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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	2018	2017
	RMB million	*RMB million*
From continuing operations — Solar Energy Business		
Revenue	**5,632**	3,942
Adjusted EBITDA*	**4,957**	3,433
Profit attributable to owners of the Company	**470**	764
	RMB cents	*RMB cents*
Earnings per share		
From continuing operations		
– Basic	**2.46**	4.01
– Diluted	**2.42**	4.01

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

CHAIRMAN'S STATEMENT

Dear Shareholders and investors,

Driven by the rapid development in the past few years, GCL New Energy had achieved a total installed capacity of approximately 7,309MW as of the end of 2018, maintaining its leading position as the world's second largest solar power company for successive three years. Last year, GCL New Energy has adopted proactive approaches by accelerating the pace of strategic transformation and relentlessly implementing the sustainable development strategies, albeit encountering challenges in various respects.

GCL New Energy has established a solid solar power scale since the inception of its solar power business. In the meantime, the management has put great emphasis on sustaining a stable cash flow to fortify its business for achieving a long-term success. In 2018, our Group decided to make "lowering debt" as its top development goal and accelerate the pace of strategic transformation.

New solar policies has stepped up the pace for grid parity

In 2018, China's domestic electricity consumption sustained the steady growth rate in 2017, with the total electricity consumption over 6.8 trillion kWh, representing a year-on-year increase of 8.5%. Renewable power generation reached 1.9 trillion kWh, representing a year-on-year increase of approximately 170 billion kWh, which accounted for approximately 27% of total electricity generation. Among them, solar electricity generation accounted for approximately 177.5 billion kWh, a year-on-year increase of approximately 50%, which was substantially higher than the growth of generation from wind power and hydropower. The proportion of solar power generation in total electricity generation continues to increase. However, the substantial expansion in the scale of solar power in the past few years has led to problems such as the increasing shortfall of subsidies and severe solar power curtailment.

In order to promote the development of high quality renewable energy and address such issues, the National Development and Reform Commission (the "NDRC"), the Ministry of Finance (the "MOF") and the National Energy Administration (the "NEA") jointly published a Notice on Matters Relating to Photovoltaic Power Generation in 2018 ("Notice Fa Gai Neng Yuan 〔2018〕 No. 823") on 31th May 2018 to optimize the solar power development policies. The situation of solar power curtailment has been considerably improved since the enforcement of the Notice Fa Gai Neng Yuan 〔2018〕 No. 823, making both the amount of solar energy loss and rate of solar power curtailment to decline in 2018.

As the solar power technology has continued to improve considerably, the cost of development and construction has also been declining and it is believed that solar grid parity can be achieved in the early years of "14th Five-Year Plan" period. In order to improve the competitiveness of solar energy and facilitate the development of grid parity projects without subsidies, the NDRC and NEA jointly published "The Notice on Active Promotion of the Work on Grid Parity of Wind Power and Photovoltaic Power without Subsidies" ("Notice Fa Gai Neng Yuan 〔2019〕 No. 19") in January 2019, which suggested the relevant requirements and supportive policies for promoting the development of grid parity projects without subsidies.

Notice Fa Gai Neng Yuan 〔2019〕 No. 19 expressly requires the local authorities to consolidate experiences, with reference of resources and consumption condition as well as the application of new technologies, to expedite the development of subsidy-free solar power grid parity pilot projects with feed-in tariffs the same as coal-fired power generation and projects with feed-in tariffs below coal-fired power generation. To ensure the returns of such projects, the policy aims to boost the industry through reducing the non-technical costs for solar power generation, assuring long-term power purchase agreements with power grid companies and promoting the green certificate trading scheme. Meanwhile, to provide support on market-oriented transaction and financing to encourage the development of solar power grid parity and low-price grid projects in various aspects.

China's solar industry is currently in a transitional period to grid parity. This new solar policy has reflected the government's dedication to the overall development of the industry, providing guidance on issues arising from project construction such as financing, approval procedures, curtailment and electricity acquisition to provide resolutions on curtailment, limit power purchase, high non-technical costs and difficulty in financing, hence, assisting the development of solar industry and pave the way for grid parity.

The advent of grid parity is set to adjust the energy structure and refrain the national renewable energy fund shortfall from further widening, which not only can create conditions for solving the historical issue on delayed subsidy payment, speeding up payment process, but also make the business models and rules of the new energy sector to become more mature, lower project risks and gain project return visibility as well as providing a stable expectation to the industry development, hence, room for new project development.

Future Prospects

GCL New Energy is now progressing to a stable operational stage and will response proactively to the new business model and new market environment to cope with the advent of grid parity through speeding up the strategic transformation, especially the asset-light model of "development for transfer, sale of projects, provision of services", introducing strategic partners, closely monitoring the essential factors such as financing costs, development and construction, and operation and maintenance costs while steadily developing its overseas business and adjusting its development appropriately according to the market condition, with a goal of maximizing the return of assets.

At the second session of the 13th National People's Congress held on 5th March, 2019, the Chinese Premier Li Keqiang pointed out in the government work report that more efforts are to make for addressing pollution and protecting environment and pushing forward green development. Green development is essential for establishing a modern economic system and the ultimate solution to pollution. The government is striving to optimize relevant rules in order to create synergy for high-quality development and environment protection.

With the support of the government, we believe clean energy is the direction of future development. As a pillar of clean energy, solar power industry is heading on a healthy and promising development path. GCL New Energy bears the responsibility and mission in the new era, against all odds and strive to bring green power to life. On behalf of the Board, I would like to take this opportunity to express my sincerest gratitude to all the employees of GCL New Energy!

Zhu Yufeng
Chairman

PRESIDENT'S MESSAGE

The year of 2018 was an unusual year for GCL New Energy. With various challenges arose from the macro environment and the solar industry, GCL New Energy under the leadership of its management and board actively responded to the changes in the external environment by making "lowering debts" and sustaining cash flow as its top priorities and accelerating the strategic transformation to accomplish sustainable development.

Maintaining as the world's second largest by capacity for three successive years

GCL New Energy has maintained its position as the world's second largest by total installed capacity for three successive years. For the year ended 31 December 2018, the Group's newly added installed capacity in China was approximately 1,269MW, together with the approximately 50MW large-scale ground-mounted solar power plant projects in Oregon, United States commenced operation in the first half of 2018, the total installed capacity of the Group increased by approximately 22% from the end of 2017 to approximately 7,309MW. Grid connected capacity has increased by approximately 26% from the end of 2017 to approximately 6,957MW. The sales volume of solar electricity was approximately 7,830 million kWh, with a significant year-on-year increase of approximately 46%. During the year, the Group recorded an increase of approximately 43% and approximately 14% respectively in revenue and adjusted net profit to approximately RMB5.63 billion and RMB1.16 billion, respectively.

Having a respite and developing flexibly to cope with the market condition

With the firm support from the government to the development of renewable energy, the solar power industry has obtained an extraordinary achievement in the past few years. As of the end of 2018, China's cumulative installed capacity reached 174GW, with the most solar installed capacity in the world. As the scale of the installed capacity continued to expand, the shortfall in the National Renewable Energy Funds has grown larger. In order to mitigate effects of delay in subsidies payment, the Group slowed down its development in 2018 and completed the development and construction of most projects in the first half of the year to secure the original tariffs and maintain the returns successfully. In the second half of the year, the Group made "lowering debts" and sustaining cash flow as its main development goals, while focus on strategic transformation, financing expansion, costs control, management enhancement and other improvements to promote the long-term development of the Group.

- ***Implementing strategic transformation and recovering subsidies to improve cash flow***

  During the year, the Group made a strategic move towards asset-light transformation and has achieved a major milestone. We successfully introduced strategic partners on project level and facilitated inflow of capital, which could promote the progress of transformation and upgrade developments and further boost the asset-light model transformation from which to receive management service fees after asset disposal.

In October 2018, the Group disposed of 80% equity interests in approximately 160MW solar power plant projects and the corresponding shareholder's loan to CGN Solar Energy Development Co., Ltd. ("CGN Solar"), a subsidiary of the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC"). The Group continues to provide operation and maintenance services for those projects after the disposal and generates stable management fee income. Meanwhile, CGN Solar has replaced the related debts to reduce financial cost and enhance the yield of such projects. In addition, in December 2018, the Group sold entire equity interests in approximately 140MW solar power plant projects to China Three Gorges New Energy Co., Ltd. ("Three Gorges New Energy"), a subsidiary of the SASAC.

After the completion of these two transactions, the Group will receive approximately RMB470 million (after deducting transaction costs) of cash to repay debts. As the debts related to such projects will no longer be consolidated, the scale of debts of the Group will be decreased by approximately RMB1.60 billion.

In addition, the Group announced on 28 March 2019 the disposal of 55% equity interests in approximately 280MW solar power plant projects to Wuling Power Corporation Ltd. ("Wuling Power"), a subsidiary of the China Power International Development Limited at a consideration of approximately RMB246 million. The proceeds of this transaction will be used for debts repayment. As debts related to the projects will no longer be consolidated, the scale of debts and gearing ratio will be lessened, reducing the financial risk. Moreover, the Group will continue to provide operation and maintenance services for the disposed solar power plants to generate stable management fee income.

As of 31 December 2018, the total capacity of the Group's solar power plants included in the National Renewable Energy Tariff Surcharge Subsidy Catalogue (the "Subsidy Catalogue") was 1,857MW. During the year, the Group has received subsidies approximately RMB1.47 billion. The Group expects that with the capacity of the Group's solar power plants to be included in the Subsidy Catalogue and settlements of the related receivables continue to increase, thereby the liquidity is expected to improve.

The Group's gearing level remained at the level of approximately 84.1% as of 31 December 2018. The Group's liquidity will be improved aftering receiving proceeds from the solar power plant projects disposal and subsidies.

- ***Expanding financing channels to cope with future financial demands***

  The financial market in 2018 was full of challenges. Confront with the complex and severe financial environment, GCL New Energy has been persistently explored to further innovate its financing models, expand financing channels, and continuously optimize its financial structures to increase the long-term facilities replacement, which effectively replaced short-term financing with higher costs by long-term financing with lower interests, with an aim to reducing the negative effects to a minimum degree through adopting effective measures.

