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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 2023**

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 2023 are as follows:

**Financial highlights for the six months ended 30 June 2023**

- Revenue increased by approximately 16.8% above the same period in 2022 to approximately RMB2,565,850,000
- Loss attributable to owners of the Company amounted to RMB283,535,000 for 1H 2023 (1H 2022: loss of RMB356,441,000)
- Basic loss per share attributable to owners of the Company amounted to RMB8.23 cents for 1H 2023 (1H 2022: basic loss per share of RMB10.38 cents)

## BUSINESS REVIEW AND OUTLOOK

### 1. Financial Results

In the first half of 2023, the Group continued to advance on the transformation of Cloud subscription services, and realized 21.5% year over year (yoy) growth in cloud service revenue and contributed approximately 79.5% of the Group revenue. The Annual Recurring Revenue (ARR) of Kingdee Cloud subscription services reached approximately RMB2.54 billion, an increase of 36.3% yoy. Contract liabilities to cloud subscription services achieved growth of 34.4% yoy.

For the six months ended 30 June 2023, the Group recorded total revenue of approximately RMB2,565,850,000, representing an increase of approximately 16.8% as compared to the same period in 2022 (1H 2022: RMB2,196,656,000).

For the six months ended 30 June 2023, loss attributable to owners of the Company was approximately RMB283,535,000 (1H 2022: a loss of approximately RMB356,441,000 attributable to owners of the Company). The loss narrowed by approximately 20.5% yoy, due to the Company's long-term development of cloud subscription business and the improvement of business quality.

Basic loss per share attributable to owners of the Company amounted to approximately RMB8.23 cents. (1H 2022: basic loss per share of approximately RMB10.38 cents).

Net cash flow from operating activities of the Company was an outflow of approximately RMB168,887,000. (1H 2022: net cash outflow of approximately RMB179,869,000).

### 2. Strategy Review

Kingdee adheres to the strategy of "Platform + Finance & HR & Tax + Ecosystem", with the mission of "serving the enterprise wholeheartedly and growing together with users around the world." Kingdee is committed to becoming the "most trustworthy enterprise service platform", aiming to help enterprises build Enterprise Business Capability (EBC), achieve resilient and high-quality development.

#### The Group's key strategic initiatives include:

**1. Platform:** Kingdee Cloud Cosmic PaaS platform is based on a cloud-native architecture and uses Kingdee Dynamic Domain Model (KDDM) as its technical core. It continues to deepen its technical capabilities in low-code development, integration, data analysis, master data management, process management, RPA, and AI, creating an integrated low-code assembly platform that unleashes development productivity, laying a solid technical foundation for the construction of enterprise business capabilities platforms, and helping enterprises quickly respond to rapidly changing market demands.

**2. Finance & HR & Tax + Ecosystem:** Kingdee upholds the "One Arrow for Many Stars" product strategy, using the Kingdee Cloud Cosmic PaaS platform as a technological base to build leading SaaS applications and solutions and continually upgrade them. Kingdee is committed to building a co-evolved ecosystem with collective efforts in exploring new ideas, implementing new solutions, and achieving mutual benefits. Guided by the design and service thinking, Kingdee has joined forces with diversified ecological forces such as

consulting, product, implementation and development, channels, and service to help clients face and solve the enterprise management problems under the new era.

**3. Implementation:** Kingdee insists on transforming to a cloud subscription service model, focusing on products and redefining the implementation model and partnership in the cloud era. Kingdee will integrate direct partner implementation and remote implementation modes to introduce strategic implementation partners, and achieve efficient and high-quality implementation of digital applications.

**4. Customer Success:** Implementing the mission of “Serving Enterprises Wholeheartedly” and based on the new generation of complete journey experience of Kingdee customer success methodology, empowering enterprises and their personnel to achieve “Success, Growth, and Achievements.”

### **3. Group Business Review**

As the world's leading and China's No. 1 enterprise management cloud SaaS company, Kingdee has repeatedly been recognized by renowned research institutions at home and abroad, winning multiple honors, including: 1) being selected in “The Sustainability Yearbook 2023 (China)” of S & P Global and its ESG rating ranked first among China's software companies. 2) IDC 2022 H2 SaaS EPM (Enterprise Performance Management Cloud) ranked first in the Chinese market. 3) Won the first prize of the highest national honor in the field of China's standardization, the “China Standard Innovation Contribution Award”. 4) Ranked first among Chinese vendors in Gartner's global top 10 high productivity aPaaS platforms for three consecutive years. 5) Ranked first in IDC 2022 China Manufacturing PLM Public Cloud Market. 6) Kingdee has consistently ranked first in IDC's China's growth enterprise application software market share for 18 consecutive years. 7) Kingdee Starfield Industrial Internet Platform was selected in the list of cross-industry and cross-disciplinary industrial Internet platform of the Ministry of Industry and Information Technology.

#### **Cloud service business**

During the reporting period, Kingdee firmly implemented the transformation strategy of cloud subscription service model and met the market demand of different types of enterprises by creating a “One Arrow for Many Stars” product matrix. The cloud service business maintained rapid growth, with revenue increasing to RMB2,038,598,000 from RMB1,677,482,000 for the same period in 2022, representing an increase of approximately 21.5% yoy and accounting for approximately 79.5% of the Group revenue.

#### **(1) Continuously seizing the large enterprise market, Cosmic GPT leads the AI transformation of enterprise management**

As the main products for high-end market, Kingdee Cloud Cosmic and Kingdee Cloud Constellation have become the best choice to help large enterprises to be benchmarked to world-class level. Kingdee Cloud Cosmic further enhances the integration and innovation of generative AI technology in data and intelligence. Kingdee Cloud Cosmic GPT is positioned as the best enterprise management AI model. It provides a complete engineering and technical solution for enterprises to utilize large model capabilities, widely accesses common LLM capabilities such as Baidu and Microsoft, and provides new assembly capabilities for intelligent task scheduling, ubiquitous embedded AI assistants, as well as new enterprise brains for creative generation,

knowledge engine, and analysis insights. Cosmic GPT also has multiple model access scheduling capabilities, supports enterprise personalized expansion, and is secure and trustworthy. At the same time, Kingdee Cloud Constellation SaaS is deeply integrated with Cosmic GPT to provide rich business scenarios and to provide end-user with generative experiences in human resources, finance and taxation, supply chain, and ecosystem applications, providing more intelligent applications for managers, professional positions, employees, and developers.

In addition, Kingdee Cloud Cosmic has currently completed the adaptation of the mainstream local technology stack. Based on the four major local systems of China Electronics Corporation, China Electronics Technology Group Corporation, Chinese Academy of Sciences, and Huawei, Kingdee has achieved compatibility, adaptation, and certification licenses with over 100 software and hardware manufacturers, as well as 300 products. Cosmic has obtained over 260 patents, 6 national awards, and participated in the formulation of multiple industry standards such as the “Maturity Assessment Model Standard of Applying Modernization Technology Capability”.

During the reporting period, Kingdee Cloud Cosmic and Kingdee Cloud Constellation recorded approximately RMB393 million in revenue, an increase of 38.3% yoy. Cosmic and Constellation recorded cloud subscription ARR growth of approximately 95.9% yoy, and Net Dollar Retention (NDR) of 108%, signed 741 customers during the period, including 297 new customers such as China National Building Material Group, Tongwei, iFlytek, Belle Fashion, Shanxi State-owned Capital Operation, Shanxi Coking Coal, Guangdong Airport Group, Guangdong Provincial Communication Group, Shum Yip Group, Comix Group, Xi'an Aerospace Automation, Lizhong Group and other famous enterprises. As of the Reporting Period, Kingdee Cloud has helped 177 enterprises in achieving all-rounded local substitution in core ERP systems.

**(2) Consolidate the market leading position of medium-sized enterprises, and further increase the market share in specialized and new enterprises**

During the reporting period, Kingdee Cloud Galaxy continued to expand the advantages of integration of research, production, supply and marketing and deep integration of business and finance, launched innovative applications such as IPO special projects, new finance and taxation, cost management, visual factory, dynamic inventory management, and ERP + collaborative integration, and summarized and refined solutions for twelve key industries including high-tech electronics, equipment manufacturing, auto and auto parts, metal products, daily chemicals, life sciences, chemical new materials, food and beverage, wholesale and retail, modern agriculture and animal husbandry, catering, and modern service industries. Galaxy PLM and Smart Manufacturing Cloud won the e-works annual smart manufacturing excellent recommended product. Kingdee Cloud Galaxy Ultra adheres to intelligent innovation and has achieved more data application innovations in various scenarios, including intelligent business assistant, intelligent sales forecasting, intelligent monitoring of supply chain risks, big data marketplace, and intelligent supply chain replenishment. Galaxy has made continuous breakthroughs in the specialized and new enterprises, with proprietary management framework. During the period, more than 600 new “Specialized and New” enterprises have been signed, and the market share has further increased.

During the Reporting Period, Kingdee Cloud Galaxy achieved revenue of approximately RMB922 million, an increase of 17.3% yoy. Galaxy recorded cloud subscription ARR expansion of approximately 28.6% yoy and Net Dollar Retention (NDR) of 96%. Kingdee Cloud Galaxy expanded its customer base to 34,000, and newly signed Songyang Compressor, Jiangsu Security Technology, COSCO Shipping Special Equipment

Manufacturing, Sekrepu Power Battery System, Jietai New Energy, Carbon One New Energy, Haier Yingkang Life Technology, Mitsui Chemicals Compound Plastic, Wagas Catering and other clients.

