



LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2331)

(the “Company”)

Terms of Reference of Audit Committee

(Approved by the Board on 20 June 2005

and amended by the Board on 16 March 2009 and 9 December 2011)

Definitions

- “the Board” shall mean the board of directors of Li Ning Company Limited
- “the Committee” shall mean the audit committee of Li Ning Company Limited
- “the Company” shall mean Li Ning Company Limited
- “the Group” shall mean Li Ning Company Limited and its subsidiaries
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1. Constitution

- 1.1 The Committee shall be appointed by the Board. The Committee shall consist of not less than three members with a majority of whom should be independent non-executive directors of the Company.
- 1.2 The chairman of the Committee shall be appointed by the Board among the members of the Committee.
- 1.3 The Company Secretary of the Company shall be the secretary of the Committee. The secretary shall attend all meetings of the Committee and prepare minutes, as well as attend to all administrative matters of the Committee.

2. Meetings

- 2.1 The Committee shall meet at least twice a year in the reporting and audit cycle and at such times as the work of the Committee demands.

- 2.2 The quorum for a meeting of the Committee shall be two members.
- 2.3 Proceedings of the Committee's meetings shall be governed by the Company's Articles of Association.
- 2.4 Only members of the Committee have the right to attend meetings of the Committee. The external auditor will be invited to attend all meetings of the Committee. Other executives such as the Chairman, the Chief Executive Officer and the Chief Financial Officer of the Company may be invited to attend any meeting of the Committee, as and when appropriate.

3. *Duties*

3.1 Relationship with the Company's external auditor

- 3.1.1 To be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal.
- 3.1.2 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.
- 3.1.3 To 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.
- 3.1.4 To act as the key representative body for overseeing the Company's relations with the external auditor.

3.2 Review of financial information

- 3.2.1 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 judgments contained in them. In reviewing these financial statements and reports before submission to the Board, the Committee should focus particularly on:

- any changes in accounting policies and practices;
- major judgmental areas;
- significant adjustments resulting from audit;
- the going concern assumptions and any qualifications;
- compliance with accounting standards; and
- compliance with the Listing Rules and legal requirements in relation to financial reporting.

3.2.2 Regarding 3.2.1 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 external auditor; 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.

3.3 Oversight of the financial reporting system and internal control procedures

- 3.3.1 To review the Company's financial controls, internal control and risk management systems.
- 3.3.2 To discuss the internal control system with management to ensure that management has performed 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.
- 3.3.3 To consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings.
- 3.3.4 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 Company, and to review and monitor its effectiveness.

- 3.3.5 To review the Group's financial and accounting policies and practices.
- 3.3.6 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.
- 3.3.7 To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.
- 3.3.8 To report to the Board on the matters relating to these terms of reference.
- 3.3.9 To review 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 should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.
- 3.3.10 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.
- 3.3.11 To consider other topics, as defined by the Board.

4. Authority

- 4.1 The Committee is authorised to request for any information from any employee of the Group as is necessary for the Committee to perform its duties.
- 4.2 The Committee is authorised to seek independent professional advice in order to discharge its duties and all related expense shall be borne by the Company.

5. Reporting Responsibilities

The chairman of the Committee shall report to the Board all matters discussed at each meeting of the Committee. Minutes and reports of the meetings of the Committee shall be circulated to all members of the Board.