  The Group issued its first 3-year US$500 million senior notes on 23 January 2018 with the net proceeds amounted to approximately US$493 million. The issuance of notes was subscribed by many large-scale well-known global investment institutions, and was oversubscribed substantially by about 7 times. In addition, the Group adopted 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. The Group further entered into finance lease agreements to obtain long-term finance leases with several financial institutions and increased the proportion of long-term loans to minimize the liquidity risk resulting from using short-term financing for long-term investment by reducing the proportion of less than 1 year borrowings from approximately 26% in 2017 to approximately 18%.

  During the year, the Group was approved to issue medium term notes with an aggregate principal amount of not exceeding RMB3 billion and a maturity of three years to institutional investors of the national bond market, and to issue small public offering bonds with an aggregate principal amount of not exceeding RMB3 billion and a maturity of three years to qualified investors, which sourced capitals for the future development, and the Group is actively considering the issuance.

- ***Effectively controlling the development and O&M costs and further expanding O&M business***

  In terms of development and construction, by leveraging on its competitiveness in technologies, while through the application of new technologies to strengthen its in-house development capabilities, the Group effectively controlled the development costs and improved the efficiency of its project systems. The development and construction of most projects was completed in the first half of 2018. The proportion of in-house developed projects to the newly added installed capacity increased from 79% in 2017 to 83% in 2018. The average construction cost per watt for the solar power plants reduced by approximately 10% to approximately RMB5.7 from approximately RMB6.3 in 2017.

In terms of operation and maintenance, the Group currently has five provincial monitoring centres to monitor regional O&M centres in each province, thus to provide real-time management services with central monitoring and intelligent inter-connection to solar power plants, which not only greatly reduced electricity loss and operation and maintenance costs caused by equipment failure, but also improved the reliability and profitability of the entire life cycle of the solar power plants. The operation and maintenance costs decreased by approximately 5% from approximately RMB4.2 cents per kWh (excluding land costs) in 2017 to approximately RMB4.0 cents per kWh (excluding land costs). During the year, the Group further, expanded its operation and maintenance services for external parties, providing operation and maintenance services for the approximately 1GW of solar power plant projects of the parent company, GCL-Poly Energy Holdings Limited and other domestic solar power companies to generate a stable source of recurring income.

Prospects

Enhancing the inner strength to embrace the grid parity era

China's solar power industry as the country's strategic foundation of energy transformation, is world-renowned and holds a leading position in the world. In order to promote a sustainable, healthy and orderly development of the solar industry, with an aim to manage the industry issues such as increasing shortfall in subsidy, self-grid integration, high land costs, solar power curtailment and difficulty in financing the government published Notice Fa Gai Neng Yuan 〔2018〕 No. 823, Notice Fa Gai Neng Yuan 〔2019〕 No. 19 and other relevant new policies and plans during the year to gradually optimize the landscape of solar power industry.

The industry expected that a series of new policies will effectively promote industry competitiveness, encourage technology progress, improve business environment, which can not only modify the solar power FITs mechanism and industry practices, but also promote the implementation of supportive policies for the solar power industry development by local governments, reduce non-technical costs for solar companies, thus allowing the entire solar power industry to become more market-oriented and developing in an orderly manner, paving the way for the solar power industry to a new stage of high-quality development through shifting the development focus on quantity to improving quality and efficiency. Grid parity is expected to be further advanced, broadening the scale of solar power market in the future.

The NEA expressly stated that solar power plant projects are entitled to receive subsidy before 2022. However, it is expected that the competitive bidding mechanism of solar projects will accelerate the progress of grid parity. Not only will grid parity change the energy structure, but also facilitate the business models and rules of the energy sector to become more mature, lowering project risks and gaining project return visibility. In order to make better preparation for the advent of grid parity, the Group will put more efforts to promote its strategic transformation, expanding financing channels, reducing the development and construction as well as O&M costs, improving development quality, increasing technology research and development investment, implementing intelligent and refined management, improving efficiency, and exploring the development of new technology and business model to strengthen its distinctive competitive advantages.

The Group will continuously strengthen its strategic cooperation with large enterprises to form strong alliances. As domestic centralized management enterprises (the "Central Enterprises") and local state-owned enterprises (the "State-owned Enterprises") have competitive advantages in different aspects such as financing, the Group will extend its strategic cooperation with the Central Enterprises and the State-owned Enterprises at the level of domestic holding companies, and at the project level of provincial companies to introduce strategic cooperation partners and leverage on competitive advantages of each other to accelerate the introduction of capital, optimize the shareholding structure and fasten the development of co-developed solar projects, thereby enhancing profitability of projects.

Meanwhile, the Group will further accelerate the asset-light transformation model of "Development-Construction-Cooperation-O&M" with the provision of management services while creating strategic cooperation to complement competitive advantages of each other. It is expected that, in 2019, by transferring the controlling interests of solar power plant projects, the Group will be able to recycle capital, reduce its debts and mitigate the pressure on project financing, while further improve the return on capital and receive stable fees annually by providing project management services.

Besides, the Group will proactively extend its financing resources, applying diversified and innovative financing models, issuing medium-term notes and small public offering bonds when appropriate to optimize the financing structure and increase the long-term facilities replacement. The Group expected that through introducing strategic investors, firmly promoting asset-light transformation, expanding financing channels and adopting a series of measures to reduce debt, the gearing ratio of the Group will be lowered.

GCL New Energy believes that the government pays great attention on new energy development and will persistently promote the development of clean energy. In November 2018, at the Seminar of Private Entrepreneurs, President Xi Jinping expressly announced that the Chinese government will deepen its energy reform to fulfill its solemn commitment to the world in Paris Climate Conference. With its clean renewable nature, solar power is set to be the best alternative of traditional energy in the energy reform. And as a representative of the new energy industry, solar power is believed to be the green pioneer.

GCL New Energy is now progressing to a stable operational stage and will response proactively to the new business model and new market environment, through implementing effective strategies to adjust its structure and lower gearing with an aim to achieving grid parity while steadily developing its overseas business. The Group will optimize its scale management and maintain a reasonable development pace, meanwhile closely monitor the market condition to make the most assessment for its development, with a goal of maximizing the return on assets.

SUN Xingping
President

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

For the year ended 31 December 2018, the revenue of the Group amounted to RMB5,632 million, representing an increase of 43% as compared to RMB3,942 million for the last year. Profit attributable to owners of the Company from continuing operations, solar energy business, amounted to RMB470 million (Year ended 31 December 2017: RMB764 million). The profit attributable to owners of the Company during the years ended 31 December 2018 and 31 December 2017 was as follows:

	2018	2017
	RMB million	*RMB million*
Continuing operations ("Solar Energy Business")	**470**	764
Discontinued operations ("PCB Business")	**—**	77
Profit for the year attributable to owners of the Company	**470**	841

The decrease in profit attributable to owners of the Company by 38% in the Solar Energy Business during the year was mainly attributable to combined effect of the following:

1. the increase in the generation volume of electricity of the solar power plants by 45% from approximately 5,243 million kWh in 2017 to approximately 7,611 million kWh in 2018. The total installed capacity for the Group was increased by 21% from 5,812MW as at 31 December 2017 to 7,043MW in as at 31 December 2018;

2. the increase in other administrative expenses from RMB460 million to RMB615 million due to business expansion;

3. the percentage increase in finance costs of 59%, from RMB1,432 million to RMB2,277 million due to increase in interest bearing debts to fund business expansion from RMB35,430 million as at 31 December 2017 to RMB40,380 million as at 31 December 2018;

4. the unrealised exchange loss to RMB405 million for the year ended 31 December 2018 (2017: exchange gain of RMB9 million) mainly due to the appreciation of USD and HKD denominated indebtedness against RMB; and

5. the increase in profits shared by other non-controlling interests of RMB135 million, from RMB9 million for the year ended 31 December 2017 to RMB144 million for the year ended 31 December 2018 due to full year impact of the results of operation of various non-wholly owned solar power plants shared by the non-controlling interest.

Business Review

Capacity and Electricity Generation

As at 31 December 2018, the aggregated installed capacity of the 221 grid-connected solar power plants of the Group (31 December 2017: 162) increased by 22% to 7,309MW (31 December 2017: 5,990MW). Details of capacity, electricity sales volume and revenue for the year ended 31 December 2018 are set out below.

Places	Tariff Zones	Number of solar power plant	Aggregate Installed Capacity[1] *(MW)*	Grid-connected Capacity[1] *(MW)*	Electricity Sales Volume *(million kWh)*	Average Tariff (Net of Tax) *(RMB/kWh)*	Revenue *(RMB million)*
Inner Mongolia	1	12	380	380	637	0.74	469
Ningxia	1	6	233	229	313	0.71	222
Qinghai	1	3	107	107	165	0.83	137
Xinjiang	1	2	81	81	114	0.68	77
	Zone 1	23	801	797	1,229	0.74	905
Shaanxi	2	18	1,018	1,018	1,092	0.69	756
Yunnan	2	8	284	233	177	0.60	107
Hebei	2	5	255	251	309	0.84	261
Qinghai	2	6	176	168	218	0.70	153
Inner Mongolia	2	3	121	121	85	0.65	55
Shanxi	2	1	107	107	125	0.86	108
Sichuan	2	2	85	85	126	0.75	95
Jilin	2	4	51	51	62	0.77	48
Liaoning	2	3	47	47	59	0.70	42
Xinjiang	2	2	47	47	35	0.69	24
Gansu	2	2	39	39	31	0.73	23
	Zone 2	54	2,230	2,167	2,319	0.72	1,672
Henan	3	17	827	733	712	0.72	515
Jiangsu	3	40	455	446	432	0.84	362
Anhui	3	12	410	410	476	0.78	370
Shanxi	3	9	405	405	490	0.69	337
Hubei	3	5	268	268	311	0.78	241
Guizhou	3	6	234	209	196	0.81	159
Hebei	3	9	230	230	296	0.91	270
Guangdong	3	7	202	107	114	0.80	91
Jiangxi	3	5	192	192	199	1.07	214
Shandong	3	6	182	182	217	0.83	179
Guangxi	3	3	159	137	90	0.83	74
Hunan	3	5	101	101	222	0.82	182
Hainan	3	3	80	66	68	0.86	58
Zhejiang	3	3	62	62	64	1.01	65
Fujian	3	3	54	28	27	0.79	21
Shanghai	3	1	7	7	7	0.94	7
Shaanxi	3	1	6	6	5	0.65	3
	Zone 3	135	3,874	3,589	3,926	0.80	3,148
Total of PRC subsidiaries		212	6,905	6,553	7,474	0.77	5,725
Japan		1	4	4	4	2.16	8
US		2	134	134	133	0.39	51
Total of Subsidiaries		215	7,043	6,691	7,611	0.76	5,784
Joint ventures and associates[2]							
PRC		3	261	261	213	0.84	179
Japan		3	5	5	6	2.13	12
Total		**221**	**7,309**	**6,957**	**7,830**	**0.76**	**5,975**

