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)

PRELIMINARY ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2017	2016
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
		(Restated)
From continuing operations – Solar Energy Business		
Revenue	**1,812**	929
Adjusted EBITDA*	**1,643**	780
Profit attributable to owners of the Company	**485**	147
	RMB cents	*RMB cents*
	(Unaudited)	(Unaudited)
		(Restated)
Earnings per share		
From continuing operations		
– Basic and diluted	**2.54**	0.81

* *Earnings before finance costs, taxation, depreciation and amortisation and non-operating items.*

The board (the "Board") of directors (the "Directors") of GCL New Energy Holdings Limited (the "Company") presents the unaudited condensed interim consolidated financial information ("Interim Financial Information") of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2017.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
			(Restated)
Continuing operations			
Revenue	*3*	**1,812,113**	929,347
Cost of sales		**(530,593)**	(237,228)
Gross profit		**1,281,520**	692,119
Other income	*4*	**89,433**	71,400
Administrative expenses			
– share-based payment expenses		**(17,575)**	(38,060)
– other administrative expenses		**(151,523)**	(181,968)
Loss on change in fair value of convertible bonds	*14*	**(46,253)**	(40,561)
Other expenses, gains and losses, net		**(18,107)**	20,751
Share of profits of joint ventures		**414**	520
Finance costs	*5*	**(606,626)**	(372,889)
Profit before tax		**531,283**	151,312
Income tax credit	*6*	**20,567**	400
Profit for the period from continuing operations	*7*	**551,850**	151,712
Discontinued operations			
(Loss) profit for the period from discontinued operations	*15*	**(4,184)**	19,776
Profit for the period		**547,666**	171,488
Other comprehensive income (expense):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**2,152**	(10,328)
Total comprehensive income for the period		**549,818**	161,160

	Note	Six months ended 30 June **2017** ***RMB'000*** **(Unaudited)**	 2016 *RMB'000* (Unaudited) (Restated)
Profit (loss) for the period attributable to:			
Owners of the Company			
– from continuing operations		**485,015**	147,249
– from discontinued operations		**(4,184)**	19,776
		480,831	167,025
Profit for the period attributable to non-controlling interests from continuing operations			
– Owners of perpetual notes		**65,315**	–
– Other non-controlling interests		**1,520**	4,463
		547,666	171,488
Total comprehensive income for the period attributable to:			
Owners of the Company		**482,983**	156,697
Non-controlling interests			
– Owners of perpetual notes		**65,315**	–
– Other non-controlling interests		**1,520**	4,463
		549,818	161,160
		RMB Cents **(Unaudited)**	*RMB Cents* (Unaudited) (Restated)
Earnings per share	*9*		
From continuing and discontinued operations			
– Basic and diluted		**2.52**	0.92
From continuing operations			
– Basic and diluted		**2.54**	0.81

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Notes	**30 June 2017 *RMB'000* (Unaudited)**	31 December 2016 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**29,882,572**	26,755,177
Prepaid lease payments		**110,359**	109,359
Interests in joint ventures		**63,728**	42,159
Amounts due from related companies		**149,700**	144,700
Deferred tax assets		**113,214**	88,598
Deposits, prepayment and other non-current assets	*10*	**3,858,972**	3,372,316
Pledged bank and other deposits		**283,504**	226,871
		34,462,049	30,739,180
CURRENT ASSETS			
Trade and other receivables	*11*	**3,947,983**	3,386,165
Other loan receivables		**333,139**	344,058
Available-for-sale investments		**300,050**	–
Amounts due from related companies		**40,688**	20,247
Prepaid lease payments		**2,284**	2,371
Tax recoverable		**–**	1
Pledged bank and other deposits		**1,845,130**	2,028,388
Bank balances and cash		**2,796,585**	3,826,486
		9,265,859	9,607,716
Assets classified as held for sale	*16*	**2,437,989**	1,131,282
		11,703,848	10,738,998
CURRENT LIABILITIES			
Trade and other payables	*12*	**11,462,008**	11,393,936
Amounts due to related companies		**318,052**	83,261
Tax payable		**3,795**	6,037
Loans from fellow subsidiaries		**1,074,518**	676,307
Convertible bonds	*14*	**700,057**	–
Bank and other borrowings	*13*	**4,988,965**	4,947,720
		18,547,395	17,107,261
Liabilities directly associated with assets classified as held for sale	*16*	**1,817,609**	910,112
		20,365,004	18,017,373
NET CURRENT LIABILITIES		**(8,661,156)**	(7,278,375)
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,800,893**	23,460,805

	Notes	**30 June 2017** *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Bank and other borrowings	*13*	**18,691,736**	16,153,286
Convertible bonds	*14*	**178,275**	858,461
Deferred tax liabilities		**28,200**	29,454
		18,898,211	17,041,201
NET ASSETS		**6,902,682**	6,419,604
CAPITAL AND RESERVES			
Share capital		**66,674**	66,674
Reserves		**4,912,602**	4,425,179
Amount recognised in other comprehensive income and accumulated in equity relating to non-current assets classified as held for sale		**85,286**	81,101
Equity attributable to owners of the Company		**5,064,562**	4,572,954
Equity attributable to non-controlling interests			
– owners of perpetual notes		**1,800,000**	1,800,000
– other non-controlling interests		**38,120**	46,650
TOTAL EQUITY		**6,902,682**	6,419,604

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**501,212**	(345,298)
INVESTING ACTIVITIES		
Interest received	**19,390**	21,953
Payments for construction and purchase of property, plant and equipment and land use rights	**(4,580,773)**	(3,300,470)
Acquisition of subsidiaries	**284**	35,703
Settlement of payables to vendors of solar power plants	**(14,196)**	(17,100)
Deposits paid for acquisitions of solar power projects	**–**	(11,940)
Capital injection to joint ventures	**(33,040)**	–
Capital refunded from a joint venture	**2,330**	–
Repayment from third parties	**10,919**	–
Loan to third parties	**–**	(386,452)
Proceeds from disposal of property, plant and equipment	**1,480**	8,002
Loan to a joint venture	**(5,000)**	(1,000)
Withdrawal of pledged bank and other deposits	**397,035**	516,761
Placement of pledged bank and other deposits	**(266,780)**	(914,343)
Addition of available-for-sales investments	**(300,050)**	–
Repayment from related parties	**281**	–
Deposits received from disposal of PCB Business (defined in note 3)	**109,874**	–
Deposits received from disposal of two solar power plant projects	**250,600**	–
NET CASH USED IN INVESTING ACTIVITIES	**(4,407,646)**	(4,048,886)
FINANCING ACTIVITIES		
Interest paid	**(743,098)**	(540,791)
Distributions paid to holders of perpetual notes	**(65,315)**	–
Proceeds from bank and other borrowings	**7,026,283**	5,006,908
Repayment of bank and other borrowings	**(3,614,206)**	(1,436,362)
Proceeds from loans from fellow subsidiaries	**1,000,000**	1,246,418
Repayment of loan from a fellow subsidiary	**(600,000)**	(699,897)
Proceeds from issuance of shares through Rights Issue	**–**	1,963,889
Transaction costs paid for the issuance of Rights Issue	**–**	(23,005)
Acquisition of additional interest in an existing subsidiary	**(2,559)**	–
Repayment to related parties	**(13,123)**	–
Advance from related parties	**37**	–
Payment for redemption of bonds	**–**	(120,800)
Repayment of obligations under finance leases	**(21,431)**	(24,555)
Capital contribution by non-controlling interests	**–**	16,720
NET CASH FROM FINANCING ACTIVITIES	**2,966,588**	5,388,525

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(939,846)**	994,341
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**3,853,083**	1,964,993
Effect of exchange rate changes on the balance of cash held in foreign currencies	**6,800**	(20,765)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Represented by		
– bank balances and cash	**2,796,585**	2,938,569
– bank balances and cash classified as assets held for sale	**123,452**	–
	2,920,037	2,938,569

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

GCL New Energy Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

During the period, the Company and its subsidiaries (together the "Group") were principally engaged in the development, construction, operation and management of solar power plants, as well as manufacturing and selling of printed circuit boards.

This Interim Financial Information is presented in Renminbi ("RMB"), unless otherwise stated. This Interim Financial Information has been approved for issue by the Board on 30 August 2017.

This Interim Financial Information has not been audited.

1A BASIS OF PREPARATION

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") Interim Financial Reporting issued by International Accounting Standard Board ("IASB") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The unaudited condensed interim consolidated financial statements do not include all the information required for a complete set of International Financial Reporting Standards ("IFRS") financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016.

As at 30 June 2017, the Group's current liabilities exceeded its current assets by approximately RMB8,661 million. In addition, as at 30 June 2017, the Group has entered into agreements to construct solar power plants and acquire other assets which will involve capital commitments of approximately RMB6,762 million. In addition, the Group, subject to the availability of additional financial resources, is currently looking for further opportunities to increase the scale of its solar power plant operations through mergers and acquisitions. In the event that the Group is successful in securing more solar power plant investments or expanding the investments in the existing solar power plants in the coming twelve months from 30 June 2017, additional cash outflows will be required to settle further committed capital expenditure.

As at 30 June 2017, the Group's total borrowings comprising bank and other borrowings, convertible bonds, obligations under finance leases, loan from a shareholder and loans from fellow subsidiaries amounted to approximately RMB26,797 million. The amounts included bank and other borrowings, obligations under finance leases and loan from a shareholder classified as liabilities directly associated with assets held for sale of RMB1,101 million, RMB45 million and RMB17 million, respectively. For the remaining balance of approximately RMB25,634 million, RMB6,764 million will be due in the coming twelve months provided that the covenants under the borrowing agreements are satisfied. The Group's pledged bank and other deposits and bank balances and cash amounted to approximately RMB2,142 million and RMB2,920 million (including pledged bank and other deposits and bank balance and cash classified as assets held for sale of RMB13 million and RMB123 million, respectively) as at 30 June 2017, respectively. The financial resources available to the Group as at 30 June 2017 and up to the date of approval of these unaudited condensed interim consolidated financial statements for issuance may not be sufficient to satisfy the above capital expenditure requirements and other financial obligations. The Group is actively pursuing additional financing including, but not limited to, equity and debt financing and bank borrowings.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the directors of the Company (the "Directors") have reviewed the Group's cash flow projections which cover a period of not less than twelve months from 30 June 2017. They are of the opinion that the Group will have sufficient working capital to meet its financial obligations, including those committed capital expenditures relating to the solar power plants, that will be due in the coming twelve months from 30 June 2017 upon successful implementation of the following measures which will generate adequate financing and operating cash inflows for the Group:

(i) Subsequent to 30 June 2017, the Group successfully obtained new borrowing of approximately RMB3,090 million from banks and other financial institutions in the PRC;

(ii) The Group is currently negotiating with several banks in both Hong Kong and the PRC for additional financing. It has received detailed proposals from certain banks for banking facilities with repayment periods for more than one year. The Group also received letters of intent from certain other banks which indicated that these banks preliminarily agreed to offer banking facilities to the Group;

(iii) In July and December 2016, the Group proposed the issuance of non-public corporate bonds and non-public green bonds to qualifying investors in the maximum principal amount of RMB2,000,000,000 and RMB1,750,000,000, respectively, which were fully underwritten and shall have a term of up to 3 years. The Group has received no-objection letters from the Shanghai Stock Exchange and the Shenzhen Stock Exchange in relation to these issues. On 3 August 2017, the Group issued the first tranche of the non-public green bonds amounting to RMB375,000,000 for a term of 3 years with a fixed interest rate of 7.5% per annum. The Group is also negotiating with other private investors for additional financing in the form of equity or debt or a combination of both;

(iv) On 30 June 2017, the Group entered into share transfer agreements to sell two of its solar power plant projects to a joint venture, which is set up with an independent third party. The Group is actively negotiating similar arrangements to derive additional liquidity and working capital to the Group; and

(v) As at 30 June 2017, the Group has completed the construction of 129 solar power plants with approval for on-grid connection and it also has additional 8 solar power plants under construction targeting to achieve on-grid connection within the coming twelve months from the date of these unaudited condensed interim consolidated financial statements. The abovementioned solar power plants have an aggregate installed capacity of approximately 5.1 GW and are expected to generate operating cash inflows to the Group.