**(3) Joint efforts of small and micro product innovation and ecosystem, Stellar maintained strong momentum**

During the Reporting Period, Kingdee Cloud Stellar released its Ultimate version to provide integrated production, supply and marketing solutions for small and micro industrial and trade manufacturing customers. Kingdee Jingdou Cloud released the 2023 version, further strengthening intelligent finance and taxation and digital operations, while upgrading the cloud-native technology architecture to comprehensively improve product reliability, usability, and user experience. The ecosystem of small and micro partners has further developed and grown, with the number of sales channel partners exceeding 2,000. The number of ISV ecosystems for Stellar has exceeded 50, and more than 60 applications have been launched on the Cosmic marketplace. The transaction amount of small and micro-sized ISV ecosystem application market has increased by 80 % year on year.

During the period, the financial cloud services of small and micro enterprises continued to grow rapidly and achieved a revenue of approximately RMB501 million with revenue increasing by approximately 31.8% yoy, and recorded cloud subscription ARR of approximately 45.0% growth yoy. Among which Kingdee Cloud Stellar's revenue increased by approximately 152.9 % yoy and Net Dollar Retention (NDR) increased to 89%.

**(4) Win-win through opening-up, and continuous expansion of Kingdee ecosystem**

During the Reporting Period, Kingdee Ecosystem continued to make efforts to reach strategic cooperation with five partners, including Runjian, DHC, Alliance PKU, Dahua International, etc., and continued to deepen cooperation with KPMG, EY, iSoftStone, HAND, etc., to construct and improve the implementation ecosystem of Kingdee.

As of the reporting period, more than 2, 200 ISV partners have joined Kingdee ISV ecosystem, of which 147 have built product solutions based on the Cosmic platform, covering 19 industries including energy and resources, transportation and logistics, life sciences, process manufacturing, equipment manufacturing, electronic high-tech, food and beverage, daily chemicals, modern services, finance and investment, etc., and connecting the business chain of "research-production-supply-marketing-service".

**(5) Continue to deepen the advantageous industries and empower high-quality development through digital governance**

During this period, Kingdee continues to focus on its core industries, boosting digital transformation with digital innovation, achieving high-quality development. In tobacco industry, Kingdee bid major products including the National Tobacco Logistics Control System project and Changde tobacco machinery digital manufacturing platform construction project. Tobacco industry contract order increased significantly for Kingdee. Kingdee Credit Technology's Jingwei Cloud digital credit service increased 56 % year on year. Kingdee Credit Reporting received certification of specialized and new enterprise and national high-tech enterprise.

**(6) Xu Shaochun WeChat Public Account as the starting point to continue honing Kingdee's customer success system**

Xu Shaochun Public Account set a precedent in enterprise services, establishing a culture of “serving enterprises wholeheartedly” that spans the entire journey of customer experience. During the reporting period, the account received 385 commendations from customers and service complaints dropped 53% year-on-year. Meanwhile, Kingdee continued to optimize the customer success system and improved its timeliness in response to customers’ requests through a series of service innovation and reforms. This continued to contribute to its high level of customer satisfaction. Kingdee Cloud Community will become an online service platform and help more users to solve their own problems and find mutual support.

### **ERP Business and others**

During the Reporting Period, revenue from the ERP business and others increased approximately 1.6% yoy, from RMB519,174,000 in the same period last year to approximately RMB527,252,000, due to fast revenue growth from Xinchuang related large enterprise private cloud and others.

### **Investment Property Business**

As of 30 June 2023, the Group had amount of investment properties of approximately RMB1,754,494,000 in total (31 December 2022: RMB1,734,079,000). During the Reporting Period, the Group fully used and leased parts of software parks of Beijing Kingdee, Shanghai Kingdee and Shenzhen Kingdee. As a result, the Group generated rental income of approximately RMB34,584,000 during performance period (30 June 2022: RMB33,644,000).

**KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**

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 2023 are as follows:

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**

*As at 30 June 2023*

	Notes	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	1,541,717	1,376,694
Right-of-use assets	7	151,076	156,165
Intangible assets	6	1,270,794	1,192,375
Investment properties		1,754,494	1,734,079
Investments in associates	8	436,642	421,593
Deferred income tax assets		44,386	38,826
Financial assets at fair value through profit or loss	9	931,914	931,164
Financial assets at fair value through other comprehensive income		4,463	4,463
Trade and other receivables	10	117,332	104,051
Loans to third parties	10	97,955	63,081
Long-term bank deposits		<u>1,820,000</u>	<u>1,725,000</u>
		<b>8,170,773</b>	<b>7,747,491</b>
<b>Current assets</b>			
Inventories		47,388	44,871
Trade and other receivables	10	354,608	293,030
Loans to third parties	10	265,445	268,274
Contract assets		337,455	346,542
Contract obtaining costs		517,865	393,871
Financial assets at fair value through profit or loss	9	80,034	66,255
Pledged bank deposits		3,411	2,809
Short-term bank deposits		905,559	625,559
Cash and cash equivalents		<u>1,071,870</u>	<u>1,942,735</u>
		<b>3,583,635</b>	<b>3,983,946</b>
<b>Total assets</b>		<b><u>11,754,408</u></b>	<b><u>11,731,437</u></b>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION** *(Continued)**As at 30 June 2023*

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
	Notes	<b>2023</b>	2022
		<b>RMB'000</b>	RMB'000
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	13	<b>590,000</b>	385,000
Lease liabilities	7	<b>35,059</b>	39,246
Deferred income tax liabilities		<b>123,785</b>	133,925
		<b>748,844</b>	558,171
<b>Current liabilities</b>			
Trade and other payables	12	<b>801,210</b>	899,496
Contract liabilities		<b>2,887,003</b>	2,631,035
Borrowings	13	<b>117,500</b>	85,000
Lease liabilities	7	<b>20,792</b>	24,648
Current income tax liabilities		<b>18,469</b>	19,004
Deferred income		<b>39,725</b>	106,500
		<b>3,884,699</b>	3,765,683
<b>Total liabilities</b>		<b>4,633,543</b>	4,323,854
<b>Net assets</b>		<b>7,120,865</b>	7,407,583
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	11	<b>83,570</b>	83,537
Share premium	11	<b>5,047,492</b>	5,084,953
Other reserves		<b>908,491</b>	866,567
Retained earnings		<b>946,761</b>	1,230,296
		<b>6,986,314</b>	7,265,353
<b>Non-controlling interests</b>		<b>134,551</b>	142,230
<b>Total equity</b>		<b>7,120,865</b>	7,407,583



**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT***For the six months ended 30 June 2023*

	Notes	Unaudited	
		Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
Revenue from contracts with customers	14	<b>2,565,850</b>	2,196,656
Cost of sales	15	<b>(977,080)</b>	(865,848)
<b>Gross profit</b>		<b>1,588,770</b>	1,330,808
Selling and marketing expenses	15	<b>(1,142,317)</b>	(1,049,932)
Administrative expenses	15	<b>(238,954)</b>	(233,952)
Net impairment losses on financial assets and contract assets	15	<b>(35,631)</b>	(34,474)
Research and development costs	15	<b>(744,036)</b>	(698,066)
Other income and gains - net	16	<b>183,977</b>	232,049
<b>Operating loss</b>		<b>(388,191)</b>	(453,567)
Finance income		<b>57,090</b>	49,811
Finance costs		<b>(9,895)</b>	(2,056)
<b>Finance income - net</b>		<b>47,195</b>	47,755
Share of profits of associates – net	8	<b>15,436</b>	3,545
<b>Loss before income tax</b>		<b>(325,560)</b>	(402,267)
Income tax credit	17	<b>13,562</b>	13,410
<b>Loss for the period</b>		<b>(311,998)</b>	(388,857)
<b>Loss attributable to:</b>			
Owners of the Company		<b>(283,535)</b>	(356,441)
Non-controlling interests		<b>(28,463)</b>	(32,416)
		<b>(311,998)</b>	(388,857)
<b>Loss per share for loss attributable to owners of the Company</b> (expressed in RMB cents per share)			
– Basic	18	<b>(8.23)</b>	(10.38)
– Diluted	18	<b>(8.23)</b>	(10.38)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME***For the six months ended 30 June 2023*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Loss for the period</b>	<u>(311,998)</u>	<u>(388,857)</u>
<i>Items that may be reclassified to profit or loss</i>		
- Currency translation differences	<u>(3,589)</u>	<u>(3,947)</u>
<b>Other comprehensive loss for the period</b>	<u>(3,589)</u>	<u>(3,947)</u>
<b>Total comprehensive loss for the period</b>	<u>(315,587)</u>	<u>(392,804)</u>
<b>Total comprehensive loss attributable to:</b>		
- Owners of the Company	<u>(287,124)</u>	<u>(360,388)</u>
- Non-controlling interests	<u>(28,463)</u>	<u>(32,416)</u>
	<u><u>(315,587)</u></u>	<u><u>(392,804)</u></u>

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 June 2023

(All amounts in Renminbi thousands unless otherwise stated)

		Unaudited							
		Attributable to owners of the Company				Non-			
		Share	Share	Other	Retained				
Notes		capital	premium	reserves	earnings	Total	g interests	Total equity	
	<b>Balance at 1 January 2023</b>	83,537	5,084,953	866,567	1,230,296	7,265,353	142,230	7,407,583	
	Loss for the period	-	-	-	(283,535)	(283,535)	(28,463)	(311,998)	
	<b>Other comprehensive loss</b>								
	Currency translation differences	-	-	(3,589)	-	(3,589)	-	(3,589)	
	<b>Total comprehensive loss</b>	-	-	(3,589)	(283,535)	(287,124)	(28,463)	(315,587)	
	<b>Transactions with owners</b>								
	Employees share option scheme:								
	- Proceeds from shares issued	11	33	4,405	-	-	4,438	-	4,438
	Share award plan:								
	- Value of employee services received	11	-	40,768	-	-	40,768	-	40,768
	- Transfer shares to the awardees upon vesting	11	-	(82,634)	79,866	-	(2,768)	-	(2,768)
	- Shares purchased for share award plan		-	-	(61,138)	-	(61,138)	-	(61,138)
	Contribution from Non-controlling interests		-	-	-	-	18,000	18,000	
	Equity transactions with non-controlling interests		-	-	26,785	-	2,784	29,569	
	<b>Total transactions with owners</b>	33	(37,461)	45,513	-	8,085	20,784	28,869	
	<b>Balance at 30 June 2023</b>	83,570	5,047,492	908,491	946,761	6,986,314	134,551	7,120,865	