	Revenue *(RMB million)*
Representing:	
Electricity sales	2,223
Tariff adjustment — government subsidies received and receivable	3,561
Total of subsidiaries	5,784
Less: effect of discounting tariff adjustment to present value(3)	(152)
Total revenue of the Group	**5,632**

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

(2) Revenue from joint ventures and associates was accounted for under "Share of profits of joint ventures" and "Share of losses of associates" in the consolidated statement of profit and loss and other comprehensive income.

(3) Certain portion of the tariff adjustment (government subsidies) will be recovered after twelve months from the reporting date. The tariff adjustment is discounted at an effective interest rate ranging from 2.90% to 2.98% per annum.

Most of the solar power plants of the Group are located in China and almost all of the revenue is contributed by 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 years ended 31 December 2018 and 31 December 2017.

Financial Review

After completion of the disposal of Printed 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 highlights of the Group's profit from continuing operations — Solar Energy Business:

	2018	2017	**% of**
	RMB million	*RMB million*	**changes**
Revenue	**5,784**	4,117	40%
Effect of discounting tariff adjustment (government subsidies)	**(152)**	(175)	−13%
Revenue, after discounting	**5,632**	3,942	43%
Gross profit	**3,743**	2,653	41%
Adjusted EBITDA*	**4,957**	3,433	44%
Profit for the year from continuing operations attributable to:			
Owners of the Company	**470**	764	−38%
Non-controlling interests			
— Owners of perpetual notes	**135**	131	3%
— Other non-controlling interests	**144**	9	1,500%
	749	904	−17%

* Adjusted EBITDA is defined as earnings before finance costs, taxation, depreciation, amortisation and non-operating items.

Revenue

During the year ended 31 December 2018, the revenue of the Group mainly comprised sales of electricity and related tariff adjustment (i.e. government subsidies) amounting to approximately RMB5,632 million (2017: RMB3,942 million), net of effect of discounting the tariff adjustment to its present value of approximately RMB152 million (2017: RMB175 million). The significant increase in revenue was mainly attributable to the increase in sales of electricity of the solar power plants by 45% as a result of intensive developments of solar power plants in 2017 and 2018. The average tariff (net of tax) for the PRC was approximately RMB0.76/kWh (2017: RMB0.79/kWh). The decrease in average tariff was mainly due to the tariff cut adopted from 1 July 2017 and competitive bidding tariff for some of our projects.

In terms of revenue generated by tariff zone from the PRC for the year ended 31 December 2018, approximately 16%, 29% and 55% of revenue were generated from zone 1, zone 2 and zone 3 respectively (2017: 20% for zone 1, 25% for zone 2 and 55% for zone 3). 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.

Gross Profit

The Group's gross margin for the year ended 31 December 2018 was 66.5%, as compared to 67.3% for the year ended 31 December 2017. The slight decrease in gross margin was mainly due to tariff cut for the projects connected to the grid after 30 June 2017.

The cost of sales mainly consisted of depreciation, which accounted for 79.2% (2017: 78.5%) of cost of sales, with the remaining costs being operation and maintenance costs of solar power plants.

Other Income

During the year ended 31 December 2018, other income mainly included imputed interest on discounting effect on tariff adjustment of RMB111 million (2017: RMB72 million), management services income for managing and operating solar power plants of related companies, of RMB59 million (2017: RMB37 million) and bank interest income of RMB20 million (2017: RMB28 million).

Other Administrative Expenses

The other administrative expenses mainly included staff costs, rental expenses and legal and professional fees. Administrative expenses increased by 34% to RMB615 million for the year ended 31 December 2018 (2017: RMB460 million). The increase in administrative expenses was mainly due to the increase in salaries expenses driven by the expansion of Solar Energy Business, but thanks to achieving economies of scale the percentage increase in administrative expenses was lower than the surge in revenue of 43%.

Loss on change in fair value of convertible bonds

During the year ended 31 December 2018, the Group recognised a fair value loss of approximately RMB6 million (2017: RMB119 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 RMB648 million) and HK$200 million (equivalent to approximately RMB167 million) issued on 27 May 2015 and 20 July 2015 respectively. All the convertible bonds has been fully redeemed upon maturity in 2018.

Other expenses, gains and losses, net

During the year ended 31 December 2018, net loss amounted to RMB353 million (2017: net gain amounted to RMB30 million). The loss in 2018 was contributed by the unrealised non-cash exchange loss of RMB405 million, mainly arising from the appreciation of HKD and USD denominated indebtedness against the reporting currency in RMB, which was partly offset by gain on disposal of solar power plant projects of RMB35 million.

Finance Costs

	2018 ***RMB million***	2017 *RMB million*
Total borrowing costs	**2,435**	1,763
Less: Interest expenses capitalised	**(158)**	(331)
	2,277	1,432

Total borrowing costs amounted to RMB2,435 million for the year ended 31 December 2018 (2017: RMB1,763 million) representing an increase of 38% as compared with the year ended 31 December 2017. 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 operation of solar power plants is capital intensive and high gearing in nature. The interest rates were ranging from 2.5% to 13% for the year ended 31 December 2018 (2017: 2.5% to 11.4%).

The capitalised interest expenses for the ended 31 December 2018 amounted to RMB158 million (2017: RMB331 million), which represented interest capitalised during construction period of solar power plants. The amount of capitalised interest expenses did not increase in line with the increase in average borrowings balance because the borrowing costs ceased to be capitalised when the solar power plants commenced operations. As a result of ceased capitalisation of interest costs for completed projects, the increase in finance costs is proportionately higher than the increase in average borrowing balance for the year.

Although the total finance costs increased, the average borrowing interest rate for new and existing borrowings was gradually decreasing from 6.6% in 2017 to 6.5% in 2018. 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 (Expenses)/Credit

Income tax expenses for the year ended 31 December 2018 was RMB7 million, as compared to income tax credit of RMB40 million for 2017. The income tax expenses mainly represents tax expenses arising from several solar power plants, which had passed the three year's exemption period for the PRC income tax. 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. The income tax credit for the previous period was mainly attributable to deferred tax asset recognized as a result of unrealized profit of intercompany modules sales transactions caused by our expansion.

Profit (loss) Attributable to Owners of the Company and Other Non-controlling Interests

The Group recorded a profit attributable to the owners of the Company from continuing operations of RMB470 million for the year ended 31 December 2018 (2017: RMB764 million).

Profit attributable to other non-controlling interests increased significantly from RMB9 million for the period ended 31 December 2017 to RMB144 million for the period ended 31 December 2018, mainly because of the full year effect of the capital injection from a strategic investor to 蘇州協鑫新能源投資有限公司 ("Suzhou GCL New Energy"), a major subsidiary of the Company holding majority of solar power plants in China for 7.18% interest in Suzhou GCL New Energy.

	For the year ended	
	31 December 2018	31 December 2017
	RMB million	*RMB million*
Adjusted Net Profit and Adjusted EBITDA margin		
Profit for the year from continuing operations	**749**	904
Add: Non-operating items:		
Changes in fair value on convertible bonds	**6**	119
Foreign exchange loss/(gain)	**405**	(9)
Adjusted net profit	**1,160**	1,014
Add: Finance costs	**2,277**	1,432
Income tax expenses (credit)	**7**	(40)
Depreciation and amortization	**1,513**	1,027
Adjusted EBITDA	**4,957**	3,433
Adjusted EBITDA margin	**88.0%**	87.1%

For the purpose of results analysis, several items were excluded in the calculation of earnings before finance costs, tax, depreciation, amortisation and non-operating items ("EBITDA"). The adjusted net profit and adjusted EBITDA above are non-IFRS measures, which may be defined differently from similar terms used by other companies.

Dividend

The Board does not recommend the payment of a dividend for the year ended 31 December 2018 (2017: Nil).

Property, Plant and Equipment

Property, plant and equipment increased significantly from RMB38,104 million as at 31 December 2017 to RMB42,970 million as at 31 December 2018. This was mainly attributable to the increase in the total installed capacity of solar power plants (excluding joint ventures) from 5,812MW as at 31 December 2017 to 7,043MW as at 31 December 2018.

Deposits, Prepayment and Other Non-current Assets

As at 31 December 2018, non-current portion for deposits, prepayments and other non-current assets mainly included approximately RMB2,160 million (31 December 2017: RMB2,716 million) for refundable value-added tax, approximately RMB671 million (31 December 2017: RMB543 million) deposits paid for EPC contracts and constructions and approximately RMB4,236 million (31 December 2017: RMB1,836 million) of tariff adjustments receivables (i.e. tariff adjustments related to solar power plants yet to obtain approval for registration on the Renewable Energy Tariff Subsidy Catalogue), which was classified as contract assets under International Financial Reporting Standard 15 – Revenue from Contracts with Customers ("IFRS 15"), expected to be received after twelve months. There is a substantial increase in tariff receivables expected to be received after twelve months because some solar power plants were waiting for registration into the coming 8th batch or after of Subsidy Catalogue which is not yet open for registration.