After taking into account the Group's business prospects, internal resources and the available financing facilities, the Directors are satisfied that it is appropriate to prepare these unaudited condensed interim consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group can achieve the plans and measures described in (ii) to (v) above. The sufficiency of the Group's working capital to satisfy its present requirements for at least the next twelve months from the date of approval of these unaudited condensed interim consolidated financial statements for issuance is dependent on the Group's ability to generate adequate financing and operating cash flows through successful renewal of its bank borrowings upon expiry, compliance with the covenants under the borrowing agreements or obtaining waiver from the relevant banks if the Group is not able to satisfy any of the covenant requirements, successful securing of the financing from banks with repayment terms beyond twelve months from the date of approval of these unaudited condensed interim consolidated financial statements for issuance, and other short-term or long-term financing; and the completion of the construction of the solar power plants to generate adequate cash inflows as scheduled. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these unaudited condensed interim consolidated financial statements.

The functional currency of the Company and the presentation currency of the Group's unaudited condensed interim consolidated financial statements are RMB.

2 PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the unaudited condensed interim consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to IFRS issued by IASB that are relevant for the preparation of the Group's unaudited condensed interim consolidated financial statements:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of Annual Improvements to IFRS Standards 2014 – 2016

The application of the above amendments in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these unaudited condensed interim consolidated financial statements.

Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to IAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

3 REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sale of electricity.

Sales of electricity included RMB1,161,790,000 (six months ended 30 June 2016: RMB647,380,000) tariff adjustment received and receivable from the state grid companies in the PRC based on the prevailing nationwide government policies on renewable energy for solar power plants. Details of payment arrangement of tariff is disclosed in note 11.

On 30 December 2016, the operating segment regarding the manufacturing and selling of printed circuit board ("PCB Business") of the Group was contracted to be sold and accordingly has been presented as discontinued operations. For continuing operation, the Group has been operating in one reportable segment, being the business of sale of electricity, development, construction, operation and management of solar power plants ("Solar Energy Business"). The Group's chief operating decision maker ("CODM"), being the executive directors of the Company, who reviews the consolidated results before tax and before fair value adjustment of financial instruments and share-based payment expenses, if any, when making decisions about allocating resources and assessing performance.

Details of the discontinued operations of the PCB Business are described in note 15.

4 OTHER INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Bank interest income	**15,232**	8,673
Consultancy fees income *(note a)*	**1,143**	13,706
Compensation income	**2,027**	–
Government grant – incentive subsidies *(note b)*	**8,849**	930
Imputed interest on discounting effect on tariff adjustment receivables	**20,475**	–
Interest income from other loan receivables	**12,826**	22,736
Interest income from loan to a joint venture	**3,548**	5,027
Management services income	**18,354**	19,317
Others	**6,979**	1,011
	89,433	71,400

Notes:

(a) Consultancy fees income represents consultancy fees earned from third parties for design and planning for constructing solar power plants.

(b) Incentive subsidies were received from the relevant PRC government for improvement of working capital and financial assistance to the operating activities. The subsidies were granted on a discretionary basis during the period and the conditions attached thereto were fully complied with.

5 FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Interest on:		
Bank and other borrowings	**763,202**	527,056
Bonds payables	**–**	11,748
Loans from fellow subsidiaries	**23,854**	22,532
Total borrowing costs	**787,056**	561,336
Less: amounts capitalised in the cost of qualifying assets	**(180,430)**	(188,447)
	606,626	372,889

Borrowing costs capitalised during the period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 8.01% (six months ended 30 June 2016: 9.73%) per annum to expenditure on qualifying assets.

6 INCOME TAX CREDIT

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
PRC Enterprise Income Tax ("EIT"):		
Current tax	**9,478**	1,140
Overprovision in prior periods	**(21)**	(1,495)
	9,457	(355)
Deferred tax	**(30,024)**	(45)
Total	**(20,567)**	(400)

The basic tax rate of the Company's PRC subsidiaries is 25%, under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT law.

Certain subsidiaries of the Group, being enterprises engaged in public infrastructure projects, under the PRC Tax Law and its relevant regulations, are entitled to tax holidays of 3-year full exemption followed by 3-year 50% exemption commencing from their respective years in which their first operating incomes were derived. For the six months ended 30 June 2017, certain subsidiaries of the Company engaged in the public infrastructure projects had their first year with operating incomes.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period. No provision for taxation in Hong Kong profit tax was made for the period as there is no assessable profits for both reporting periods.

7 PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
Profit for the period has been arrived at after charging:		
Amortisation of prepaid lease payments	**1,166**	267
Depreciation of property, plant and equipment	**457,500**	213,413
Operating lease rental in respect of properties	**29,624**	16,789
Staff costs (including directors' and chief executive's remuneration but excluding share-based payments expenses)		
– Salaries, wages and other benefits	**79,959**	97,180
– Retirement benefit scheme contributions	**12,874**	12,423
Share-based payment expenses (Administrative expenses in nature)		
– Directors and staff	**14,098**	28,518
– Consultancy services	**3,477**	9,542

8 DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2017, nor has any dividend been proposed since the end of the reporting period (six months ended 30 June 2016: Nil).

9 EARNINGS (LOSS) PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Profit for the purposes of calculation of basic and diluted earnings per share		
Profit for the period attributable to owners of the Company	**480,831**	167,025

	Six months ended 30 June	
	2017	2016
	'000	*'000*
	(Unaudited)	(Unaudited)
		(Restated)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**19,073,715**	18,152,895

Diluted earnings per share did not assume (i) the exercise of the share options since the exercise price is higher than the average share price nor (ii) the conversion of convertible bonds since their assumed conversion has an anti-dilutive effect on earnings per share for both reporting periods.

For continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Profit for the period attributable to owners of the Company	**480,831**	167,025
Add: Loss (profit) for the period from discontinued operations attributable to owners of the Company	**4,184**	(19,776)
Profit for the period attributable to owners of the Company from continuing operations	**485,015**	147,249

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic loss per share for the discontinued operations is RMB0.02 cent per share (six months ended 30 June 2016: earnings of RMB0.11 cent per share) and diluted loss per share for the discontinued operations is RMB0.02 cent per share (six months ended 30 June 2016: earnings of RMB0.11 cent per share), based on the loss for the period from the discontinued operations attributable to owners of the Company of RMB4,184,000 (six months ended 30 June 2016: profit of RMB19,776,000) and the denominators detailed above for both basic and diluted loss per share.

10 DEPOSITS, PREPAYMENT AND OTHER NON-CURRENT ASSETS

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Deposits paid for EPC contracts and constructions *(note)*	**676,308**	659,597
Refundable value-added tax	**2,053,009**	2,114,127
Deposits paid for acquisitions of solar power plant projects	**3,500**	38,300
Prepaid rent for parcels of land	**316,502**	264,274
Trade receivables *(note 11)*	**712,115**	249,555
Others	**97,538**	46,463
	3,858,972	3,372,316

Note: Deposits for the engineering, procurement and constructions ("EPC") contracts and constructions represent deposits paid to contractors which will be transferred to property, plant and equipment in accordance with the percentage of completion of the construction.

11 TRADE AND OTHER RECEIVABLES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**3,318,623**	2,280,402
Bills receivable	**158,550**	128,517
Prepayment and deposits	**175,793**	113,190
Other receivables		
– Consultancy service fee receivables	**5,637**	9,127
– Interest receivables	**54,283**	45,611
– Receivables for modules procurement	**231,517**	526,476
– Refundable value-added tax	**567,235**	382,480
– Others	**148,460**	149,917
	4,660,098	3,635,720
Analysed as:		
Current	**3,947,983**	3,386,165
Non-Current *(note 10)*	**712,115**	249,555
	4,660,098	3,635,720

Trade receivables represents receivables for electricity sales which include tariff adjustment receivables to be received from the state grid companies.

Tariff adjustment is included as a component of the government-approved on-grid tariff of solar energy supply. The financial resource for the tariff adjustment is the national renewable energy fund that accumulated through a special levy on the consumption of electricity of end users. The PRC government is responsible to collect and allocate the fund and make settlement through state-owned grid companies to the solar power companies. Effective from March 2012, the application, approval and settlement of the tariff adjustments are subject to certain procedures as promulgated by Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy ("可再生能源電價附加補助資金管理暫行辦法"). Caijian [2013] No. 390 Notice issued in July 2013 further simplified the procedures of settlement of the tariff adjustment. As at 30 June 2017, tariff adjustment receivables amounting to approximately RMB3,035,947,000 (31 December 2016: RMB2,116,095,000) are included in the trade receivables.

The Directors expected certain part of the tariff adjustment receivables will be recovered after twelve months from the reporting date, which amounted to approximately RMB712,115,000 (31 December 2016: RMB249,555,000) (included in note 10). Certain part of the tariff adjustment receivables are discounted at an effective interest rate ranged from 2.59% to 3.27% per annum as at 30 June 2017 (31 December 2016: 2.65% per annum).

Certain bills receivable issued by third parties endorsed with recourse for settlement of payables for purchase of plant and machinery and construction costs continue to recognise its full carrying amount at the end of both reporting periods.

Receivables for modules procurement comprise modules procurement cost and commission earned by the Group and the Group allows credit period of 180 days to 1 year.

For sales of electricity in the PRC, the Group generally grants credit period of approximately one month to local power grid companies in the PRC from the date of invoice in accordance with the relevant electricity sales contracts between the Group and the respective local grid companies.

All bills receivables of the Group are with a maturity period of less than 1 year and not yet due at the end of the reporting period, and management considers the default rate is low based on historical information and experience.

The following is an aged analysis of trade receivables, which are presented based on the invoice date at the end of the reporting period:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unbilled *(note)*	**3,045,860**	2,093,632
0 – 90 days	**163,908**	101,993
91 – 180 days	**39,600**	28,807
Over 180 days	**69,255**	55,970
	3,318,623	2,280,402

Note: Unbilled trade receivables represent tariff adjustments to be billed and received based on the prevailing national government policies on renewable energy.

Consultancy service fee receivables and receivables for modules procurement are aged from 180 days to 1 year.

Included in these trade receivables are debtors with aggregate carrying amount of RMB149,231,000 (31 December 2016: RMB94,964,000) which are past due as at the end of the reporting date. These trade receivables relate to a number of customers for whom there is no recent history of default. The Group does not hold any collateral over these balances.

