

Kingdee

Software park
– Shenzhen



Software park
– Shanghai



Service Oriented Transformation Drives Growth

HKEx Stock Code: 268

2010 Interim Results

19 August 2010



Software park – Shenzhen

Agenda

- **Key Highlights**
- **Business Review and Prospects**
- **Financial Review**
- **Investment Highlights**
- **Q&A**

Key Highlights

- **Turnover: 21.3%** 
 - Service revenue: 26.4%
 - EAS sales and service revenue: 30.9%

- **Net profit: 18.6%** 
 - Profit excluding revaluation gains: 93.5%

- **Net assets: 22.3%** 

Business Review and Prospects



Industry Overview in 2010

Enterprise

- Increasing Demand for Integrated Management and IT Consultation
- Strengthening Management Capability
- Enhancing Competitive Position
- Urging for IT Architecture Planning in line with Business
- Strong Demand for IT Integrated Service

Industry

- Providing High-Value Added Integrated Solution Services
- Enhancing IT Architecture Planning Competencies
- Providing Industry-Specific Products and Services
- Increasing Influence of Chinese Management Model



Operation Strategy Review

-- Service Oriented Transformation

Kingdee

➤ Penetrating into Main Industries

- Real estate and construction
- Retail and circulation
- Manufacturing

➤ Enhancing Frontline Competencies

- Direct sales offices: 80
- Distribution partners : Over 1700
- Recruiting more industry experts

