



ANTA Sports Products Limited

安踏體育用品有限公司

Audit Committee Terms of Reference

Effective date of these terms of reference: Revised by the Board on 31 December 2015,
and effective on 1 January 2016

Definition:

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| Group | means ANTA Sports Products Limited and its subsidiaries |
| Company | means ANTA Sports Products Limited |
| Board | means the board of directors of the Company |
| Committee | means the audit committee of the Company |

1 Constitution and functions

- 1.1 The Board of the Company constitutes and establishes the Committee with authority, responsibility and specific duties as described below.
- 1.2 The Committee shall ensure the establishment and compliance with the internal control system of the Group, the compliance with the applicable accounting principles and practices, any applicable laws and the listing rules of the stock exchange on which the shares of the Company are listed, and liaison among shareholders, management, certified independent auditors and internal auditors of the Group, etc.

2 Composition and membership

- 2.1 The Committee shall be appointed by the Board and shall consist of not less than three (3) members comprising non-executive directors only.

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- 2.2 The majority of the members of the Committee shall be independent non-executive directors and at least one (1) of whom shall be an independent non-executive director with 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**”). The term of appointment of the Committee shall be determined by the Board.
- 2.3 The Board shall appoint the Committee’s chairman (the “**Chairman**”) who must be an independent non-executive director. In the absence of the Chairman or his designated nominee, other members of the Committee present at the meeting shall elect one of them to chair the meeting.
- 2.4 A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of one (1) year from the date of his ceasing to be a partner of the firm, or to have any financial interest in the firm.

3 Secretary

- 3.1 The secretary of the Committee (the “**Secretary**”) shall be the company secretary of the Company. The company secretary may designate any other person as the Secretary with the consent of the Committee.
- 3.2 The Secretary shall attend the Committee meetings and draft the minutes and be responsible for all administrative matters of the Committee.

4 Frequency and proceedings of meeting

- 4.1 The Committee shall meet as least twice (2) per year. Additional meetings shall be held as the work of the Committee or circumstances require.
- 4.2 As necessary or desirable, the Chairman may request that members of management and representatives of the external auditors be present at the Committee meeting. However, at least once (1) a year the Committee shall meet with the external auditors without management members present. The external auditors may request for holding of meetings if they consider necessary.
- 4.3 The Committee meeting shall be convened by one (1) member of the Committee or the Secretary as authorised by the Committee.
- 4.4 Unless otherwise required, the notice of the meeting confirming the venue, time and date together with an agenda to be discussed shall be given to each member of the Committee and other persons invited to attend the meeting not less than three (3) days before the meeting. Other supporting documents relating to the meeting shall be given at the same time to the members of the Committee and other persons invited to attend the meeting.
- 4.5 A quorum necessary for the transaction of any business by the Committee shall be two (2) members of the Committee. A duly convened Committee meeting at which a quorum is present shall be competent to exercise all or any of the authorities vested in the Committee.

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- 4.6 Meetings may be held by telephone, electronic or other means of communication that all attendants at the meeting can communicate with each other simultaneously and instantaneously.

5 Minutes

- 5.1 The Secretary shall keep record of all conclusions and resolutions passed at all Committee meetings, including the names and signatures of the attendants.
- 5.2 Full minutes of the Committee meetings shall be kept by the Secretary.
- 5.3 The Secretary shall send the draft and final version of the minutes to all members of the Committee for their comment and records within a reasonable time after the meeting is held. Once agreed, minutes of the Committee meetings shall be circulated to all other members of the Board, unless there is a conflict of interest.

6 Duties

The duties of the Committee shall include:

6.1 Relationship with the auditors

- 6.1.1 to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Committee should ensure that the Company should include in its Corporate Governance Report a statement explaining the Committee's recommendation(s) and the reason(s) why the Board has taken a different view;
- 6.1.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 6.1.3 to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- 6.1.4 to act as the key representative body for overseeing the Company's relations with the external auditors.