Based on the track record of regular repayment of receivables from sales of electricity, all trade receivable from sales of electricity were expected to be recoverable. Regarding tariff adjustment receivables, the collection is well supported by the government policy, all tariff adjustment receivables were expected to be recoverable. Consequently, no provision for impairment of trade receivables was recognised as at 30 June 2017 (31 December 2016: Nil).

12 TRADE AND OTHER PAYABLES

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Bills payable	**1,867,660**	2,208,219
Payables for purchase of plant and machinery and construction costs	**8,409,445**	8,314,758
Payables to vendors of solar power plant	**117,305**	130,851
Payables for modules procurement	**58,749**	221,410
Other tax payables	**209,830**	61,165
Other payables	**273,927**	208,659
Receipt in advance	**388,455**	14
Accruals		
– Staff costs	**28,501**	150,801
– Legal and professional fees	**18,550**	21,117
– Interest expenses	**75,273**	72,075
– Others	**14,313**	4,867
	11,462,008	11,393,936

The credit period for purchase of goods is normally ranged from 90 to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

All bills payable of the Group is aged within 1 year and not yet due at the end of the reporting period.

Included in trade and other payables are obligations arising from endorsing bills receivable with recourse issued by third parties for settlement of payables for purchase of plant and machinery and construction costs with an aggregate amount of RMB44,461,000 (31 December 2016: RMB61,246,000).

13 BANK AND OTHER BORROWINGS

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Bank loans	**13,246,000**	10,928,064
Other loans	**10,434,701**	10,172,942
	23,680,701	21,101,006
Secured	**21,422,241**	18,504,281
Unsecured	**2,258,460**	2,596,725
	23,680,701	21,101,006
Less: Amounts due within one year (shown under current liabilities)	**(4,988,965)**	(4,947,720)
Amounts due after one year	**18,691,736**	16,153,286

14 CONVERTIBLE BONDS

	RMB'000
As at 1 January 2016 (Audited)	732,856
Payment of interests	(24,710)
Change in fair value charged to profit or loss	40,561
As at 30 June 2016 (Unaudited)	748,707
Payment of interests	(24,933)
Change in fair value charged to profit or loss	134,687
As at 31 December 2016 and 1 January 2017 (Audited)	858,461
Payment of interests	(26,382)
Change in fair value charged to profit or loss	46,253
As at 30 June 2017 (Unaudited)	878,332
Less: Amounts due within one year (shown under current liabilities)	(700,057)
Amounts due after one year	178,275

Note: Exchange gain of the convertible bonds payables of approximately RMB23,355,000 (six months ended 30 June 2016: loss of RMB16,062,000) has been recognised together with changes in fair value to profit or loss for the period ended 30 June 2017.

On 27 May 2015 and 20 July 2015, the Company issued three-year convertible bonds at a nominal value of HK$775,100,000 (equivalent to approximately RMB611,244,000) ("Talent Legend Issue") and HK$200,000,000 (equivalent to approximately RMB157,720,000) ("Ivyrock Issue"), respectively. Details of the major terms and conditions of the convertible bonds are set out in notes to the Group's 2016 annual report.

The Company designated the convertible bond (including the conversion option) as a financial liability at fair value through profit or loss which is initially recognised at fair value. In subsequent periods, such convertible bonds are measured at fair value with changes in fair values recognised in profit or loss. Transaction costs relating to the issuance of the convertible bonds are charged to profit or loss immediately.

The fair value of the convertible bond, was determined by an independent qualified valuer based on the Binomial Lattice Model.

The following assumptions were applied:

	Talent Legend Issue		**Ivyrock Issue**	
	30 June 2017	31 December 2016	**30 June 2017**	31 December 2016
Discount rate	**18.64%**	24.48%	**18.68%**	24.51%
Fair value of each share of the Company	**HK$0.385**	HK$0.455	**HK$0.385**	HK$0.455
Conversion price (per share)	**HK$0.754**	HK$0.754	**HK$0.754**	HK$0.754
Risk free interest rate	**0.50%**	0.95%	**0.54%**	0.98%
Time to maturity	**0.91 years**	1.40 years	**1.05 years**	1.55 years
Expected volatility	**46.94%**	50.97%	**46.72%**	56.71%
Expected dividend yield	**0%**	0%	**0%**	0%

15 DISCONTINUED OPERATIONS

On 30 December 2016, the Group entered into the sale and purchase agreement ("S&P Agreement") to dispose of the entire interest in PCB Business (the "Disposal") to Mr. Yip Sum Yin ("Mr. Yip"), a former director of the Company, at a consideration of HK$250,000,000 (equivalent to RMB223,625,000) plus, as the case may be, adjustment amounts pursuant to the S&P Agreement. Part of the consideration, amounting to RMB109,874,000 was received during the current interim period. The disposal of PCB Business is consistent with the Group's long-term policy to focus on its core solar power business, which will allow the Group and its management team to focus its resources on the business area where it has the most competitive strengths. The completion of the Disposal was subject to the fulfilment of certain conditions precedent as set out in the S&P Agreement. Details of the Disposal are set out in the announcement of the Company dated 30 December 2016 and the circular of the Company issued to the shareholders dated 20 January 2017. The Disposal was completed on 2 August 2017.

The (loss) profit for the period from the discontinued PCB Business is set out below. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the PCB Business as discontinued operations.

Analysis of (loss) profit for the period from discontinued operations

The results of the discontinued operations for the period were as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Revenue	**713,630**	741,688
Cost of sales	**(679,010)**	(662,057)
Other income	**15,946**	13,319
Distribution and selling expenses	**(9,275)**	(9,386)
Administrative expenses	**(31,212)**	(30,715)
Other expenses, gains and losses	**(8,996)**	7,008
Finance costs	**(6,326)**	(6,208)
(Loss) profit before tax	**(5,243)**	53,649
Income tax expense	**(3,292)**	(33,873)
(Loss) profit for the period from discontinued operations	**(8,535)**	19,776
Reversal of loss on measurement to fair value less costs to sell	**4,351**	–
(Loss) profit for the period from discontinued operations	**(4,184)**	19,776

(Loss) profit for the period from discontinued operations include the following:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Amortisation of deferred income on government grants	**(77)**	(77)
Amortisation of prepaid lease payments	**87**	86
Cost of inventories recognised as an expense *(note)*	**679,010**	662,057
Depreciation of property, plant and equipment	**56,184**	91,053
Operating lease rental in respect of properties	**3,057**	3,105
Staff costs (including directors' remuneration)		
– Salaries, wages and other benefits	**112,332**	110,822
– Retirement benefit scheme contributions	**9,392**	8,320

Note: Included in staff costs and depreciation and amortisation were approximately RMB104,919,000 (six months ended 30 June 2016: RMB99,314,000) and RMB53,898,000 (six months ended 30 June 2016: RMB89,054,000), respectively, capitalised as cost of inventories during the period ended 30 June 2017.

Cash flows from discontinued operations:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Net cash inflows from operating activities	**59,342**	77,622
Net cash outflows from investing activities	**(37,958)**	(53,435)
Net cash outflows from financing activities	**(17,529)**	(75,986)
Net cash inflows (outflows)	**3,855**	(51,799)

16 ASSETS CLASSIFIED AS HELD FOR SALE

	30 June	31 December
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Assets classified as held for sale		
– PCB Business	**1,077,526**	1,131,282
– Two solar power plant projects	**1,360,463**	–
	2,437,989	1,131,282
Liabilities directly associated with assets classified as held for sale		
– PCB Business	**856,356**	910,112
– Two solar power plant projects	**961,253**	–
	1,817,609	910,112

(a) PCB Business

The assets and liabilities attributable to PCB Business, which are expected to be sold within twelve months of the end of reporting period, have been classified as a disposal group held for sale and are presented separately in the unaudited condensed consolidated statement of financial position. Immediately before the initial classification of the assets and liabilities of PCB Business as held for sale, their carrying amounts are measured at the lower of the carrying amount and the recoverable amount (i.e. the higher of fair value less costs to sell and the value in use).

Since the expected fair value less costs to sell of the business is less than the aggregate carrying amount of the related assets and liabilities, cumulative loss on measurement to fair value less costs to sell of RMB179,591,000 (31 December 2016: RMB183,942,000) is recognised. The major classes of assets and liabilities of PCB Business at the end of the reporting period are as follows:

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Property, plant and equipment	**523,952**	570,071
Prepaid lease payments	**6,414**	6,515
Other non-current assets	**6,440**	7,274
Pledged bank and other deposits	**13,391**	20,497
Inventories	**183,517**	187,790
Trade and other receivables	**488,917**	496,481
Bank balances and cash	**34,486**	26,596
Total assets of PCB Business classified as held for sale	**1,257,117**	1,315,224
Trade and other payables	**516,386**	561,677
Bank borrowings – due within one year	**191,230**	181,003
Obligations under finance leases – due within one year	**30,716**	38,790
Other current liabilities	**65,527**	62,670
Loan from a shareholder – due after one year	**17,358**	17,890
Obligations under finance leases – due after one year	**13,613**	26,970
Other non-current liabilities	**21,526**	21,112
Total liabilities of PCB Business associated with assets classified as held for sale	**856,356**	910,112
Net assets of PCB Business classified as held for sale	**400,761**	405,112
Loss on measurement to fair value less costs to sell	**(179,591)**	(183,942)
	221,170	221,170

Cumulative amount of RMB85,286,000 (31 December 2016: RMB81,101,000) relating to the disposal group classified as held for sale has been recognised in other comprehensive income and included in equity.

The following is an aged analysis of trade receivables presented based on the invoice date, which approximated the respective revenue recognition dates:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 – 90 days	**404,144**	390,597
91 – 180 days	**49,651**	57,902
Over 180 days	**1,080**	189
	454,875	448,688

For sales of PCB products, the Group generally allocated credit period of 30 to 120 days.

The following is an aged analysis of trade payables presented based on the invoice date:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 – 90 days	**238,281**	244,880
91 – 180 days	**125,470**	124,693
Over 180 days	**20,014**	10,634
	383,765	380,207

The credit period for purchase of goods is normally ranged from 90 to 120 days.

(b) Two solar power plant projects

On 30 June 2017, the Group entered into share transfer agreements with 西安中民協鑫新能源有限公司 Xian Zhongmin GCL New Energy Company Limited* ("Zhongmin GCL"), a joint venture of the Group, pursuant to which the Group agreed to sell and Zhongmin GCL agreed to purchase 100% equity interest of 金湖正輝太陽能電力有限公司 Jinhu Zhenghui Photovoltaic Co., Ltd.* ("Jinhu") and 山東萬海電力有限公司 Shandong Wanhai Solar Power Co., Ltd.* ("Wanhai") for consideration of approximately RMB191,496,000 and RMB70,420,000, respectively. Part of the consideration, amounting to RMB250,600,000, has been paid on the date of share transfer agreements as deposits. The Group has an option to repurchase the equity interest of those two solar plant projects upon 5 years from the completion of share transfers at the then fair value. As the repurchase price will be made reference to the fair value of projects at the date of repurchase, in the opinion of the Directors, the fair value of the option is considered insignificant. Details of these transactions are set out in announcement of the Company dated 30 June 2017. As at 30 June 2017, the assets and liabilities attributable to these two solar power plant projects have been classified as a disposal group held for sale and are presented separately in the unaudited condensed consolidated statement of financial position. Together with the consideration, intragroup payables of approximately RMB144,218,000 will be repaid by the buyer.

