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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)

CONTINUING CONNECTED TRANSACTION

On 31 December 2019, Kingdee China (a wholly-owned subsidiary of the Company) and Kingdee Medical entered into the 2020 Partnership Agreement, pursuant to which Kingdee China agreed to authorise Kingdee Medical to be its sale partner so that Kingdee Medical can purchase products from Kingdee China and then distribute those products in the PRC for a term of one year commencing from 1 January 2020.

Implications under the Listing Rules

As Kingdee Medical is a company controlled by Mr. Xu, who is an executive Director, the Chairman of the Board and the substantial Shareholder, Kingdee Medical is an associate of Mr. Xu and is therefore a connected person of the Company pursuant to the Listing Rules. The transactions contemplated under the 2020 Partnership Agreement constitute continuing connected transactions of the Company.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the 2020 Partnership Agreement are more than 0.1% and less than 5%, the transactions contemplated under the 2020 Partnership Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

2020 PARTNERSHIP AGREEMENT

The principal terms of the 2020 Partnership Agreement are as follows:

Date: 31 December 2019

Parties: (1) Kingdee China, a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company, is principally engaged in the business of corporate management software and Internet services markets; and

- (2) Kingdee Medical, a company established under the laws of the PRC with limited liability and is owned as to 59.25% by Shanghai Jinyi (a company owned as to 99% by Diechuang Holdings which is in turn owned as to 99% by Mr. Xu, the executive Director, the Chairman of the Board and the substantial Shareholder), is principally engaged in the provision of hospital full product solutions to help hospitals build smart hospitals that are suitable for the future medical ecology, and through “Mobile Internet Hospital”, build the “Patient Mobile” platform and the “Hospital Mobile” work platform, making medical services more convenient with the “Internet +” approach.

Term:	From 1 January 2020 to 31 December 2020
Subject matter:	Kingdee China agreed to authorise Kingdee Medical to be its sales partner so that Kingdee Medical can purchase EAS and Kingdee Cloud Galaxy (Private Cloud) from Kingdee China and then distribute those products in the PRC.
Pricing:	The pricing for the transactions under the 2020 Partnership Agreement is determined by reference to market prices offered to any independent third party by Kingdee China for the sale and distribution of similar products.
Historical amounts:	For the years ended 31 December 2017 and 2018 and the eleven months ended 30 November 2019, the aggregate amounts paid by Kingdee Medical to the Group regarding the products distributorship were approximately RMB417,320 (audited), approximately RMB768,200 (audited) and approximately RMB2,130,560 (unaudited), respectively.
Annual cap:	The Directors estimated that for the year ending 31 December 2020, the maximum aggregate amount payable by Kingdee Medical to Kingdee China regarding the distribution of Kingdee China’s products will be RMB3,300,000.
Basis for the determination of the annual cap:	In arriving at the above annual cap, the Directors have taken into consideration the historical amounts as disclosed above and the business expansion plan of Kingdee Medical.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2020 PARTNERSHIP AGREEMENT

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

The Group has always adopted the distribution model to sell the Group's products in its usual course of business so as to expand its sales channels, and hence authorising Kingdee Medical as one of its sales partners is consistent with its ordinary course of business. The Company believes that entering into the 2020 Partnership Agreement with Kingdee Medical will enable the Group to obtain more business opportunities through Kingdee Medical's channels and resources, especially in the sectors of the hospital and medical industry, to offer the products of the Group to more customers, and to promote the business development and brand building of the Group’s EAS and Cloud products in the medical technology

enterprise market. Therefore, the Board believes that the cooperation with Kingdee Medical helps the Company to expand the scope of supply for corporate customer products, and at the same time enjoys complementary advantages with Kingdee Medical, thereby further increasing the scale of the revenue generated from the Company's business.

Based on the above, the Directors (including the independent non-executive Directors) consider that the 2020 Partnership Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group, on normal commercial terms and are entered into on an arm's length basis, and the terms thereof and the annual cap are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

Regarding the 2020 Partnership Agreement, the Directors are of the view that the Company has implemented adequate internal control procedures and steps when carrying out the continuing connected transactions contemplated under the agreement.

