GCL

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

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3800)

ANNUAL RESULTS ANNOUNCEMENT FOR YEAR ENDED 31 DECEMBER 2018

Financial Highlights

	Year ended 31 December		
	2018	2017	% of changes
	RMB'million	*RMB'million*	
Continuing operations			
Revenue	**20,565.4**	23,794.5	-13.6%
Gross profit	**5,032.9**	8,198.7	-38.6%
(Loss) profit for the year	**(458.4)**	2,274.1	-120.2%
(Loss) profit for the year attributable to owners of the Company	**(693.4)**	1,926.4	-136.0%

The basic loss per share and diluted loss per share for 2018 decreased to RMB3.81 cents and RMB3.84 cents respectively (2017: basic earnings per share of RMB10.44 cents and diluted earnings per share of RMB10.37 cents).

Discontinued operations

There is no discontinued operation during the year.

The profit attributable to owners of the Company from discontinued operations for 2017 amounted to RMB48 million.

The profit attributable to owners of the Company from both continuing and discontinued operation for 2017 amounted to RMB1,974.4 million.

Major business segments operating results from continuing operations:

- Profit from new energy business decreased by 17.0% to RMB707.9 million (2017: RMB852.4 million).

- Loss from solar material business amounted to RMB1,011.4 million (2017: profit of RMB1,263.6 million).

The board of directors (the "**Board**" or the "**Directors**") of GCL-Poly Energy Holdings Limited (the "**Company**" or "**GCL-Poly**") announces the audited consolidated results of the Company and its subsidiaries (the "**Group**" or "**GCL-Poly**") for the year ended 31 December 2018 together with the comparative figures for the corresponding period in the previous year 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	2	**20,565,435**	23,794,455
Cost of sales		**(15,532,570)**	(15,595,756)
Gross profit		**5,032,865**	8,198,699
Other income	3	**890,844**	843,063
Distribution and selling expenses		**(113,271)**	(119,140)
Administrative expenses		**(2,019,564)**	(2,188,439)
Finance costs	4	**(3,419,011)**	(2,541,020)
Impairment losses on financial assets, net of reversal		**247,235**	43,246
Other expenses, gains and losses, net	5	**(1,289,968)**	(1,351,368)
Share of profits of associates		**139,246**	8,444
Share of profits of joint ventures		**20,829**	18,517

	NOTES	**2018**	2017
		RMB'000	*RMB'000*
(Loss) profit before tax		**(510,795)**	2,912,002
Income tax credit (expense)	6	**52,361**	(637,880)
(Loss) profit for the year from continuing operations	7	**(458,434)**	2,274,122
Discontinued operations			
Profit for the year from discontinued operations		**—**	77,112
(Loss) profit for the year		**(458,434)**	2,351,234
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Fair value loss on:			
Investments in equity instruments at fair value through other comprehensive income		**(34,672)**	—
Financial liabilities designated as at fair value through profit or loss attributable to changes in credit risk		**(108)**	—
		(34,780)	—
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**67,605**	(143,387)
Fair value loss on investments in debt instruments measured at fair value through other comprehensive income		**(3,540)**	—
		64,065	(143,387)
Other comprehensive income (expense) for the year		**29,285**	(143,387)
Total comprehensive (expense) income for the year		**(429,149)**	2,207,847

	NOTE	2018 RMB'000	2017 RMB'000
(Loss) profit for the year attributable to owners of the Company:			
— from continuing operations		**(693,399)**	1,926,373
— from discontinued operations		**—**	48,025
(Loss) profit for the year attributable to owners of the Company		**(693,399)**	1,974,398
Profit for the year attributable to non-controlling interests:			
— from continuing operations		**234,965**	347,749
— from discontinued operations		**—**	29,087
Profit for the year attributable to non-controlling interests		**234,965**	376,836
		(458,434)	2,351,234
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(681,533)**	1,879,998
Non-controlling interests		**252,384**	327,849
		(429,149)	2,207,847

