

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



GCL-Poly Energy Holdings Limited
保利協鑫能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3800)

KEY FINDINGS OF THE INTERNAL CONTROLS REVIEW

This announcement is made by the board (the “**Board**”) of directors of GCL-Poly Energy Holdings Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

We refer to:

- (a) the Company’s announcements dated 31 March 2021, 6 April 2021 and 11 April 2021, where the Company announced:
 - (i) that the publication of the 2020 Annual Results had been delayed until further notice;
 - (ii) that the Board Meeting for considering and approving, among other matters, the 2020 Annual Results and its publication, and considering the payment of a final dividend, if any, had been further postponed until further notice; and
 - (iii) that the suspension of trading in the shares of the Company on Stock Exchange with effect from 9:00 a.m. on 1 April 2021;
- (b) the Company’s announcement dated 19 April 2021 in relation to, among other things, the publication of the unaudited management accounts of the Company for the year ended 31 December 2020;
- (c) the Company’s announcement dated 28 April 2021 in relation to certain updates on the delay in despatch of the 2020 Annual Results and the 2020 Annual Report;

- (d) the Company's announcement dated 4 May 2021 in relation to the Resumption Guidance issued by the Stock Exchange;
 - (e) the Company's announcement dated 7 May 2021 in relation to the appointment of Forensic Accountant;
 - (f) the Company's announcement dated 17 May 2021 in relation to the change of auditor;
 - (g) the Company's announcement dated 29 June 2021 in relation to the formal appointment of new auditor of the Company;
 - (h) the Company's announcement dated 30 June 2021 in relation to quarterly update on resumption progress;
 - (i) the Company's announcement dated 14 July 2021 in relation to the key findings of the Independent Forensic Investigation;
 - (j) the Company's announcement dated 29 July 2021 in relation to the additional Resumption Guidance;
 - (k) the Company's announcement dated 31 August 2021 in relation to the delay in publication of 2021 Interim Results and 2021 Interim Report;
 - (l) the Company's announcement dated 30 September 2021 in relation to the quarterly update on resumption progress;
 - (m) the Company's announcement dated 3 October 2021 in relation to a clarification in the announcement related to the quarterly update on resumption progress on 30 September 2021; and
 - (n) the Company's announcement dated 25 October 2021 in relation to key findings of the Supplemental Forensic Investigation,
- (together, the “**Previous Announcements**”).

Unless otherwise defined, capitalised terms in this announcement have the meanings as set out in the Previous Announcements.

BACKGROUND

As disclosed in the Company's announcement dated 30 September 2021, on 26 July 2021, the Company appointed Crowe (HK) Risk Advisory Limited (the “**Internal Controls Consultant**”), an independent advisory services firm, to (a) conduct an appropriate review of the Company's relevant internal controls and procedures (the “**Internal Controls Review**”); and (b) provide to the Company a written internal controls report of its findings (the “**Internal Controls Report**”).

The Internal Controls Review forms part of the Company's efforts to address Resumption Guidance 5 from the Stock Exchange, which requires the Company to demonstrate that it has in place adequate internal controls and procedures to comply with the Listing Rules.

SCOPE AND PROCEDURES OF INTERNAL CONTROLS REVIEW

The Internal Controls Consultant's scope of review comprises but not limit to an assessment of the Company's

- (i) General corporate governance (including internal policies and policies for compliance with the Listing Rules);
- (ii) Procurement and construction projects and handling of trade payables;
- (iii) Funding, cash and financing management;
- (iv) Financial reporting and information disclosure;
- (v) Connected transactions management; and
- (vi) Insurance management.