* English name for identification only

The major classes of assets and liabilities of Jinhu and Wanhai at the end of the reporting period are as follows:

	30 June 2017 *RMB'000* **(Unaudited)**
Property, plant and equipment	**966,147**
Prepaid lease payments	**2,522**
Other non-current assets	**102,285**
Trade and other receivables	**200,543**
Bank balances and cash	**88,966**
Total assets of two solar power plant projects classified as held for sale	**1,360,463**
Trade and other payables	**49,928**
Bank and other borrowings – due within one year	**128,350**
Other current liabilities	**27**
Bank and other borrowings – due after one year	**781,650**
Deferred tax liabilities	**1,298**
Total liabilities of two solar power plant projects classified as held for sale	**961,253**
Net assets of two solar power plants classified as held for sale	**399,210**
Intragroup payables	**(144,218)**
Net assets of two solar power plant projects	**254,992**

The following is an aged analysis of trade receivables presented based on the invoice date at 30 June 2017:

	30 June 2017 *RMB'000* **(Unaudited)**
Unbilled	**192,417**
0 – 90 days	**4,308**
	196,725

17 COMMITMENTS

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Capital commitments		
Construction commitments in respect of solar power plants contracted for but not provided	**6,559,047**	4,441,273
Acquisition of property, plant and equipment and leasehold improvements contracted for but not provided	**5,606**	5,839
	6,564,653	4,447,112
Other commitments		
Commitments to contribute share capital to joint ventures contracted for but not provided	**196,960**	–
	6,761,613	4,447,112

18 EVENTS AFTER REPORTING PERIOD

Other than those disclosed elsewhere in the unaudited condensed interim consolidated financial statements, the Group has the following significant events after the end of the reporting period:

(i) Agreements with 恒嘉（上海）融資租賃有限公司 Hengjia (Shanghai) Financial Leasing Co., Ltd.* (“Hengjia Financial Leasing”)

On 21 July 2017, the Group entered into certain agreements regarding a sales and leaseback arrangement with Hengjia Financial Leasing. The Group sold to Hengjia Financial Leasing certain equipment at a consideration of approximately RMB825,000,000 and leased back the equipment for a term of 10 years at an estimated rent of approximately RMB1,146,294,000. In addition, the Group will pay Hengjia Financial Leasing a service fee of approximately RMB17,325,000.

(ii) Agreements with 基石國際融資租賃有限公司 Cornerstone International Financial Leasing Company Limited* (“Cornerstone Financial Leasing”)

On 27 July 2017, the Group entered into certain agreements regarding a sales and leaseback arrangement with Cornerstone Financial Leasing. The Group sold to Cornerstone Financial Leasing certain equipment at a consideration of approximately RMB106,170,000 and leased back the equipment for a term of 8 years at an estimated rent of approximately RMB135,472,000. In addition, the Group will pay Cornerstone Financial Leasing a service fee of approximately RMB3,918,000.

(iii) Acquisition of 神木縣晶普電力有公司 Shenmu County Jingpu Power Company Limited* (“Jingpu”) and 神木縣晶富電力有限公司 Shenmu County Jingfu Power Company Limited* (“Jingfu”)

On 22 August 2017, 蘇州協鑫新能源投資有限公司 Suzhou GCL New Energy Investment Co., Ltd*, a subsidiary of the Company, entered into two sales and purchase agreements with two independent third parties, pursuant to which the Group conditionally agreed to purchase 78% equity interests of Jingpu and Jingfu for a total consideration of RMB1,801,000. Jingpu and Jingfu own 140MW and 40MW solar power plant projects located in Shaanxi province, respectively. The acquisitions are expected to complete in September 2017. As at 30 June 2017, the Group have other loan receivables and module receivables from Jingpu, amounting to RMB215,400,000 and RMB107,184,000, respectively. The management of the Group is currently assessing the financial impact of these acquisitions.

* *English name for identification only*

BUSINESS REVIEW

Solar Energy Business Sustained Growth

GCL New Energy Holdings Limited (the "Company" or "GCL New Energy") and its subsidiaries (together, "the Group") achieved remarkable growth in its solar energy business with profitability improved significantly in the first six months of 2017. During the six months ended 30 June 2017, revenue generated from the solar energy business and profits attributable to shareholders surged by approximately 95% and approximately 188% to approximately RMB1.8 billion and approximately RMB481 million respectively. The much exciting achievements reflected the outstanding capability of GCL New Energy in developing and operating solar energy power plants.

During the period, the number of GCL New Energy's solar power plants in China increased to 128 from 68 in the same period of last year, spanning across 26 provinces. Total installed capacity in China was approximately 4,987MW, together with 92MW of solar power plant projects in the United States (the "US") and Japan (30 June 2016: approximately 2,735MW) the total installed capacity of GCL New Energy reached approximately 5,079MW, with a significant year-on-year increase of approximately 86%, ranking second in the world. Grid-connected capacity has also increased significantly by approximately 91% from approximately 2,182MW in the same period of last year to approximately 4,173MW, while electricity sales amounted to approximately 2,368 million kWh, representing a phenomenal growth of approximately 103% as compared to the same period of last year.

Favorable Polices Promoted The Sound Development of Solar Energy Industry

With China being dedicated to establishing a low-carbon energy system and developing new energy, China's solar energy industry maintained strong growth momentum in the first half of 2017. According to the National Energy Administration of China (the "NEA"), new solar power capacity installed in the first half of 2017 increased by approximately 9% from the same period of the previous year to approximately 24GW, of which approximately 17GW were ground-mounted solar power plants and approximately 7GW were distributed solar power plants. Solar power generation increased by approximately 75% to approximately 51.8 billion kWh as compared to the same period of last year. As at 30 June 2017, China's total installed capacity of solar energy was approximately 102GW, enabling it to maintain its leading position as the country with the most installed solar energy capacity.

Curtailment and Delay of Government Subsidy

Solar power curtailment and delay of government subsidy payment are two major challenges faced by the solar energy industry in China. In order to alleviate the problem of solar power curtailment in certain regions, solar power generation projects are entitled to high priority dispatch and generation. Besides, China has set annual minimum utilisation hours on solar power at 1,300 to 1,500 hours in regions which were severely affected by solar power curtailment. While developing solar power plants in different regions to strategically prevent from highly concentrating on certain regions, the Company has established a strong foothold in the high electricity consumption central-eastern regions while making great efforts to develop resourceful central-western regions with readiness for on-grid connection and strong capacity for outgoing power transmission. The Company currently operates 128 solar power plants across 26 provinces in China to greatly reduce the concentration risk of solar power plants and hence minimize the impact of solar power curtailment on the Company. As at 30 June 2017, the Company's installed capacity in zone 1 only accounted for approximately 17% of the total installed capacity, while installed capacity and power generation in regions heavily affected by solar power curtailment only accounted for approximately 7% and approximately 7% of the Company's total installed capacity and total power generation, respectively. In addition, as the UHV transmission line from Jiuquan to Hunan was put into service in June 2017, renewable energy is expected to share higher percentage in the power transmission grid outgoing channel and the usage of solar power will be expanded into different regions, which will effectively alleviate the problem of solar power curtailment.

The delay of government subsidy payment is another obstacle hindering the development of solar energy industry in China. As at 30 June 2017, the Company's government subsidy receivables was approximately RMB3.0 billion. In order to speed up the payment of government subsidies, the Ministry of Finance of the PRC, the National Development and Reform Commission (the "NDRC") and the NEA jointly issued the Notice on Carrying out the Settlement of the Subsidy Funds for Tariff Premium of Renewable Energy (《關於開展可再生能源電價附加補助資金清算工作》) in May 2017 to streamline the renewable energy subsidies which are included in the first to sixth batch of renewable energy subsidies catalogue. The settling of delayed payment of the first to sixth batch subsidies are expected to be accelerated. In addition, the Company has applied for the seventh batch of subsidies in April 2017, which is currently under review, and we believe that the application results will be published by the end of 2017.

In order to mitigate the insufficiency of renewable energy fund for settling the tariff subsidy payment, the Notice on Implementation of Pilot Program in Relation to the Issue of Green Certificate for Renewable Energy and Resources Acquisition and Trading System (《關於試行可再生能源綠色證書核發及資源認購交易制度的通知》) issued by the NDRC in January 2017 stated that the pilot program of voluntary subscription of the green certificate (the "Green Certificate") will be implemented from 1 July 2017, and compulsory trading mechanism for the Green Certificate will be established in 2018 based on market demand. The Green Certificate pilot program is an effective supplement to the current "government subsidy" policy, and provides a feasible way to improve the subsidy shortfall in China. It further mitigates the pressure on the subsidies for solar power and relieve the cashflow pressure on solar power companies, which not only improve the capital flow but also further regulate the market, so that companies no longer rely on state subsidies as the main source of income, driving steady development of the solar power industry.

Regarding to the previous inaccurate public opinion that "the Green Certificate may replace the long standing electricity subsidy mechanism", the officials from the New Energy and Renewable Energy Division of NEA have expressly indicated in many public occasions including industry exhibitions and forums that "promoting a voluntary subscription of new energy is a gradual progress no matter in which country, and it is impossible for wishing to substitute for subsidies to a substantial extend in a very short period of time".

Poverty alleviation projects and Frontrunner Program

The NEA expressly stated in the Notice on Printing and Issuance of Guidance on Energy Work for 2017 (《關於印發二零一七年能源工作指導意見的通知》) issued on 10 February 2017 that it is needed to further optimize the layout of solar power poverty alleviation projects and support the construction of village-level poverty alleviation power plants in priority. For power plants with better capital and power grid access conditions, installation capacity is not restricted. Based on the Opinion Letter of Notice on Requirements Relating to Construction of Advanced Technology Application Base for Solar Power in 2017 (《關於二零一七年建設光伏發電先進技術應用基地有關要求的通知》意見函) issued by NEA in May 2017, the scale of the third batch of Frontrunner Program and Super Frontrunner Program in 2017 is 8 to 10GW, which has significantly increased as compared to the 5.5GW Frontrunner Program in previous year. Meanwhile, the NEA also announced the scale of Frontrunner Program between 2017 to 2020 will be maintained at 8GW each year.

The Frontrunner Program projects in 2017 has adopted the bidding system and the bidding criteria include the corporate's operation track record of solar energy projects, investment capabilities, technological skills, etc. Among those criteria, tariff bidding is considered a primary factor in the bidding process, and projects are allocated by taking public tender, competitive selection and other methods. The purpose of this bidding process is to avoid problems caused by inappropriate allocation of solar energy projects previously appeared in some regions. The bidding system not only promotes the professionalism of the industry, but also in favor to solar energy companies which possess advanced technological skillsets. As a leading solar energy operator with in-house development capabilities, seasoned management team and remarkable operational track records, the new policy is set to favor future project development of our Group. We obtained approximately 250 MW of poverty alleviation projects, ranking first in the country, and obtained approximately 360 MW of Frontrunner Program, ranking third in the country.

