



**CHARTER FOR THE AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS**

**Approved on May 30, 2014**

**Kandi Technologies Group, Inc**



## **I. PURPOSE**

The primary function of the Audit Committee (the “Committee”) is to assist the Board of Directors (the “Board”) of **Kandi Technologies Group, Inc., a Delaware corporation with its securities listed on Nasdaq Global Select Market under ticker symbol “KNDI”** and its subsidiaries (the “Company”), in fulfilling its oversight responsibilities by:

1. Reviewing the financial reports and other financial related information released by the Company to the public, or in certain circumstances, governmental bodies.
2. Reviewing the Company's system of disclosure controls and procedures, internal controls over financial reporting, and compliance with ethical standards adopted by the Company.
3. Reviewing the Company's accounting and financial reporting processes and the audits of the financial statements of the Company..
4. Reviewing and appraising with management the performance of the Company's independent auditors.
5. Providing an open avenue of communication between the independent auditors, financial and senior management, the internal audit function, and the Board.
6. Overseeing the registered public accounting firm’s (independent auditor’s) qualifications and independence.

## **II. COMPOSITION**

The Committee shall be comprised of at least three members. Each Committee member shall be appointed by the majority of the Board and each Committee member shall be independent, free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. For purposes hereof, the term “independent” shall be based on the independence requirements of Rule 5605(a)(2) of the Nasdaq Stock Market and meet the criteria for independence set



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forth in Rule 10A-3(b) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)): they must not accept any consulting, advisory, or other compensatory fee from the Company other than for board service, and they must not be an affiliated person of the Company. Each Committee member shall not have participated in the in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years.

All members of the Committee shall be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement, and cash flow statement. At least one member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or comparable experience or background which results in the member’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial officer responsibilities.

Notwithstanding the independence requirements, one director who: (i) is not independent as defined by the Nasdaq rules; (ii) meets the criteria set forth in Section 10A(m)(3) under the Exchange Act and the rules thereunder; (iii) is not a currently an executive officer or employee or a family member (defined as a person's spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person's home) of an executive officer may be appointed to the Committee, if the Board, under exceptional and limited circumstances, determines that membership on the Committee by the individual is required by the best interests of the Company and its shareholders, and the Board discloses (in its next annual proxy statement or, if it does not file a proxy, in its Form 10-K), the nature of the relationship and the reasons for that determination. Such a Committee member appointed under this exception shall not serve longer than two years and shall not chair the Committee.

The members of the Committee shall be elected or reappointed by the Board annually for a one year term. A Chairperson shall be appointed by the Board.

### **III. MEETINGS**

The Committee will meet at least four times annually and be available to meet more frequently as circumstances dictate. Incidental to any of these regularly scheduled meetings, the Committee should meet, if necessary, with management and the independent auditors in separate executive sessions to discuss any matters that the Committee and each of these groups believe should be discussed privately.

### **IV. RESPONSIBILITIES AND DUTIES**



To fulfill its responsibilities and duties the Committee shall:

#### **A. Documents/Reports Review**

1. Review and reassess the adequacy of this Charter on an annual basis or as conditions dictate.
2. Review and approve the Company's Business Conduct and Ethics policies.
3. Discuss with management and the independent auditors, the annual audited financial statements and other reports and financial and related information released to the public, or in certain circumstances governmental bodies, including any certification, report, opinion or review rendered by the independent auditors.
4. Discuss with management and the independent auditors, as necessary, the quarterly financial information. The Chairperson of the Committee may represent the entire Committee for purposes of this review.
5. Review with independent auditors the recommendations included in their management letter, if any, and their informal observations regarding the adequacy of overall financial and accounting procedures of the Company. On the basis of this review, make recommendations to senior management for any changes that seem appropriate.
6. Review the regular internal reports to management (or summaries thereof) prepared by the internal audit function, as well as management's response.