Contract assets

Contract assets represent tariff adjustment receivables (government subsidies) for solar power plants yet to obtain approval for registration in the Subsidy Catalogue. This item was included in "Deposits, prepayments and other non-current assets" in 2017.

Trade and Other Receivables

As at 31 December 2018, trade and other receivables of RMB4,930 million (31 December 2017: RMB4,228 million) mainly included trade receivables of RMB2,981 million (31 December 2017: RMB2,794 million), refundable value-added tax of RMB1,194 million (31 December 2017: RMB712 million) and prepayement of deposits of RMB254 million (31 December 2017: RMB209 million).

Breakdown of tariff adjustment (government subsidies) receivables is as follows:

Tariff receivables (government subsidies)	**Batch of subsidies**	**Capacity** (MW)	**31 December 2018** ***RMB million***	31 December 2017 *RMB million*
— Current	6th batch or before	441	**679**	409
— Current	7th batch	1,226	**1,772**	1,999
— Current	Poverty alleviation project	190	**93**	—
		1,857	**2,544**	2,408
— Non-current	To be registered for the 8th batch or after	5,048	**4,236**	1,836
Total		6,905	**6,780**	4,244

Other Payables and Deferred Income

Other payables and deferred income decreased from RMB10,851 million as of 31 December 2017 to RMB10,134 million as of 31 December 2018. Other payables and deferred income mainly consisted of payables for purchase of plant and machinery and construction of RMB8,755 million (31 December 2017: RMB9,736 million) and receipt in advance of RMB196 million (31 December 2017: RMB47 million) from certain EPC contractors in relation to the modules procurement by the Group.

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, bonds and senior notes payable, loans from related companies and convertible bonds. The cash flow activities for the Group are summarised as follows:

	For the year ended 31 December	
	2018	2017
	RMB million	*RMB million*
Net cash generated from operating activities	**2,462**	1,854
Net cash used in investing activities	**(7,729)**	(13,354)
Net cash generated from financing activities	**2,452**	11,888

The net cash from operating activities during the year ended 31 December 2018 was RMB2,462 million, representing a 33% increase from RMB1,854 million of the same period last year. The substantial increase in net cash from operating activities was mainly due to the cash received from sale of electricity and tariff adjustments for solar power plants registered to the 7th batch of subsidy catalogue as well as the expansion of grid-connected capacity from 5,503MW as at 31 December 2017 to 6,957MW as at 31 December 2018.

The net cash used in investing activities during the year ended 31 December 2018 primarily arose from payments and deposit paid for the acquisition and development of solar power plant projects.

For the year ended 31 December 2018, the Group's main source of funding was cash generated from financing activities amounting to RMB2,452 million, which mainly included the net effect of (1) newly raised bank and other borrowings of RMB9,266 million, (2) proceeds from loan from related parties of RMB2,885 million, (3) proceeds from issue of senior notes of RMB3,167 million, (4) repayment of bank and other borrowings of RMB8,038 million, (5) repayment of loan from related parties of RMB1,440 million, (6) redemption of bonds payable and convertible bonds of RMB1,240 million and (7) interest payment of RMB2,199 million.

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 get the long term bank loans or long term finance leases after grid connection.

Because of the nature of the solar energy industry in the PRC, the Group was in net current liabilities position of approximately RMB11,241 million as at 31 December 2018. To address the net current liabilities position, the Group has taken several measures to generate sufficient cash inflow to the Group, which were set out in Note 2 to the consolidated financial statements.

The Group is required to comply with certain restrictive financial covenants and undertaking requirements.

We believe that the Group has sufficient working capital to meet the financial obligations when they fall due and also the covenant. After taking into account the Group's business prospects, internal resources and measures, the audit committee of the Company believes that the Group has sufficient working capital to meet the financial obligations when they fall due requirements, and it is appropriate to prepare the consolidated financial statements on a going concern basis.

During the year ended 31 December 2018, GCL-Poly, being the guarantor of certain bank borrowings of the Group, breached restrictive financial covenants of certain borrowings, which led to event of default for such borrowings. This in turn triggered cross default of certain of the Group's bank borrowings as set out in the respective loan agreements between the Company and several banks. Accordingly, bank borrowings amounting to RMB1,936 million is reclassified from non-current liabilities to current liabilities as of 31 December 2018. Subsequent to year end, GCL-Poly has obtained the waiver from the relevant banks for meeting the relevant financial covenant requirements. Therefore, the Directors consider that such event of default did not have any material adverse impact to the Group.

The condensed consolidated statement of financial position presented below illustrated the situation without the reclassification mentioned above for analysis purpose.

	Balance per audited financial statements	Adjustments upon obtained waiver	Adjusted balance
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2018			
NON-CURRENT ASSETS			
Pledged bank and other deposits	751,858	6,000	757,858
Other non-current assets	51,094,813		51,094,813
	51,846,671		51,852,671
CURRENT ASSETS			
Pledged bank and other deposits	1,279,425	(6,000)	1,273,425
Bank balances and cash	1,361,978		1,361,978
Other current assets	6,691,787		6,691,787
	9,333,190		9,327,190
CURRENT LIABILITIES			
Loans from related companies	1,030,590		1,030,590
Bank and other borrowings	8,323,115	(1,936,168)	6,386,947
Other current liabilities	11,220,801		11,220,801
	20,574,506		18,638,338
NET CURRENT LIABILITIES	(11,241,316)		(9,311,148)
TOTAL ASSETS LESS CURRENT LIABILITIES	40,605,355		42,541,523
NON-CURRENT LIABILITIES			
Loans from related companies	2,186,433		2,186,433
Bank and other borrowings	24,340,160	1,936,168	26,276,328
Other non-current liabilities	4,377,222		4,377,222
	30,903,815		32,839,983
NET ASSETS	9,701,540		9,701,540

The Group monitors capital on the basis of two gearing ratios. The first ratio is calculated as net debts divided by total equity and the second ratio is calculated as total liabilities divided by total assets. The gearing ratio as at 31 December 2018 and 31 December 2017 were as follows:

	31 December 2018 *RMB million*	31 December 2017 *RMB million*
Non-current indebtedness		
Bank and other borrowings	**24,340**	25,482
Bonds and senior notes	**3,935**	883
Loan from related companies	**2,186**	—
	30,461	26,365
Current indebtedness		
Loans from related companies	**1,031**	1,072
Bank and other borrowings	**8,323**	7,068
Convertible bonds	**—**	925
	9,354	9,065
Indebtedness for solar power plants projects classified as held for sale		
Bank and borrowings — due within one year	**155**	—
Bank and borrowings — due after one year	**718**	—
	873	—
Total indebtedness	**40,688**	35,430
Less: cash and cash equivalents — continuing operations	**(1,362)**	(4,197)
— projects classified as held for sale	**(45)**	—
Pledged bank and other deposits — continuing operations	**(2,031)**	(2,243)
Pledged deposits at a related company	**(18)**	—
Net debts	**37,232**	28,990
Total equity	**9,702**	8,796
Net debts to total equity	**384%**	330%
Total liabilities	**51,478**	46,638
Total assets	**61,180**	55,434
Total liabilities to total assets	**84.1%**	84.1%

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

	31 December 2018 *RMB million*	31 December 2017 *RMB million*
Total banking and other facilities granted	**38,945**	46,705
Facilities utilised	**(38,302)**	(44,137)
Available facilities	**643**	2,568

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

	31 December 2018 *RMB million*	31 December 2017 *RMB million*
Renminbi ("RMB")	**34,485**	31,989
Hong Kong dollars ("HK$")	**465**	926
United States dollars ("US$")	**5,562**	2,320
Euro dollars ("Euro")	**111**	126
Japanese Yen ("JPY")	**65**	69
	40,688	35,430

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**
24 January 2018	Issuance of US$500 million senior notes	The net proceeds of approximately US$493 million were intended to be applied as follows: (i) Development of business operations; (ii) Repayments of financial Borrowings; and (iii) Other general corporate purposes	All the proceeds has been utilised as intended.

Pledge of Assets

As at 31 December 2018, the following assets were pledged for bank and other facilities granted to the Group:

— property, plant and equipment of RMB28,529 million (31 December 2017: RMB26,720 million);

— bank and other deposits (including deposits placed at a related company) of RMB2,049 million (31 December 2017: RMB2,243 million);

— rights to collect the sales of electricity for certain subsidiaries. As at 31 December 2018, the trade receivables and contract assets of those subsidiaries amounted to RMB6,568 million (31 December 2017: RMB4,193 million); and

— prepaid lease payments of RMB14 million (31 December 2017: Nil).

Contingent Liabilities

The Group did not have any other significant contingent liabilities as at 31 December 2018.

Capital Commitments

As at 31 December 2018, the Group's capital commitments in respect of construction commitments related to solar power plants, and commitment to invest in joint ventures contracted for but not provided amounted to approximately RMB1,056 million and RMB95 million, respectively (31 December 2017: RMB3,626 million and RMB243 million, respectively).

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Acquisitions

For the year ended 31 December 2018, the Group acquired several subsidiaries, which are engaged in solar power plant business in the PRC of aggregated 240MW at a total consideration of approximately RMB8 million. The construction of the solar power plant projects has been completed as at the dates of acquisitions. Thus, the acquisitions are classified as business combination.

Disposals

On 9 February 2018, the Group entered into an interest transfer agreement with an independent third party to sell 50% interest of ADSolar No.3 Godo Kaisha and Himeji Tohori Taiyo-No-Sato No.1 Godo Kaisha which owned a solar power plant project of 12 MW in Japan. The Group retained 50% interest of the project after completion and classified as a joint venture accordingly.

On 20 May 2018, Suzhou GCL New Energy, a subsidiary of the Group, entered into a share transfer agreement with an independent third party. Pursuant to the agreement, Suzhou GCL New Energy agreed to sell 100% equity interest of Inner Mongolia Xinjing Photovoltaic Electric Power Co., Ltd.* (內蒙古鑫景光伏發電有限公司) which owned a solar power plant of 21MW at a consideration of RMB22,000,000.