	NOTE	2018 RMB cents	2017 RMB cents
(Loss) earnings per share	9		
From continuing and discontinued operations			
Basic		**(3.81)**	10.70
Diluted		**(3.84)**	10.62
From continuing operations			
Basic		**(3.81)**	10.44
Diluted		**(3.84)**	10.37

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	NOTE	**2018** **RMB'000**	2017 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**70,999,823**	63,780,283
Investment properties		**70,460**	75,116
Prepaid lease payments		**1,106,622**	1,177,644
Goodwill		**—**	176,528
Other intangible assets		**801,307**	853,552
Interests in associates		**1,814,544**	1,073,100
Interests in joint ventures		**777,596**	776,999
Available-for-sale investments		**—**	442,322
Other financial assets at fair value through profit or loss		**315,918**	131,689
Equity instruments at fair value through other comprehensive income		**90,716**	—
Convertible bonds receivable		**76,001**	—
Deferred tax assets		**364,041**	260,200
Deposits, prepayments and other non-current assets		**3,727,637**	6,083,415
Contract assets		**4,236,405**	—
Amounts due from related companies	12	**302,628**	151,700
Pledged and restricted bank deposits		**935,469**	1,186,848
		85,619,162	76,169,396

	NOTES	2018 RMB'000	2017 RMB'000
CURRENT ASSETS			
Inventories		**992,027**	990,885
Trade and other receivables	10	**13,309,008**	14,537,031
Amounts due from related companies	12	**934,216**	720,438
Prepaid lease payments		**26,647**	27,282
Available-for-sale investments		**—**	339,848
Debt instruments at fair value through other comprehensive income		**65,606**	—
Other financial assets at fair value through profit or loss		**220,328**	—
Held for trading investments		**108,408**	100,733
Tax recoverable		**116,199**	1,042
Pledged and restricted bank deposits		**5,638,363**	3,720,040
Bank balances and cash		**4,075,791**	10,673,203
		25,486,593	31,110,502
Assets classified as held for sale		**1,388,009**	—
		26,874,602	31,110,502

	NOTES	2018 RMB'000	2017 RMB'000
CURRENT LIABILITIES			
Trade and other payables	11	**20,959,225**	19,591,747
Amounts due to related companies	12	**578,092**	177,061
Loans from related companies		**508,000**	—
Advances from customers		**—**	612,263
Contract liabilities		**195,985**	—
Bank and other borrowings — due within one year		**25,288,840**	17,107,779
Obligations under finance leases — due within one year		**277,138**	740,911
Notes payables — due within one year		**984,453**	2,968,031
Derivative financial instruments		**26,011**	15,899
Convertible bonds payables — due within one year		**—**	1,765,257
Deferred income		**57,495**	49,982
Tax payables		**121,907**	394,871
		48,997,146	43,423,801
Liabilities directly associated with assets classified as held for sale		**935,463**	—
		49,932,609	43,423,801
NET CURRENT LIABILITIES		**(23,058,007)**	(12,313,299)
TOTAL ASSETS LESS CURRENT LIABILITIES		**62,561,155**	63,856,097

	2018	2017
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Advances from customers	**—**	118,675
Contract liabilities	**197,411**	—
Loans form related companies	**3,091,789**	—
Bank and other borrowings — due after one year	**26,477,062**	32,857,143
Obligations under finance leases — due after one year	**951,261**	895,691
Notes and bonds payables — due after one year	**4,136,665**	1,861,383
Deferred income	**691,003**	593,784
Deferred tax liabilities	**183,457**	221,842
	35,728,648	36,548,518
NET ASSETS	**26,832,507**	27,307,579
CAPITAL AND RESERVES		
Share capital	**1,610,009**	1,632,181
Reserves	**20,255,547**	21,143,036
Equity attributable to owners of the Company	**21,865,556**	22,775,217
Non-controlling interests	**4,966,951**	4,532,362
TOTAL EQUITY	**26,832,507**	27,307,579

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The directors of the Company (the "**Directors**") have given careful consideration to the going concern status of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately RMB23,058 million as at 31 December 2018 and it has incurred a net loss of approximately RMB458 million for the year then ended. The Group had cash and cash equivalents of approximately RMB4,121 million (include bank balances and cash classified as assets held for sale of approximately RMB45 million) against the Group's total borrowings (comprising loans from related companies, bank and other borrowings, obligations under finance leases, liabilities directly associated with assets classified as held for sale and notes and bonds payables) amounted to approximately RMB62,588 million. The amounts included bank and other borrowings classified as liabilities associated with assets held for sale of approximately RMB873 million. For the remaining balance of the Group's total borrowings, approximately RMB27,058 million will be due in the coming twelve months.