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6.2 Review of financial information

6.2.1 to monitor integrity of the Company's and the Group'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:

- (a) any changes in accounting policies and practices;
- (b) major judgmental areas;
- (c) significant adjustments resulting from audit;
- (d) the going concern assumptions and any qualifications;
- (e) compliance with accounting standards;
- (f) compliance with the Listing Rules and legal requirements in relation to financial reporting; and
- (g) reviewing the fairness of the connected transactions and the continuous connected transactions, and making disclosure in accordance with the Listing Rules and the accounting standards.

6.2.2 regarding paragraph 6.2.1 above:

- (a) 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 external auditors; and
- (b) 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 Group's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

6.3 Oversight of financial reporting system, risk management and internal control systems

6.3.1 regarding paragraphs 6.3.2 to 6.3.5 below, the Committee shall focus on the risk management and internal controls over financial reporting system, other aspects shall be performed by the Risk Management Committee of the Company;

6.3.2 to review the Group's financial controls, risk management and internal control systems;

6.3.3 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 Group's accounting and financial reporting function;

6.3.4 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;

- 6.3.5 where an internal audit function exists, to 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 Group, and to review and monitor its effectiveness;
- 6.3.6 to review the Group's financial and accounting policies and practices;
- 6.3.7 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;
- 6.3.8 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 6.3.9 to ensure the establishment and review of arrangements employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- 6.3.10 to report to the Board on the matters set out in and relating to code provision C3.3 of the Corporate Governance Code (the "**Code**") contained in Appendix 14 of the Listing Rules (as amended from time to time);
- 6.3.11 to prepare a summary of its work during the year for inclusion in the Company's Corporate Governance Report (including a report on how the Committee met its responsibilities in its review of the Company's quarterly (if relevant), half-yearly and annual results, and its other duties under the Code; and details of the Company's non-compliance with Rule 3.21 of the Listing Rules (if any) and an explanation of the remedial steps taken by the Company to address such non-compliance);
- 6.3.12 to establish a whistleblowing policy and system for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Group;
- 6.3.13 to report back to the Board on the Committee's decisions, recommendations or findings (unless there are legal or regulatory restrictions on its ability to do so). Such report should not impede the arrangements, investigations and actions as referred to in paragraph 6.3.9 or the whistleblowing policy and system as referred to in paragraph 6.3.12; and
- 6.3.14 to consider other topics, as defined by the Board from time to time.

6.4 Corporate governance

- 6.4.1 to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- 6.4.2 to review and monitor the training and continuous professional development of directors and senior management;
- 6.4.3 to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- 6.4.4 to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- 6.4.5 to review the Company's compliance with the Code and disclosure in the its Corporate Governance Report;
- 6.4.6 to report back to the Board on its decisions or recommendations (unless there are legal or regulatory restrictions on its ability to do so); and
- 6.4.7 to prepare a summary of its work during the year for inclusion in the Company's Corporate Governance Report (including a report on the corporate governance policies and the work of the Committee during the year).

7 Authority

- 7.1 The Committee is authorised by the Board to investigate any activity within its duties and responsibilities under these terms of reference, and to collect any information it may require from any employee, director, agent or adviser and all of them are directed to co-operate with any request made by the Committee.
- 7.2 The Committee is authorised by the Board to seek external legal or other independent professional advice as necessary to assist the Committee in performing its duties. It shall be provided by the Company with sufficient resources to perform its duties.
- 7.3 The Committee may invite external advisors with relevant experience and expertise to participate and attend Committee meetings as and when necessary, and it shall review and approve the advisory fees and other terms of engagement of the external advisers.
- 7.4 The Committee has the authority to call the relevant person involved in the preparation of the financial statements and the management of other relevant departments to explain the financial information with a view to have a better understanding of such information.

8 Reporting Responsibilities

- 8.1 The Chairman shall duly report to the Board on the discussions and conclusions of each meeting on all matters within its duties and responsibilities after each meeting is held. The minutes of the Committee meetings and their reports shall be circulated to all members of the Board.
- 8.2 The Committee shall make recommendations to the Board on areas where improvement is required as it thinks fit.

9 General

- 9.1 The Committee should make available these terms of reference, explaining its role and the authority delegated to it by the Board by including them on The Stock Exchange of Hong Kong Limited's website and the Company's website.
- 9.2 The Chairman (in his absence, another member of the Committee) shall make himself available to attend the annual general meetings of the Company to answer questions thereat.