On 24 October 2018, Suzhou GCL New Energy, a subsidiary of the Group, entered into share transfer agreements with CGN Solar Energy Development Co., Ltd* (中廣核太陽能開發有限公司), an independent third party. Pursuant to the agreements, Suzhou GCL New Energy agreed to sell 80% equity interests in Linzhou Xinchuang* (林州市新創太陽能有限公司) and Huarong GCL New Energy Company Limited* (華容縣協鑫光伏電力有限公司) at a consideration of approximately RMB164,221,000 and RMB141,833,000, respectively.

On 30 December 2018, the Group entered into share transfer agreements with China Three Gorges New Energy Company Limited* (中國三峽新能源有限公司), an independent third party, pursuant to which the Group agreed to sell 100% equity interest of several wholly-owned subsidiaries of the Group to China Three Gorges New Energy Company Limited for consideration in aggregate of RMB184,643,000. The wholly-owned subsidiaries of the Group operates a number of solar power plant projects in Inner Mongolia, the PRC.

Save as disclosed above, there were no other significant investments during the year ended 31 December 2018, or plans for material investments as at the date of this report, nor were there other material acquisitions and disposals of subsidiaries during the year ended 31 December 2018.

Events after the Reporting Period

On 1 February 2019, the Group entered into certain agreements for a financing arrangement with 粵港澳大灣區產融資產管理有限公司 ("Greater Bay Area Asset Management"*) to obtain a financing of approximately RMB420,000,000 for a six month period.

On 28 March 2019, the Group announced the disposal of 55% equity interests in approximately 280MW solar power plant projects to Wuling Power, a subsidiary of the China Power Investment Corporation at a consideration of approximately RMB246 million.

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.

* *English name for identification only*

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.

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 minimise 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 denominated in RMB. Apart from using RMB loans to finance for project development in the PRC, the Company also uses foreign currencies such as US dollars notes to inject into projects in the form of equity. As the Company has not purchased any foreign currency derivatives or related hedging instruments to hedge for foreign currencies loans, any changes in foreign currency to RMB will have impact on the Company's operating results. However, the Company is considering adopting hedging instruments to minimize this risk by balancing costs and the debt maturity of 3 years.

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 31 December 2018, the Group had approximately 1,830 employees (31 December 2017: 6,509 employees, for which 4,130 employees are from discontinued operations) in Hong Kong, the PRC and overseas. 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.

The board (the "Board") of directors (the "Directors") of GCL New Energy Holdings Limited (the "Company" or "GCL New Energy") announces the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2018 (the "Reporting Period"), with comparative figures for the corresponding period in the previous year (the "Prior Reporting Period") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2018

	NOTES	**2018** **RMB'000**	2017 *RMB'000*
Continuing operations			
Revenue	*3*	**5,632,397**	3,942,280
Cost of sales		**(1,889,743)**	(1,288,791)
Gross profit		**3,742,654**	2,653,489
Other income	*4*	**272,146**	220,605
Administrative expenses			
— Share-based payment expenses		**(12,679)**	(33,706)
— Other administrative expenses		**(614,700)**	(460,413)
Loss on change in fair value on convertible bonds		**(5,524)**	(118,744)
Other gains and losses, net		**(352,590)**	30,445
Share of losses of associates		**(1,041)**	—
Share of profits of joint ventures		**4,562**	4,515
Finance costs	*5*	**(2,276,958)**	(1,432,082)
Profit before tax		**755,870**	864,109
Income tax (expense) credit	*6*	**(6,516)**	40,153
Profit for the year from continuing operations	*7*	**749,354**	904,262
Discontinued operations			
Profit for the year from discontinued operations		**—**	77,112
Profit for the year		**749,354**	981,374
Other comprehensive income (expense):			
Item that will not be reclassified to profit or loss:			
Fair value loss on financial liabilities designated as at fair value through profit or loss ("FVTPL") attribute to changes in credit risk		**(108)**	—
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**46,283**	(43,357)
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of operations		**—**	(86,512)
		46,175	(129,869)
Total comprehensive income for the year		**795,529**	851,505

	NOTE	**2018** RMB'000	2017 RMB'000
Profit for the year attributable to:			
Owners of the Company			
— from continuing operations		**469,680**	764,327
— from discontinued operations		**—**	77,112
		469,680	841,439
Profit for the year attributable to non-controlling interests from continuing operations			
— Owners of perpetual notes		**135,029**	131,400
— Other non-controlling interests		**144,645**	8,535
		279,674	139,935
		749,354	981,374
Total comprehensive income for the year attributable to:			
Owners of the Company		**515,855**	711,570
Non-controlling interests			
— Owners of perpetual notes		**135,029**	131,400
— Other non-controlling interests		**144,645**	8,535
		795,529	851,505
		RMB cents	*RMB cents*
Earnings per share	*9*		
From continuing and discontinued operations			
— Basic		**2.46**	4.41
— Diluted		**2.42**	4.41
From continuing operations			
— Basic		**2.46**	4.01
— Diluted		**2.42**	4.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	NOTES	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**42,970,249**	38,104,300
Prepaid lease payments		**112,041**	113,094
Interests in associates		**36,805**	1,000
Interests in joint ventures		**66,079**	63,261
Amounts due from related companies		**45,146**	151,700
Other investments		**100,000**	100,000
Deposits, prepayments and other non-current assets	*10*	**3,334,001**	5,518,674
Contract assets	*11B*	**4,236,405**	—
Pledged bank and other deposits		**751,858**	515,005
Deferred tax assets		**194,087**	146,275
		51,846,671	44,713,309
CURRENT ASSETS			
Trade and other receivables	*11A*	**4,930,458**	4,227,637
Other loan receivables		**20,250**	118,989
Other investments		—	240,040
Amounts due from related companies		**342,328**	206,581
Prepaid lease payments		**2,221**	2,082
Tax recoverable		**8,521**	1,042
Pledged bank and other deposits		**1,279,425**	1,728,068
Bank balances and cash		**1,361,978**	4,196,596
		7,945,181	10,721,035
Assets classified as held for sale		**1,388,009**	—
		9,333,190	10,721,035
CURRENT LIABILITIES			
Other payables and deferred income	*12*	**10,134,246**	10,851,194
Amounts due to related companies		**139,460**	102,784
Tax payable		**11,632**	7,052
Loans from related companies	*15*	**1,030,590**	1,071,876
Bank and other borrowings	*13*	**8,323,115**	7,067,596
Convertible bonds		—	925,642
		19,639,043	20,026,144
Liabilities directly associated with assets classified as held for sale		**935,463**	—
		20,574,506	20,026,144
NET CURRENT LIABILITIES		**(11,241,316)**	(9,305,109)
TOTAL ASSETS LESS CURRENT LIABILITIES		**40,605,355**	35,408,200

	NOTES	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
NON-CURRENT LIABILITIES			
Loans from related companies	*15*	**2,186,433**	—
Bank and other borrowings	*13*	**24,340,160**	25,482,406
Bonds and senior notes	*14*	**3,934,397**	882,760
Deferred income	*12*	**394,011**	211,613
Deferred tax liabilities		**48,814**	35,479
		30,903,815	26,612,258
NET ASSETS		**9,701,540**	8,795,942
CAPITAL AND RESERVES			
Share capital		**66,674**	66,674
Reserves		**6,068,524**	5,554,196
Equity attributable to owners of the Company		**6,135,198**	5,620,870
Equity attributable to non-controlling interests			
— owner of perpetual notes		**2,001,114**	1,866,085
— other non-controlling interests		**1,565,228**	1,308,987
TOTAL EQUITY		**9,701,540**	8,795,942

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit for the year	**749,354**	981,374
Adjustments for:		
Income tax	**6,516**	(34,830)
Amortisation of prepaid lease payments	**3,073**	2,323
Amortisation of deferred income on government grant — ITC (defined in note 4)	**(9,689)**	(3,836)
Amortisation of deferred income on government grants — incentive subsidiaries	**—**	(89)
Depreciation of property, plant and equipment	**1,510,182**	1,089,361
Loss on disposal of property, plant and equipment	**—**	453
Finance costs	**2,276,958**	1,439,439
Interest income	**(147,659)**	(140,660)
Share-based payment expenses	**12,679**	33,706
Share of profits of joint ventures	**(4,562)**	(4,515)
Share of loss of associates	**1,041**	—
Loss on change in fair value of convertible bonds	**5,524**	118,744
Gain on other investments	**(16,790)**	(2,883)
Loss on measurement to fair value less costs to sell	**—**	4,734
Gain on disposal of discontinued operations including a cumulative exchange gain reclassified from translation reserve to profit or loss	**—**	(86,512)
Gain on disposal of solar power plant projects	**(35,146)**	(18,745)
Unrealised exchange loss, net	**383,295**	—
Operating cash flows before movements in working capital	**4,734,776**	3,378,064
Increase in deposits, prepayment and other non-current assets	**(269,785)**	(144,091)
Increase in inventories	**—**	(4,611)
Increase in contract assets	**(2,400,313)**	—
Decrease (increase) in trade and other receivables	**330,101**	(1,409,413)
(Increase) decrease in amounts due from related companies	**(27,995)**	47,804
Increase in other payables	**148,173**	8,152
Increase (decrease) in amounts due to related companies	**6,196**	(1,465)
Cash generated from operations	**2,521,153**	1,874,440
Income taxes paid	**(58,807)**	(20,313)
NET CASH FROM OPERATING ACTIVITIES	**2,462,346**	1,854,127