Included in the Group's bank borrowings totalling approximately RMB2,181 million have breached certain financial covenant requirements as stipulated in the relevant loan agreements. Among this, approximately RMB1,266 million of the bank borrowings are due after one year in accordance with the original repayment terms. In addition, the breach of these covenant requirements has triggered the cross default clauses in several other bank borrowings of approximately RMB6,022 million. Among this, approximately RMB4,746 million of the bank borrowings are repayable after one year in accordance with the original repayment terms. Subsequent to the end of the reporting period, the Group 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 clauses in the relevant bank borrowings are then remedied. Notwithstanding this, accounting reclassification of long-term borrowings of approximately RMB6,012 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. As a result, in the Group's consolidated statement of financial position as at 31 December 2018, net current liabilities of approximately RMB23,058 million, rather than net current liabilities of approximately RMB17,046 million, were recorded.

GCL New Energy Holdings Limited ("**GNE**"), whose shares are listed on the Stock Exchange, is a subsidiary of the Company. As at 31 December 2018, the Company and certain subsidiaries of the Company guaranteed bank and other borrowings of GNE and its subsidiaries (collectively referred to as "**GNE Group**") amounted to approximately RMB2,971 million. The Directors have evaluated the going concern status of GNE Group in preparing these consolidated financial statements, in light of the fact that, GNE Group's current liabilities exceeded its current assets by approximately RMB11,241 million. In addition, as at 31 December 2018, GNE Group has entered into agreements to construct solar farms and inject capital to joint ventures which will involve capital commitments of approximately RMB1,151 million. In the event that GNE Group is successful in expanding the investments in the existing solar farms 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, GNE Group's total borrowings comprising bank and other borrowings, bonds and notes payable and loans from the Company and related companies amounted to approximately RMB40,688 million. The amounts included bank and other borrowings classified as liabilities associated with assets held for sale of approximately RMB873 million. For the remaining balance of approximately RMB39,815 million, approximately RMB9,354 million will be due in the coming twelve months, including bank borrowings of approximately RMB1,936 million, which will 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 the Company, the guarantor of certain bank borrowings and thereby triggered the cross default clauses of certain bank borrowings of GNE Group. GNE Group's pledged and restricted bank deposits and bank balances and cash amounted to approximately RMB2,049 million (including pledged deposit of RMB18 million placed at an associate of the Company for its short-term loans advanced to GNE Group) and RMB1,407 million (including bank balances and cash classified as assets held for sale of approximately RMB45 million) as at 31 December 2018, respectively. The financial resources available to GNE 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. GNE 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 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 that will be due in the coming twelve months from 31 December 2018 and the on-going loan covenant compliance.

In July 2017, 江蘇中能硅業科技發展有限公司 (Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.*, "**Jiangsu Zhongneng**"), a subsidiary of the Company received the "Notice of Acceptance of Registration" (the "**Notice**") from the National Association of Financial Market Institutional Investors (the "**Association**") in relation to the issue of short-term commercial paper ("**SCP**"). The maximum registered amount of the SCP is RMB1 billion, and such registered amount will be effective for two years from the date of issue of the Notice and Jiangsu Zhongneng may issue the SCP in tranches within the effective period. In addition, the China Securities Regulatory Commission issued a notice dated 19 July 2018 to 保利協鑫(蘇州)新能源有限公司 (GCL-Poly (Suzhou) New Energy Co., Ltd*, "**GCL-Poly Suzhou**") to accept the registration of a total amount of RMB1.5 billion corporate bonds to be issued by GCL-Poly Suzhou, and such registered amount will be effective for two years from the date of issue of the notice and may issue in tranches within the effective period. As assessed by China Chengxin International Credit Rating Company Limited in June 2018, GCL-Poly Suzhou and Jiangsu Zhongneng have been given AA+ rating and AA rating, respectively.