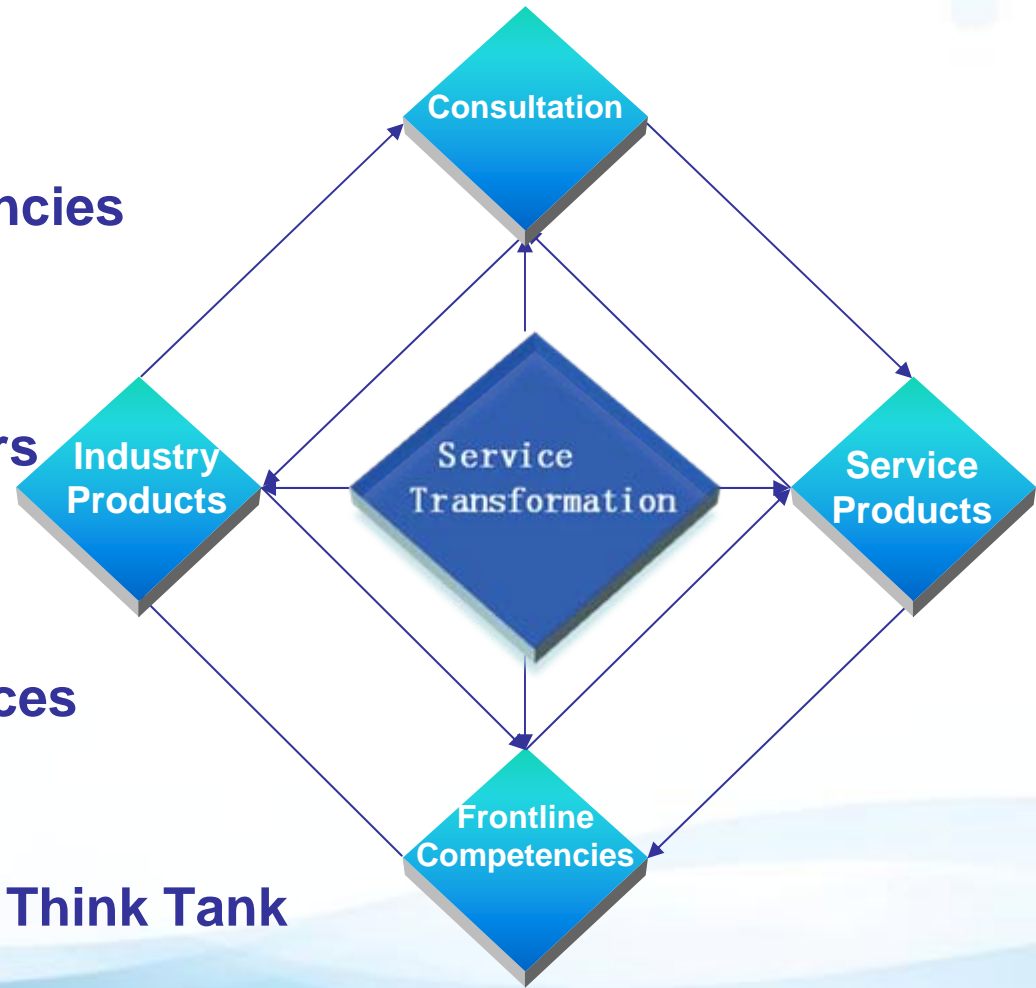
➤ Strengthening Loyal Customers

- Maintenance growing steadily
- Marketing mix :
K/3 and EAS service products

➤ Enhancing Consultation Services

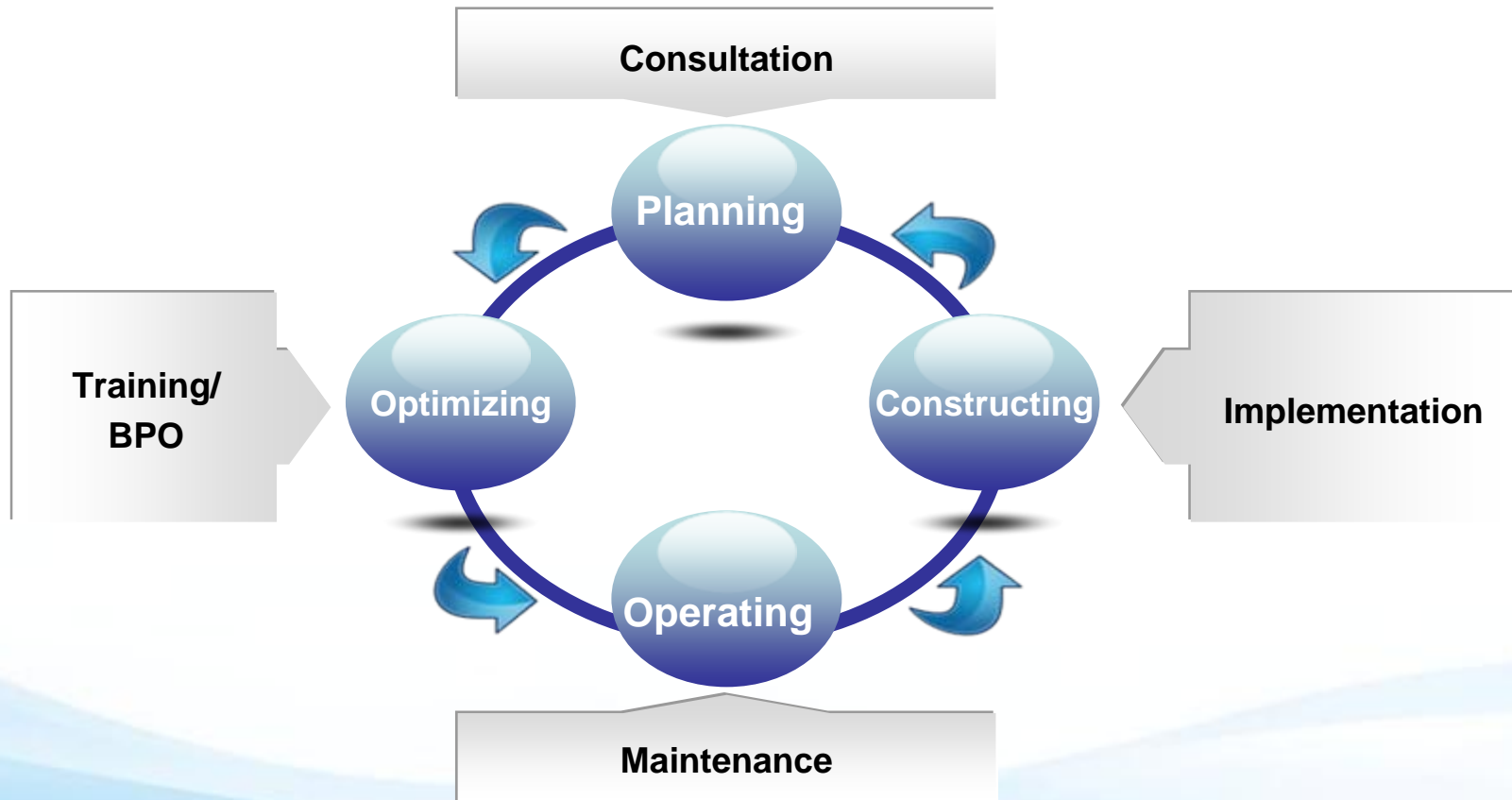
- Group Management
- IT Planning
- Specific Industry Solutions