Distributed power projects

The installation of distributed power projects has developed rapidly in the first half of 2017 in China with the newly installed capacity of ground-mounted solar power plants dropped by approximately 16%, year-on-year, to approximately 17GW, while the newly installed capacity of distributed solar power plants rose by approximately 2.9 times, year-on-year, to approximately 7GW. Meanwhile, the proportion of distributed solar power capacity to the nation solar power capacity was approximately 29%, representing a year-on-year increase of 20 percentage points for the first half of 2017. As of the first half of 2017, the country's cumulative installed capacity of distributed solar plants was 17GW, and the newly installed distributed solar power capacity is expected to exceed 12GW in 2017 with cumulative installed capacity to be more than 23GW at the end of 2017. In the first half of 2017, we focused on developing corporate clients and large customers, creating strategic cooperation with well-known multinational corporations and large domestic groups, and establishing distributed financing cooperation with several financial institutions. These approaches allow the distributed solar power plant projects to obtain financing terms that is close to the ground-mounted and overcome the short term, high interest rate and low financing ratio of distributed solar power plants. GCL New Energy's distributed power plant business, closely following the country's pace of development, also grew rapidly. The percentage of distributed solar power capacity increased from approximately 3% of the total installed capacity in the first half of 2016 to approximately 5% of the total installed capacity in the first half of 2017. Since then, we will continue to increase the proportion of distributed solar power business.

All these policies and measures reflect the support and determination of the Chinese government in promoting the development of solar energy industry which laid a more solid foundation for the long-term growth of the industry.

Asset light transformation

As at 30 June 2017, the Company maintained its total liabilities to total assets ratio at 85%. In order to lower such ratio, the Company has started transforming into asset light model and providing management services in 2017. GCL New Energy entered into a co-operation framework agreement with Fuyang New Energy Technology (Nanyang) Limited* (富陽新能源科技（南陽）有限公司) in May 2017 for providing engineering, procurement and construction for certain photovoltaic power station project companies of approximately 200 MW installed capacity, as well as providing operation and maintenance services after completion of those project companies. This agreement represent the first adoption of built-transfer-operating model, which will effectively speed up the Company's capital cycle, ease cash flow pressure and further reduce the Company's gearing ratio.

Moreover, Suzhou GCL New Energy Investment Co., Ltd.*蘇州協鑫新能源投資有限公司 ("Suzhou GCL"), an indirect wholly owned subsidiary of GCL New Energy, entered into share transfer agreements with Xi'an Zhongmin GCL New Energy Limited Company 西安中民協鑫新能源有限公司 ("Zhongmin GCL") in June 2017, in relation to transferring the equity interests of 130MW power plants. Zhongmin GCL is a company with 32% equity interests held by Suzhou GCL and 68% equity interests held by Zhongmin New Energy (Shanghai) Investment Group Co., Ltd, respectively. The Company introduced strategic partner through transfer of equity interests in power plant, and achieved the strategic transformation of asset light operation. In general, the transfer of power plant can ease cash flow pressure from continuous development and reduce the gearing ratio of the Company. In the second half of 2017, the Company will cooperate with strategic investor by transferring its controlling interests of certain projects to promote capital recycle, enhance return on capital and receive stable management fees through providing operation and maintenance services.

Innovative technology enhanced capability of development and operation of projects

Leveraged on its cutting-edge in-house design and research institute, the Group has been actively promoting the application of new technologies and implementing major technological projects. The Group not only has the capability of self-development, but is also capable of optimizing the quality of development, construction, operation and maintenance, and strengthen the guidance and advancement through the application of new technology, so as to enhance its core competitive advantages such as development cost control and system efficiency.

In terms of development and construction, the Group designed the most comprehensive and suitable solar power plant prior to construction to minimize cost at the onset based on various factors such as the geographical environment, climate and public facilities etc. New technologies and mechanisms such as horizontal single axis, flexible support panels and 1,500V high-pressure system were adopted as the basic requirements in the preliminary assessment of project designs to increase power generation and competitiveness.

During the period, the Company leveraged on its in-house development capabilities to improve the integrated design capability of system, develop efficient supply chain management system and excellent engineering management system, meanwhile, substantially reduce acquisition of solar power plant projects, improve profitability and proactively achieve solar power grid parity. As a result, the proportion of in-house developed power plants to the newly added installed capacity in the first half of 2017 increased to approximately 93%. In addition, the Group fully capitalized on scale economy through tendering, effective integration of supply chain system and bulk purchase. As a result, the average cost per watt for the solar power plants reduced by approximately 13% from approximately RMB7.2 in the first half of 2016 to approximately RMB6.3 in the first half of 2017, which laid a solid foundation for its fruitful future.

In terms of operation and management, the Group modified capacity expansion projects at power plants with feasible conditions through adoption of technologies such as oblique uniaxial, biaxial tracking technologies, nano-coating and cleaning robot, which increased efficiency and power generation. In terms of innovations in operation and maintenance and information management, the Group adopted centralized regional operation and maintenance centres and real-time operation platforms were introduced to perform functional inter-connection and central monitoring for projects, and achieve unattended operations step-by-step, in hope of improving the operation and maintenance standard of its solar power plants. The Company has two regional operation and maintenance centres put into operation in Ningxia and Shanxi respectively, covering an area within 200 km and simultaneously monitoring the operation of 6 or more solar power plants. The Group is planning to additionally establish at least 5 regional centres in 2017, so as to strengthen the centralized operation and management of solar power plants and effectively reduce the operation and maintenance costs per watt to RMB0.05-0.055 in 2017.

Diversified financing models

To support its fast growing development and meet the substantial capital requirements in the early stage of development for the solar energy business, GCL New Energy continues to adopt diversified financing models.

GCL New Energy followed its financing strategy adopted in 2016 and managed to obtain 5 to 10 years long-term finance leases to replace short-term construction funds for securing not only lower interest expenses but also longer use of funds. In the first half of 2017, the Group further entered into finance lease agreements with several financial institutions, including several finance lease and leaseback arrangements entered into with CITIC Financial Leasing Co., Ltd.* 中信金融租賃有限公司, China Resources Leasing Co., Ltd.* 華潤租賃有限公司, China Financial Leasing Company Limited* 中國金融租賃有限公司 and other financial leasing institutions, through which successfully obtained long-term finance leases. In the first half of 2017, borrowing with longer than 3 years term accounted for approximately 91% of the total new borrowings. In addition, the Group entered into various engineering, procurement and construction agreements and equipment purchase agreements with Power Construction Corporation of China* 中國電力建設集團有限公司 and its subsidiaries in March 2017 to improve the Company's liquidity.

In terms of financing costs control, traditional financing channels were furthered expanded to enhance bargaining power in securing better financing terms, thus lowering financing cost and the financing cost for new projects in the first half of 2017 was approximately 6.0%.

To further enhance its integrated financing ability and support its capital requirements for fast growing development, the Group will keep pursuing other innovative financing methods. Meanwhile, the Group is now actively considering the introduction of equity investors from different level, in order to further expand financing channels, enhance financing capability and maintain a lower gearing ratio.

* *English name for identification only*

Prudently expanding into potential overseas markets

The Company clearly rolled out a strategy to equally focus on the domestic and overseas businesses through stepping up with the development of our overseas business network on the back of our largest shareholder and local government resources. The Company holds distributed solar power projects in Japan and two large ground-mounted solar power plants in the US, of which the project with a capacity of approximately 83MW in North Carolina got grid-connected at the end of May 2017 and the one with a capacity of approximately 50MW in Oregon is scheduled for completion next year.

In the future, the Company will continue to tap our own resources and rely on our competitive edge to develop business overseas where resources are rich, regulations are mature and risk levels are moderate, in order to seek projects with potentially very stable returns and low risks. We will actively seize emerging markets to take advantage of their favourable government policies on land acquisition, taxation and financing and overseas markets without the issue of subsidy, continue to improve the percentage contribution from oversea solar power plants and assets, so as to expand its presence in not only the domestic market but also internationally, and aiming to increase the level of international business.

Prospects

We are optimistic about the solar energy industry development in the second half of 2017. As of 30 June 2017, we have approximately 510MW of project reserve and projects under construction, spanning across 9 provinces, gaining momentum for us to attain our goal of adding 1.5 to 2.0GW of installed capacity in 2017. Meanwhile, by further optimizing our strategy for development and construction, the Group is committed to achieving its development objective of "transformation and upgrade in 5 key areas":

1) Transform from a heavy-asset model to a light-asset model which provide management services;

2) Expand from domestic into international market;

3) Develop distributed solar power plant business, expecting the percentage contribution from distributed solar power business to increase substantially by 2020;

4) Diversify its project models to poverty alleviation projects, Frontrunner Program projects, agricultural, fishery, animal husbandry, forestry and poultry photovoltaic solar power plants;

5) Introduce strategic partner to form strategic partnership for transforming from solely-owned operations to strategic cooperation.

Looking forward to the second half of 2017, the Chinese government is expected to spare no effort to improve curtailment, mitigate the delay of government subsidies and implement favorable policies such as the Frontrunner Program and poverty alleviation program to accelerate the development of the solar energy industry in China. As a leading solar energy industry operator, GCL New Energy will leverage its competitive advantages to further reduce costs by using highly efficient products and technologies. By applying its development, construction and operation expertise, the Group is set to develop in accordance with the national policies, strive for participating in the Frontrunner Program and poverty alleviation program, deepen the distributed power plant business and sustain its competitive advantages to achieve its vision of "Bringing Green Power to Life".

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

For the period ended 30 June 2017, the revenue of the Group amounted to RMB1,812 million, representing an increase of 95% as compared to RMB929 million for the same period last year. Profit attributable to owners of the Company from continuing operations amounted to RMB485 million (Period ended 30 June 2016: RMB147 million). The profit attributable to owners of the Company during the periods ended 30 June 2017 and 30 June 2016 was as follows:

	Six months ended 30 June	
	2017	**2016**
	RMB million	*RMB million*
Continuing operations ("Solar Energy Business")	485	147
Discontinued operations ("PCB Business")	(4)	20
Profit for the Period	481	167

The significant improvement of the results in the Solar Energy Business during the year was mainly attributable to:

1. The increase in the generation volume of electricity of the solar power plants by 103% from approximately 1,169 million kWh during the period ended 30 June 2016 to approximately 2,368 million kWh during the period ended 30 June 2017. The total installed capacity was increased by 86% from 2,735 MW as at 30 June 2016 to 5,079MW as at 30 June 2017.

2. The decrease in administrative expenses from RMB182 million for the period ended 30 June 2016 to RMB152 million for the period ended 30 June 2017 due to effective costs control measures.

3. The decrease in amortization of share-based payment expenses from RMB38 million for the period ended 30 June 2016 to RMB18 million for the period ended 30 June 2017.

4. The increase in profit was partly offset by the exchange losses of RMB18 million incurred during the period as compared to the exchange gain of RMB21 million for the same period last year and the increase in finance costs, which is in line with business expansion.

Business Review

Capacity and Electricity Generation

As at 30 June 2017, the aggregated installed capacity of the 133 grid-connected solar power plants of the Group (31 December 2016: 90) increased by 44% to 5,079MW (31 December 2016: 3,516MW). Details of capacity, electricity sales volume and revenue for the period ended 30 June 2017 are set out below.

