



**GCL New Energy Holdings Limited**

協鑫新能源控股有限公司

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 451)**

**AUDIT COMMITTEE  
TERMS OF REFERENCE**

**1. Constitution**

1.1 The audit committee (“Committee”) is a committee of the board (“Board”) of directors (“Directors”) of GCL New Energy Holdings Limited 協鑫新能源控股有限公司 (“Company”).

**2. Membership**

2.1 The Committee shall consist of not less than three (3) members, a majority of whom should be independent non-executive Directors.

2.2 The Committee members shall be appointed by the Board from amongst the non-executive Directors and at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise.

2.3 The chairman of the Committee shall be appointed by the Board and should be an independent non-executive Director.

**3. Secretary of Committee**

3.1 The company secretary should normally be the secretary of the Committee.

**4. Attendance at meetings**

4.1 A quorum shall be two members.

4.2 The chief financial officer, the financial controller and a representative of the external auditor shall normally attend meetings. Other Board members shall also have the right of attendance.

*Revised in March 2016*

## **5. Frequency of meetings**

- 5.1 Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

## **6. Authority**

- 6.1 The Committee is authorised by the Board to investigate any activity within its terms of reference and all employees are directed to cooperate with the Committee. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Committee.
- 6.2 The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, at the Company's expenses, if it considers this necessary.

## **7. Duties**

The duties of the Committee should include the followings:

### **7.1 Relationship with the external auditors**

- 7.1.1 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 resignation or dismissal of that auditor;
- 7.1.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; and to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 7.1.3 to develop and implement policy on the engagement of an external auditor to supply non-audit services and to report to the Board, identifying any matters that action or improvement is needed and making recommendations as to the steps to be taken. External auditor shall 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 having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally;

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## 7.2 Review of financial information

7.2.1 to monitor integrity of financial statements and the annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In this regard, in reviewing annual report and accounts, half-year report and if prepared for publication, quarterly reports before submission to the Board, the Committee should focus particularly on:

- 7.2.1.1 any changes in accounting policies and practices;
- 7.2.1.2 major judgemental areas;
- 7.2.1.3 significant adjustments resulting from the audit;
- 7.2.1.4 the going concern assumption and any qualifications;
- 7.2.1.5 compliance with accounting standards; and
- 7.2.1.6 compliance with the Exchange Listing Rules and other legal requirements in relation to financial reporting;

7.2.2 In regard to 7.2.1 above:

- 7.2.2.1 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 auditors; and
- 7.2.2.2 the Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must 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;

7.3 Oversight of the financial reporting system, risk management and internal control systems

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

7.3.2 to discuss the risk management and internal control systems with management and 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;

7.3.3 to consider any findings of major investigations of risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

7.3.4 where an internal audit function exists, 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 the effectiveness of the internal audit function,;

7.3.5 to review the group's financial and accounting policies and practices;

7.3.6 to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

7.3.7 to ensure that the Board will provide a timely response to the Company raised in the external auditor's management letter;

7.3.8 to report to the Board on the matters set out in code provision C.3 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (as amended from time to time); and

7.3.9 to consider other topics, as defined by the Board.

## **8. Reporting procedures**

- 8.1 Each year, the chairman of the Committee shall present a report to the Board which addresses the work and findings of the Committee during the year. This annual report shall be issued upon completion of the financial year and shall include, where appropriate:
- (a) conclusions on the discussions with the external auditor regarding their work and findings on the half-year and annual financial statements and management letter (if any);
  - (b) recommendations on the appointment of external auditor which should cover an assessment of the quality of service and the reasonableness of the fees charged and any questions of resignation, replacement or dismissal;
  - (c) conclusions on the efficacy of the risk management and internal control systems; and
  - (d) conclusions about the work of the internal audit function and management's response to internal audit findings.
- 8.2 The secretary shall circulate the draft minutes of meetings of the Committee to all members of the Committee within a reasonable time for comment and the final signed versions to all members of the Committee.

## **9. Language**

- 9.1. This document is drawn up in both English language and Chinese language. In case of any inconsistency between the English and Chinese versions of these terms of reference, the English version will prevail.

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