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

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

For the six months ended 30 June 2022

(All amounts in Renminbi thousands unless otherwise stated)

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

**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT**

For the six months ended 30 June 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
<b>Cash flows from operating activities:</b>		
Cash generated from operations excluding net cash outflow in loans to third parties from the micro-credit business	(149,765)	(192,643)
Net cash outflow in loans to third parties from the micro-credit business	(8,318)	17,848
Interest paid	(8,131)	(2,036)
Income tax paid	(2,673)	(3,038)
<b>Net cash outflow from operating activities</b>	<b>(168,887)</b>	<b>(179,869)</b>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(221,205)	(79,248)
Proceeds from disposals of property, plant and equipment	1,741	276
Purchases of intangible assets	(272,675)	(251,219)
Payment for acquisition of a subsidiary	(4,000)	-
Pledged and short-term bank deposits placed - net	(375,602)	(934,568)
Interest received	21,642	1,033
Purchases of financial assets at fair value through profit or loss	(70,016)	(125,500)
Proceeds from disposal of financial assets at fair value through profit or loss	28,856	675,519
Payments of Investment properties	(23,103)	-
Proceeds from disposal of associates	-	18,855
<b>Net cash outflow from investing activities</b>	<b>(914,362)</b>	<b>(694,852)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from share options exercised	4,438	21,266
Transaction with non-controlling interests	46,000	211
Proceeds from borrowings	295,000	50,000
Repayments of borrowings	(57,500)	-
Principal elements of lease payments	(16,881)	(15,838)
Payments for purchase of shares for share award plan	(61,138)	(81,341)
Payments for buy-back of shares	-	(72,260)
<b>Net cash outflow from financing activities</b>	<b>209,919</b>	<b>(97,962)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(873,330)</b>	<b>(972,683)</b>
Effects of exchange rate changes on cash and cash equivalents	2,465	4,201
Cash and cash equivalents at beginning of the period	1,942,735	2,046,815
<b>Cash and cash equivalents at end of the period</b>	<b>1,071,870</b>	<b>1,078,333</b>

## 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 17 August 2023.

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 2023 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 2022 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

**Notes to the condensed consolidated interim financial information****3. Significant accounting policies**

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in those annual financial statements.

(a) The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2023:

- Insurance Contracts — IAS 17
  - Definition of Accounting Estimates — Amendments to IAS 8
  - Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to IAS 12
  - Disclosure of Accounting Policies — Amendments to IAS 1 and IFRS Practice Statement 2
- The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted

		<b>Effective for annual periods beginning on or after</b>
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to IAS 1	Non-Current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16	Leases on sale and leaseback	1 January 2024
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the six months ended 30 June 2023 and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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

**4. Estimates**

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

In preparing this unaudited condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

## Notes to the condensed consolidated interim financial information

### 5. Segment information

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

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

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

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



KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

**Notes to the condensed consolidated interim financial information**

**5. Segment information** *(Continued)*

The unaudited segment information for the six months ended 30 June 2023 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)	2,038,598	527,252	-	2,565,850
- Products transferred at a point in time	-	170,805	-	170,805
- Services transferred over time	2,038,598	356,447	-	2,395,045
Operating (loss)/profit	(447,270)	28,810	30,269	(388,191)
Finance costs	(7,911)	(1,984)	-	(9,895)
Finance income	44,470	12,620	-	57,090
<b>Finance income – net</b>	<b>36,559</b>	<b>10,636</b>	<b>-</b>	<b>47,195</b>
Share of profits of associates - net	-	15,436	-	15,436
<b>(Loss)/profit before income tax</b>	<b>(410,711)</b>	<b>54,882</b>	<b>30,269</b>	<b>(325,560)</b>
Income tax credit/(expense)	20,477	(4,483)	(2,432)	13,562
<b>Segment results</b>	<b>(390,234)</b>	<b>50,399</b>	<b>27,837</b>	<b>(311,998)</b>
Depreciation and amortisation	169,859	65,771	-	235,630
Net impairment losses on financial assets and contract assets	617	35,014	-	35,631
Share-based payment	33,754	7,014	-	40,768

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

**Notes to the condensed consolidated interim financial information**

**5. Segment information** *(Continued)*

The unaudited segment information for the six months ended 30 June 2022 is as follows:

	Cloud services business RMB'000	ERP business and others RMB'000	Investment properties operating business RMB'000	The Group Total RMB'000
Revenue (from external customers)	1,677,482	519,174	-	2,196,656
- Products transferred at a point in time	-	175,469	-	175,469
- Services transferred over time	1,677,482	343,705	-	2,021,187
Operating (loss)/ profit	(514,880)	27,669	33,644	(453,567)
Finance costs	(1,528)	(528)	-	(2,056)
Finance income	37,333	12,478	-	49,811
<b>Finance income – net</b>	35,805	11,950	-	47,755
Share of profits of associate - net	-	3,545	-	3,545
<b>(loss) /Profit before income tax</b>	(479,075)	43,164	33,644	(402,267)
Income tax credit/(expense)	22,816	(6,042)	(3,364)	13,410
<b>Segment results</b>	(456,259)	37,122	30,280	(388,857)
Depreciation and amortisation	145,431	59,263	-	204,693
Net impairment losses on financial assets and contract assets	3,082	31,392	-	34,474
Share-based payment	52,974	8,360	-	61,334

**Notes to the condensed consolidated interim financial information**

**5. Segment information** *(Continued)*

The Company is incorporated in the Cayman Islands while the Group mainly operates its business in the PRC. Revenue from external customers from the PRC and other locations is RMB2,545,417,000 (the same period in 2022: RMB2,179,205,000) and RMB20,433,000 (the same period in 2022: RMB17,451,000), respectively for the six months period ended 30 June 2023.

There is no single customer that contributed to over 10% of the Group's revenue for the six months period ended 30 June 2023 and 2022.

## Notes to the condensed consolidated interim financial information

## 6. Property, plant, equipment and intangible assets

## (a) Property, plant, equipment

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
<b>Opening net book amount at 1 January</b>	<b>1,376,694</b>	<b>1,044,880</b>
Additions	193,423	91,166
Disposals	(2,165)	(324)
Depreciation	<u>(26,235)</u>	<u>(27,071)</u>
<b>Closing net book amount at 30 June</b>	<b><u>1,541,717</u></b>	<b><u>1,108,651</u></b>

## (b) Intangible assets

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
<b>Opening net book amount at 1 January</b>	<b>1,192,375</b>	<b>1,037,366</b>
Additions	271,588	250,687
Amortisation	<u>(193,169)</u>	<u>(161,177)</u>
<b>Closing net book amount at 30 June</b>	<b><u>1,270,794</u></b>	<b><u>1,126,876</u></b>

**Notes to the condensed consolidated interim financial information****7. Leases**

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

**(a) Amounts recognised in the statement of financial position**

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

	<b>Unaudited</b>	
	<b>Six months ending 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Right-of-use assets</b>		
Land use rights (i)	<b>99,557</b>	136,927
Buildings	<b>51,519</b>	63,644
	<b><u>151,076</u></b>	<u>200,571</u>
<b>Lease liabilities</b>		
Current	<b>20,792</b>	26,658
Non-current	<b>35,059</b>	47,184
	<b><u>55,851</u></b>	<u>73,842</u>

Additions to the right-of-use assets during the six months ended 30 June 2023 were RMB11,732,000.

- (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 29 to 40 years, and for self-use.

**Notes to the condensed consolidated interim financial information****7. Leases** *(Continued)***(b) Amounts recognised in the statement of profit or loss**

The income statement shows the following amounts relating to leases:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Depreciation charge of right-of-use assets</b>		
Land	1,859	2,161
Buildings	<u>14,367</u>	<u>14,284</u>
	<u><b>16,226</b></u>	<u><b>16,445</b></u>
Interest expense (included in finance cost)	<b>1,681</b>	1,984
Expense relating to short-term leases	<b>5,961</b>	6,322

The total cash outflow for leases in six months ended 30 June 2023 was RMB23,984,000 (the six months ended 30 June 2022: RMB22,476,000).

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

The Group leases various offices. Rental contracts are typically made for fixed periods of 1 to 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.