➤ Building China's Management Think Tank



Service

- **Service revenue surged 26.4% to RMB191,118,000**
 - 36% of total revenue
 - Rising satisfaction among loyal and new customers



- **Consultation revenue increased by 288.3% to RMB8,270,000(2009 1H: RMB2,130,000)**
 - Outstanding management diagnosis
 - Specific-industry analysis methodologies
 - Group management consultancy
 - IT planning consultancy

- **New contracts:**
 - China Eastern Airlines, Nanfang Media Group, Guangdong Monalisa Tiles Company Limited and Chuan Yu Tobacco Industrial Company, etc.

Board Member of The Open Group

Kingdee

Increasing the Market Influence

- Kingdee will promote training and certification for The Open Group Architecture Framework (TOGAF)
- Kingdee will actively promote the Apusic SOA solution which complies with TOG specifications within China

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hp
invent

IBM

Kingdee 金蝶

SAP

Sun
microsystems

No. 1 in China Made Server Application Middleware Market

- Middleware income surged 37.6% to RMB14,201,000
- Granted support from the key national technical project
 - Core Electronic Parts, High-End Chips and Basic Software Products(核高基)
- Contracts signed:
 - The Ministry of Environmental Protection, China's Golden Auditing Project, The Guangdong Provincial Public Security Department, The Chinese Communist Party Committee of Hunan Province, etc.



Online Management Service (SaaS)

No. 1 in Online Management Service Market in 2009 -- CCW June 2010

➤ Over 1 Million Registered Users

- Leader in the online management service and integrated e-Business service market
- Innovative business model provides small enterprises with integrated management, information and e-commerce services
- Users base covered China, Hong Kong, Macau, Taiwan and the Asia Pacific Region



Expansion by M & A

Year	Acquired Company	Industry	Integrated Product
2006	Godline	Manufacturing ERP	K/3
2006	HK Internet Accounting	SAAS	Youshang.com
2007	Hongjing	Government Finance	GMiS
2009	Sunsoft	Retail Chain	KIS Commercial & Retail, EAS Retail
2009	Qi Sheng	Fashion	KIS Fashion, K/3 Fashion
2009	Nanjing Tongmeng	Finance & Taxation Integration	KIS Finance and Tax
2009	Xuzhou Si bi de	ERP Channel	ERP Solution
2010	Jama	Property Industry ERP	K/3 & EAS Property Solution
2010	Pro Way	Manufacturing PLM	K/3
2010	Firstsoft	Office & Administration	EAS, K/3

- 4 acquisitions in 2009 and 3 acquisitions in first half of 2010
- Acquisitions are strengthening Kingdee in the areas of specific industries, products and technologies

