

L & A INTERNATIONAL HOLDINGS LIMITED

樂亞國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(the “Company”)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1 Membership

- (a) The Audit Committee (the “**Committee**”) shall be appointed by the Board (the “**Board**”) of directors (the “**Directors**”) of the Company from amongst the Non-Executive Directors and shall consist of not less than three members, a majority of whom should be Independent Non-Executive Directors (the “**INEDs**”). At least one member must be an INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”). Where there are only three INEDs as members of the Board, all of them shall be appointed as members of the Committee. The constitution of the Committee shall comply with the requirements of the GEM Listing Rules from time to time.
- (b) The Chairman of the Committee shall be an INED and a member of the Committee appointed by the Board.
- (c) 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 2 years from the date of his/her ceasing:
 - (i) to be a partner of the firm; or
 - (ii) to have any financial interest in the firm,whichever is the later.

2 Attendance at Meetings

- (a) Unless otherwise stated herein, the meetings of the Committee are governed by the provisions contained in the Company’s articles of association for regulating the meetings and proceedings of directors.

- (b) The quorum for a meeting of the Committee shall be two members, both of whom must be INEDs.
- (c) Subject to paragraph 4 below, the Chairman of the Board, the financial controller, the compliance officer and representative of the legal compliance committee of the Company (if any) may be invited to attend meetings of the Committee. A representative of the external auditor and internal control advisor shall be invited to attend the Committee meetings where appropriate. Other staff who have specific responsibility for an area under review may also be invited to attend.
- (d) The Company Secretary shall be the Secretary of the Committee who should attend all meetings of the Committee.
- (e) Members of the Committee may participate in a meeting of the Committee by means of telephone conference or similar communications equipment by means of which all persons participating in the meeting can communicate contemporaneously by voice with each other and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

3 Frequency of Meetings

Meetings shall be held not less than four times a year. The external auditor or any members of the Committee may request a meeting if they consider that one is necessary and upon the receipt of such request, the Secretary of the Committee shall convene such a meeting as soon as reasonably practicable and having regard to the convenience of all members with priority given to the INEDs.

4 Private Meetings

The Committee may hold separate private meeting(s) with the internal auditor and/or the external auditor with no Executive Directors or senior management present whenever they think fit and appropriate.

5 Committee's Resolutions

A resolution in writing signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee and may consist of several documents in like form each signed by one or more of the members of Committee. Such resolution may be signed and circulated by fax or other electronic communications. This provision is without prejudice to any requirement under the GEM Listing Rules for a Board or Committee meeting to be held.

6 Authorities

- (a) The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee or Executive Director and such persons are directed to co-operate with any request made by the Committee.
- (b) The Committee is authorised by the Board, and at the reasonable expense of the Company, 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.
- (c) The legal compliance committee of the Company (if any) shall report to the Committee in such form as is specified by the Committee.
- (d) The Committee shall report to the Board any suspected frauds or irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
- (e) Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Company should include in the Corporate Governance Report in the Annual Report of the Company a statement from the Committee explaining its recommendation and also the reasons why the Board has taken a different view.
- (f) The Committee is to be provided with sufficient resources to perform its duties.

7 General Responsibilities

- (a) The Committee is to serve as a focal point for communication between other Directors, the external auditor and the internal auditor as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other matters as the Board determines from time to time.
- (b) The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Company and its subsidiaries (the “**Group**”), and as to the adequacy of the external and internal audits.
- (c) The Committee shall fulfill other responsibilities as required by the GEM Listing Rules from time to time.

8 Duties

The duties of the Committee shall be:

Relationship with the Company's external auditor

- (a) to be primarily 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 its resignation or dismissal;
- (b) to consider the plan for each year's audit submitted by the external auditor and discuss the same at a meeting if necessary;
- (c) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with the applicable standard. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (d) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" include 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;

Review of the Company's financial information

- (e) to monitor integrity of the Company's financial statements and the annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments 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 GEM Listing Rules and legal requirements in relation to financial reporting;

- (f) regarding (e) 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 auditor;

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

- (g) to review the Company's financial controls, and unless expressly addressed by a separate Board risk committee or the Board itself, to review the Company's risk management and internal control systems;
- (h) to discuss the risk management and internal control system 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;
- (i) 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;
- (j) where an internal audit function exists, to ensure co-ordination between the internal and external auditor, 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;
- (k) to review the Group's financial and accounting policies and practices;
- (l) 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;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) to report to the Board in the code provisions contained in the "Corporate Governance Code and Corporate Governance Report" (as amended from time to time) set out in Appendix 15 of the GEM Listing Rules;

- (o) 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; and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (p) to establish a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company;
- (q) to act as the key representative body for overseeing the Company's relations with the external auditor; and
- (r) to consider other topics, as defined by the Board.

9 Reporting Procedures

- (a) The Committee shall report to the Board. At the next meeting of the Board following a meeting of the Committee, the Chairman of the Committee shall report the findings and recommendations of the Committee to the Board.
- (b) Full minutes of Committee meetings shall be kept by the Secretary of the Committee. Draft and final versions of minutes of the meetings shall be sent to all Committee members for their comment and records within a reasonable time after the meeting.
- (c) Copies of the minutes of meetings of the Committee shall be provided to the Board at its meetings.

10 Availability and update of the terms of reference

These terms of reference shall be updated and revised as and when necessary in light of changes in circumstances and changes in regulatory requirements (e.g. the GEM Listing Rules) in Hong Kong. These terms of reference shall be made available to the public by including the information on The Stock Exchange of Hong Kong Limited's website and the Company's website.

11 Miscellaneous

This revised terms of reference of the Committee was adopted by passing of the relevant resolutions by the Board on 31 December 2018 and shall have immediate effect.

The Chinese version of this document is for reference only. In case of any discrepancies or inconsistency between the English version and Chinese version, the English version prevails.