Subsidiaries	Tariff Zones	Number of solar power plant	Aggregate Installed Capacity[1] (MW)	Grid-connected Capacity[1][2] (MW)	Electricity Sales Volume (million kWh)	Average Tariff (Net of Tax) (RMB/kWh)	Revenue (RMB million)
Inner Mongolia	1	11	388	366	298	0.76	227
Ningxia	1	5	251	201	108	0.62	67
Qinghai	1	3	107	107	83	0.84	70
Xinjiang	1	2	80	80	50	0.68	34
Sub-total	Zone 1	21	826	754	539	0.74	398
Shaanxi	2	7	613	563	301	0.74	222
Hebei	2	2	189	189	123	0.91	112
Sichuan	2	2	85	80	34	0.82	28
Qinghai	2	2	80	80	65	0.77	50
Yunnan	2	2	80	71	55	0.69	38
Gansu	2	2	55	6	–	–	–
Liaoning	2	2	40	21	17	0.71	12
Jilin	2	3	35	35	20	0.85	17
Xinjiang	2	1	21	21	–	–	–
Sub-total	Zone 2	23	1,198	1,066	615	0.78	479
Henan	3	10	509	391	214	0.80	172
Jiangsu	3	26	418	346	190	0.86	163
Anhui	3	9	330	296	158	0.82	129
Shanxi	3	5	272	184	124	0.85	106
Hubei	3	4	259	229	123	0.82	101
Hunan	3	4	200	126	18	0.81	14
Shandong	3	7	187	186	98	0.88	86
Jiangxi	3	4	186	123	61	0.85	52
Guizhou	3	3	160	103	30	0.85	26
Hebei	3	4	139	139	96	1.00	96
Guangdong	3	1	100	12	5	0.85	4
Guangxi	3	1	60	23	1	0.84	1
Hainan	3	2	50	50	35	0.86	30
Fujian	3	1	40	–	–	–	–
Zhejiang	3	1	21	21	10	0.98	10
Shanghai	3	1	7	7	1	0.71	1

Subsidiaries	Tariff Zones	Number of solar power plant	Aggregate Installed Capacity[(1)] (MW)	Grid-connected Capacity[(1)(2)] (MW)	Electricity Sales Volume (million kWh)	Average Tariff (Net of Tax) (RMB/kWh)	Revenue (RMB million)
Sub-total	Zone 3	83	2,938	2,236	1,164	0.85	991
Japan	–	1	4	4	1	2.35	3
US	–	1	83	83	36	0.31	11
Sub-total		2	87	87	37	0.38	14
Total of subsidiaries		129	5,049	4,143	2,355	0.80	1,882
Joint ventures[(4)]							
PRC	2	1	25	25	10	0.80	8
Overseas	–	3	5	5	3	2.33	7
Total		**133**	**5,079**	**4,173**	**2,368**	**0.80**	**1,897**

Representing:	
Electricity sales	650
Tariff adjustment – government subsidies received and receivable	1,232
Total of subsidiaries	1,882
Less: effect of discounting tariff adjustment receivables to present value[(3)]	(38)
Ningxia price adjustment[(5)]	(32)
Total revenue of the Group	**1,812**

(1) Aggregate installed capacity represents the maximum capacity that approved by the local government authorities while grid-connected capacity represents that the actual capacity connected to the State Grid.

(2) The grid-connected capacity of some projects are larger than its installed capacity as approved by the local government.

(3) Certain portion of the tariff adjustment (government subsidies) receivables will be recovered after twelve months from the reporting date. The tariff adjustment receivables are discounted at an effective interest rate ranging from 2.59% to 3.27% per annum.

(4) Revenue from joint venture solar power plants was accounted for under "Share of Profits of Joint Ventures" in the consolidated statement of profit and loss and other comprehensive income.

(5) Pursuant to the Ningxia Hui Autonomous Region Development and Reform Council Notice regarding 2016 Solar Energy Projects Quota Allocation Based on Competitive Bidding (《寧夏回族自治區發展和改革委員會文件關於開展我區2016年光伏發電增補規模競爭性分配有關的通知》) issued on 3 January 2017, solar power plants which connected to the grid on or before 22 December 2016 but not yet listed on the approved solar power plant projects are subject to competitive bidding. Because of this, the feed-in-tariffs for four of our solar power plants with an aggregate capacity of 150MW in Ningxia Hui Autonomous Region are affected. The tariff in prior years were adjusted to reflect the latest bidding price.

Most of the solar power plants of the Group are located in China and almost all of the revenue is obtained from the subsidiaries of State Grid. The State Grid is a State-owned enterprise in China, which possesses low default risk. Therefore, the Directors considered that the credit risk was minimal and no provision for impairment was considered necessary for the period ended 30 June 2017 and 30 June 2016.

Financial Review

After completion of disposal of the Printer Circuit board ("PCB") Business on 2 August 2017, the Group retained one single reportable segment i.e. the Solar Energy Business. PCB Business is classified as discontinued operations. The following table sets forth the financial highlight of the Group's profit from continuing operations – Solar Energy Business:

	For the period ended 30 June		
	2017	2016	% of
	RMB million	*RMB million*	changes
Revenue	**1,850**	970	91%
Effect of discounting tariff adjustment (government subsidies)	**(38)**	(41)	(7%)
Revenue, after discounting	**1,812**	929	95%
Gross profit	**1,282**	692	85%
Adjusted EBIT*	**1,184**	566	109%
Adjusted EBITDA*	**1,643**	780	111%
Profit for the period from continuing operations attributable to:			
Owners of the Company	**485**	147	230%
Non-controlling interests			
– Owners of perpetual notes	**65**	–	NM
– Other non-controlling interests	**2**	5	(60%)
	552	152	263%

* Adjusted EBIT is defined as earnings before finance costs, taxation, and non-operating items including changes in fair value on convertible bonds while adjusted EBITDA also excludes depreciation and amortisation.

Revenue

During the period ended 30 June 2017, the revenue of the Group mainly comprised sales of electricity and related tariff adjustment (i.e. government subsidies) amounting to approximately RMB1,850 million (2016: RMB970 million), net of effect of discounting the tariff receivables to its present value of approximately RMB38 million (2016: RMB41 million). The significant increase in revenue was mainly attributable to the increase in sales of electricity of the solar power plants by 103% as a result of intensive developments and acquisitions of solar power plants in the first half of 2017 and the second half of 2016. The average tariff (net of tax) was approximately RMB0.80/kWh (2016: RMB0.85/kWh). The decrease in average tariff is mainly due to the tariff cut adopted from 1 July 2016 and competitive bidding tariff for some of our projects.

In terms of revenue generated by tariff zone, for the period ended 30 June 2017, approximately 21%, 26% and 53% of revenue were generated from zone 1, zone 2 and zone 3 respectively (2016: zone 1 of 32%, zone 2 of 20% and zone 3 of 48%). In consistent with our prevailing strategy, the Group focused more on developing solar power plants in well-developed areas with strong domestic power demand (ie zone 2 and zone 3) to minimize the grid curtailment risk in zone 1 area and the impact from competitive bidding in some of the regions.

Gross Profit

The Group's gross margin for the period ended 30 June 2017 was 70.8%, as compared to 74.5% for the period ended 30 June 2016. The decrease in gross margin was mainly due to 1) tariff cut for the projects connected to the grid after 30 June 2016; 2) competitive bidding for newly constructed solar power plants for which bidding prices are lower than benchmark tariff and 3) the drop in revenue caused by lower solar radiation due to smog in early 2017.

The cost of sales mainly consisted of depreciation, which accounted for 86% (2016: 90%) of cost of sales, with the remaining costs being operation and maintenance costs of solar power plants. The decrease in deprecation was mainly due to the drop in construction costs from approximately RMB7.2 per watt in the first half of 2016 to approximately RMB6.3 per watt in the first half of 2017. As the construction cost of solar power plant is depreciated over 25 years, the drop in construction costs cannot fully offset the drop in tariff price.

Other Income

During the period ended 30 June 2017, other income mainly included imputed interest on discounting effect on tariff adjustment receivables of RMB20 million (2016: Nil), interest income from other loan receivables of RMB13 million (2016: RMB23 million), management services income for managing and operating solar power plants owned by the parent company, GCL-Poly, of RMB18 million (2016: RMB19 million) and bank interest income of RMB15 million (2016: RMB9 million).

Share-based Payment Expenses

Share-based payment expenses amounted to RMB18 million for the period ended 30 June 2017 (2016: RMB38 million). The amount represented the share option expenses arising from granting 536,840,000 share options and 473,460,000 share options on 23 October 2014 and 24 July 2015, respectively, under the Company's share option scheme. The decrease was due to drop in the amortization charged according to the shares vesting schedule.

Administrative Expenses

The administrative expenses mainly included staff costs, rental expenses and legal and professional fees. Administrative expenses decreased by 17% to RMB152 million for the period ended 30 June 2017. The decrease was mainly due to the decrease in salaries expenses driven by the costs control measure of Solar Energy Business.

Loss on change in fair value of convertible bonds

During the period ended 30 June 2017, the Group recognised a fair value loss of approximately RMB46 million (2016: RMB41 million) as a result of subsequent re-measurement of the fair value of the convertible bond of a nominal value of HK$775 million (equivalent to approximately RMB693 million) and HK$200 million (equivalent to approximately RMB179 million) issued on 27 May 2015 and 20 July 2015 respectively. The loss is mainly attributable to the changes in the parameter in the valuation model, such as decrease in discount rate and closer to the maturity date, resulting in the increase in the fair value of the convertible bonds. The fair value of the convertible bonds were based on a valuation report issued by an independent and professional qualified valuer.

Other expenses, gains and losses, net

During the period ended 30 June 2017, the net loss amounted to RMB18 million (2016: gain of RMB21 million). The gain in 2016 was contributed by the exchange gain arising from the appreciation of HKD and USD deposits against the reporting currency in RMB, as well as exchange gain arising from investment in Japan. As for 2017, the loss was caused by the exchange loss arising from the depreciation of HKD deposits, as well as exchange loss arising from overseas investments.

Adjusted Net Margin, Adjusted EBIT margin and Adjusted EBITDA margin

	2017	2016
	RMB million	*RMB million*
For the period ended 30 June:		
Profit for the period from continuing operations	**552**	152
Add: Non-operating items:		
Changes in fair value on convertible bonds	**46**	41
Adjusted net profit	**598**	193
Adjusted net margin ratio	**33.0%**	20.8%
Add: Finance costs	**607**	373
Income tax credit	**(21)**	–
Adjusted EBIT	**1,184**	566
Adjusted EBIT margin	**65.3%**	60.9%
Add: Depreciation and amortization	**459**	214
Adjusted EBITDA	**1,643**	780
Adjusted EBITDA margin	**90.7%**	84.0%

As a result of continued growth of Solar Energy Business, the Group can enjoy economies of scale, thereby lowering the average operating and maintenance costs and administrative cost per unit of power generated. Thus, the adjusted EBITDA margin for Solar Energy Business increased from 84.0% for the period ended 30 June 2016 to 90.7% for the period ended 30 June 2017.