	2018	2017
	RMB'000	*RMB'000*
INVESTING ACTIVITIES		
Interest received	**21,240**	79,897
Payments for construction and purchase of property, plant and equipment and land use rights	**(8,189,773)**	(13,633,917)
Acquisition of subsidiaries	**21,810**	32,877
Settlement of payables to vendors of solar power plant projects	**(12,165)**	(23,738)
Capital injection to joint ventures	**(8,530)**	(34,540)
Capital injection to an associate	**(30)**	(1,000)
Deemed acquisition of a subsidiary	**3,422**	—
Capital refunded from a joint venture	**—**	7,289
Repayment from third parties	**3,000**	20,919
Proceeds from disposal of property, plant and equipment	**—**	1,475
Loans to a joint venture	**—**	(71,000)
Dividend received from joint venture	**—**	714
Withdrawal of pledged bank and other deposits	**1,778,899**	2,161,188
Placement of pledged bank and other deposits	**(1,589,244)**	(2,145,372)
Advance to related parties	**(101,001)**	(592)
Repayment from related parties	**7,320**	284
Advance to non-controlling interests	**(59,740)**	—
Proceeds from transfer of ITC benefit	**—**	222,751
Proceeds from disposal of PCB business	**—**	190,250
Proceeds from disposal of solar power plant projects	**138,684**	175,442
Investments in asset management plans	**—**	(606,050)
Proceeds from redemption of other investments	**256,830**	268,893
NET CASH USED IN INVESTING ACTIVITIES	**(7,729,278)**	(13,354,230)

	2018	2017
	RMB'000	*RMB'000*
FINANCING ACTIVITIES		
Interest paid	**(2,199,251)**	(1,795,446)
Distributions paid to holders of perpetual notes	**—**	(65,315)
Proceeds from bank and other borrowings	**9,266,459**	18,384,272
Repayment of bank and other borrowings	**(8,038,353)**	(7,465,522)
Proceeds from loans from related parties	**2,884,531**	1,000,000
Repayment of loans from related parties	**(1,439,756)**	(600,000)
Proceeds from deemed disposal of partial interest in Suzhou GCL New Energy	**—**	1,500,000
Transaction costs paid for the deemed disposal of partial interest in Suzhou GCL New Energy	**—**	(28,302)
Proceeds from disposal of partial interest in a subsidiary	**21,544**	—
Proceeds from deemed disposal of partial interest in subsidiaries	**94,850**	—
Acquisition of additional interest in a subsidiary	**—**	(2,559)
Transaction costs paid for the issuance of bonds	**(47,681)**	(3,540)
Proceeds from issuance of bonds	**3,166,950**	885,000
Payment for redemption of convertible bonds	**(890,202)**	—
Payment of redemption of bond	**(350,000)**	—
Advance from related parties	**25,849**	4,042
Repayment to related parties	**(4,646)**	(2,433)
Repayment of obligations under finance leases	**—**	(24,151)
Capital contribution by non-controlling interests	**—**	101,991
Dividend paid to non-controlling interests	**(38,389)**	—
NET CASH FROM FINANCING ACTIVITIES	**2,451,905**	11,888,037
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(2,815,027)**	387,934
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**4,196,596**	3,853,082
Effect of exchange rate changes on the balance of cash held in foreign currencies	**25,282**	(44,420)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
Represented by		
— bank balances and cash	**1,361,978**	4,196,596
— bank balances and cash classified as held for sale	**44,873**	—
	1,406,851	4,196,596

1. GENERAL INFORMATION

GCL New Energy Holdings Limited (the "Company") is incorporated in Bermuda as exempted company with limited liability. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Elite Time Global Limited, a company incorporated in the British Virgin Islands ("BVI"). Its ultimate holding company is GCL-Poly Energy Holdings Limited ("GCL-Poly"), a company incorporated in the Cayman Islands with shares listed on the Stock Exchange. The address of the registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business is at Unit 1707A, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

The Company is an investment holding company. Its subsidiaries (hereinafter together with the Company collectively referred to as the "Group") are principally engaged in the sale of electricity, development, construction, operation and management of solar power plants ("Solar Energy Business"). The Group was also engaged in the manufacturing and selling of printed circuit boards ("PCB Business") before its disposal during the year ended 31 December 2017 which was presented as discontinued operations.

The functional currency of the Company and the presentation currency of the Group's consolidated financial statements are Renminbi ("RMB").

2. BASIS OF PREPARATION

As at 31 December 2018, the Group's current liabilities exceeded its current assets by approximately RMB11,241 million. In addition, as at 31 December 2018, the Group has entered into agreements to construct solar power plants and inject capital to joint venture which will involve capital commitments of approximately RMB1,151 million. In the event that the Group is successful in expanding the investments in the existing solar power plants in the coming twelve months from 31 December 2018, additional cash outflows will be required to settle further committed capital expenditure.

As at 31 December 2018, the Group's total borrowings comprising bank and other borrowings, bonds and senior notes, and loans from related companies amounted to approximately RMB40,688 million. The amounts included bank and other borrowings classified as liabilities directly associated with assets held for sales of RMB873 million. For the remaining balance of approximately RMB39,815 million, RMB9,354 million will be due in the coming twelve months, including bank borrowings of approximately RMB1,936 million, which shall be due after twelve months from the end of reporting period in accordance with the scheduled repayment dates as set out in the respective loan agreements but are reclassified to current liabilities as a result of the breach of loan covenants by GCL-Poly, the guarantor of certain bank borrowings and thereby triggered the cross default of certain bank borrowings of the Group; accordingly, these bank borrowings became repayable on demand as at 31 December 2018. Subsequent to the end of the reporting period, GCL-Poly has obtained consents from the relevant lenders to waive the financial covenants concerned and not to demand for immediate repayment of these bank borrowings; and accordingly, the cross default on the relevant bank borrowings of the Group are also remedied. Notwithstanding this, accounting reclassification of long-term borrowings of approximately RMB1,936 million as current liabilities is still required at 31 December 2018 under applicable accounting standards because the bank waivers were obtained subsequent to the end of the reporting period.

The Group's pledged bank and other deposits and bank balances and cash amounted to approximately RMB2,049 million (including pledged deposit of RMB18 million placed at an associate of ultimate holding company for its short-term loans advanced to the Group) and RMB1,407 million (including bank balances and cash classified as assets held for sale of RMB45 million) as at 31 December 2018, respectively. The financial resources available to the Group as at 31 December 2018 and up to the date of approval of these consolidated financial statements for issuance may not be sufficient to satisfy the above capital expenditure requirements. 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 31 December 2018. 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 31 December 2018, and the on-going covenants compliance upon successful implementation of the following measures which will generate adequate financing and operating cash inflows for the Group:

(i) Subsequent to 31 December 2018, the Group successfully obtained new borrowings of approximately RMB2,293 million from banks and other financial institutions in the PRC;

(ii) The Group proposed to issue medium-term notes with an aggregate principal amount of not exceeding RMB3,000 million to institutional investors of the national interbank bond market in the PRC. In addition, the Group proposed to issue public offering bonds with an aggregate principal amount of not exceeding RMB3,000 million in Shenzhen Stock Exchange in the PRC. It is expected that the notes and bonds will be issued in one or more tranches and that each tranche of the notes and bonds shall have a maturity of three years;

(iii) The Group is implementing business strategies, among others, to transform its heavy asset business model to a light-asset model by (i) divesting certain of its existing wholly-owned power plant projects in exchange for cash proceeds and to improve the Group's indebtedness position; and (ii) striving for providing plant operation and maintenance services to those divested power plants for additional operating cashflow to the Group; and

(iv) As at 31 December 2018, the Group has completed the construction of 215 solar power plants with approval for on-grid connection and it also has one solar power plant under construction targeting to achieve on-grid connection within the coming twelve months from the date of approval of these consolidated financial statements for issuance. The abovementioned solar power plants have an aggregate installed capacity of approximately 7.0 GW and are expected to generate operating cash inflows to the Group.

By taking the above measures, the Directors believe that the Group has sufficient working capital to meet the financial obligations when they fall due and the on-going loan covenants compliance.

After taking into account the Group's business prospects, internal resources, the available committed and uncommitted financing facilities and arrangements, equity issuance and transformation to light-asset model as mentioned above, the Directors are satisfied that it is appropriate to prepare these 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 (iv) above, and GCL-Poly's on-going compliance with its borrowing covenants. 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 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 expirys, 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 consolidated financial statements, and other short-term or long-term financing and equity issuance; successful transformation to light-asset model; 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 consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sale of electricity which is recognised at a point in time. Substantially, all of the revenue is derived from electricity sales to state grid companies in the PRC for the years ended 31 December 2018 and 2017.

For sale of electricity, revenue is recognised when control of the electricity has transferred, being at the point of the electricity has generated and transmitted to the customer and the amount included RMB3,408,718,000 (2017: RMB2,480,937,000) tariff adjustment recognised during the year.

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 adjustment 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輔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. Tariff adjustments are recognised as revenue due from state grid companies in the PRC in accordance with relevant power purchase agreements.

For those tariff adjustments that are subject to approval for registration in the National Renewable Energy Tariff Surcharge Subsidy Catalogue ("the Catalogue") by the PRC government, the relevant revenue from these tariff adjustments are considered variable consideration, and are recognised only to the extent that it is highly probable that a significant reversal will not occur and are included in contract assets upon the application of IFRS 15. Management assessed that all of the Group's operating power plants have qualified and met all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plants.

Since certain of the tariff adjustments are yet to obtain approval for registration in the Catalogue by the PRC government, the management further considers that these electricity sales contracts contain a significant financing component. For the year ended 31 December 2018, the respective tariff adjustment was adjusted for this financing component based on an effective interest rate ranged from 2.90% to 2.98% per annum and the Group's revenue was adjusted by approximately RMB152 million and interest income amounting to approximately RMB111 million (note 4) was recognised.

The disposal of the PCB Business was completed during the year ended 31 December 2017. Subsequent to the disposal, the Group's chief operating decision maker ("CODM"), being the executive directors of the Company, regularly reviews revenue by provinces; however, no other discrete information was provided. In addition the CODM reviewed the consolidated results when making decisions about allocating resources and assessing performance. Hence, no further segment information other than entity wide information was presented.

Geographical information

The Group's operations are located in the PRC, Japan and the United States of America ("US").

