



Pioneer

PIONEER GLOBAL GROUP LIMITED

Audit Committee Terms of Reference

1. Functions

The Audit Committee is appointed by the Board of Directors (the “Board”) of Pioneer Global Group Limited (“the Company”) to:

- a. oversee and review that financial reporting, risk management and internal audit systems are in place and followed within the Company and its subsidiaries (the “Group”);
- b. assure that appropriate accounting policies and reporting practices are adopted throughout the Group;
- c. ensure adequacy of the scope and coverage of the external auditor;
- d. ensure the management of the Group has taken proper attention and actions on the audit findings recommended by the external auditor;
- e. provide liaison among the shareholders, management, independent external auditor and internal auditor;
- f. make recommendation to the Board on the appointment, re-appointment and removal of the external auditor;
- g. review the interim and final results of the Group prior to recommending them to the Board for approval;
- h. review and monitor external auditor’s independence; and
- i. ensure proper and confidential arrangements for employees to raise concerns about improprieties in financial reporting.

2. Authorities

The Committee is authorized by the Board to:

- a. investigate any activity within its functions and duties;
- b. seek any information it may require from any employee, director, agent or advisor, and all such persons who will be directed to co-operate with any request made by the Committee;

- c. consult the external auditor without reference to the management or to consult the management without reference to the external auditor;
- d. obtain external legal or other independent professional advice and to approve the fee (at the expenses of the Group) payable for such advice, if it considers this necessary; and
- e. delegate (subject to applicable legal or regulatory requirements) such of its powers as the Committee deems appropriate to the management for execution.

3. Responsibilities

The main responsibilities of the Committee are to:

- a. review and approve significant accounting policies in accordance with current best practices in Hong Kong;
- b. review the financial and accounting policies and practices of the Group;
- c. review the completeness, accuracy and fairness of interim and annual financial accounts, and review significant financial reporting judgements and estimates contained in them before recommending to the Board for approval, particular attention should be paid to:
 - i. appropriateness of accounting policies and practices adopted;
 - ii. any change in accounting policies and practices;
 - iii. major judgmental issues and estimates;
 - iv. adequacy of disclosure;
 - v. consistency within the financial statements and with prior disclosures;
 - vi. any significant audit adjustments;
 - vii. the going concern assumptions and any qualifications;
 - viii. compliance with current accounting standards; and
 - ix. compliance with the Listing Rules and other legal requirements in financial reporting.
- d. establish and maintain continuing communication between the directors (including the Committee), the external auditor and members of the management of the Group. Also to oversee the management's relationship with the external auditor;
- e. consider and recommend to the Board for the appointment, re-appointment and removal of external auditor and any questions of resignation or dismissal of external auditor;
- f. approve the audit fee and terms of engagement of the external auditor;

- g. discuss with external auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure co-ordination between the external auditor and the accounting department of the Group;
- h. discuss the problems, findings and reservations arising from the final audit with the auditor. If necessary such discussion may be conducted in the absence of the management;
- i. monitor the follow-up actions taken by the management in response to the audit findings from the auditor;
- j. review the work of the external auditor for the purpose of preparing or issuing an audit report and review the external auditor's management letter;
- k. ensure the Board will provide a timely response to the issues raised in the auditor's management letter;
- l. review all the non-audit services performed by the auditor to ensure that such services do not impair the independence of the auditor and such services do not include any impermissible non-audit services;
- m. review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process with the applicable standards;
- n. act as the key representative body for overseeing the Company's relations with external auditor;
- o. ensure co-ordination between the internal and external auditors;
- p. review the effectiveness of the financial controls, risk management and internal control systems and the internal audit function in use by the Group and report such review to the Board;
- q. ensure that management has performed its duty to have an effective risk management and internal control systems, including the adequacy of resources, qualifications and experience of staff, training programmes and budget of the accounting, internal audit and financial reporting functions;
- r. discuss the risk management and internal control systems with the management and consider any major investigation findings on the internal control systems;
- s. discuss with the auditor any recent or anticipated developments in accounting principles or reporting practices that may affect the Group or the scope of future audits;
- t. report to the Board on any matters that the Committee considers as significant or beneficial for the Group to enhance the effectiveness of the risk management and internal control systems and improve the financial reporting and accounting practices;

- u. review any confidential and/or anonymous submission by employees of the Group on concerns regarding questionable accounting or auditing matters. The Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up actions; and
- v. address and deal with any other matters as may be delegated by the Board to the Committee.

4. Members

- a. The Board appoints the Chairman and members of the Committee and determines their remunerations recommended by the Remuneration Committee;
- b. The Committee should have at least three members with the maximum up to five members. The majority of the members should be independent non-executive directors;
- c. At least one member of the Committee should be a public accountant or a “financial expert” having the relevant financial management and control experience as defined in the Listing Rules;
- d. Any former partner of the Group’s existing external auditing firm should not be appointed as member of the Committee. Unless the appointee has ceased to be a partner of the auditing firm or cease to have any financial interest in the firm (whichever is the later) for a period of at least one year; and
- e. The tenure of the members is three years and retired members are eligible for re-appointment.

5. Meetings

- a. The Committee shall meet with the external auditor at least twice a year and members may request a meeting if they think necessary;
- b. At least two members of independent non-executive directors shall constitute a quorum;
- c. The senior representatives from the external audit firm should attend the meeting. If necessary, members of the management team may also be invited to attend. Other Board members shall also have the right to attend the meeting;
- d. The Company Secretary shall be the secretary of the meeting;
- e. Minutes of the Committee meetings shall be circulated to all members of the Committee and made available upon request to other members of the Board. The directors of a subsidiary could request the minutes on issues that concerned with that particular subsidiary; and
- f. Meeting minutes and summary reports on the resolved issued, comment or recommendations (if any) should be sent to the Board by the Committee after each Audit Committee Meeting.

6. Annual General Meeting

The Chairman of the Committee shall attend the Annual General Meeting and prepare to response to any shareholders' questions on the Committee's activities.