* English name for identification only

The Group intends to issue the SCP and corporate bonds as and when required to meet its funding needs. In view of the nature and swift process of the underwriting and issuance of the SCP in the robust interbank debt market of the PRC, and the past successful issuances of corporate bonds, the Directors are satisfied that funding could be obtained through the issuance of the registered instrument as and when required by the Group within the next twelve months from the date of approval of these consolidated financial statements for issuance.

The Directors have evaluated the Group's current undrawn banking facilities and renewable bank borrowings. In order to improve liquidity, the Group continues to pay close attention in managing the Group's cash position and conducts on-going negotiations with banks to ensure that the existing facilities will be successfully renewed and additional banking facilities are obtained when necessary. The Directors believe that the Group will be able to renew the banking facilities upon maturity dates and raise additional banking facilities as and when required by the Group's operating cash needs.

The Directors have also evaluated the measures being undertaken by GNE Group to improve their liquidity position, which include:

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

(ii) GNE 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, GNE 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) GNE 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 solar farm projects in exchange for cash proceeds and to improve GNE Group's indebtedness position; and (ii) striving for providing solar farm operation and maintenance services to those divested solar farms for additional operating cashflow to GNE Group; and

(iv) As at 31 December 2018, GNE Group has completed the construction of 215 solar farms with approval for on-grid connection and it also has one solar farm 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 farms have an aggregate installed capacity of approximately 7.0 GW and are expected to generate operating cash inflows to GNE Group.

Taking into account the registered SCP and corporate bonds that are available for issuance, undrawn banking facilities, renewal of existing banking facilities, the Group's cash flow projection for the coming year, and the successful implementation of measures of GNE Group as described above, the Directors are of the opinion that the Group will have sufficient working capital to meet its cashflow requirements in the next twelve months and the on-going loan covenant compliance. 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 and GNE Group can achieve the plans and measures described above to generate adequate cash inflow as scheduled. 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 expiries, 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, as well as the successful implementation of measures of GNE Group as described above. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2. SEGMENT INFORMATION

The Group's reportable and operating segments under IFRS 8 are as follows:

(a) Solar material business — mainly manufactures and sales of polysilicon and wafer to companies operating in the solar industry.

(b) Solar farm business — manages and operates 371 MW solar farms, of which 18 MW is located in the United States of America (the "**USA**") and 353 MW is located in the PRC. These solar farms were constructed or acquired by the Group prior to obtaining a controlling stake in GNE.

(c) New energy business — represents the business operations of GNE, which is principally engaged in the development, construction, operation and management of solar farms. In December 2016, one of the operating segments of GNE Group regarding the manufacturing and selling of printed circuit boards business ("**PCB business**") was contracted to be sold and accordingly has been presented as discontinued operations in the consolidated statement of profit or loss and other comprehensive income. The sale was completed on 2 August 2017.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

Year ended 31 December 2018

	Solar material business *RMB'000*	Solar farm business *RMB'000*	New energy business *RMB'000* *(Note a)*	Total *RMB'000*
Segment revenue				
Revenue from external customers	14,435,552	497,486	5,632,397	20,565,435
Segment (loss) profit	(1,011,419)	115,976	707,924	(187,519)
Elimination of inter-segment profit				(135,029)
Unallocated income				80,600
Unallocated expenses				(154,128)
Loss on fair value change of convertible bonds receivable				(1,910)
Loss on fair value change of convertible bonds issued by the Company				(40,768)
Loss on fair value change of held for trading investments				(15,201)
Loss on deemed disposal of an associate				(77,894)
Share of profits of associates				12,286
Share of profits of joint ventures				5,363
Gain on fair value change of financial assets at fair value through profit or loss ("**FVTPL**")				55,766
Loss for the year from continuing operations				(458,434)