The ERP industry is now under consolidation

Strategic Co-operation with IBM



- New Co-operation with IBM Global Business Service
 - “Kingdee Software+ IBM Implementation Service”
 - Forming a specialized software integrated service team to deliver services for the Kingdee EAS product
 - Providing integrated consultation, product and implementation solutions to Chinese enterprises

- Medical and hospital management application software program
 - Offering comprehensive solutions and a one-stop information management system for Chinese public medical and hospital system

Other Business Development

- **Shenzhen Kingdee Software Park began operation in May 2009**
- **Started the construction of Beijing Software Park**
 - Strengthening the position in the northern part of China
 - Developing R&D centers and attracting talents

Kingdee software park - Beijing



Kingdee software park - Shenzhen



Kingdee software park - Shanghai



2010 Awards

- **The largest market share of the SME ERP Sector in China for the sixth straight year**
-- IDC, May 2010
- **Youshang.com was credited with “The Largest Market Share of 2009 Online Management Service Sector”** -- CCW, June 2010
- **Best Technological Innovation in Software Award 2010**
-- China Software Industry Association and China Computer Education Newspaper, June 2010
- **“Asia’s Best Under A Billion” for the fourth straight year** -- Forbes Asia, Nov 2009
- **The Best ERP Award of 2009**
-- enet.com.cn, April 2010
- **2010 China E-Government Intelligence Golden Award**
-- China Software Industry Association and China Computer Education Newspaper, June 2010

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Financial Review



Faster Growth

<i>(RMB'000)</i>	2010 1H	2009 1H	Change (%)	Description
Revenue	534,312	440,574	21.3%	➤ Strong demand in 2010 1H
Gross Margin	79.0%	79.2%	-0.2%	➤ High gross margin
Net Profit	88,726	74,826	18.6%	➤ Included revaluation gains on properties & intangible assets
Profit excluding revaluation gains	47,616	24,612	93.5%	RMB41,110,000(2009 1H:RMB50,214,000)
Net Margin	16.6%	17.0%	-0.4%	➤ Stable net margin

Strong Balance Sheet

<i>(RMB'000)</i>	2010 1H	2009 1H	Change (%)	Description
Cash and Deposits	504,224	471,794	6.9%	<ul style="list-style-type: none">➤ Rich in cash➤ Borrowings: RMB60,046,000
Total Assets	1,851,395	1,444,015	28.2%	<ul style="list-style-type: none">➤ Healthy financial position
Borrowings/Equity	4.5%	3.4%	1.1%	
Net Assets	1,334,449	1,091,441	22.3%	<ul style="list-style-type: none">➤ Added value on shareholders' investment

Turnover Analysis by Sales Channels



	2010 1H (RMB'000)	% of Turnover	2009 1H (RMB'000)	% of Turnover	% Change
Direct sales	206,713	39%	175,651	40%	17.7%
In-direct sales	128,805	24%	105,890	24%	21.6%
Services	191,119	36%	151,144	34%	26.4%
- Implementation	88,063	16%	75,451	17%	16.7%
- Consultation	8,270	2%	2,129	0.5%	288.5%
- Maintenance	91,677	17%	70,954	16%	29.2%
- Training	3,109	1%	2,610	1%	19.1%
Hardware	7,675	1%	7,889	2%	-2.7%
Total	534,312	100%	440,574	100%	21.3%

Turnover Analysis by Business Segments



	2010 1H (RMB'000)	% of Turnover	2009 1H (RMB'000)	% of Turnover	% Change
Sales of software license	335,518	63%	281,541	64%	19.2%
Implementation service	88,063	16%	75,451	17%	16.7%
Consultation, training and maintenance service	103,056	20%	75,693	17%	36.1%
Hardware	7,675	1%	7,889	2%	-2.7%
Total	534,312	100%	440,574	100%	21.3%