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the operations and customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		**Non-current assets**	
	Year ended 31 December 2018	Year ended 31 December 2017	**At 31 December 2018**	At 31 December 2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**5,572,704**	3,903,969	**49,193,375**	40,752,559
Other countries	**59,693**	38,311	**1,562,205**	1,211,677
	5,632,397	3,942,280	**50,755,580**	41,964,236

Note: Non-current assets excluded those relating to financial instruments (including pledged bank and other deposits, other investments and amounts due from related companies) and deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	Year ended	
	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Customer A	**655,820**	489,996
Customer B	**N/A[1]**	449,877

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Continuing operations		
Consultancy income *(Note a)*	**12,312**	8,698
Compensation income	**1,100**	2,380
Government grants		
— Incentive subsidies *(Note b)*	**13,063**	19,427
— Investment Tax Credit ("ITC")	**9,689**	3,836
— Refund of value-added tax paid *(Note c)*	**12,172**	—
Interest arising from contracts containing significant financial component	**111,287**	—
Interest income of amortised cost/loan and other receivables:		
— Bank interest income	**20,307**	28,159
— Interest income from other loan receivables	**5,115**	30,255
— Interest income from loans to joint ventures	**10,950**	9,984
— Imputed interest on discounting effect on tariff adjustment receivables	**—**	72,024
Management services income from related parties	**59,309**	36,678
Others	**16,842**	9,164
	272,146	220,605

Notes:

(a) Consultancy 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 year and the conditions attached thereto were fully complied with.

(c) During the year ended 31 December 2018, refund of value-added tax paid in prior years were received from the relevant tax authorities as a benefit granted to certain solar power project operations of the Group with no conditions attached.

5. FINANCE COSTS

	2018 *RMB'000*	2017 *RMB'000*
Continuing operations		
Interest on financial liabilities at amortised cost:		
Bank and other borrowings	**2,036,800**	1,679,858
Bonds and senior notes	**275,465**	15,470
Loans from related companies	**122,584**	67,352
Total borrowing costs	**2,434,849**	1,762,680
Less: amounts capitalised in the cost of qualifying assets	**(157,891)**	(330,598)
	2,276,958	1,432,082

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.32% (2017: 7.69%) per annum to expenditure on qualifying assets.

6. INCOME TAX EXPENSE (CREDIT)

	2018 *RMB'000*	2017 *RMB'000*
Continuing operations		
PRC Enterprise Income Tax ("EIT"):		
Current tax	**55,908**	18,771
Deferred tax	**(49,392)**	(58,924)
	6,516	(40,153)

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 solar photovoltaic 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 year ended 31 December 2018, certain subsidiaries of the Company engaged in solar photovoltaic projects had their first year of the 3-year 50% exemption period.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the 'Bill') which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The two-tiered profits tax rates regime will be applicable to the Group for its annual reporting periods ending on or after 1 April 2018. No provision for taxation in Hong Kong Profits Tax was made as there is no assessable profit for both reporting periods.

The Federal and state income tax rate in the US are calculated at 21% (2017: 35%) and 8.84%, respectively, for the year ended 31 December 2018. No provision for taxation in the US was made as there is no assessable profit for both reporting periods.

7. PROFIT FOR THE YEAR

	2018	2017
	RMB'000	*RMB'000*
Continuing operations		
Profit for the year has been arrived at after charging:		
Amortisation of prepaid lease payments	**3,073**	2,222
Auditor's remuneration	**4,693**	4,359
Depreciation of property, plant and equipment	**1,510,182**	1,024,599
Staff costs (including directors' remuneration but excluding share-based payments)		
— Salaries, wages and other benefits	**330,674**	282,882
— Retirement benefit scheme contributions	**47,708**	30,344
Share-based payment expenses (administrative expenses in nature)		
— Directors and staff	**10,104**	26,857
— Consultancy services	**2,575**	6,849

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

9. EARNINGS PER SHARE

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:

	2018	2017
	RMB'000	*RMB'000*
Profit for the year attributable to owners of the Company	**469,680**	841,439
Less: Profit for the year from discontinued operations attributable to owners of the Company	**—**	77,112
Profit for the year attributable to owners of the Company from continuing operations	**469,680**	764,327
Effect of dilutive potential ordinary shares:		
Loss on changes in fair value of convertible bonds	**5,524**	—
Profit for the purpose of diluted earning per share	**475,204**	764,327

	2018	2017
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purposes of basic earnings per share	**19,073,715**	19,073,715
Effect of dilutive potential ordinary shares:		
Convertible bonds	**560,080**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**19,633,795**	19,073,715

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 for both reporting periods nor (ii) the conversion of convertible bonds since their assumed conversion had an anti-dilutive effect on earnings per share for the year ended 31 December 2017.

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:

	2018	2017
	RMB'000	*RMB'000*
Profit for the purposes of calculation of basic earnings per share		
Profit for the year attributable to owners of the Company	**469,680**	841,439
Effect of dilutive potential ordinary shares:		
Loss on changes in fair value of convertible bonds	**5,524**	—
Profit for the purpose of diluted earnings per share	**475,204**	841,439

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

From discontinued operations

For the year ended 31 December 2017, basic and diluted loss per share for the discontinued operations was RMB0.4 cent per share, based on the profit for the year from discontinued operations attributable to owners of the Company of RMB77,112,000 (2018: nil) and the denominators detailed above for both basic and diluted loss per share.

10. DEPOSITS, PREPAYMENTS AND OTHER NON-CURRENT ASSETS

	2018	2017
	RMB'000	*RMB'000*
Prepayments for EPC contracts and constructions *(Note)*	**671,189**	543,301
Refundable value-added tax	**2,160,282**	2,715,802
Prepaid rent for parcels of land	**474,393**	378,849
Trade receivables *(note 11A)*	**—**	1,836,092
Others	**28,137**	44,630
	3,334,001	5,518,674

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

11A. TRADE AND OTHER RECEIVABLES

	2018 *RMB'000*	2017 *RMB'000*
Trade receivables	**2,981,150**	4,630,459
Prepayment and deposits	**253,795**	209,473
Other receivables		
— Advance to Borrowers	**16,932**	115,981
— Consultancy service fee receivables	**14,527**	13,118
— Consideration receivable from disposal of subsidiaries	**16,141**	—
— Advance to non-controlling interest shareholder	**59,740**	—
— Interest receivables	**958**	29,193
— Receivables for modules procurement	**147,576**	164,004
— Refundable value-added tax	**1,194,357**	711,635
— Others	**245,282**	189,866
	4,930,458	6,063,729
Analysed as:		
Current	**4,930,458**	4,227,637
Non-current trade receivables *(note 10)*	**—**	1,836,092
	4,930,458	6,063,729

Trade receivables represent receivables for electricity sales and the balance as at 31 December 2017 included tariff adjustment receivables to be received from the state grid companies.

The Directors expected certain part of the tariff adjustment receivables will be recovered after twelve months from the reporting date. Tariff adjustments are discounted at an effective interest rate ranged from 3.44% to 3.55% per annum as at 31 December 2017.

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.

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

	2018	2017
	RMB'000	*RMB'000*
Unbilled *(Note)*	**2,454,010**	4,365,887
0–90 days	**177,369**	106,472
91–180 days	**95,101**	24,488
Over 180 days	**113,110**	47,630
	2,839,590	4,544,477

Note: As at 31 December 2018, amount represents unbilled trade receivables for solar power plants operated by the Group, and also unbilled tariff adjustment receivables of those solar power plants already registered in the Catalogue. The Directors expect the unbilled tariff adjustments would be billed and settled within 1 year from end of the reporting date.

Total bills received amounting to RMB141,560,000 (2017: RMB85,982,000) are held by the Group for future settlement of trade receivables, of which certain bills issued by third parties are further endorsed by the Group with recourse for settlement of payables for purchase of plant and machinery and construction costs, or discounted to banks for cash. The Group continues to recognise their full carrying amount at the end of both reporting periods. All bills received by the Group are with a maturity period of less than 1 year.

Advance to Borrowers are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

Receivables for modules procurement comprise modules procurement cost and commission earned by the Group in which the Group allows credit period of 180 days to 1 year. For the consultancy service fee receivable, the Group allows credit period of 180 days.

11B. CONTRACT ASSETS

	31 December 2018	1 January 2018*
	RMB	*RMB*
Tariff adjustments		
— non-current	**4,236,405**	1,836,092
— current	**—**	1,998,978
	4,236,405	3,835,070

The contract assets primarily relate to the Group's right to tariff adjustments for the electricity sold to the local state grid companies in the PRC. The contract assets are transferred to trade receivable when the Group's respective operating power plants are registered in the Catalogue pursuant to prevailing national government policies on renewable energy for sola power plants. The Group considers the settlement terms contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the relevant counterparties.

Any amount previously recognised as contract assets is reclassified to trade receivables at the point at which it is registered in the Catalogue. The balance as at 31 December 2018 is classified as non-current as they are expected to be received after twelve months from the reporting date.

12. OTHER PAYABLES AND DEFERRED INCOME

	2018	2017
	RMB'000	*RMB'000*
Payables for purchase of plant and machinery and construction costs *(Note a)*	**8,754,751**	9,736,149
Payables to vendors of solar power plants	**98,758**	105,533
Payables for module procurement	**—**	32,324
Other tax payables	**63,190**	102,600
Other payables	**409,813**	465,862
Advance from EPC Contractors *(Note b)*	**196,001**	47,510
Deferred income	**409,365**	219,038
Dividend payable to non-controlling shareholders	**6,296**	—
Accruals		
— Staff costs	**112,186**	137,923
— Legal and professional fees	**41,871**	17,099
— Consultancy fees	**206,873**	92,564
— Others	**229,153**	106,205
	10,528,257	11,062,807
Analysed as:		
Current	**10,134,246**	10,851,194
Non-current deferred income	**394,011**	211,613
	10,528,257	11,062,807

The Group has financial risk management policies in place to ensure settlement of payables within the credit time frame.

Notes:

a. Included in payables for purchase of plant and machinery and construction costs are RMB2,126,194,000 (2017: RMB2,058,487,000) in which the Group presented bills to relevant creditors for settlement and remained outstanding at the end of the reporting period. It also contains obligations arising from endorsing bills receivable with recourse with an aggregate amount of RMB4,248,000 (2017: RMB8,965,000). All bills payable of the Group is aged within 1 year and not yet due at the end of the reporting period.

b. The advance represents the amounts received from EPC contractors for modules procurement, in which the modules will be used in the construction of the Group's solar power plants.