**(d) Extension and termination options**

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

**Notes to the condensed consolidated interim financial information****8. Investments in associates**

The carrying amount of equity-accounted investments has changed as follows for the six months ended 30 June 2023:

	<b>Unaudited</b>
	<b>Six months ended</b>
	<b>30 June 2023</b>
	<b>RMB'000</b>
Beginning of the period	421,593
Additions	-
Disposal	(387)
Share of profit of associates - net	15,436
<b>End of the period</b>	<b>436,642</b>

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

**Notes to the condensed consolidated interim financial information****9. Financial assets at fair value through profit or loss**

(a) Classification of financial assets at fair value through profit or loss

For the six months ended 30 June 2023, the Group classifies the following financial assets at fair value through profit or loss (FVPL):

- 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 include the following:

At 30 June 2023	Unaudited			Total RMB'000
	Level 1(i) RMB'000	Level 2(i) RMB'000	Level 3(i) RMB'000	
<b>Financial assets at fair value through profit or loss</b>				
Wealth management products(ii)	-	-	38,083	38,083
Listed stock	41,951	-	-	41,951
Unlisted equity investment	-	-	931,914	931,914
	<b>41,951</b>		<b>969,997</b>	<b>1,011,948</b>
Less: non-current portion	-	-	(931,914)	(931,914)
Current portion	<b>41,951</b>	-	<b>38,083</b>	<b>80,034</b>
	Audited			Total RMB'000
At 31 December 2022	Level 1(i) RMB'000	Level 2(i) RMB'000	Level 3(i) RMB'000	
<b>Financial assets at fair value through profit or loss</b>				
Wealth management products(ii)	-	-	19,201	19,201
Listed equity securities	47,054	-	-	47,054
Unlisted equity investment	-	-	931,164	931,164
	<b>47,054</b>		<b>950,365</b>	<b>997,419</b>
Less: non-current portion	-	-	(931,164)	(931,164)
Current portion	<b>47,054</b>	-	<b>19,201</b>	<b>66,255</b>



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

(i) The table analyses the Group's financial instruments carried at fair value as at 30 June 2023 and 31 December 2022 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 2 month to 30 months. They have an expected return rate ranging from 2.00% to 2.85%. 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

## 9. Financial assets at fair value through profit or loss (Continued)

(b) The following table presents the changes in level 3 instruments for the six months ended 30 June 2023.

	Unaudited Financial assets at fair value through profit or loss RMB'000
<b>At 1 January 2023</b>	<b>950,365</b>
Additions	48,150
Disposals	(28,856)
Gains recognised in profit or loss	338
<b>At 30 June 2023</b>	<b>969,997</b>
Changes in unrealised gains for the period included in profit or loss at the end of the period	<b>83</b>

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

## Notes to the condensed consolidated interim financial information

## 10. Trade and other receivables and loans to third parties

	Unaudited	Audited
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Trade receivables (a)	281,317	269,548
Less: allowance for impairment of trade receivables	<u>(147,566)</u>	<u>(140,244)</u>
Trade receivables - net	133,751	129,304
Notes receivable	49,546	39,209
Advances to employees	6,561	5,414
Prepayments	55,946	48,841
VAT recoverable	17,817	17,940
Interest receivables	129,871	79,924
Receivables from related parties (Note 20(c))	24,896	22,070
Receivables from non-controlling interests	40,415	37,619
Other	31,220	33,284
Less: allowance for impairment of other receivables (excluding prepayments)	<u>(18,083)</u>	<u>(16,524)</u>
	471,940	397,081
Less: non-current portion	<u>(117,332)</u>	<u>(104,051)</u>
Current portion	<u>354,608</u>	<u>293,030</u>
Loans to third parties (b)		
Current portion	265,445	268,274
Non-current portion	<u>97,955</u>	<u>63,081</u>
	<u>363,400</u>	<u>331,355</u>

## Notes to the condensed consolidated interim financial information

## 10. Trade and other receivables 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:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
0-90 days	<b>106,839</b>	99,724
91-180 days	<b>10,192</b>	11,459
181- 360 days	<b>14,361</b>	14,690
Over 360 days	<b>149,925</b>	143,675
	<b>281,317</b>	269,548

## (b) The loans to third parties

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Loans to third parties	<b>367,070</b>	334,702
Less: Provisions for collective impairment assessment of the loans	<b>(3,670)</b>	(3,347)
Loans to third parties, net of provision	<b>363,400</b>	331,355
Less: non-current portion	<b>(97,955)</b>	(63,081)
Current portion	<b>265,445</b>	268,274

The loans to third parties represented loans made under the micro-credit business, which bear interest from 4.28% to 24.00% (31 December 2022: 4.28% to 24.00%) per annum and are repayable with fixed terms agreed with the customers, and all denominated in RMB.

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

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

**Notes to the condensed consolidated interim financial information****10. Trade and other receivables and loans to third parties** *(Continued)***(b) The loans to third parties** *(Continued)*

The Group performed expected credit loss assessment of loans to third parties collectively by grouping loans with similar credit risk characteristics. During the six months ended 30 June 2023 and 2022, the majority of the loans were in stage 1 and there was no significant change in credit quality for loans for both periods.

**11. Share capital and share premium**

	Unaudited			
	Number of shares (thousands)	Share capital RMB'000	Share premium RMB'000	Total RMB'000
<b>At 1 January 2023</b>	<b>3,474,399</b>	<b>83,537</b>	<b>5,084,953</b>	<b>5,168,490</b>
Employee share option scheme				
- Proceeds from shares issued	1,929	33	4,405	4,438
Share award plan				
- Value of services received	-	-	40,768	40,768
- Transfer shares to the awardees upon vesting	-	-	(82,634)	(82,634)
<b>At 30 June 2023</b>	<b>3,476,328</b>	<b>83,570</b>	<b>5,047,492</b>	<b>5,131,062</b>
<b>At 1 January 2022</b>	<b>3,472,181</b>	<b>83,484</b>	<b>5,149,350</b>	<b>5,232,834</b>
Employee share option scheme				
- Proceeds from shares issued	7,270	150	21,116	21,266
Share award plan				
- Value of services received	-	-	61,334	61,334
- Transfer shares to the awardees upon vesting	-	-	(117,841)	(117,841)
Cancellation of shares	(4,641)	(94)	(72,166)	(72,260)
Equity transactions with non-controlling interests	-	-	(192)	(192)
<b>At 30 June 2022</b>	<b>3,474,810</b>	<b>83,540</b>	<b>5,041,601</b>	<b>5,125,141</b>

## Notes to the condensed consolidated interim financial information

## 12. Trade and other payables

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Trade payables (a) and (b)	19,287	19,500
Note payables	8,454	23,805
Salary and staff welfare payables	172,499	267,861
Deposits payable	165,422	169,407
Accrual for expenses	241,332	209,492
Construction payables (c)	133,997	127,071
Unpaid business acquisition consideration	10,112	18,112
Others	50,107	64,248
	<u>801,210</u>	<u>899,496</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 2023 and 31 December 2022, the aging analysis of trade payables is as follows:

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
0-180 days	13,277	18,721
181- 360 days	5,235	42
Over 360 days	775	737
	<u>19,287</u>	<u>19,500</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

## 13. Borrowings

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
<b>Non-current</b>		
Bank borrowings- unsecured	687,500	400,000
Less: current portion of non-current bank borrowings	<u>(97,500)</u>	<u>(15,000)</u>
	<b>590,000</b>	<b>385,000</b>
<b>Current</b>		
Bank borrowings- unsecured	20,000	70,000
Current portion of non-current bank borrowings	<u>97,500</u>	<u>15,000</u>
	<b>117,500</b>	<b>85,000</b>

As at 30 June 2023 and 31 December 2022, the Group's bank borrowings were repayable as follows:

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Within 1 year	117,500	85,000
Between 1 and 2 years	94,000	85,000
Between 2 and 5 years	<u>496,000</u>	<u>300,000</u>
	<b>707,500</b>	<b>470,000</b>

The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
RMB	<u>707,500</u>	<u>470,000</u>

The Group's bank borrowings bear actual interest rate ranging from 2.80% to 2.90%.

Bank borrowings are at floating rates and the exposure of the Group's bank borrowings to interest-rate changes and the contractual repricing dates at the balance sheet dates are within 1-35 month (At 31 December 2022: 1-5 year).

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

## Notes to the condensed consolidated interim financial information

## 14. Revenue from contracts with customers

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Cloud services business	<b>2,038,598</b>	1,677,482
- Enterprise cloud services	<b>1,404,558</b>	1,161,330
- Small & Micro business finance cloud services	<b>501,028</b>	380,235
- Industry cloud services	<b>133,012</b>	135,917
ERP business and others	<b>527,252</b>	519,174
- Revenue from sales of software and hardware products	<b>170,805</b>	175,469
- Revenue from rendering of software implementation, maintenance services, and others	<b>356,447</b>	343,705
	<b><u>2,565,850</u></b>	<u>2,196,656</u>



## Notes to the condensed consolidated interim financial information

## 15. Expenses by nature

Significant expense items are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Research and development costs		
Amounts incurred	<b>829,188</b>	794,806
Less: development costs capitalised	<b>(270,811)</b>	(249,063)
Add: amortisation	<b>185,659</b>	152,323
	<b>744,036</b>	698,066
Employee benefit expenses	<b>2,026,722</b>	1,906,823
Less: amount included in research and development costs	<b>(555,158)</b>	(529,464)
	<b>1,471,564</b>	1,377,359
Outsourcing services	<b>234,217</b>	232,020
Cost of inventories consumed and rental cost of cloud server	<b>93,039</b>	102,067
Depreciation of property, plant and equipment(Note 6(a))	<b>26,235</b>	27,071
Depreciation of right-of-use assets (Note 7(b))	<b>16,226</b>	16,445
Amortisation of trademarks, computer software, licenses, copyrights and customer relationship	<b>7,510</b>	8,854
Net impairment losses on financial assets	<b>35,631</b>	34,474

## Notes to the condensed consolidated interim financial information

## 16. Other income and gains - net

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
<b>Other income</b>		
VAT refund	52,513	56,449
VAT input tax surplus deduction	6,270	6,090
Government program research	76,798	56,425
Rental income-net	34,584	33,644
	<u>170,165</u>	<u>152,608</u>
<b>Other gains</b>		
Realised and unrealised net (losses)/gains on financial assets at FVPL	(4,765)	47,806
Realised and unrealised net (losses) on derivative financial instruments	-	(869)
Net foreign exchange gains	2,183	1,435
Dilution gains	-	15,216
(Losses)/Gains on disposal of associates	(387)	6,321
Others	16,781	9,532
	<u>13,812</u>	<u>79,441</u>
	<u>183,977</u>	<u>232,049</u>