The Internal Controls Consultant conducted the Internal Controls Review from 27 July 2021 in following three phases:

1. Phase 1:

- (a) understood background information and documents of the Company, including the organisational structure, financial statements, operating structure, contact lists and responsibilities of key employees and the Company's internal controls policies and processes for material industrial processes/locations; and
- (b) worked with the Company to formulate a detailed work plan, timetable, administrative arrangements and documents requests list for the Internal Controls Review;

2. Phase 2:

- (a) conducted a walk-through of the main operating processes in accordance with the agreed scope (including the scope as summarised above), including organising interviews with process owners and reviewing relevant internal controls policies and other process documents;
- (b) conducted compliance testing for key internal controls points of individual and major operating processes, including sampling internal controls policies and process documents;
- (c) identified material weaknesses and deficiencies in the Company's existing internal controls systems based on steps taken in Phase 2 (a) and (b) above;
- (d) discussed findings and recommendations to the Company's management based on steps taken in Phase 2 (a) and (b) above; and
- (e) obtained responses from the Company's management to the key findings and recommendations before presenting an initial draft of the Internal Controls Report;

3. Phase 3:

- (a) reviewed the remediation steps taken by the Company in response to the material weaknesses and deficiencies identified in the initial draft of the Internal Controls Report, and checked that the rectification of material deficiencies had been completed; and
- (b) updated and issued the Internal Controls Report based on the status of rectification by the Company on the identified material weaknesses and deficiencies.

CONCLUSION OF THE INTERNAL CONTROLS REVIEW

As disclosed in the Company's announcement dated 30 September 2021, the Company accepts all Internal Controls Consultant's key findings and recommendations.

Having considered the responses of the Company's management and the remedial steps taken by the Company, the Internal Controls Consultant is satisfied that the Company:

- (a) has addressed its recommendations in respect of all 19 key internal controls deficiencies identified in the Internal Controls Review; and
- (b) currently has sufficient and reliable corporate governance, internal controls and financial reporting systems to fulfil its obligations under the Listing Rules.

The Company sets out below the key findings from the Internal Controls Review.

KEY FINDINGS OF INTERNAL CONTROLS REVIEW

The Internal Controls Consultant identified a total of 19 key internal controls deficiencies in the Internal Controls Report, summarised below, all of which the Internal Controls Consultant considers that the Company has now addressed and remedied based on the results of the step taken in Phase 3(a) above:

	High Risk Nature	Medium Risk Nature	Low Risk Nature
General corporate governance	0	2	0
Procurement and construction projects and handling of trade payables	2	3	0
Funding, cash and financing management	2	6	1
Financial reporting and information disclosure	0	1	0
Connected transactions management	0	0	1
Insurance management	0	0	1
Total	4	12	3

Set out below is a summary of the key deficiencies that the Internal Controls Consultant identified as high risk and the Company's responses and current remediation status:

1. Deficiencies in relation to policy governing the identification and management of notifiable transactions

Summary of the Internal Controls Consultant's findings

The Company's previous policies allowed transactions of the Group to be approved in paper form under special circumstances (e.g. in urgency or when there is requirement to submit the original contract, etc.), meaning there was no mechanism to ensure that all transactions that might constitute a notifiable transaction under Chapter 14 of the Listing Rules were identified and managed in accordance with the Listing Rules.

As stated in the Company's announcement dated 14 July 2021, Jiangsu Zhongneng's General Manager approved the Engineering, Procurement and Construction contract in September 2019 (the "EPC Contract"), which constituted a major transaction of the Company as the consideration ratio exceeded 25% but was less than 100% based on the market capitalisation of the Company at the time when the EPC Contract was entered into, was approved in paper form and was not notified to the Company's Secretarial and Compliance team at the relevant time, leading to the Company's failure to: (a) identify the transaction as a major transaction; and (b) comply with the relevant disclosure, circular and shareholder approval requirements under the Listing Rules.

The Internal Controls Consultant recommended the Company to, among other things, avoid the use of paper form approval procedures to prevent the risk of omitting reporting of potential notifiable transactions to the Company's Secretarial and Compliance team.