Year ended 31 December 2017

	Solar material business *RMB'000*	Solar farm business *RMB'000*	New energy business *RMB'000* *(Notes a and b)*	Total *RMB'000*
Segment revenue				
Revenue from external customers	19,354,988	497,187	4,785,113	24,637,288
Segment profit	1,263,593	67,828	929,509	2,260,930
Less: profit for the year from discontinued operations of PCB business				(77,112)
Elimination of inter-segment profit				(29,064)
Unallocated income				93,143
Unallocated expenses				(93,851)
Gain on fair value change of convertible bonds receivable				13,506
Loss on fair value change of convertible bonds issued by the Company				(37,771)
Loss on fair value change of held for trading investments				(27,954)
Compensation income arising from shutdown of a power plant				155,606
Gain on fair value change of financial assets designated as at FVTPL				16,689
Profit for the year from continuing operations				2,274,122

Year ended 31 December 2017 – continued

Additional analysis presented to chief operating decision maker ("**CODM**") which exclude the operating results of PCB business of new energy business, is set out below:

	New energy business
	RMB'000
	(Notes a and b)
Segment revenue — continuing operations	3,942,280
Segment profit — continuing operations	852,397

Notes:

a. The operating results of new energy business included allocated corporate expenses.

b. During the year ended 31 December 2017, the revenue of the new energy business comprised sales of electricity (including tariff adjustments) amounting to approximately RMB3,942,280,000 and sales of printed circuit boards amounting to approximately RMB842,833,000; and the segment profit of the new energy business comprised profit contributed by the sales of electricity of approximately RMB852,397,000 and profit contributed by the sales of printed circuit boards of approximately RMB77,112,000.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss) profit of each respective segment excluding unallocated income, unallocated expenses (including certain exchange losses (gains) and unallocated tax expense), change in fair value of convertible bonds receivable, change in fair value of convertible bonds issued by the Company, change in fair value of held for trading investments, loss on deemed disposal of an associate, share of profits of associates and joint ventures change in fair value of certain financial assets at FVTPL and compensation income arising from shutdown of a power plant in 2017. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	2018	2017
	RMB'000	*RMB'000*
Segment assets		
Solar material business	**45,991,159**	44,772,551
Solar farm business	**3,653,291**	3,818,921
New energy business *(Note)*	**61,109,942**	55,391,914
Total segment assets	**110,754,392**	103,983,386
Convertible bonds receivable	**76,001**	—
Held for trading investments	**108,408**	100,733
Other financial assets as at FVTPL	**391,924**	131,689
Equity instruments at fair value through other comprehensive income ("**FVTOCI**")	**90,716**	—
Debt instruments at FVTOCI	**65,606**	—
Interest in an associate	**362,286**	172,100
Interest in joint ventures	**98,728**	95,299
Available-for-sale investments held by the Company	**—**	99,808
Unallocated bank balances and cash	**532,387**	2,576,349
Unallocated corporate assets	**13,316**	120,534
Consolidated assets	**112,493,764**	107,279,898
Segment liabilities		
Solar material business	**32,286,905**	31,628,470
Solar farm business	**1,994,059**	2,193,475
New energy business *(Note)*	**51,339,150**	45,238,764
Total segment liabilities	**85,620,114**	79,060,709
Convertible bonds issued by the Company	**—**	839,615
Unallocated corporate liabilities	**41,143**	71,995
Consolidated liabilities	**85,661,257**	79,972,319

For the purpose of monitoring segment performance and allocating resources between segments:

- All assets are allocated to operating segments, other than unallocated corporate assets, corporate bank balances and cash and other assets (including held for trading investments, convertible bonds receivable, other financial assets at FVTPL, interest in an associate, interests in joint ventures, equity instruments at FVTOCI, debt instruments at FVTOCI and available-for-sale investments held by the Company) of the management companies and investment holdings companies; and

- All liabilities are allocated to operating segments, other than unallocated corporate liabilities and other liabilities (including convertible bonds issued by the Company) of the management companies and investment holdings companies.

