



KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

金蝶國際軟件集團有限公司

(於開曼群島註冊成立的有限公司)

(股份代號: 268)

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.

1 Membership

- 1.1 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**”).
- 1.2 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.
- 1.3 The chairman of the Committee (the “**Committee Chairman**”) shall be an independent non-executive director and should be elected with not less than two-thirds votes of the members of the Committee.
- 1.4 The secretary of the Committee (the “**Committee Secretary**”) shall be the Board secretary of the Company and appointed by the Committee Chairman.

2 Frequency and Proceedings of Meetings

- 2.1 Meetings of the Committee shall be held at least twice a year and special meetings may also be convened at the discretion of the Committee Chairman 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.
- 2.2 The quorum for a meeting of the Committee shall be not less than one-half of members of the Committee.
- 2.3 Resolutions of the Committee shall be passed with a majority of votes of members of the Committee.

3 Authority

- 3.1 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.

- 3.2 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.
- 3.3 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.
- 3.4 The Committee is to be provided with sufficient resources to discharge its duties.

4 Duties

The duties of the Committee include:

Relationship with the External Auditors

- 4.1 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;
- 4.2 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;
- 4.3 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;

Review of Financial Information

- 4.4 to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:
 - i. any changes in accounting policies and practices;
 - ii. major judgmental areas;
 - iii. significant adjustments resulting from audit;
 - iv. the going concern assumptions and any qualifications;
 - v. compliance with accounting standards; and
 - vi. compliance with the Listing Rules and legal requirements in relation to financial reporting;
- 4.5 Regarding paragraph 4.4 above:
 - i. members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
 - ii. the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff

responsible for the accounting and financial reporting function, compliance officer or auditors;

Oversight of the Company's financial reporting system, risk management and internal control systems

- 4.6 to review the Company's financial controls, the Company's risk management and internal control systems;
- 4.7 to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. 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;
- 4.8 to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- 4.9 to perform internal audit function by ensuring co-ordination between the internal and external auditors, and by ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- 4.10 to review the group's financial and accounting policies and practices;
- 4.11 to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- 4.12 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 4.13 to report to the Board on the matters in the provision of the Corporate Governance Code contained in Appendix 14 of the Listing Rules;
- 4.14 to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- 4.15 to act as the key representative body for overseeing the Company's relations with the external auditor; and
- 4.16 to consider other topics, as defined by the Board.

5 Reporting Responsibilities

The Committee should report to the Board on a regular basis before the next meeting of the Board following a meeting of the Committee, and the Committee Chairman shall report in writing to the Board on the findings and recommendations of the Committee

6 Minutes

The Committee Chairman, in consultation with the Committee Secretary, shall be primarily responsible for drawing up and approving the agenda of each Committee meeting. The Committee Chairman, with the assistance of the Board Secretary, 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.

7 General

- 7.1 These terms of reference and modus operandi shall be updated and revised as and when necessary in light of changes in circumstances and changes in regulatory requirements, including those under the Listing Rules.
- 7.2 The Committee should make available these terms of reference and modus operandi to the public, explaining its role and the authority delegated to it by the Board, by including them on the Hong Kong Exchanges and Clearing Limited news website (www.hkexnews.hk) and the Company's website (www.kingdee.com).

Shenzhen, the PRC, 15 March 2017.