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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)

Kingdee International Software Group Company Limited (“Company”)

**Terms of Reference and Modus Operandi
For
Audit Committee**

The board of directors of the Company (the **“Board”**) has established a committee known as the audit committee (the **“Committee”**), on February 1, 2001. The terms of reference and modus operandi for the Committee are as follows.

Membership

1. The Committee shall consist of not less than three directors; all of the Committee members must be non-executive directors and the majority of them should be independent non-executive directors. At least one member shall have the appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the **“Listing Rules”**).
2. The members of the Committee shall be nominated by the chairman of the Board or a majority of independent non-executive directors or one-third of all directors, and should be elected by the Board.
3. The chairperson of the Committee shall be an independent non-executive director and should be elected with not less than two-thirds votes of the members of the Committee.
4. The secretary of the Committee shall be the Board secretary of the Company appointed by the chairperson of the Committee (the **“Committee Secretary”**).

L R 3.21

Frequency and Proceedings of Meetings

5. Meetings of the Committee shall be held at least twice a year and special meetings may also be convened at the discretion of the chairperson of the Committee or at the request of the Board or the management of the Company or the external auditor to review the significant internal control or financial issues.
6. The quorum for a meeting of the Committee shall be not less than one-half of members of the Committee.

7. Resolutions of the Committee shall be passed with a majority of votes of members of the Committee.

Authority

8. The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The relevant expenses shall be borne by the Company.
9. The Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations that come to its attention.
10. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Committee's view and the reasons why the Board has taken a different view. App. 14, C.3.5
11. The Committee is to be provided with sufficient resources to discharge its duties. App. 14, C.3.6

Duties

12. The Committee shall:

- (1) be responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor.
- (2) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee shall discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences; App. 14, C.3.3(a)
- (3) develop and implement policy on engaging an external auditor to supply non-audit services. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed; App. 14, C.3.3(c)
- (4) review with the Company's management, external auditor and internal auditor, the adequacy of the Company's policies and procedures regarding internal controls (including financial, operational and compliance controls), risk management system and any statement by the directors to be included in the annual accounts prior to endorsement by the board.
- (5) review the interim and annual financial reports and significant financial reports and any results announcement prior to approval by the Board, with particular focus on: App. 14, C.3.3(d)
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the audit;

- (iv) the going concern assumption and any qualifications;
 - (v) compliance with accounting and auditing standards; and
 - (vii) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (6) with regard to (4) above:
- (i) members of the Committee must liaise with the Board and senior management, and the Committee must meet, at least twice a year, with the external auditor; and
 - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give the consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditor;
- (7) review the Company's financial controls, internal control and risk management system;
- (8) discuss the internal control system with management of the Company to ensure that management has discharged its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function; App. 14, C.3.3(g)
- (9) as delegated by the Board or on its own initiative, to consider findings of major investigations on internal control matters and management's response to these findings, and to review the findings of internal investigations and management's response into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations; App. 14, C.3.3(h)
- (10) review arrangements by which employees, in confidence can raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee is to ensure proper arrangements are in place for the fair and independent investigation of such concerns and appropriate follow up action; App. 14, C.3.3(a)
- (11) act as the key representative body for overseeing the Company's relations with the external auditors; App. 14, C.3.7(b)
- (12) ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness; App. 14, C.3.3(i)
- (13) review the Company's financial and accounting policies and practices; App. 14, C.3.3(j)
- (14) review the external auditor's management letter, and material queries raised by the external auditor to management in respect of the accounting records, financial accounts or systems of control including management's response to the points raised; App. 14, C.3.3(k)
- (15) ensure that the Board will provide a timely response to issues raised in the external auditor's management letter; App. 14, C.3.3(l)
- (16) report to the Board on the matters in paragraph C 3.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules; and App. 14, C.3.3(m)

(17) consider other topics, as requested by the Board.

Reporting Procedures:

13. The Committee should report to the Board on a regular basis. Before the next meeting of the Board following a meeting of the Committee, the chairperson of the Committee shall report in writing to the board on the findings and recommendations of the Committee.

Other Procedures

14. The chairperson of the Committee, in consultation with the Committee Secretary, shall be primarily responsible for drawing up and approving the agenda of each Committee meeting. The chairperson of the Committee, with the assistance of the Board Secretariat, shall ensure that all members of the Committee shall have sufficient information in a timely manner. The Committee Secretary shall record minutes of all duly constituted meetings of the Committee, and shall circulate the draft of the minutes and reports of the Committee to all members of the Committee for comments and records within a reasonable time after each meeting. The final versions of the minutes of meetings shall be kept by the Committee Secretary.

Shenzhen, the PRC, 16 March 2012.