13. BANK AND OTHER BORROWINGS

	2018	2017
	RMB'000	*RMB'000*
Bank loans	**18,017,204**	18,355,613
Other loans	**14,646,071**	14,194,389
	32,663,275	32,550,002
Secured	**28,280,995**	28,947,949
Unsecured	**4,382,280**	3,602,053
	32,663,275	32,550,002
The carrying amounts of the above borrowings are repayable*:		
Within one year	**5,248,094**	7,067,596
More than one year, but not exceeding two years	**3,103,778**	4,925,517
More than two years, but not exceeding five years	**10,100,645**	8,241,017
More than five years	**11,135,737**	12,315,872
	29,588,254	32,550,002
The carrying amount of bank loans that are repayable on demand due to breach of loan covenants (shown under current liabilities)#	**3,075,021**	—
Less: Amounts due within one year shown under current liabilities	**(8,323,115)**	(7,067,596)
Amounts due after one year	**24,340,160**	25,482,406
Analysed as:		
Fixed-rate borrowings	**3,011,337**	4,729,210
Variable-rate borrowings	**29,651,938**	27,820,792
	32,663,275	32,550,002

* The repayable amounts of bank and other borrowings are based on scheduled repayment dates set out in the respective loan agreements.

\# Scheduled repayment terms for the bank loans that are repayable on demand due to breach of loan covenants as at 31 December 2018:

	RMB'000
Within one year	1,138,853
More than one year, but not exceeding two years	548,525
More than two years, but not exceeding five years	832,699
More than five years	554,944
	3,075,021

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are analysed as follows:

	2018	2017
Fixed-rate borrowings		
RMB borrowings	**2.5% to 13%**	2.5% to 11.40%
Euro borrowing	**2%**	2%
Variable-rate borrowings		
RMB borrowings	**100% to 161% of Benchmark Borrowing Rate of The People's Bank of China ("Benchmark Rate")**	90% to 140% of Benchmark Rate
JPY borrowings	**London Interbank Offered Rate ("LIBOR")+1.6%**	LIBOR+1.6%
US$ borrowings	**LIBOR+2.39% to 4.3%**	LIBOR+2.5% to 2.9%

The Group's borrowings denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2018	2017
	RMB'000	*RMB'000*
EUR	**111,432**	125,617
US$	**1,409,342**	1,942,190

Included in the other loans are RMB13,505 million (2017: RMB11,518 million) in which the Group entered into financing arrangements with financial institutions, pursuant to which the Group transferred the legal title of certain equipment of the Group to the relevant financial institutions and the Group is obligated to repay by instalments with a lease term of ranging from 2 years to 14.5 years (2017: 1 year to 12 years). Upon maturity of the lease, the Group is entitled to purchase back the equipment at a minimal consideration. Despite the arrangement involves a legal form of a lease, the Group accounted for the arrangement as a collateralised borrowing at amortised cost using effective interest method, in accordance with the substance of the arrangement.

The Group is required to comply with certain restrictive financial covenants and undertaking requirements.

During the year ended 31 December 2018, GCL-Poly, being the guarantor of certain bank borrowings of the Group, breached restrictive financial covenants of certain borrowings, which led to an event of default for their borrowings. This in turn triggered cross default of certain of the Group's bank borrowings as set out in the respective loan agreements between the Company and several banks. Accordingly, bank borrowings amounting to RMB1,936 million is reclassified from non-current liabilities to current liabilities as of 31 December 2018. Subsequent to the end of the reporting period, GCL-Poly has obtained waiver from the relevant banks for strict compliance on the relevant financial covenant requirements. Therefore, the Directors consider that such event of default did not have any material adverse impact to the Group.

14. BONDS AND SENIOR NOTES

	2018	2017
	RMB'000	*RMB'000*
Bonds *(note a)*	**536,334**	882,760
Senior notes *(note b)*	**3,398,063**	—
	3,934,397	882,760

Notes:

(a) On 3 August 2017 and 7 December 2017, the Group completed the first tranche and second tranche of the non-public issuance of green bonds amounting to RMB375,000,000 and RMB560,000,000, respectively, for a term of 3 years with a fixed interest rate of 7.5% per annum. As part of the second tranche amounting to RMB50,000,000 was subscribed by the Group via an external trust, the total net proceeds of RMB885,000,000 (net of transaction costs of approximately RMB3,540,000), that are directly attributable to the issuance of the bonds, was presented as the bonds payable liability at 31 December 2017. During the year ended 31 December 2018, the Group further acquired via an external trust part of the first tranche and second tranche of the non-public green bonds amounting to RMB100,000,000 and RMB250,000,000, respectively. As at 31 December 2018, the first tranche and second tranche of the non-public green bonds, amounting to RMB100,000,000 (2017: nil) and RMB300,000,000 (2017: RMB50,000,000) are acquired by the Group, respectively.

(b) On 23 January 2018, the Group issued senior notes of US$500 million (equivalent to RMB3,167 million), which bear interest at 7.1% per annum and mature on 30 January 2021. The net proceeds of the notes issuance, after deduction of underwriting discounts and commissions and other expenses, amounted to approximately US$493 million (equivalent to RMB3,120 million).

15. LOANS FROM RELATED COMPANIES

	2018	2017
	RMB'000	*RMB'000*
Loans from:		
— fellow subsidiaries	**—**	1,071,876
— ultimate holding company	**754,952**	—
— companies controlled by Mr. Zhu Yufeng and his family	**1,977,840**	—
— an associate of ultimate holding company	**484,231**	—
	3,217,023	1,071,876
Analysed as:		
Current	**1,030,590**	1,071,876
Non-current	**2,186,433**	—
	3,217,023	1,071,876

16. COMMITMENTS

	2018 RMB'000	2017 RMB'000
Capital commitments		
Construction commitments in respect of solar power plant projects contracted for but not provided in the consolidated financial statements	**1,055,737**	3,625,741
Other commitments		
Commitments to contribute share capital to joint ventures contracted for but not provided	**94,960**	243,460
	1,150,697	3,869,201

17. EVENTS AFTER REPORTING PERIOD

On 1 February 2019, the Group entered into certain agreements for a financing arrangement with 粵港澳大灣區產融資產管理有限公司 ("Greater Bay Area Asset Management Co. Ltd."*) to obtain a financing of approximately RMB420,000,000 for a six month period. Details set out in the Company's announcement dated 1 February 2019.

On 28 March 2019, the Group announced the disposal of 55% equity interests in approximately 280MW of its solar power plant projects to 五凌電力有限公司 ("Wuling Power Corporation Ltd."*), a subsidiary of the China Power Investment Corporation at a consideration of approximately RMB246 million. Details set out in the Company's announcement dated 28 March 2019.

* *English name is for identification purpose only.*

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 Reporting Period, the Company complied the code provisions set out in the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for code provision E.1.2:

Code provision E.1.2 requires that the chairman of the Board should attend the annual general meeting. Mr. ZHU Yufeng, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 25 May 2018 as he had another business engagement. Ms. HU Xiaoyan, an executive Director of the Company, attended and took the chair of the meeting on behalf of the chairman of the Board and answered questions from the shareholders.

AUDIT COMMITTEE AND FINANCIAL INFORMATION

The financial information in this announcement does not constitute the Group's consolidated financial statements for the year, but represents an extract from those consolidated financial statements. The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, and the final results of the Group for the Reporting Period in conjunction with the external auditor of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2018 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

AUDIT OPINION

The auditor of the Group has issued an opinion with a material uncertainty related to going concern paragraph on the consolidated financial statements of the Group for the period under audit. An extract of the auditor's report is set out in the section headed "EXTRACT OF THE AUDITOR'S REPORT" below.

EXTRACT OF THE AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements, which indicates that as of 31 December 2018, the Group's current liabilities exceeded its current assets by RMB11,241 million, and as at 31 December 2018, the Group has entered into agreements to construct solar power plants and inject capital to a joint venture which will involve capital commitments of approximately RMB1,151 million. At 31 December 2018, GCL-Poly Energy Holdings Limited ("GCL-Poly"), its parent company and being the guarantor of certain bank borrowings of the Group, breached certain covenants in respect of bank borrowings as stipulated in its relevant loan agreements. In addition, the breach of certain covenant requirements has triggered the cross default clauses in several other bank borrowings of the Group. Subsequent to the end of the reporting period, GCL-Poly has obtained consents from the relevant lenders to waive the financial covenants concerned and not to demand for immediate repayment of these bank borrowings. Notwithstanding this, accounting reclassification of long-term borrowings of approximately RMB1,936 million as current liabilities is still required at 31 December 2018 under applicable accounting standards because the bank waivers were obtained subsequent to the end of the reporting period.

The Company is undertaking a number of financing plans and other measures as described in note 2 to the consolidated financial statements in order to ensure it is able to meet its commitments in the next twelve months. The directors of the Company are of the opinion that based on the assumptions that these financing plans and other measures can be successfully executed, the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future. However, the likelihood of successful implementation of these financing plans and other measures, including the Group's and GCL-Poly's ongoing compliance with their borrowing covenants, and along with other matters as set forth in note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares listed on the Stock Exchange during the Reporting Period.

PUBLICATION OF 2018 FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of HKExnews (http://www.hkexnews.hk) and the Company (http://www.gclnewenergy.com). The 2018 Annual Report will be available on the aforementioned websites and despatched to shareholders in due course.

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, 28 March 2019

As at the date of this announcement, the Board comprises Mr. Zhu Yufeng (Chairman), Mr. Sun Xingping and Ms. Hu Xiaoyan as executive Directors; Ms. Sun Wei, Mr. Sha Hongqiu, Mr. Yeung Man Chung, Charles and Mr. He Deyong as non-executive Directors; and Mr. Wang Bohua, Mr. Xu Songda, Mr. Lee Conway Kong Wai, Mr. Wang Yanguo and Dr. Chen Ying as independent non-executive Directors.