Finance Costs

	For the period ended 30 June	
	2017	2016
	RMB million	*RMB million*
Total borrowing costs	**787**	561
Less: Interest capitalised	**(180)**	(188)
	607	373

Finance costs amounting to RMB787 million for the period ended 30 June 2017 (2016: RMB561 million) represented an increase of 40% compared with same period last year. The increase was mainly due to the significant increase in average borrowing balance as a result of the capital expenditure for expansion of solar power plants. The business nature of operating solar power plants is capital intensive and high gearing in nature. The interest rates were ranging from 2.0% to 11.40% for the period ended 30 June 2017 (2016: 4.6% to 11.45%) for new and old borrowings.

The capitalised interest for the period ended 30 June 2017 amounted to RMB180 million (2016: RMB188 million), which represented interest capitalised during construction period of solar power plants. The amount did not increase in line with the increase in average borrowings because the borrowing costs ceased to be capitalised when the solar power plants commenced operations. As a result of ceased capitalisation of interest cost of completed projects, the increase in finance cost is proportionately higher than the increase in average borrowing for the period.

Although the total finance costs increased, the average borrowing interest rate for new and old borrowings was gradually decreasing from 7.8% during the period ended 30 June 2016 to 6.8% during the period ended 30 June 2017. The decrease was mainly due to the drawn down of a large quantity of low-cost long term project loans and long term finance leases to replace high cost short-term bridge loans.

Income Tax Credit

Income tax credit for the period ended 30 June 2017 was RMB21 million as compared to RMB0.4 million for the period ended 30 June 2016. The income tax credit for the current period is mainly attributable to deferred tax asset recognized as a result of the increase in unrealized profit of intercompany modules sales transactions caused by our rapid expansion. Most of our solar power plants are exempted from the PRC income tax for three years starting from the first year when the solar power plants operate and generate taxable income, followed by 50% reduction for the next three years.

Discontinued Operations

The Group entered into a sale and purchase agreement on 30 December 2016 to dispose of the entire interest in the PCB Business. The Disposal was subsequently approved by the Shareholders on 13 February 2017 and was completed on 2 August 2017. Accordingly, the Group's PCB Business were classified as discontinued operations. The loss for the discontinued operations during the period ended 30 June 2017 was RMB4 million.

Profit (loss) Attributable to Owners of the Company

The Group recorded a profit attributable to the owners of the Company from continuing operations of RMB485 million for the period ended 30 June 2017 (2016: RMB147 million).

The Group recorded a loss attributable to the owners of the Company from discontinued operations (i.e. PCB Business) of RMB4 million for the period ended 30 June 2017 (2016: profit of RMB20 million).

Dividend

The Board does not recommend the payment of a dividend for the period ended 30 June 2017 (2016: Nil).

Property, Plant and Equipment

Property, plant and equipment increased significantly from RMB26,755 million as at 31 December 2016 to RMB29,883 million as at 30 June 2017. This is mainly attributable to the increase in the total installed capacity of solar-farms from 3,486MW in 31 December 2016 to 5,049 MW as at 30 June 2017.

Deposits, Prepayment and Other Non-current Assets

As at 30 June 2017, non-current portion for deposits, prepayments and other non-current assets mainly included approximately RMB2,053 million (31 December 2016: RMB2,114 million) for refundable value-added tax, approximately RMB676 million (31 December 2016: RMB660 million) deposits paid for EPC contracts and constructions and approximately RMB712 million (31 December 2016: RMB250 million) of tariff adjustments (i.e. the government subsidies) expected to be received after twelve months.

Trade and Other Receivables

Trade and other receivables increased from RMB3,386 million as of 31 December 2016 to RMB3,948 million as of 30 June 2017. The increase was mainly due to net increase in government subsidies receivables of RMB458 million. Breakdown of trade and tariff receivables is as follows:

	Batch of subsidies	**30 June 2017** *RMB million*	31 December 2016 *RMB million*
Trade receivables – basic tariff		**283**	164
Tariff receivables – government subsidies			
– Current	6th batch or before	**621**	702
– Current	To be registered for 7th batch	**1,703**	1,164
		2,324	1,866
– Non-current	To be registered for 8th batch or after	**712**	250
		3,036	2,116
Total		**3,319**	2,280

Trade and Other Payables

Trade and other payables increased from RMB11,394 million as of 31 December 2016 to RMB11,462 million as of 30 June 2017. Trade and other payables mainly consisted of payables for purchase of plant and machinery and construction of RMB8,409 million (31 December 2016: RMB8,315 million), bills payable of RMB1,868 million (31 December 2016: RMB2,208 million) and receipt in advance of RMB388 million (31 December 2016: RMB14,000). The receipt in advance of RMB388 million mainly represent RMB110 million received for disposal of PCB Business and RMB278 million received for modules sale.

Liquidity and Financial Resources

The Group adopts a prudent treasury management policy to maintain sufficient working capital to cope with daily operations and meet our future development demands for capital. The funding for all its operations has been centrally reviewed and monitored at the Group level. The indebtedness of the Group mainly comprises bank and other borrowings, obligations under finance leases and loans from fellow subsidiaries, convertible bonds and loan from a shareholder of a subsidiary. The cash flow activities for the Group are summarised as follows:

	For the period ended 30 June	
	2017	2016
	RMB million	*RMB million*
Net cash from operating activities	**501**	(345)
Net cash used in investing activities	**(4,408)**	(4,049)
Net cash generated from financing activities	**2,967**	5,389

The net cash from operating activities during the period ended 30 June 2017 was RMB501 million which was mainly attributable to the cash received from trade and tariff receivables.

The net cash used in investing activities during the period ended 30 June 2017 primarily arose from payments and deposit paid for the acquisition and development of solar power plant projects.

For the period ended 30 June 2017, the Group's main source of funding was cash generated from financing activities amounting to RMB2,967 million, which mainly included the net effect of newly raised bank and other borrowings of RMB7,026 million and repayment of bank and other borrowings of RMB3,614 million. The decrease in cash generated from financing activities compared with last period was mainly due to the net proceeds from rights issue of RMB1,941 million during the period ended 30 June 2016.

Indebtedness and gearing ratio

Solar Energy Business is a capital intensive industry. The business requires substantial capital investments for developing and constructing solar power plants. Thus, the average gearing ratio for the solar energy industry is relatively high. The Group normally funds the capital expenditure for building solar power plants by bridge financing mainly long term finance leases and equity, whereas most of the long term bank loans from domestic banks are only available for repayment of high-cost bridging finance after grid connection.

Once the construction of solar power plants is completed and connected to the grid, the plants will generate steady cash inflow to the Group. In view of this relatively low risk characteristics of solar power plants, domestic banks generally provide long-term bank loans of 10 to 15 years at relatively low interest rates, and finance 70% to 80% of the total capital expenditures after its completion. Thus, the average gearing ratio for the solar energy industry is relatively high.

Because of the nature of the solar energy industry in the PRC, the Group was in net current liabilities position of approximately RMB8,661 million as at 30 June 2017. To address the net current liabilities position, the Group has taken several measures to generate sufficient cash inflow to the Group:

(1) In July and December 2016, the Group proposed an issuance of non-public corporate bonds and green bonds to qualifying investors in China with the maximum principal amount of RMB2,000 million and RMB1,750 million respectively, both of which are fully underwritten and have a term of up to 3 years. On 3 August 2017, we have issued the first tranche of the non-public green bonds of RMB375 million with a term of 3 years.

(2) The Group is considering different long-term financing strategy such as asset-light business model introduction of equity investors on solar power plants level to address the net current liabilities position of the Group. On 30 June 2017, the Group, entered into share transfer agreements to sell 2 solar power plants with an aggregate capacity of 130MW to Xi'an Zhongmin GCL New Energy Company Limited, a joint venture of the Company, at a consideration of approximately than RMB262 million. On 31 May 2017, the Group had entered into a co-operation framework agreement with Fuyang New Energy Technology (Nanyang) Limited* (富陽新能源科技（南陽）有限公司). Under the co-operation framework agreement, Fuyang New Energy will buy certain solar power plants. The solar power plants will adopt a built-transfer model. The Group will be responsible for the engineering, procurement and construction, and provide operation and maintenance services after completion of the solar power plants. The Group is actively negotiating similar arrangements to generate additional liquidity and working capital.

(3) During the period ended 30 June 2017, the Group had obtained new borrowing of RMB7,026 million of which RMB6,398 million had a repayment terms of over 3 years. The management is continuously changing the Group's debt profile for obtaining long-term debts to repay the short-term borrowing or other current liabilities.

(4) The Group is currently negotiating with several banks in both Hong Kong and the PRC for additional financing. It has received detailed proposals from certain banks for banking facilities with repayment periods for more than one year. The Group also received letters of intent from certain other banks which indicated that these banks preliminarily agreed to offer banking facilities to the Group. The Group is also seeking other form of financing to improve liquidity.

By taking the above measures, we believe that the Group has sufficient working capital to meet the financial obligation when they fall due.

The Group monitors capital on the basis of two gearing ratios. The first ratio is calculated as net debts divided by total equity and second ratio is calculated as total liabilities divided by total assets. The gearing ratio as at 30 June 2017 and 31 December 2016 were as follows:

	30 June 2017 *RMB million*	31 December 2016 *RMB million*
Non-current indebtedness		
Bank and other borrowings	**18,692**	16,153
Convertible bonds	**178**	858
	18,870	17,011
Current indebtedness		
Loans from fellow subsidiaries	**1,075**	676
Bank and other borrowings	**4,989**	4,948
Convertible bonds	**700**	–
	6,764	5,624
Indebtedness for discontinued operations		
Loan from a shareholder	**17**	18
Bank borrowings – due within one year	**191**	181
Obligations under finance leases – due within one year	**31**	39
Obligations under finance leases – due after one year	**14**	27
	253	265
Indebtedness for two solar power plants classified as held for sale		
Bank and other borrowings – due within one year	**128**	–
Bank and other borrowings – due after one year	**782**	–
	910	–
Total indebtedness	**26,797**	22,900
Less: cash and cash equivalents – continuing operations	**(2,797)**	(3,826)
– two solar power plants classified as held for sale	**(89)**	–
– discontinued operations	**(34)**	(27)
Pledged bank and other deposits – continuing operations	**(2,129)**	(2,255)
– discontinued operations	**(13)**	(20)
Net debts	**21,735**	16,772
Total equity	**6,903**	6,420
Net debts to total equity	**315%**	261%
Total liabilities	**39,263**	35,059
Total assets	**46,166**	41,478
Total liabilities to total assets	**85.0%**	84.5%

The Group's banking and other facilities were summarised as follows:

	30 June 2017 *RMB million*	31 December 2016 *RMB million*
Total banking and other facilities granted	**26,622**	23,398
Facilities utilised	**(24,782)**	(21,313)
Available facilities	**1,840**	2,085

The Group's indebtedness are denominated in the following currencies:

	30 June 2017 *RMB million*	31 December 2016 *RMB million*
Renminbi ("RMB")	**24,867**	21,628
Hong Kong dollars ("HK$")	**895**	876
United States dollars ("US$")	**829**	396
Euro dollars ("Euro")	**132**	–
Japanese Yen ("JPY")	**74**	–
	26,797	22,900

Use of Proceeds

The Company conducted below fund raising activities and actual use of proceeds:

Date of announcement/ prospectus	Events	Net proceeds and intended use	Actual use of proceeds
18 November 2016	Issuance of RMB1,800 million perpetual notes	The net proceeds of RMB1,800 million were intended to be applied as follows: (i) approximately RMB700 million for projects developments; and (ii) approximately RMB1,100 million for reducing its indebtedness.	All the net proceeds were utilized as intended.