#### **B. Independent Auditors**

1. Appoint (and recommend that the board submit for shareholder ratification, if applicable), compensate, retain, and oversee the work performed by the independent auditor retained for the



purpose of preparing or issuing an audit report or related work. Review the performance and independence of the independent auditor and remove the independent auditor if circumstances warrant. The Committee may recommend that the full Board take appropriate action to oversee the independence of the outside auditor. The independent auditor will report directly to the Committee and the Committee will oversee the resolution of disagreements between management and the independent auditor if they arise.

2. The Committee shall pre-approve the audit engagement and fees related thereto and pre-approve any other services and fees related thereto to be provided by the independent auditors.
3. Annually consult with the independent auditors out of the presence of management about internal controls and the fullness and accuracy of the Company's financial statements.
4. Actively engage in dialogue with the independent auditor with respect to any disclosed relationships or services that may affect the independence and objectivity of the auditor and take appropriate actions to oversee the independence of the independent auditor.
5. Hold timely discussions with the independent auditor regarding the material written communications between the independent auditor and management, including, but not limited to, the management letter and schedule of unadjusted differences

### **C. Financial Reporting Processes**

1. In consultation with the independent auditors, review the integrity of the Company's financial reporting process, both internal and external. Periodically review the adequacy and effectiveness of the Company's disclosure controls and procedures and the Company's internal control over financial reporting, including any significant deficiencies and significant changes in internal controls.



2. Review and consider the independent auditors' judgments about the appropriateness of the Company's accounting principles as applied in its financial reporting. All alternative treatments of financial information within generally accepted accounting principles related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor
3. Review and consider major changes to the Company's accounting principles and practices as proposed by management or the independent auditors.
4. Receive and review any disclosure from the Company's CEO and CFO made in connection with the certification of the Company's quarterly and annual reports filed with the SEC of:  
a) significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize, and report financial data; and  
b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.
5. Review and approve all related-party transactions, defined as those transactions required to be disclosed under Items 404(a) and 404(b) of Regulation S-K; and NASDAQ Corporate Governance Rule 5630(a-b).

#### **D. Process Improvement**

1. Establish regular reporting to the Committee by management and the independent auditors regarding any principal/critical risks, emerging or developing issues and significant judgments made or to be made in management's preparation of the financial statements.



2. Following completion of the annual audit, review separately with management and the independent auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
3. Review any significant disagreement among management and the independent auditors in connection with the preparation of the financial statements.
4. Review with the independent auditors and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.

#### **E. Ethical and Legal Compliance**

1. Establish procedures for the receipt, retention, review, and treatment of complaints or concerns received by the Company regarding accounting, internal accounting controls, or auditing matters, including enabling employees to submit concerns confidentially and anonymously of the Company regarding questionable accounting or audit matters, and review management's disclosure of any frauds that involve management or other employees who have a significant role in internal control.
2. Review the Company's operations and determine whether management has established and maintains effective programs and processes to ensure compliance with its Business Conduct and Ethics policies.
3. Review management's programs and processes for risk management and protection of the Company's assets and business.
4. Review management's monitoring of the Company's compliance with the above programs to ensure that management has the proper review system in place to ensure that the Company's financial statements, reports and other



financial information disseminated to governmental organizations and the public satisfy legal requirements.

5. Review, with the Company's counsel, legal compliance matters, including corporate securities trading policies.
6. Review, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements.
7. Perform any other activities consistent with this Charter, the Company's By-laws and government law, as the Committee or the Board deems necessary or appropriate.

#### **F. Outside Advisors**

The Committee shall have the authority to retain such outside counsel, accountants, experts and other advisors as it determines necessary to carry out its duties. The Committee shall receive appropriate funding, as determined by the Committee, from the Company for payment of compensation to any such outside counsel, accountants, experts or advisors, or for the payment of any ordinary administrative expenses incurred by the Committee that are necessary or appropriate in carrying out its duties.