Note: As at 31 December 2018, the segment assets and liabilities of new energy business included RMB1,388 million (2017: nil) assets classified as held for sale and RMB935 million (2017: nil) liabilities associated with assets classified as held for sale due to the operating segment of GNE Group regarding several solar farms were contracted to be sold and one of the sales was completed on 15 February 2019.

A. For the year ended 31 December 2018

Disaggregation of revenue from contracts with customers

Segments	**Solar material business**	**Solar farm business**	**New energy business**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Types of goods or services				
Sales of wafer	11,679,412	—	—	11,679,412
Sales of electricity	—	484,852	5,632,397	6,117,249
Sales of polysilicon	1,579,383	—	—	1,579,383
Processing fees	629,228	—	—	629,228
Others (comprising the sales of ingots and modules)	547,529	12,634	—	560,163
Total	14,435,552	497,486	5,632,397	20,565,435

B. For the year ended 31 December 2017

The following is an analysis of the Group's revenue from continuing operations and discontinued operations from its major products and services:

	2017
	RMB'000
Continuing operations	
Sales of wafer	17,432,680
Sales of electricity *(Note)*	4,429,387
Sales of polysilicon	766,448
Processing fees	938,383
Others (comprising the sales of ingots and modules)	227,557
	23,794,455
Discontinued operations	
Sales of printed circuit boards	842,833
	24,637,288

Note: Sales of electricity included approximately RMB3,738,439,000 (2017: RMB2,814,078,000) tariff adjustments received and receivable from the state grid companies in the People's Republic of China ("**PRC**") based on the prevailing nationwide government policies on renewable energy for solar farms.

Geographical information

The Group's revenue from continuing operations and discontinued operations from external customers by customers location is detailed below:

	2018	2017
	RMB'000	*RMB'000*
Continuing operations		
The PRC	**17,794,575**	19,217,418
Others	**2,770,860**	4,577,037
	20,565,435	23,794,455
Discontinued operations		
Sales of PCB	**—**	842,833
	20,565,435	24,637,288

Information about major customers

There were no customer contributing over 10% of total sales of the Group for both years.

3. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Continuing operations		
Government grants	**254,634**	141,310
Bank and other interest income	**264,918**	228,910
Sales of scrap materials	**184,342**	389,526
Management and consultancy fee income	**65,489**	18,494
Rental income	**33,809**	17,700
Forfeiture of deposits from customers	**28,782**	195
Others	**58,870**	46,928
	890,844	843,063

4. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Continuing operations		
Interest on:		
Bank and other borrowings	**2,773,687**	2,266,174
Notes and bonds payables	**490,738**	326,884
Discounted bills receivable	**183,329**	140,079
Obligations under finance leases	**90,671**	146,392
Loans from related companies	**83,530**	—
Total borrowing costs	**3,621,955**	2,879,529
Less: Interest capitalised	**(202,944)**	(338,509)
	3,419,011	2,541,020

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.

5. OTHER EXPENSES, GAINS AND LOSSES, NET

	2018	2017
	RMB'000	*RMB'000*
Continued operations		
Research and development costs	**521,442**	956,136
Restructuring expenses	**—**	13,022
Exchange losses (gains), net	**479,501**	(7,974)
Loss (gain) on fair value change of convertible bonds receivable	**1,910**	(13,506)
Loss on fair value change of convertible bonds payables	**46,292**	156,515
Gain on redemption of available-for-sales investments	**—**	(2,883)
Loss on fair value change of held for trading investments	**15,201**	27,954
Gain on fair value change for financial assets at FVTPL	**(84,420)**	(16,689)
Loss (gain) on fair value change of derivative financial instruments, net	**10,112**	(112)
Impairment loss on goodwill	**176,528**	—
Impairment loss on property, plant and equipment *(Note)*	**526,105**	262,634
(Gain) Loss on disposal of property, plant and equipment	**(583)**	147,395
Loss on deemed disposal of a partial interest in an associate	**—**	3,227
Loss on deemed disposal of an associate	**77,894**	—
Gain on disposal of a subsidiary	**(444,868)**	—
Gain on disposal of solar farm projects	**(35,146)**	(18,745)
Compensation income arising from shutdown of a power plant	**—**	(155,606)
	1,289,968	1,351,368