Software License Mix



	2010 1H (RMB'000)	% of Turnover	2009 1H (RMB'000)	% of Turnover	% Change
KIS	54,897	10%	45,694	10%	20.1%
K/3	172,756	32%	149,774	34%	15.3%
EAS	82,030	15%	62,524	14%	31.2%
Apusic	14,201	3%	10,322	2%	37.6%
Others	11,634	2%	13,227	3%	-12.0%
Total	335,518	63%	281,541	64%	19.2%

Combined software and implementation services as % of revenue:

K/3--39%; EAS--25%

Cost of Sales and GP Margin



	2010 1H (RMB'000)	% of Turnover	2009 1H (RMB'000)	% of Turnover	% Change
Direct materials	14,906	2.8%	12,017	2.7%	24.0%
Service costs	85,002	15.9%	72,043	16.4%	18.0%
Business tax	6,109	1.1%	4,107	0.9%	48.7%
Others	6,094	1.1%	3,407	0.8%	75.6%
Total	112,111	21.0%	91,637	20.8%	22.3%
GP Margin	79.0%	--	79.2%	--	-0.2%

- Increase in cost of direct material was mainly due to the growth of sales and more product lines
- Others included cost of hardware and related products
- GP Margin remained stable

Other Gains

	2010 1H (RMB'000)	2009 1H (RMB'000)	% Change
VAT refund	57,099	32,691	74.7%
Fair value gains on investment properties & intangible assets	41,110	50,214	-18.1%
Others	10,851	9,207	17.9%
Total	109,060	92,112	18.4%

- Revaluation gains on leased offices from Shanghai & Shenzhen Software Parks and intangible assets
- Others included government grants and rental income

Selling and Marketing Expenses

	2010 1H (RMB'000)	2009 1H (RMB'000)	% Change
Advertising	49,661	35,752	38.9%
Sales promotion	34,735	29,254	18.7%
Sales commission expenses	28,022	21,598	29.7%
Salary of sales person	126,937	96,181	32.0%
Outsourcing service fee	22,230	18,148	22.5%
Rental and utilities	16,493	13,652	20.8%
Traveling	12,519	9,561	30.9%
Others	26,005	21,704	19.8%
Total	316,602	245,849	28.8%
% of Turnover	59.3%	55.8%	3.5%

- Increase in advertising was due to rise in commercial advertisement, publications and etc.
- Increase in salary of sales person was because of the rapid growth of offices and sales force
- Increase in travelling was due to expanding business, strengthening industry-specific strategy and partner supporting
- Others included communication, depreciation, office and vehicle expenses, etc.

Administrative and R&D Expenses



	2010 1H (RMB'000)	2009 1H (RMB'000)	% Change
Salaries & staff welfare	84,074	65,896	27.6%
Provision for doubtful debts	-4,566	8,903	-151.3%
Rental and utilities	5,746	5,718	0.5%
Depreciation	2,423	2,086	16.2%
Professional services	6,467	5,968	8.4%
Option expense	9,668	9,864	-2.0%
Others	24,557	21,139	16.2%
Total	128,369	119,574	7.4%
% of Turnover	24.0%	27.1%	-3.1%

- Research and development costs: RMB49,211,000 (2009 1H: RMB42,110,000)
- Account receivables: over 360 days dropped by 6.8%(2009 1H: RMB90,986,000)
- Other expenses included long term asset amortization, training, recruitment, travelling, entertainment, meeting, communication, etc.