Company's responses and remediation status

The Company has accepted and implemented the Internal Controls Consultant's recommendations and has, among other steps, updated its policy governing the identification and management of notifiable transactions to require all contemplated transactions be reviewed and approved through the Company's electronic approval system (which will automatically notify the Company's Secretarial and Compliance team of any transaction which exceeds a certain monetary threshold), and approvals cannot be obtained outside of that system (for example, through paper requests).

2. Deficiencies in relation to reporting mechanism to the Board and measures to ensure approvals are made according to the scope of authorisation

Summary of the Internal Controls Consultant's findings

Although the Company's previous policies require certain material transactions to be approved by the Company's Board or committees, other daily business matters that are not investment projects (such as major transactions involving product sales, material and/or equipment procurement, expenses, financing arrangements) are not clearly stated to require approval from the Board.

The Company's Chief Executive Officer also delegated various daily management responsibilities to the General Managers of material operating subsidiaries within his authorisation delegated by relevant management committees.

As stated in the Company's announcement dated 14 July 2021, Jiangsu Zhongneng's General Manager approved the EPC Contract (which had a total value of RMB1.9 billion and involves the Prepayment of RMB510 million), despite not having authority to approve any contract involving more than RMB100 million. Accordingly, Jiangsu Zhongneng General Manager's approval of the EPC Contract was in breach of the Company's relevant internal policy.

The Internal Controls Consultant recommended the Company to, among other steps, clarify the threshold for transactions that require reporting to and approval by the Company's Board, which should cover daily operations such as product sales, material and/or equipment procurement, financing arrangements, etc. The reporting mechanism should also be strengthened to ensure that material transactions of members of the Group are reported to the Company's Board for review and approval.

Measures should be adopted to ensure General Managers of material operating subsidiaries implement the approval procedures in accordance with their authorised scope, and must report and seek required approval for matters beyond their authorised scope to the Company's Chief Executive Officer and/or the Board.

Company's responses and remediation status

The Company has accepted and implemented the Internal Controls Consultant's recommendations, and implemented a new policy which clearly specifies the thresholds and types of transactions that require approval by the Company's Chief Executive Officer or the Board.

The Company's updated policy now requires that all contemplated transactions be approved through its electronic approval system and approvals cannot be obtained outside that system (e.g. through paper requests), which should ensure that in the future all necessary approvals for each relevant transaction are obtained.

3. Deficiencies in relation to the monitoring of any change in ownership of shares and protecting ownership of pledged shares

Summary of the Internal Controls Consultant's findings

As disclosed in the Company's announcements dated 21 May 2021, 28 May 2021 and 4 October 2021, on 28 August 2019, Elite Time Global Limited ("**Elite Time**"), a wholly-owned subsidiary of the Company, entered into a loan agreement with an independent third party lender (the "**Lender**"), which involved the pledge of shares in GCL New Energy Holdings Limited (the "**Pledged Shares**") as security.

The Company did not regularly monitor the status of the Pledged Shares through reviewing the relevant custodian statements for the Company's broking account.

The Internal Controls Consultant recommended the Company to strengthen its internal controls system in relation to, among other areas, the monitoring of any shares pledged as security or collateral for financing arrangements, and the assessment of the potential risks and impact on the Group if the relevant lender exercises its security interests over the pledged shares.

Company's responses and remediation status

The Company has accepted and implemented the Internal Controls Consultant's recommendations, and implemented a new policy governing the Company entering into financing arrangements. The key requirements of that policy in relation to the pledge of shares as security or collateral for financing arrangements include the following:

- (i) the Company should generally avoid entering into any financing arrangement that requires the Company to pledge its own/any Group company's shares as security or collateral;
- (ii) if the Company decides to enter into financing arrangements involving the pledge of relevant shares as security or collateral, amongst taking other steps:
 - (a) the Company's finance department must conduct an analysis on the potential impact on the Group if the lender were to exercise its security interests over the pledged/secured assets, including but not limited to financial risks, potential loss of control or operating rights over subsidiaries and the potential impact on the Group's consolidated financial statements;
 - (b) the Company shall arrange the transfer of the pledged shares only when or after receiving financing from lender and in stages or instalments, in line with the stages of receiving financing from the relevant lender; and
 - (c) the Company's finance department must monitor at least monthly the status of pledged/secured assets through reviewing the relevant custodian statements for the Company's broking account. The Company's management and the Board must be notified as soon as possible if that review indicates that there may have been foreclosure on the Company's custodied assets; and
- (iii) the Company should avoid any transfer of pledged assets to any account held with an overseas broker. Where possible, the Company should insist on appointing its own custodian broker. If the lender does not agree to that, the Company must conduct an enhanced background check on the designated custodian broker and submit to the Board for its consideration and approval of the results of that check.

4. Deficiencies in relation to the due diligence, assessment and approval procedures for obtaining financing

Summary of the Internal Controls Consultant's findings

The Internal Controls Consultant noted that the following deficiencies existed in the previous internal controls policy governing the Company entering into financing arrangements:

(1) Deficiency in pre-loan background check, declaration of conflicts and maintaining complete written records:

The Company did not maintain any written records showing that it had conducted thorough pre-loan due diligence and monitoring of conflicts, including on counterparties such as the lender, depository broker, the person or entity who made the referral, etc.; and

(2) Deficiency in relation to the thresholds for material financing arrangements or pledge of shares to require approval from the Company's Board:

The Company did not have any written policy stipulating the thresholds and types of financing arrangements that must be reported to the Company's Board for consideration and approval.

The Internal Controls Consultant recommended the Company to implement a new policy governing the entering into financing arrangements which includes, amongst others, (i) detailed requirements on background checks required before entering into a financing arrangement; and (ii) thresholds and types of financing arrangements that would require reporting to the Company's Board for consideration and approval.

Company's responses and remediation status

The Company has accepted and implemented the Internal Controls Consultant's recommendations. The new policy governing the Company entering into financing arrangements includes the following relevant requirements:

- (i) the Company should generally avoid entering into any financing arrangement that requires the Company to pledge its own/any Group company's shares as security or collateral;
- (ii) if the Company wishes to borrow from any overseas institution (i.e. outside of Hong Kong and the PRC), an enhanced independent background check must be conducted on that institution and the results of that check must be presented to the Board for consideration and approval;

- (iii) all financing proposals pursued in Hong Kong or overseas (excluding the PRC) by the Company must be approved by the Board. The Company's Compliance and Secretarial Department is responsible for providing to the Board for the Board's consideration the relevant financing documents, due diligence report(s) and conflict statements/declarations;
- (iv) any financing arrangements for Jiangsu Zhongneng or its subsidiaries in the PRC that exceed set financial thresholds and involve the pledge of shares as security/collateral must be submitted through the Company's electronic approval system for consideration and approval of the Company's Board; and
- (v) the Company should engage appropriate external legal counsel to review the terms of any financing and security documents into which the Company will enter. External legal counsel should advise the Company such that the Company can determine whether it considers the financing and security terms are in the Company's and the Group's best interests.

CONTINUED SUSPENSION OF TRADING

Trading in shares in the Company was suspended from 9:00 a.m. on 1 April 2021 and will remain suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
GCL-Poly Energy Holdings Limited
保利協鑫能源控股有限公司
Zhu Gongshan
Chairman

Hong Kong, 25 October 2021

As at the date of this announcement, the Board comprises Mr. Zhu Gongshan (Chairman), Mr. Zhu Zhanjun, Mr. Zhu Yufeng, Ms. Sun Wei, Mr. Yeung Man Chung, Charles and Mr. Zheng Xiongjiu as executive Directors; Ir. Dr. Ho Chung Tai, Raymond, Mr. Yip Tai Him, Dr. Shen Wenzhong and Mr. Wong Man Chung, Francis as independent non-executive Directors.

* *For identification purposes only*