## Notes to the condensed consolidated interim financial information

## 17. Income tax credit

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current income tax	2,138	2,341
Deferred income tax	(15,700)	(15,751)
	<u>(13,562)</u>	<u>(13,410)</u>

- (a) No provision for profits tax in the Cayman Islands and Hong Kong has been made as the Group has no assessable profits for the period in those jurisdictions.
- (b) According to regulation (FA GAI Gao Ji [2023] No.287) issued by the National Development and Reform Commission, the entity can register for the National Important Software Enterprise (“NISE”) in tax bureau if the entity complies with relevant requirements with a tax rate of 10%. Based on management’s assessment, it is highly probable that Kingdee China will meet those requirements. Therefore, Kingdee China used a preferential corporate income tax rate of 10% for the six months ended 30 June 2023. The application of preferential tax rate stated above is subject to critical estimates of the management of the Group.
- (c) Kingdee Deeking Cloud Computing Co., Ltd., Kingdee Apusic Cloud Computing Co.,Ltd., Beijing Kingdee Tianyan Cloud Technology Co., Ltd., Beijing Kingdee Management Software Co., Ltd., Shanghai Guanyi Cloud Computing Software Co., Ltd., Shenzhen Kingdee Zhangwuyou Network Technology Co., Ltd., Beijing Kingdee Yunji Technology Co., Ltd., Shanghai Kingdee Internet Technology Co., Ltd. and Shenzhen Kingdee Wisdom Technology Co., Ltd. were each qualified as a High-tech Enterprise and were entitled to a preferential tax rate of 15% for the period ended 30 June 2023.
- (d) Shenzhen Kingdee Pay Technology Co., Ltd., Shenzhen Kingdee Youli Technology Co., Ltd., Kingdee E-commerce Technology (Shenzhen) Co., Ltd., Kingdee Vehicle Network Technology Co., Ltd. were entitled to a preferential corporate income tax rate of 20% in 2023.
- (e) According to the relevant requirements of the “Notice of the State Council on Printing and Distributing Several Policies for Promoting the High-quality Development of the Integrated Circuit Industry and Software Industry in the New Era” (Guo Fa [2020] No. 8), Kingdee Cloud Technology Co., Ltd. met the requirements and was entitled to a preferential corporate income tax of exemption in 2023.
- (f) Other PRC subsidiaries of the Group applied the tax rate of 25%.

**Notes to the condensed consolidated interim financial information****18. Losses per share****(a) Basic**

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
Loss attributable to owners of the Company(RMB'000)	<b>(283,535)</b>	(356,441)
Weighted average number of ordinary shares in issue (thousands)	<b>3,445,993</b>	3,435,411
Basic loss per share(RMB cents per share)	<b>(8.23)</b>	(10.38)

**18. Losses per share****(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 2023 and 2022, the potential share options and share awards were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the six months ended 30 June 2023 and 2022 was the same as basic loss per share of the respective period.

## Notes to the condensed consolidated interim financial information

## 18. Losses per share (Continued)

	Unaudited	
	Six months ended 30 June	
	2023	2022
Loss attributable to owners of the Company(RMB'000)	(283,535)	(356,441)
Loss used to determine diluted loss per share(RMB'000)	<u>(283,535)</u>	<u>(356,441)</u>
Weighted average number of ordinary shares in issue (thousands)	3,445,993	3,435,411
Adjustment for –		
share options (thousands)	-	-
share awards (thousands)	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares for diluted loss per share (thousands)	<u>3,445,993</u>	<u>3,435,411</u>
Diluted loss per share(RMB cents per share)	<u>(8.23)</u>	<u>(10.38)</u>

## 19. Dividends

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (the six months ended 30 June 2022: Nil).

## Notes to the condensed consolidated interim financial information

## 20. Related party transactions

The Group had transactions with related parties for the period ended 30 June 2023 as follows:

## (a) Transactions with related parties

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Sales of products		
– Associates	-	3,087
– Companies controlled by Mr. Xu Shao Chun	<u>700</u>	<u>1,715</u>
	<u><b>700</b></u>	<u><b>4,802</b></u>
Sales of services		
– Associates	<b>3,854</b>	2,061
– Companies controlled by Mr. Xu Shao Chun	<u>438</u>	<u>223</u>
	<u><b>4,292</b></u>	<u><b>2,284</b></u>
Rental income		
– Associates	<b>1,488</b>	1,566
– Companies controlled by Mr. Xu Shao Chun	<u>2,398</u>	<u>1,785</u>
	<u><b>3,886</b></u>	<u><b>3,351</b></u>

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

## Notes to the condensed consolidated interim financial information

## 20. Related party transactions (Continued)

## (b) Purchase of products and services

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Purchase of products		
– Associates	93	2,094
– Companies controlled by Mr. Xu Shao Chun	146	469
	<u>239</u>	<u>2,563</u>
 Purchase of services		
– Associates	<u>23,489</u>	<u>28,116</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
	2023	2022
	RMB'000	RMB'000
Payable to related parties recorded in “Contract Liabilities”	1,168	409
– Associates	216	195
– Companies controlled by Mr. Xu Shao Chun	<u>1,384</u>	<u>604</u>
 Payable to related parties recorded in “Trade payables”		
– Associates	3,175	2,653
– Companies controlled by Mr. Xu Shao Chun	9	74
	<u>3,184</u>	<u>2,727</u>
 Receivables from related parties (Note10)		
– Associates	13,955	11,526
– Companies controlled by Mr. Xu Shao Chun	10,941	10,544
	<u>24,896</u>	<u>22,070</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Major Financial Information

#### Revenue

For the six months ended 30 June 2023, the Group recorded total revenue of RMB2,565,850,000, representing a yoy growth of 16.8% (1H 2022: RMB2,196,656,000). Revenue from the Cloud Services increased by 21.5% yoy to RMB2,038,598,000 (1H 2022: RMB1,677,482,000). Revenue from the ERP business and others amounted to RMB527,252,000 (1H 2022: RMB519,174,000), a yoy increase of 1.6%.

**Unaudited**  
**For the six months ended 30 June**

	2023	2022
	RMB'000	RMB'000
Cloud services business	<b>2,038,598</b>	1,677,482
-Enterprise cloud services	<b>1,404,558</b>	1,161,330
-Small & Micro business finance cloud services	<b>501,028</b>	380,235
-Industry cloud services	<b>133,012</b>	135,917
ERP business and others	<b>527,252</b>	519,174
- Revenue from sales of software and hardware products	<b>170,805</b>	175,469
- Revenue from provision of software implementation, maintenance services, and others	<b>356,447</b>	343,705
	<b>2,565,850</b>	2,196,656

#### Gross Profit

The Group recorded gross profit of approximately RMB1,588,770,000 (1H 2022: RMB1,330,808,000), a yoy increase of approximately 19.4%. The gross profit margin increased by 1.3 percentage points yoy to approximately 61.9% (1H 2022: approximately 60.6%).

#### Selling and marketing expenses

During the Reporting Period, selling and marketing expenses totaled approximately RMB1,142,317,000 (1H 2022: RMB1,049,932,000), representing an increase of 8.8% yoy. The percentage of selling and marketing expenses as a percentage of revenue decreased from 47.8% in the first half of 2022 to 44.5% in the first half of 2023.

#### Administrative expenses

During the Reporting Period, administrative expenses totaled approximately RMB238,954,000, representing a yoy increase of 2.1% (1H 2022: RMB233,952,000). The percentage of administrative expenses as a percentage of group revenue decreased from 10.7% in the first half of 2022 to 9.3% in the first half of 2023.



**Research and development expenses**

During the Reporting Period, the Group continued to focus on “Platform + Finance & HR & Tax + Ecosystem” and increased R&D investment in Kingdee Cloud Cosmic and Kingdee Cloud Constellation. Total research and development costs were approximately RMB829,188,000, representing an increase of 4.3% yoy (1H 2022: RMB794,806,000), of which, the R&D capitalization rate increased to 32.7% (1H 2022: 31.3%), the capitalized amount was RMB270,811,000, representing an increase of 8.7% yoy (1H 2022: RMB249,063,000). Amortisation of research and development costs during the Reporting Period was RMB185,659,000, representing an increase of 21.9% yoy (1H 2022: RMB152,323,000), and the research and development expenses recognised in the consolidated income statement was RMB744,036,000, representing an increase of 6.6% yoy (1H 2022: RMB698,066,000). The percentage of research and development expenses as a percentage of revenue decreased from 31.8% in the first half of 2022 to 29.0% in the first half of 2023.

**Other income and gains – net**

During the Reporting Period, other income and gains - net was RMB183,977,000, representing a decrease of 20.7% yoy (1H 2022: RMB232,049,000), mainly due to the decrease in realized and unrealized revenues from financial assets at fair value through profit or loss.

**Operating loss**

For the six months ended 30 June 2023, the Group recorded an operating loss of approximately RMB388,191,000 (1H 2022: operating loss of approximately RMB453,567,000). Cloud services business' segment recorded an operating loss of approximately RMB447,270,000, representing a decrease of 13.1% yoy (1H 2022: loss of approximately RMB514,880,000), due to the operating results of the Company's long-term development of its cloud subscription model. ERP business and other operating profit was approximately RMB28,810,000 (1H 2022: profit of approximately RMB27,669,000). The business contribution from the investment properties of the Group declined by 10.0% yoy to approximately RMB30,269,000 (1H 2022: approximately RMB33,644,000), due to the increase in self-use of the Group's properties.