Investment Highlights



Investment Highlights

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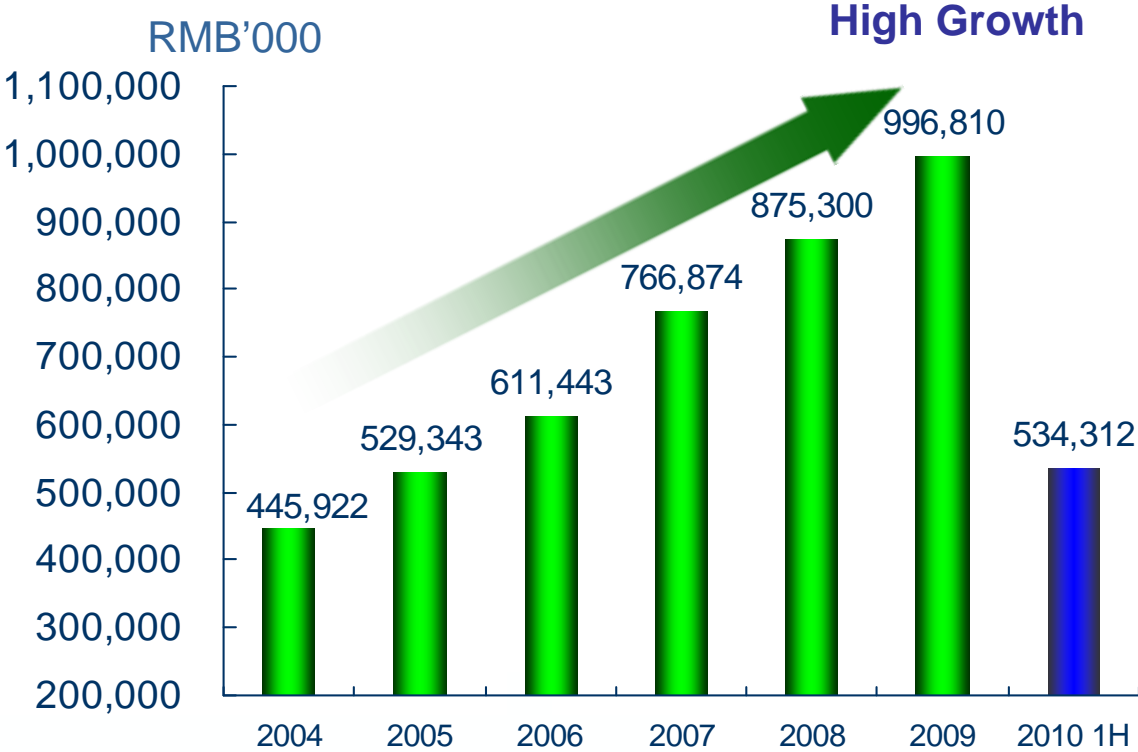


Development of Kingdee



Year	Achievements
1996	Launched the PRC's 1st Windows-based accounting software
1999	Launched K/3 ERP Awarded the certificate of the State's key new product
2000	Established Kingdee Middleware Company Launched JAVA base application server product
2003	Announced the strategy of "Product Leadership, Partner Oriented" Launched new generation ERP -EAS
2006	Launched "Personalized ERP Plan" and SaaS Online accounting and business management platform
2008	Launched SOA products –EAS V5.2 One of 19 global vendors capable of providing the next generation SOA service by Gartner
2009	Kingdee Became China's 1st Board Member in The Open Group and EAS 7.0 to reach boundaryless information
2010 1H	Transforming to a Service Oriented Company with Industry-Specific Strategy Announced "Kingdee's product + IBM Implementation " Cooperation