Pledge of Assets

As at 30 June 2017, the following assets were pledged for bank and other facilities of RMB26,622 million (31 December 2016: RMB23,398 million) granted to the Group:

– property, plant and equipment of RMB21,329 million (31 December 2016: RMB15,619 million);

– prepaid lease payments of RMB6 million (31 December 2016: RMB6 million);

– bank and other deposits of RMB2,142 million (31 December 2016: RMB2,276 million); and

– rights to collect the sales of electricity for certain subsidiaries. As at 31 December 2017, the trade receivables of those subsidiaries amounted to RMB3,102 million (31 December 2016: RMB1,860 million).

At 30 June 2017, the Group's property, plant and equipment with a net book amount of RMB83 million (31 December 2016: RMB124 million) were pledged as security for obligations under finance leases of the Group amounting to RMB45 million (31 December 2016: RMB66 million).

Contingent Liabilities

The Group did not have any other significant contingent liabilities as at 30 June 2017.

Capital Commitments

As at 30 June 2017, the Group's capital commitments in respect of construction commitments related to solar power plants, purchase of machinery and leasehold improvements and commitment to invest to a joint venture contracted for but not provided amounted to approximately RMB6,559 million, RMB6 million and RMB197 million, respectively (31 December 2016: RMB4,441 million, RMB6 million and nil, respectively).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

For the period ended 30 June 2017, the Group acquired a subsidiary which is engaged in solar power plant business in Japan at a total consideration of approximately RMB30 million. The construction of the solar power plant project has been completed as at the date of acquisitions. Thus, the acquisition is classified as business combination.

On 30 December 2016, the Group entered into a sale and purchase agreement to dispose of the entire interest in the PCB Business for a consideration of a fixed price of HK$250 million, equivalent to approximately RMB224 million plus, as the case may be, adjustment amounts pursuant to the sale and purchase agreement. On 2 August 2017, the disposal was completed without any further adjustment on the consideration.

On 30 June 2017, the Group entered into share transfer agreements with 西安中民協鑫新能源有限公司(Xi'an Zhongmin GCL New Energy Company Limited*) ("Zhongmin GCL"), a joint venture of the Group, pursuant to which the Group agreed to sell and Zhongmin GCL agreed to purchase 100% equity interest of 金湖正輝太陽能電力有限公司 (Jinhu Zhenghui Photovoltaic Co., Ltd.*) ("Jinhu") and 山東萬海電力有限公司 (Shandong Wanhai Solar Power Co., Ltd.*) ("Wanhai") for a consideration of approximately RMB191 million and RMB70 million, respectively.

Save as disclosed above, there were no other significant investments during the period ended 30 June 2017, or plans for material investments as at the date of this report, nor were there other material acquisitions and disposals of subsidiaries during the period ended 30 June 2017.

Events after the Reporting Period

1. ***Agreements with 恒嘉(上海)融資租賃有限公司 Hengjia (Shanghai) Financial Leasing Co., Ltd.* ("Hengjia Financial Leasing")***

   On 21 July 2017, the Group entered into certain agreements regarding a sales and leaseback arrangement with Hengjia Financial Leasing. The Group sold to Hengjia Financial Leasing certain equipment at a consideration of approximately RMB825 million and leased back the equipment for a term of 10 years at an estimated rent of approximately RMB1,146 million. In addition, the Group will pay Hengjia Financial Leasing a service fee of approximately RMB17 million.

2. ***Agreements with 基石國際融資租賃有限公司 Cornerstone International Financial Leasing Company Limited* ("Cornerstone Financial Leasing")***

   On 27 July 2017, the Group entered into certain agreements regarding a sales and leaseback arrangement with Cornerstone Financial Leasing. The Group sold to Cornerstone Financial Leasing certain equipment at a consideration of approximately RMB106 million and leased back the equipment for a term of 8 years at an estimated rent of approximately RMB135 million. In addition, the Group will pay Cornerstone Financial Leasing a service fee of approximately RMB4 million.

* *English name for identification only*

3. ***Acquisition of 神木縣晶普電力有公司 Shenmu County Jingpu Power Company Limited* ("Jingpu") and 神木縣晶富電力有限公司 Shenmu County Jingfu Power Company Limited* ("Jingfu")***

On 22 August 2017, 蘇州協鑫新能源投資有限公司 Suzhou GCL New Energy Investment Co., Ltd*, a subsidiary of the Company, entered into two sales and purchase agreements with two independent third parties, pursuant to which the Group conditionally agreed to purchase 78% equity interests of Jingpu and Jingfu for a total consideration of approximately RMB2 million. Jingpu and Jingfu own 140MW and 40MW solar power plant projects located in Shaanxi, respectively. The acquisitions are expected to complete in September 2017. As at 30 June 2017, the Group have other loan receivables and module receivables from Jingpu, amounting to RMB215 million and RMB107 million, respectively. The management of the Group is currently assessing the financial impact of these acquisitions.

Risk Factors and Risk Management

The Group's business and financial results of operations are subject to various business risks and uncertainties. The factors set out below are those that the management believes could affect the Group's financial results of operations differing materially from expected or historical results. However, there can be other risks which are immaterial now but could turn out to be material in the future.

1. **Policy risk**

Policies made by the Government have a pivotal role in the solar power industry. Any alternation in the preferential tax policies, on-grid tariff subsidies, generation dispatch priority, incentives, upcoming issuance of green certificates, laws and regulations would cause substantial impact on the solar power industry. Although the Chinese Government has been supportive in aiding the growth of the renewable industry by carrying out a series of favorable measures, it is possible that these measures will be modified abruptly. In order to minimize risks, the company will follow rules set out by the government strictly, and will pay close attention to policy makers in order to foresee any disadvantageous movements.

2. **Grid curtailment risk**

With the growth in power generating capacity outpaced electricity consumption growth, it has led to utilization decline for power generating capacity across the country since 2014. Although solar power has a higher dispatch priority over conventional power generation in China, given electricity generated from areas with rich solar energy resources cannot be fully consumed in the provinces, and the excess electricity cannot be transmitted to other regions with higher power demand given limited power transmission capacity, grid curtailment has become an issue with high degree of concern for solar power. In this regard, the company mainly focuses on developing solar power projects in regions with well-developed inter-province power transmission network or with strong domestic power demand such as zone 2 and 3, hence, minimizing grid curtailment risk.

* *English name for identification only*

3. **Risk associated with tariff**

Power tariff is one of the key earning drivers for the company. Any adjustment in tariff might have an impact on the profitability of new solar power projects. Given China's National Development and Reform Commission (NDRC) targets to accelerate the technology development for solar power industry in order to bring down development costs, hence, lowering solar power tariff to the level of coal-fired power by near future, the government subsidy for solar power industry will finally be faded out. To minimize this risk, the company will continue to fasten technology development and implement cost control measures in order to lower development cost for new projects.

4. **Risk related to high gearing ratio**

Solar power generating business is a capital intensive industry, which highly relies on external financing in order to fund for the construction of solar power plant while the recovery of capital investment takes a long period of time. To cope with the gearing risk, the company will pay close attention to the market dynamics, and to avoid any unfavorable changes to the company. Additionally, the company is constantly seeking alternative financing tools and pursing asset-light model to optimize our finance structure and lower its gearing ratio below 85%.

5. **Risk related to interest rate**

Interest risk may result from fluctuations in bank loan rates. Given our company highly relies on external financing in order to obtain investment capital for new solar power project development, any interest rate changes will have impact on the company's capital expenditure and finance expenses, hence, affecting our operating results. Transformation into asset-light model is an effective way to reduce debts and interest rate exposure.

6. **Foreign currency risk**

As most of our solar power plants are located in the PRC, substantial revenues, capital expenditures, assets and liabilities are in RMB. However, we use foreign currencies such as Hong Kong dollars and US dollars for development of overseas markets. And as a result, a natural hedge was formed, and the Group considered that the foreign currency risk is minimal. For the period ended 30 June 2017, the Group did not purchase any foreign currency derivatives or related hedging instruments. However, management will closely monitor the foreign exchange risk profile and will consider hedging significant foreign currency exposure should the need arises.

7. **Risk related to disputes with joint venture partners**

Our joint ventures may involve risks associated with the possibility that our joint venture partners may have financial difficulties or have disputes with us as to the scope of their responsibilities and obligations. We may encounter problems with respect to our joint venture partners which may have an adverse effect on our business operations, profitability and prospects.

Employee and Remuneration Policies

We consider our employees to be our most important resource. As at 30 June 2017, the Group had approximately 6,233 employees (31 December 2016: 6,509) in Hong Kong, the PRC and overseas, for which 3,900 employees (31 December 2016: 4,130) are from discontinued operations. Employees are remunerated with reference to individual performance, working experience, qualification and the prevailing industry practice. Apart from basic remuneration and the statutory retirement benefit scheme, employee benefits include discretionary bonuses, with share options granted to eligible employees.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had redeemed, purchased or sold any of the redeemable securities or listed securities of the Company during the six months ended 30 June 2017.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to promoting high standards of corporate governance through its continuous effort in improving its corporate governance practices and process. The Board believes that sound and reasonable corporate governance practices are essential for sustainable development and growth, and safeguarding the interests and assets of the Group and enhancement of shareholders' value.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2017, the Company complied with all the code provisions set out in the Appendix 14 Corporate Governance Code and Corporate Governance Report of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

COMPLIANCE WITH MODEL CODE

The Board adopted its own model code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiry, all Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2017.

Employees of the Company, who are likely to possess unpublished inside information, have been requested to comply with written guidelines no less exacting than the Model Code.

AUDIT COMMITTEE

The Audit Committee has reviewed, with the management of the Group, the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters including the review of the interim report for the six months ended 30 June 2017.

AUDITOR

The Company's external auditor, Deloitte Touche Tohmatsu, has conducted a review of the Interim Financial Information of the Group for the six months ended 30 June 2017 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The following is an extract of the independent auditor's report on review of the Group's interim financial information for the six months period ended 30 June 2017 which has included an material uncertainty related to going concern paragraph, but without qualification:

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the unaudited condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Material Uncertainty Related to Going Concern

We draw attention to note 1A in the unaudited condensed interim consolidated financial statements, which indicates that as of 30 June 2017, the Group's current liabilities exceeded its current assets by RMB8,661 million. As stated in note 1A, these events or conditions, along with other matters as set forth in note 1A, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

By order of the Board
GCL New Energy Holdings Limited
協鑫新能源控股有限公司
Zhu Yufeng
Chairman

Hong Kong, 30 August 2017

As at the date of this announcement, the executive Directors are Mr. Zhu Yufeng, Mr. Sun Xingping, Ms. Hu Xiaoyan and Mr. Tong Wan Sze; the non-executive Directors are Ms. Sun Wei, Mr. Sha Hongqiu and Mr. Yeung Man Chung, Charles; and the independent non-executive Directors are Mr. Wang Bohua, Mr. Xu Songda, Mr. Lee Conway Kong Wai, Mr. Wang Yanguo and Dr. Chen Ying.