**Finance income–net**

During the Reporting Period, the finance income - net amounted to approximately RMB47,195,000. In the same period of 2022, the finance income–net value was approximately RMB47,755,000.

**Income tax credit**

During the Reporting Period, the income tax credit amounted to approximately RMB13,562,000 (1H 2022: the income tax credit amounted to approximately RMB13,410,000).

**Loss and basic loss per share**

For the six months ended 30 June 2023, the current loss attributable to owners of the Company was approximately RMB283,535,000 (1H 2022: loss of approximately RMB356,441,000). Net loss margin attributable to owners of the Company was approximately 11.1% (1H 2022: net loss margin of approximately 16.2%). Basic loss per share was approximately RMB8.23 cents (1H 2022: basic loss per share of approximately RMB10.38 cents).

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

As of 30 June 2023, the Group's financial assets at fair value through profit or loss amounted to approximately RMB1,011,948,000, representing an increase of RMB14,529,000 as compared with that of 31 December 2022, including the non-current portion of approximately RMB931,914,000 (31 December 2022: approximately RMB931,164,000) and the current portion of approximately RMB80,034,000 (31 December 2022: approximately RMB66,255,000).

**Financial assets at fair value through profit or loss included the following:**

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Financial assets at fair value through profit or loss		
Wealth management products (i)	<b>38,083</b>	19,201
Listed equity securities	<b>41,951</b>	47,054
Unlisted equity investment	<b>931,914</b>	931,164
	<b>1,011,948</b>	997,419
Less: non-current portion	<b>(931,914)</b>	(931,164)
	<b>80,034</b>	66,255

(i) It represents 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 two months to 30 months, at an expected annual return rate ranging from 2.00% to 2.85%. No single wealth management product investment accounted for over 5% of the Group's total assets. The fair value of these investments is determined based on the income method.

**Investment in associates**

The movements in the carrying value of investments in associates during the six months ended 30 June 2023 are as follows.

	<b>Unaudited</b>
	<b>For the six months ended 30 June</b>
	<b>2023</b>
	<b>RMB'000</b>
Amount at the beginning of the period	421,593
Additions	-
Disposals	(387)
Share of profits of associates - net	15,436
<b>Amount at the end of the period</b>	<b>436,642</b>

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

**Contract assets**

During the Reporting Period, the contract assets of the Group were approximately RMB337,455,000 as at 30 June 2023 and the corresponding contract assets were approximately RMB346,542,000 as at 31 December 2022.

**Loans to third parties**

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Loans to third parties</b>	<b>367,070</b>	334,702
Less: Provision for loan impairment	<u>(3,670)</u>	<u>(3,347)</u>
Loans to third parties - net	<b>363,400</b>	331,355
Less: non-current portion	<u>(97,955)</u>	<u>(63,081)</u>
Current portion	<b>265,445</b>	268,274

The loans to third parties represent loans made under the micro-credit business, which bear interest from 4.28% to 24.00% (31 December 2022: 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.

### **Contract liabilities**

During the Reporting Period, the Group's contract liabilities amounted to approximately RMB2,887,003,000 as at 30 June 2023. The corresponding contract liabilities amounted to approximately RMB2,631,035,000 as at 31 December 2022. The increase in contract liabilities during the year was mainly due to the growth of the Group's cloud subscription service business.

### **Liquidity, financial and capital resources**

As at 30 June 2023, the Group recorded a total cash and bank deposits of RMB3,800,840,000 (31 December 2022: RMB4,296,103,000). As at 30 June 2023, the Group held asset management products of RMB38,083,000 (31 December 2022: RMB19,201,000). A substantial part of the Group's cash, bank deposit and wealth management products were denominated in RMB and the RMB-equivalent of the part denominated in foreign currencies were approximately RMB96,640,000 as at 30 June 2023 (31 December 2022: RMB87,142,000), which were mainly denominated in US dollar and Hong Kong dollar.

As at 30 June 2023, the Group's borrowings amounted to RMB707,500,000 (31 December 2022: RMB470,000,000).

### **Cash flow and fair value interest rate risk**

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

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

### **Foreign exchange risk**

The functional currency of the Company and its major subsidiaries is RMB. The majority of the revenues of the Group are derived from operations in the People's Republic of China.

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

The Group does not have a foreign currency hedging policy. However, the Group's management monitors foreign exchange risks and hedges against significant foreign currency risks should the need arise.

### **Credit risk**

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

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

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

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

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

The Group's investments in debt instruments, including loans to 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, management considers the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an on-going basis. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balances of other receivables.

### **Fund and working capital management**

Our funds and liquidity management are centrally carried out by our fund management department. Our fund management department is generally responsible for overall management and implementation of funds, including formulating the capital management policy for our Group, guiding, coordinating and standardizing the fund management of regional companies, making annual funding plans, reviewing and summarizing annual capital budget, overseeing and assessing fund management of each regional company. Our finance departments of regional companies are committed to implementing the fund management policies formulated by our headquarters and are responsible for making funding plans and executing capital operations at subsidiary level. The Group has 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, the Group purchases and redeems wealth management products as the "cash pool", from which it could readily access cash as needed and generate higher yield than bank deposits. The underlying financial assets of the wealth management products in which the Group 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

## KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

Wealth Management Administration Solution (《資金理財管理辦法》)。The Group consistently complies 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.

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

For budget management, the Group establishes a monthly, quarterly and annual budget management system, then seeks 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.

### Major properties

The following table sets forth the details of the major properties held by the Group for the six months ended 30 June 2023:

Property name	Location	Existing use	Lease term	Total Fair value
				RMB'000
Beijing Kingdee Software Park	No. 4 Fuxing Street, Mapo Town, Shunyi District, Beijing City, the PRC	Offices	Long-term	675,090
Shanghai Kingdee Software Park	No. 88 Chenhui Road, Zhangjiang High Technology Park, Pudong District, Shanghai City, the PRC	Offices	Long-term	376,120
Shenzhen Kingdee Software Park (Phase 1)	No. 2, No.12 Technology Road South, High Technology Park, Nanshan District, Shenzhen City, Guangdong Province, the PRC	Offices	Long-term	481,410
Shenzhen Kingdee Software Park (Phase 2)	No. 2, No.12 Technology Road South, High Technology Park, Nanshan District, Shenzhen City, Guangdong Province, the PRC	Offices	Long-term	148,074
Shenzhen W1-B	Level 4, Building W1, High-tech Industrial Village, No. 1 Technology Road South, Nanshan District, Shenzhen City, Guangdong Province, the PRC	Offices	Long-term	73,800
				1,754,494

## 2. Employee and Remuneration Policy

During the reporting period, the number of employees of the Group reached 11,968. The Group adheres to the "customer-centric and long-term professionalism" principle, continues to stimulate product innovation and quality construction, and implements the three major support construction of "organization, talent, and culture". The Group adheres to the principle of "striving for success and keeping a clear mind", continues to introduce cloud transformation leaders and outstanding fresh graduates, encourages managers and key employees to work in different positions, cultivates operational and innovative talents, and stimulates organizational vitality.

The Group provides various training courses on professional skills and leadership to its employees, and has also adopted a number of share plans to motivate and reward the contributions of relevant employees.

### **3. Social Responsibility**

The Group actively fulfills its corporate social responsibility and contributes to sustainable development. During the reporting period, Kingdee was selected by Standard & Poor's in the Sustainability Yearbook (China Edition) 2023, becoming the Chinese software company with the highest ESG score in the world by S&P Global. Kingdee actively participates in the Ministry of Education's supply-demand docking employment and education project, relying on the Kingdee Talent Ecosystem Alliance to carry out school-enterprise cooperation in digital talent cultivation and internship employment delivery with 53 universities nationwide in the first half of 2023. Kingdee experts were hired as external lecturers for universities, teaching 124 college students from the School of Computer Science and Technology of Harbin Institute of Technology (Shenzhen) cognitive practice courses to help students understand industry development trends, social employment dynamics, and enterprise talent needs. Kingdee continues to participate in public welfare undertakings, continues to support the Siyuan Fund's 'Ya' an poverty-stricken students' four-phase project, and launches the "Fourth Kingdee Education Immigration Class" to help 50 poverty-stricken students successfully complete high school and support students in Sichuan, Hunan, Jiangsu and other places to realize their growth dreams.

The Group relies on Kingdee Digital Academy to provide a series of digital transformation training for executives such as CEOs and CIOs. During the period, it has conducted special training workshops on digital transformation and online courses on "CEO Digital Academy-Entrepreneur Advanced Seminar" series, with a total of more than 350 executives participating, helping Chinese enterprises in their digital transformation. The Group continues to support the selection of the Outstanding Chinese Management Model Award and the "China Management Model 50+" forum ("China Management Global Forum"), working with management scholars, entrepreneurs and all sectors of society to jointly promote the advancement of enterprise management.

### **4. Outlook**

In the first half of 2023, Kingdee continued to focus on cloud subscription services, achieving high-quality growth in its overall business. 2023 is the year concluding the Three-year Strategy and the 30<sup>th</sup> anniversary of Kingdee, moving towards becoming a world-class enterprise management cloud SaaS company. At present, AI is surging and is triggering a new round of management reform. Kingdee will help enterprises build digital competitiveness in the era of AI big models based on the Kingdee Cloud Cosmic GPT, empowering thousands of industries and sharing the opportunities of big models. Kingdee will continue to focus on the core strategy of "Platform + HR & Finance & Tax+ Ecosystem", adhere to the Kingdee philosophy of "customer-centric, long-term adherence to professionalism; strivers-oriented, long-term adherence to clarity and purity of heart", continue to build world-class products, world-class ecosystems, world-class implementation, world-class services, world-class reputation, and promote the high-quality development of Chinese enterprises through digitalization.