Development of Kingdee



Annual growth rate ▶ 22% 19% 16% 25% 14% 14% 21%

2001 – 2009 CAGR ▶

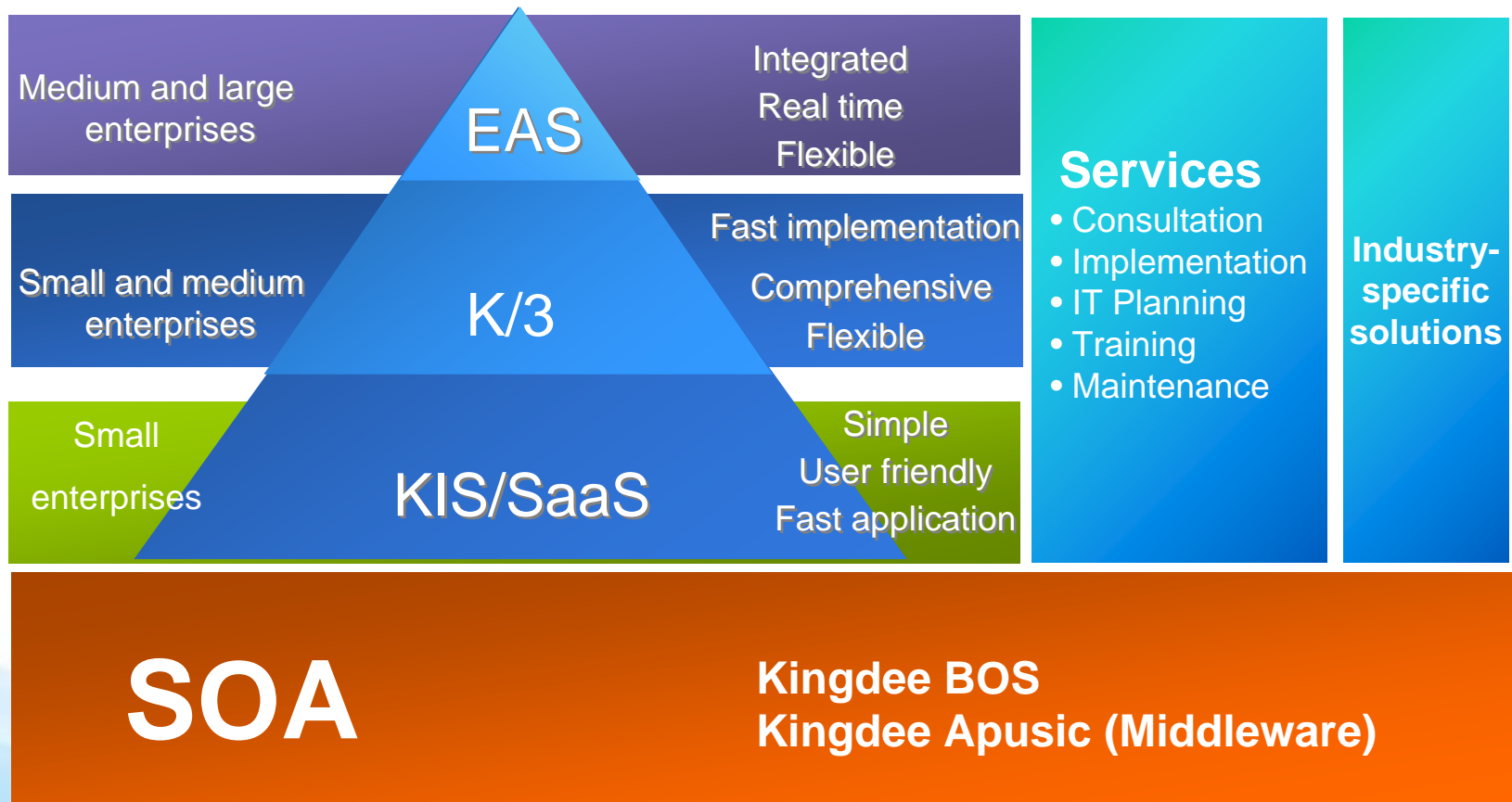
Turnover
22.1%

Net Profit
28.6%

Comprehensive Products and Solutions



Fast Configuration, Fast Implementation, Fast Application and Result



Long Term Growth Drivers

Drivers for Industry Growth

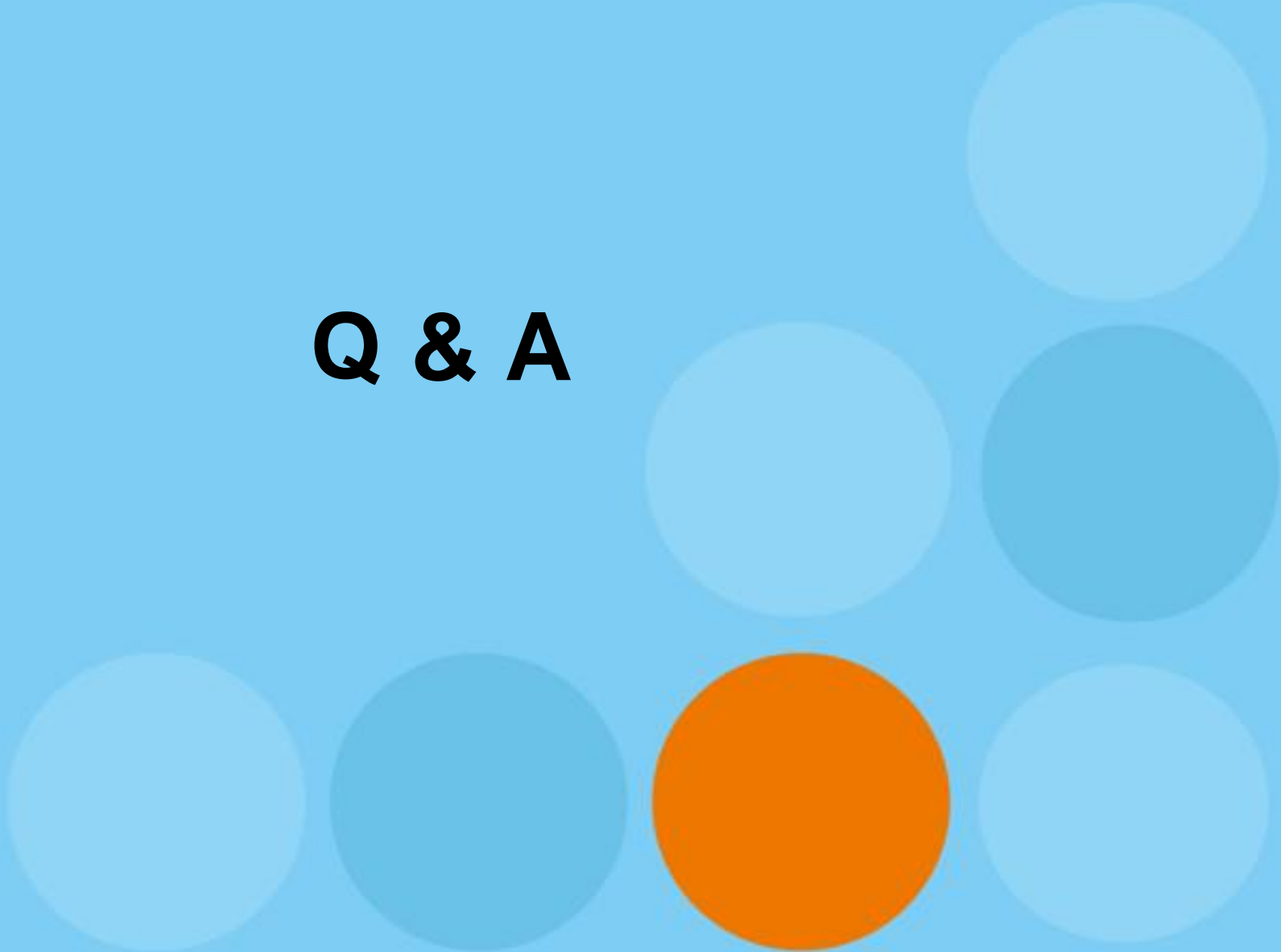
- Penetration rate
- Depth of application
- Service revenue
- Proportion of hardware and software
- Proportion of new customer

Strong Demand in

- Invented-in-China application software
- Middleware
- E-business software
- E-government software
- Medical and hospital management application software

Time to Harvest the Chinese Enterprises Management Information Industry in next 10 years!

Q & A



Thank You!



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