



## **ANTA Sports Products Limited**

**安踏體育用品有限公司**

### **Risk Management 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:**

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 risk management committee of the Company
Listing Rules	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)

#### **1 Constitution and functions**

- 1.1 The Board constitutes and establishes the Committee with authority, responsibility and specific duties as described below.
- 1.2 The Committee shall assist the Board to evaluate and determine the nature and extent of the risks the Board is willing to take in achieving the Group's strategic objectives, and ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems; assist the Board to oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the Committee (on behalf of the Board) on the effectiveness of these systems.

Effective date: 1 January 2016

## **2 Composition and membership**

- 2.1 The members of the Committee shall be appointed and their terms of appointment shall be determined by the Board. The Committee shall consist of at least three (3) members, which are currently two (2) independent non-executive directors and one (1) executive director. If the Company is required to have more non-executive directors in accordance with future amendments of the Listing Rules, then all members must be non-executive directors.
- 2.2 The Board shall appoint the Committee's chairman (the "Chairman") from the members of the Committee, 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.

## **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 at least four (4) times per year. Additional meetings shall be held as the work of the Committee or circumstances require.
- 4.2 The Committee meeting shall be convened by one (1) member of the Committee or the Secretary as authorised by the Committee.
- 4.3 Unless otherwise required, the notice of the meeting confirming the venue, time and date together with an agenda to be discussed thereat 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.
- 4.4 A quorum necessary for the transaction of any business by the Committee shall be half of the current number of 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.

- 4.5 Each of the members has one (1) vote. When there is a tie, the Chairman shall have one (1) more vote. Under such circumstance, the two (2) votes of Chairman shall be voted to the same side.
- 4.6 Only members of the Committee are entitled to attend Committee meetings. Other executives of the Group may be invited to attend all or part of any meeting, as and when appropriate and necessary.
- 4.7 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 to oversee the Group's risk management and internal control systems on an ongoing basis, and ensure that a review of the effectiveness of the Group's risk management and internal control systems has been conducted at least annually and report to shareholders of the Company that the Committee has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls of the Group.
- 6.2 to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions during the annual review.

- 6.3 to consider, in particular, during the annual review:
- (a) the changes, since the last annual review, in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment;
  - (b) the scope and quality of management's ongoing monitoring of risks and of the internal control systems;
  - (c) the extent and frequency of communication of monitoring results to the Board (or Board committee(s)) which enables it to assess controls of the Group and the effectiveness of risk management;
  - (d) significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Group's financial performance or condition; and
  - (e) the effectiveness of the Company's or the Group's processes for financial reporting and Listing Rules compliance.
- 6.4 to prepare the risk management and internal control part of the Company's Corporate Governance Report, and disclose, a narrative statement on how the Group have complied with the risk management and internal control code provisions during the reporting period. In particular, the content should include:
- (a) a summary of the Committee's work during the year (including how it met its responsibilities in its review of the risk management and internal control systems and the effectiveness of the Group's internal audit function (if any));
  - (b) the process used to identify, evaluate and manage significant risks;
  - (c) the main features of the risk management and internal control systems;
  - (d) an acknowledgement by the Board that it is responsible for the risk management and internal control systems and reviewing their effectiveness. It should also explain that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss;
  - (e) the process used to review the effectiveness of the risk management and internal control systems;
  - (f) the procedures and internal controls for the handling and dissemination of inside information;
  - (g) whether the Group has an internal audit function;

- (h) how often the risk management and internal controls systems are reviewed, the period covered, and where the Group has not conducted a review during the year, an explanation why not; and
  - (i) a statement that a review of the effectiveness of the risk management and internal control systems has been conducted and whether the Group considers them effective and adequate.
- 6.5 in the case that the Group does not have an internal audit function, to review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report.; (An internal audit function generally carries out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems.)
- 6.6 regarding paragraphs 6.7 to 6.10 below, the Audit Committee of the Company shall focus on the risk management and internal controls over financial reporting system, other aspects shall be performed by the Committee.
- 6.7 to review the Group's financial controls, risk management and internal control systems.
- 6.8 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.
- 6.9 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.
- 6.10 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.
- 6.11 to advise the Board on the Group's risk management principle and other risk related matters (including corporate actions and suggested strategic transactions, such as business combinations, acquisitions and disposals, substantial investments, discloseable transactions as defined under the Listing Rules and major transactions).
- 6.12 to review the internal control review reports and findings of substantial contract review, and review any non-compliance or irregularity matters.

## **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 shall be provided by the Company with sufficient resources to perform its duties. The Committee is authorised by the Board to seek, at the Company's expenses, independent professional advice as necessary.
- 7.3 The Committee may invite external advisers 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 authority to meet the management which submits recommendations, and to review the risk management investigation report.

## **8 Reporting Responsibilities**

- 8.1 The Chairman shall duly report, within his terms of reference, to the Board on the discussions and conclusions of each meeting on all matters within its duties and responsibilities after each meeting is held.
- 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.