## REPORT OF DIRECTORS

### Share Option Schemes

The 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 322,469,193 share options were exercised and 205,222,407 share options lapsed since its adoption. Thus, 1,810,000 share options remained outstanding as at 30 June 2023.

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 term of the 2015 Scheme was around 1 year and 6 months as at the date of this announcement. As at 30 June 2023, 7,261,000 share options remained outstanding. According to the scheme mandate limit of the 2015 Scheme (being 259,264,096 share options, representing approximately 7.46% of the total number of issued Shares as at the date of this announcement), less the 40,000,000 share options granted by the Company plus 9,145,000 lapsed share options since the adoption, the Company may further grant 228,409,096 share options as of 30 June 2023 (as of 1 January 2023: 228,409,096).

The grant of any share option to a substantial shareholder of the Company or an independent non-executive Director, or to any of their respective associates, in excess of 0.1% of the Shares in issue as at the date of grant and with an aggregate value (based on the closing price of the Shares as at the date of grant) in excess of HK\$5 million, within any 12-month period, is subject to the issue of a circular by the Company and the approval of the shareholders of the Company in advance at a general meeting. The grantee, his associates and all core connected persons of the Company must abstain from voting at such general meeting.

A non-refundable nominal consideration of HK\$1.00 is payable by the grantee upon acceptance of a share option. The validity period of a share option may not end later than ten (10) years from the date of grant. The terms of the 2015 Scheme do not specify the period within which the share option may be exercised by the grantee or the vesting period, but specify that the Board may, at their absolute discretion, fix the period within which a share option may be exercised, the vesting period, any performance targets that must be achieved and any other conditions that must be fulfilled before the share options can be exercised.

The exercise price of the share options is determined by the Board, but may not be less than the highest of (i) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

Details of the movements of the share options pursuant to the 2005 Scheme and the 2015 Scheme during the half year ended 30 June 2023 are as follows:



**KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**

Name or category of participants	Date of grant	Exercise period (Note 1)	Exercise price per Share (HKD)	Options held at 31 December 2022	Options granted during the Reporting Period	Options exercised during the Reporting Period	Options lapsed during the Reporting Period	Options held at 30 June 2023
Lin Bo	12/05/2015	12/05/2015 to 11/05/2025	4.6	300,000	-	300,000	-	0
<b>Sub-total</b>				<b>300,000</b>	<b>-</b>	<b>300,000</b>	<b>-</b>	<b>0</b>
Other employees	22/03/2013	22/03/2013 to 21/03/2023	1.34	1,442,500	-	415,000	1,027,500	0
	23/04/2014	23/04/2014 to 22/04/2024	2.66	2,281,000	-	471,000		1,810,000
Other employees in aggregate	12/05/2015	12/05/2015 to 11/05/2025	4.6	8,004,000	-	743,000		7,261,000
				11,727,500	-	1,629,000	1,027,500	9,071,000
<b>TOTAL</b>				<b>12,027,500</b>	<b>-</b>	<b>1,929,000</b>	<b>1,027,500</b>	<b>9,071,000</b>

*Notes:*

- (1) 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, and all of the options had been vested.
- (2) The weighted average closing price prior to exercise of share options by each of Mr. Lin Bo and the other employees was approximately HK\$16.42 and HK\$13.76, respectively.
- (3) During the half year ended 30 June 2023, no share option was cancelled.

**Share Award Scheme**

The Share Award Scheme was adopted by the Company on 4 December 2015 to provide incentives and reward the contributions of certain employees and directors of the Group. The Share Award Scheme shall be valid and effective for a period of 10 years commencing from the adoption date. The remaining term of the Share Award Scheme as at the date of this announcement is approximately 2 years and 6 months. The Board may, from time to time, in its absolute discretion select the participants, including (i) employees (whether full-time or part-time and including any executive director), consultants or advisers of or to the Group (subject to compliance with the latest Chapter 17 of the Listing Rules), and (ii) any non-executive directors (including independent non-executive directors) of the Group, after considering various factors as they deem appropriate and determine the number of award shares to be awarded to each of the selected participants.

The award shares will comprise 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 terms of the Share Award Scheme do not specify (i) any period for an award to be vested; (ii) any amount required to be paid upon acceptance of an award nor the payment period; and (iii) any basis for determining the purchase price (if any) of award shares. A selected participant shall be entitled to receive the award shares held by the trustee appointed by the Company for the purpose of the Share Award Scheme in accordance with the vesting schedule upon satisfaction of the vesting criteria and conditions specified by the Board in the offer of the grant of the relevant award shares.

The Board shall not make any further award of award shares which will result in the nominal value of the Shares awarded by the Board under the Share Award Scheme exceeding 3% of the issued share capital of the Company from time to time (104,291,048 Shares as at the date of this announcement). For the avoidance of doubt, the 3% limit provided above shall exclude any Shares which have been vested. The maximum number of Shares which may be awarded to a selected participant under the Share Award Scheme in any twelve (12)-month period shall not exceed 1% of the issued share capital of the Company from time to time.

For details of the Share Award Scheme, please refer to the announcement of the Company dated 18 December 2015.

The number of award shares available for grant under the Share Award Scheme at the beginning of the Reporting Period was 81,235,953 and at the end of the Reporting Period was 62,227,753. During the half year ended 30 June 2023, the Company had granted 7,997,000 award shares pursuant to the Share Award Scheme, with details of the movements of the award shares during the half year ended 30 June 2023 as follows:

**KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**

Name or the categories of the grantee	Date of grant	Number of Award Shares not yet vested as at 31 December 2022	Granted during the Reporting Period	Closing price of the Shares immediately before the date of grant	Vested during the Reporting Period	Lapsed during the Reporting Period	Number of Award Shares not yet vested as at 30 June 2023
Directors							
Xu Shao Chun	19/5/2019	300,000	-	8.13	300,000	-	-
	26/8/2020	150,000	-	18.20	75,000	-	75,000
	20/5/2021	150,000	-	26.05	50,000	-	100,000
	28/3/2022	150,000	-	16.74	37,500	-	112,500
	20/3/2023	-	100,000	16.30	-	-	100,000
<b>Sub-total</b>		<b>750,000</b>	<b>100,000</b>		<b>462,500</b>	<b>-</b>	<b>387,500</b>
Lin Bo	19/5/2019	200,000	-	8.13	200,000	-	-
	26/8/2020	125,000	-	18.20	62,500	-	62,500
	20/5/2021	112,500	-	26.05	37,500	-	75,000
	28/3/2022	150,000	-	16.74	37,500	-	112,500
	20/3/2023	-	100,000	16.30	-	-	100,000
<b>Sub-total</b>		<b>587,500</b>	<b>100,000</b>		<b>337,500</b>	<b>-</b>	<b>350,000</b>
Others in aggregate	9/7/2019	4,244,500	-	7.98	3,367,500	877,000	-
	19/3/2020	5,030,750	-	8.44	2,268,000	239,000	2,523,750
	12/11/2020	109,150	-	22.30	47,075	15,000	47,075
	13/4/2021	4,446,625	-	23.70	1,443,125	96,250	2,907,250
	6/12/2021	720,000	-	22.10	150,000	30,000	540,000
	21/3/2022	6,907,500	-	16.38	1,714,250	87,625	5,105,625
	28/11/2022	200,000	-	12.52	50,000	-	150,000
	31/5/2023	-	7,797,000	10.56	-	-	7,797,000
<b>Sub-total</b>		<b>21,658,525</b>	<b>7,797,000</b>		<b>9,039,950</b>	<b>1,344,875</b>	<b>19,070,700</b>
<b>Total</b>		<b>22,996,025</b>	<b>7,997,000</b>	<b>-</b>	<b>9,839,950</b>	<b>1,344,875</b>	<b>19,808,200</b>

*Notes:*

- (1) The vesting period of the award shares is four (4) years and the vesting schedule is 30 April of each of the first year, the second year, the third year and the fourth year following the year of the date of grant.
- (2) No consideration is required to be paid for the acceptance or vesting of the award shares.
- (3) The weighted average closing price of the Shares was approximately HK\$12 immediately before the date (i.e. 30 April 2023) of vesting of the award shares onto Mr. Xu Shao Chun, Mr. Lin Bo and others during the Reporting Period.
- (4) Performance targets for each grant include the Company's financial performance indicators and the individual performance indicators of the selected participants.

(5) During the half year ended 30 June 2023, no award share was cancelled.

Since no share option was granted under the 2015 Scheme and all the award shares granted under the Share Award Scheme were existing Shares during the Reporting Period, the percentage of the number of Shares that may be issued in respect of options and awards granted under all share schemes of the Company during the Reporting Period divided by the weighted average number of Shares of the relevant class in issue during the Reporting Period was 0%.

Since 1 January 2023, unless separately approved by the shareholders in general meeting (with the relevant eligible participant and such eligible participant's close associates (with the meaning ascribed thereto under the Listing Rules) (or such eligible participant's associates if such eligible participant is a connected person of the Company) abstaining from voting), no eligible participant shall be granted a share option or award if such grant will result in the total number of Shares issued and to be issued in respect of all share options and awards granted (excluding any lapsed share options and awards) to such eligible participant in the 12-month period up to and including the date of such grant would in aggregate exceed 1% of the total number of issued Shares.

