)
JPMorgan Chase Bank, National Association	JPMorgan Chase & Co.	100	N	111,639,767 (L)
				6,702,371 (S)
J.P. Morgan Broker-Dealer Holdings Inc.	JPMorgan Chase Holdings LLC	100	N	1,435,000 (L)
				40,000 (S)
J.P. MORGAN CAPITAL HOLDINGS LIMITED	J.P. Morgan International Finance Limited	100	N	22,563,592 (L)
				6,702,371 (S)

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

- Listed derivatives – Physically settled: 146,000 (L)
- Listed derivatives – Cash settled: 272,700 (S)
- Unlisted derivatives – Physically settled: 2,604,307 (S)
- Unlisted derivatives – Cash settled: 8,047,420 (L) and 225,000 (S)

3. According to the disclosure of interest forms filed by JD Oriental Investment Limited, Max Smart Limited, JD.com, Inc., JD.com Investment Limited and Liu Qiangdong Richard on 13 October 2020, 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 (Y/N)	Number of shares
Max Smart Limited	Liu Qiangdong Richard	100.00	N	200,180,000
JD.com, Inc.	Max Smart Limited and Fortune Rising Holdings Limited	72.70	N	200,180,000
JD.com Investment Limited	JD.com, Inc.	100.00	N	200,180,000
JD Oriental Investment Limited	JD.com Investment Limited	100.00	Y	200,180,000

Save as disclosed above, as at 30 June 2021, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest and short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Purchase, Sale or Redemption of Shares

During the six months ended 30 June 2021, neither the Company, nor any of its subsidiaries, had repurchased, sold or redeemed any of its listed securities.

Change of Information of Directors

During the six months ended 30 June 2020, there was no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Corporate Governance

The Company had complied with all the code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2021, except for the deviation in respect of the roles of chairman and chief executive officer under Code provision A.2.1. During the reporting period, Mr. Xu Shao Chun assumed the roles of both the Chairman and the chief executive officer of the Company. The Board considers that Mr. Xu Shao Chun, as one of the main founders of the Company, has abundant knowledge of the 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.

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

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

Code of Conduct Regarding Directors' Securities Transactions

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

Audit Committee

The audit committee of the Company had reviewed with the management the accounting principles and practice adopted by the Company and discussed the auditing, internal controls and financial reporting matters. The audit committee had also reviewed the Group's unaudited consolidated results for the six months ended 30 June 2021. The audit committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

Interim Dividend

The Board did not declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 reporting period. Also, I would like to thank our shareholders for their continuous support.

By order of the Board

Kingdee International Software Group Company Limited

Xu Shao Chun

Chairman

Shenzhen, the People's Republic of China, 18 August 2021

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. Zhou Bo Wen as non-executive Directors; and Mr. Gary Clark Biddle, Mr. Ni Zheng Dong 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.