To protect the interests of the Company and the Shareholders as a whole, the Company has adopted and will continue to carry out the following internal control measures:

1. the Company ensures that the terms of the 2020 Partnership Agreement are determined after arm's length negotiation. The transactions contemplated under the 2020 Partnership Agreement must be priced strictly with reference to the market prices provided by the Company to independent third parties to ensure that the prices are fair and reasonable and in the interests of the Company and the Shareholders as a whole;
2. the Company will continuously monitor the continuing connected transactions on a monthly basis to ensure that the total transaction amount will not exceed the annual cap. If the accumulated transaction amount is close to the annual cap, the management of the Company will renew the annual cap or terminate the transaction;
3. the Company's external auditors will conduct an annual review of the transactions contemplated under the 2020 Partnership Agreement to ensure that the transaction amounts fall within the annual cap and that such transactions are conducted in accordance with the terms set out in the agreement; and
4. the independent non-executive Directors will conduct a semi-annual and annual review of the status of the transactions contemplated under the 2020 Partnership Agreement to ensure that the Company has complied with the internal approval procedures, the terms of the 2020 Partnership Agreement and the relevant requirements under the Listing Rules.

IMPLICATIONS UNDER THE LISTING RULES

Kingdee Medical is a company controlled by Mr. Xu, who is an executive Director, the Chairman of the Board and the substantial Shareholder, Kingdee Medical is an associate of Mr. Xu and is therefore a connected person of the Company pursuant to the Listing Rules. The transactions contemplated under the 2020 Partnership Agreement constitute continuing connected transactions of the Company.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the 2020 Partnership Agreement are more than 0.1% and less than 5%, the transactions contemplated under the 2020 Partnership Agreement are subject to the reporting,

announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Save and except Mr. Xu, none of the other Directors have a material interest in the transactions contemplated under the 2020 Partnership Agreement nor required to be abstained from voting on the resolution proposed at the Board meeting.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions have the following meanings when used herein:

“2020 Partnership Agreement”	the marketing partnership cooperation agreement dated 31 December 2019 entered into between Kingdee China and Kingdee Medical for the sale and distribution of certain products of Kingdee China for a term of one year
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Kingdee International Software Group Company Limited, a company incorporated in the Cayman Islands with limited liabilities, whose shares are listed on the Stock Exchange (Stock Code: 268)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Diechuang Holdings”	蝶創控股有限公司 (Diechuang Holdings Limited*), a company established under the laws of the PRC with limited liability and is owned as to 99% by Mr. Xu
“Director(s)”	the director(s) of the Company
“EAS”	a product of the Group, which is a software providing a comprehensive enterprise resource management solution to the large enterprises
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic China
“Kingdee China”	金蝶軟件（中國）有限公司 (Kingdee Software (China) Co., Ltd*), a company established under the laws of the PRC with limited liability and a direct wholly-owned subsidiary of the Company

“Kingdee Cloud Galaxy (Private Cloud)”	金蝶雲星空（私有雲） (Kingdee Cloud Galaxy (Private Cloud)*), a cloud product of the Group, which is an innovative digital cloud service platform for the fast-growing enterprises
“Kingdee Medical”	金蝶醫療軟件有限公司 (Kingdee Medical Software Company Limited*), a company established under the laws of the PRC with limited liability and is owned as to 59.25% by Shanghai Jinyi
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Xu”	Mr. Xu Shao Chun, an executive Director, the Chairman of the Board and the substantial Shareholder
“PRC”	The People’s Republic of China, and for the purpose of this announcement only (unless otherwise specified herein), excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Jinyi”	上海今逸醫療衛生軟件有限公司, a company established under the laws of the PRC with limited liability and is owned as to 99% by Diechuang Holdings
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

* for identification purposes only

On behalf of the Board

Kingdee International Software Group Company Limited

Lin Bo

Director

Shenzhen, the PRC, 31 December 2019

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. Shen Yuan Ching as non-executive Directors; and Mr. Gary Clark Biddle, Mr. Cao Yang Feng and Mr. Liu Chia Yung as independent non-executive Directors.