



GCL-POLY ENERGY HOLDINGS LIMITED
保利協鑫能源控股有限公司

TERMS OF REFERENCE
OF
AUDIT COMMITTEE
(the “Committee”)

1. Constitution

1.1 The Board of Directors (the “Board”) of GCL-Poly Energy Holdings Limited (the “Company”) had resolved to establish the Committee on 22 October 2007 for the following purposes:

- 1.1.1 to ensure that effective financial reporting, risk management and internal controls systems are in place and followed;
- 1.1.2 to ensure that appropriate accounting principles and reporting practices have been followed; and
- 1.1.3 to maintain an appropriate relationship with the Company’s auditors

1.2 The Board has adopted this set of terms of reference for the Committee by resolutions passed on 4 January 2016.

2. Membership

2.1 The Committee shall consist of not less than three members appointed by the Board, all of whom shall be non-executive directors and at least one of the Committee members shall be independent non-executive Director with appropriate qualifications or accounting or related financial management expertise as required under Rule 3.21 of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2.2 The Board shall nominate a member of the Committee as the chairman.

2.3 A former partner, principal, shareholder, or professional employee of the Company's existing external auditor is prohibited from acting as a Committee member for a period of 1 year from the date of his ceasing to be a partner (or employee) or to have any financial interest in the firm (whichever is later) as required under the Listing Rules and any applicable auditor independence rules.

3. Frequency and proceedings of meetings

3.1 The Committee should meet at least two times per year. The chairman of the Committee may convene additional meetings at his discretion.

3.2 The Committee shall meet with the external auditors without any executive member of the Board in attendance at least once a year.

3.3 The quorum for a meeting shall be two members.

3.4 The Company Secretary of the Company shall act as the secretary of the Committee.

3.5 The notice and agenda of any meeting should be given 14 days before the date of the meeting unless otherwise consented by all members. The Committee meeting papers should be circulated to all members 3 days before the intended date of a Committee meeting by hand, by post or in electronic form.

3.6 Members may participate in the Committee meetings by telephone or video conference or electronic or other communications facilities provided that each member can hear and be heard by all other members throughout the meeting and such participation shall constitute presence for the purpose of the quorum requirement under article 3.3 hereof.

4. Authorities

4.1 The Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate with the Committee. The Committee is authorized by the Board to obtain external legal or other independent professional advice and to invite external advisors with relevant experience and expertise to meeting if it considers this necessary, and at the Company's expense.

4.2 The Committee shall report to the Board any suspected frauds and 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.

4.3 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Committee's view and the reasons why the Board has taken a different view.

4.4 The Committee is to be provided with sufficient resources to discharge its duties.

5. Responsibilities

5.1 The Committee is to serve as a focal point for communication between other directors, the external auditors and the internal auditors as regards their duties relating to financial and other reporting, internal controls and such other matters as the Board determines from time to time.

5.2 The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review 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/or internal audits.

5.3 The duties of the Committee include the following:

5.3.1 to be primarily responsible for considering and making recommendations to the Board on the appointment, reappointment and removal of the external auditor, to approve the remuneration and the terms of engagement of the external auditor, and any questions of its resignation or dismissal;

5.3.2 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, and ensure co-ordination where more than one audit firm is involved. Procedures to review and monitor the independence of external auditor may include:

5.3.2.1 considering all relationships between the Group and the audit firm (including providing non-audit services);

5.3.2.2 obtaining from the audit firm annually basis, information about policies and

processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff; and

5.3.2.3 meeting with the external auditors, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditors may wish to raise.

5.3.3 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;

5.3.4 to monitor integrity of the Company's financial statements, annual report and accounts, and half-year report, 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:-

5.3.4.1 any changes in accounting policies and practices;

5.3.4.2 major judgmental areas;

5.3.4.3 significant adjustments resulting from the audit;

5.3.4.4 the going concern assumptions and any qualifications;

5.3.4.5 compliance with accounting standards; and

5.3.4.6 compliance with the Listing Rules and legal requirements in relation to financial reporting,

5.3.5 regarding clause 5.3.4 above : -

5.3.5.1 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 auditors; and

5.3.5.2 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, or external auditors;

5.3.6 to review the Company's financial controls, internal control and risk management systems;

- 5.3.7 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 Company's accounting and financial reporting function;
- 5.3.8 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;
- 5.3.9 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;
- 5.3.10 to review the Group's financial and accounting policies and practices;
- 5.3.11 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;
- 5.3.12 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 5.3.13 to report to the Board on the matters set out in code provision C.3 of the Code on Corporate Governance Practices contained in the Appendix 14 of the Listing Rules;
- 5.3.14 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. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- 5.3.15 to act as the key representative body for overseeing the Company's relations with the external auditor; and
- 5.3.16 to consider other topics, as defined by the Board.

6. Reporting Procedures

6.1 Minutes of meetings of the Committee should record in sufficient detail the matters

considered and decisions reached, including any concerns raised by Committee members or dissenting views expressed. Draft and final versions of minutes of the meetings of the Committee should be sent to all Committee members for their comment and records, within a reasonable time after the meeting.

- 6.2 The chairman of the Committee shall report to the Board on a regular basis. Without prejudice to the generality of the duties of the Committee set out in these terms, the Committee shall report back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as restriction on disclosure due to regulatory requirements).
- 6.3 Full minutes of the meetings of the Committee should be kept by the secretary of the Committee), and such minutes should be open for inspection at any reasonable time on reasonable notice by any Director.
7. In case of any inconsistency between the English and Chinese versions of these terms of reference, the English version will prevail.

January 2016