### **Equity-linked agreement**

The Company completed the placing of 133,280,000 new Shares (the "Placing Shares", each a "Placing Share") at the price of HK\$17.82 per Placing Share (the "Placing") under general mandate on 28 August 2020. The aggregate nominal value of the Placing Shares 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 considered the reason for the Placing were that the Placing would 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. The gross and net proceeds raised from the Placing were approximately HK\$2,375.1 million and were approximately HK\$2,353.0 million, respectively. On this basis, the net price per Placing Share was approximately HK\$17.65. The intended and actual use of proceeds from the Placing up to 30 June 2023 are set out as follows:

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	Proceeds from the Placing	Proceeds utilised during the Reporting Period	Proceeds utilised up to 30 June 2023	Unutilised funds as at 30 June 2023	Expected timeline for utilising unutilised funds (Note)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Research and development (50.0%)	1,176,850	0	1,176,850	0	-
Future potential investments (30.0%)	706,110	43,652	692,985	13,125	December 2023
Working capital and general corporate purposes (20.0%)	470,740	0	470,740	0	-

*Note:*

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

There was no equity-linked agreement being entered into during the half year ended 30 June 2023 or subsisting at the end of the half year ended 30 June 2023.

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

As at 30 June 2023, 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 pursuant to Divisions 7 and 8 of Part XV of the SFO or which would be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 to The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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*Interests in the Shares/ underlying Shares*

<b>Name of Directors</b>	<b>Number of Shares/ underlying Shares (where (appropriate)</b>	<b>Capacity</b>	<b>Percentage of total number of issued Share (approximate)</b>
Xu Shao Chun	20,833,683 (L)	Beneficial owner	
	682,198,624 (L)	Interests of controlled corporation (Note 1)	
	387,500 (L)	Beneficiary of a trust (Note 2)	
<i>Aggregate::</i>	<b>703,419,807</b>		<b>20.23%</b>
Lin Bo	1,703,265 (L)	Beneficial owner	
	350,000 (L)	Beneficiary of a trust (Note 3)	
<i>Aggregate::</i>	<b>2,053,265</b>		<b>0.06%</b>
Gary Clark Biddle	1,230,000 (L)	Beneficial owner	
<i>Aggregate::</i>	<b>1,230,000</b>		<b>0.04%</b>
Dong Ming Zhu	400,000 (L)	Beneficial owner	
<i>Aggregate::</i>	<b>400,000</b>		<b>0.01%</b>

*Notes:*

The percentage represents the total number of the Shares interested divided by the total number of issued Shares of 3,476,328,271 as at 30 June 2023.

- (1) Of the 682,198,624 Shares, 386,312,000 Shares were held through Oriental Tao Limited and 295,886,624 Shares were held through Billion Tao Limited. Oriental Tao Limited and Billion Tao Limited are wholly owned by Easy Key Holdings Limited, which is in turn wholly owned by Mr. Xu Shao Chun. Therefore, Mr. Xu Shao Chun is deemed to be interested in those 682,198,624 Shares.
- (2) The 387,500 Shares are the award 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 award shares are set out in the section headed "Share Award Scheme" of this announcement.
- (3) The 350,000 Shares are the award 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 award shares are set out in the section headed "Share Award Scheme" of this announcement.
- (4) (L) denotes long position.

Save as disclosed above, as at 30 June 2023, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which would be

required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### **Directors' Rights to Acquire Shares or Debentures**

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

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

As at 30 June 2023, 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*

Name	Number of Shares/ underlying Shares (where appropriate)	Capacity	Percentage of total number of issued Shares (approximate)
Easy Key Holdings Limited (Note 1)	682,198,624 (L)	Interests of controlled corporation	19.62%
Oriental Tao Limited (Note 1)	386,312,000 (L)	Beneficial owner	11.11%
Billion Tao Limited (Note 1)	295,886,624(L)	Beneficial owner	8.51%
	27,129,987 (L)	Interests of controlled corporation	
	21,472,704 (S)		
JPMorgan Chase & Co. (Note 2)	191,050,000 (L)	Investment manager	
	89,045,055 (P)	Approved lending agent	
	960,506 (L)	Person having a security interest in Shares	
	<b>308,185,548 (L)</b>		<b>8.87%</b>
<b>Subtotal</b>	<b>21,472,704 (S)</b>		<b>0.62%</b>
	<b>89,045,055 (P)</b>		<b>2.56%</b>

#### *Notes:*

The percentage represents the total number of the Shares interested or short positions divided by the total number of issued Shares of 3,476,328,271 as at 30 June 2023.

- (1) Oriental Tao Limited and Billion Tao Limited are wholly owned by Easy Key Holdings Limited, which is in turn wholly owned by Mr. Xu Shao Chun.
- (2) According to the disclosure of interests form filed by JPMorgan Chase & Co. on 5 July 2023 regarding the relevant event which took place on 30 June 2023:

**KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED**

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

Name of controlled corporation	Name of controlling person	% control	Direct interest (Y/N)	Number of Shares
JPMorgan Asset Management (China) Company Limited	JPMorgan Asset Management Holdings Inc.	100	Y	1,474,000 (L)
JPMorgan Asset Management (Taiwan) Limited	JPMorgan Asset Management (Asia) Inc.	100	Y	2,044,000 (L)
J.P. Morgan SE	J.P. Morgan International Finance Limited	100	Y	84,000 (L)
J.P. Morgan Securities LLC	J.P. Morgan Broker-Dealer Holdings Inc.	100	Y	479,030 (L)
				47,524 (S)
JPMORGAN CHASE BANK, N.A. - LONDON BRANCH	JPMorgan Chase Bank, National Association	100	Y	89,045,055 (L)
JPMORGAN ASSET MANAGEMENT (UK) LIMITED	JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED	100	Y	6,382,000 (L)
J.P. Morgan Investment Management Inc.	JPMorgan Asset Management Holdings Inc.	100	Y	80,907,000 (L)
JPMorgan Chase Bank, National Association	JPMorgan Chase & Co.	100	Y	4,888,000 (L)
JPMorgan Asset Management (Asia Pacific) Limited	JPMorgan Asset Management (Asia) Inc.	99.99	Y	95,355,000 (L)
J.P. MORGAN SECURITIES PLC	J.P. MORGAN CAPITAL HOLDINGS LIMITED	100	Y	27,527,463 (L)
				21,425,180 (S)
JPMorgan Asset Management Holdings Inc.	JPMorgan Chase Holdings LLC	100	N	186,162,000 (L)
JPMorgan Chase Holdings LLC	JPMorgan Chase & Co.	100	N	186,641,030 (L)
				47,524 (S)
JPMorgan Asset Management (Asia) Inc.	JPMorgan Asset Management Holdings Inc.	100	N	97,399,000 (L)
J.P. Morgan International Finance Limited	JPMorgan Chase Bank, National Association	100	N	27,611,463 (L)
				21,425,180 (S)
JPMorgan Chase Bank, National Association	JPMorgan Chase & Co.	100	N	116,656,518 (L) 21,425,180(S)
J.P. Morgan Broker-Dealer Holdings Inc.	JPMorgan Chase Holdings LLC	100	N	479,030 (L)
				47,524 (S)
JPMORGAN ASSET MANAGEMENT INTERNATIONAL LIMITED	JPMorgan Asset Management Holdings Inc.	100	N	6,382,000 (L)
J.P. MORGAN CAPITAL HOLDINGS LIMITED	J.P. Morgan International Finance Limited	100	N	27,527,463 (L)
				21,425,180 (S)

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

- Listed derivatives – Cash settled: 235,000 (S)
- Unlisted derivatives – Physically settled: 255,171 (S)



- Unlisted derivatives – Cash settled: 5,397,000 (L) and 20,824,000 (S)

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

Save as disclosed above, as at 30 June 2023, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest and short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

### **Purchase, Sale or Redemption of Shares**

During the Reporting Period, the Company purchased 5,571,000 Shares on the Stock Exchange for an aggregate consideration of approximately HK\$68,618,391 pursuant to the Share Award Scheme.

Save as disclosed above, neither the Company, nor any of its subsidiaries, had repurchased, sold or redeemed any of its listed securities.

### **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS ACQUISITIONS**

Save as otherwise disclosed in this interim report, in particular, the disclosure in relation to the Group's investment properties operating business, (i) during the Reporting Period, the Group had not made any other significant investment, nor material acquisitions or disposals of subsidiaries, associates and joint ventures; and (ii) as at 30 June 2023, the Group did not hold any other significant investments with a value that accounted for more than 5% of the Group's total assets as at 30 June 2023; nor had future plans for material investments or capital assets acquisitions.

### **Change of Information of Directors**

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

Mr. Zhou Jun Xiang (an independent non-executive Director) ceased to be an independent non-executive director of Shenzhen Fangzhi Science & Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300235) on 24 March 2023.

### **Corporate Governance**

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

the Company. However, the Board will review from time to time and make appropriate changes when necessary in order to enhance the level of corporate governance of the Company.

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

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

### **Code of Conduct Regarding Directors' Securities Transactions**

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

### **Audit Committee**

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

### **Interim Dividend**

The Board did not declare an interim dividend for the Reporting Period (six months ended 30 June 2022: nil).

### **Appreciation**

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

By order of the Board

**Kingdee International Software Group Company Limited**

*Chairman*

**Xu Shao Chun**

Shenzhen, the People's Republic of China, 17 August 2023

*As at the date of this announcement, the Board comprises Mr. Xu Shao Chun (Chairman of the Board and Chief Executive Officer) and Mr. Lin Bo (Chief Financial Officer) as executive Directors; Ms. Dong Ming Zhu and Mr. Gary Clark Biddle as non-executive Directors; and Mr. Zhou Jun Xiang, Ms. Katherine Rong Xin and Mr. Bo Lian Ming, 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.*