Note:

During the year ended 31 December 2018, due to the adverse change of market conditions resulting from new government policies on the solar industry, the polysilicon and wafer products faced price pressure and several subsidiaries within solar material business segment incurred losses in late 2018. Accordingly, the Directors conducted a review of the recoverable amounts of the property, plant and equipment of the relevant subsidiaries as at 31 December 2018 and determined that certain assets in respect of the Group's production of polysilicon and wafer products were impaired with impairment losses of RMB526.1 million recognised. The recoverable amounts of the relevant assets have been determined on the basis of value in use.

6. INCOME TAX (CREDIT)EXPENSE

	2018	2017
	RMB'000	*RMB'000*
Continuing operations		
PRC Enterprise Income Tax ("**EIT**")		
Current tax	**126,118**	725,148
(Over)underprovisions in prior years	**(21,890)**	32,630
	104,228	757,778
USA Federal and State Income Tax		
Current tax	**237**	340
Underprovision in prior years	**3**	—
	240	340
Hong Kong Profits Tax		
Current tax	**312**	—
Overprovisions in prior years	**—**	(5,891)
	312	(5,891)
Other jurisdictions	**—**	46
PRC dividend withholding tax	**—**	183,611
Deferred tax	**(157,141)**	(298,004)
	(52,361)	637,880

The PRC EIT for the year represents income tax in the PRC which is calculated at the prevailing tax rate on the taxable income of subsidiaries in the PRC.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%, except for those subsidiaries described below. The (over)under provision of EIT in prior years arose mainly as a result of completion of tax clearance procedures by certain PRC subsidiaries with the respective tax authorities.

Certain subsidiaries operating in the PRC have been accredited as a "High and New Technology Enterprise" for a term of three years, and have been registered with the local tax authorities for enjoying the reduced 15% EIT rate. Accordingly, the profits derived by these subsidiaries are subject to 15% EIT rate for both years. The qualification as a High and New Technology Enterprise will be subject to annual review by the relevant tax authorities in the PRC.

Certain subsidiaries of GNE Group, being enterprises engaged in public infrastructure projects, under the PRC Tax Law and its relevant regulations, are entitled to tax holidays of 3-year full exemption followed by 3-year 50% exemption commencing from their respective years in which their first operating incomes were derived. For the year ended 31 December 2018, certain subsidiaries of GNE engaged in public infrastructure projects had their first year of 3-year 50% exemption period.

Federal and State tax rate in the USA are calculated at 21% and 8.84% (2017: 35% and 8.84%). The U.S. Tax Cuts and Jobs Act (the "**Act**") was enacted into law on 22 December 2017. The Act includes significant changes to the U.S. corporate income tax system that are effective on 1 January 2018, including a reduction of the U.S. corporate income tax rate from 35% to 21%.

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 (equivalent to RMB1.7 million) of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million (equivalent to RMB1.7 million) will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax was made as there were no assessable profit for both years.

Taxation arising from other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Group's subsidiaries, associates and joint ventures that are tax residents in the PRC are subject to the PRC dividend withholding tax of 5% or 10% for those non-PRC tax resident immediate holding companies registered in Hong Kong and the British Virgin Islands ("**BVI**"), respectively, when and if undistributed earnings are declared to be paid as dividends out of profits that arose on or after 1 January 2008.

7. (LOSS) PROFIT FOR THE YEAR

	2018	2017
	RMB'000	*RMB'000*
Continuing operations		
(Loss) profit for the year has been arrived at after charging (crediting) the following items:		
Staff costs, including directors' remuneration		
Salaries, wages and other benefits	**2,041,303**	2,417,702
Retirement benefit scheme contributions	**92,048**	77,485
Share-based payment expenses	**32,752**	78,129
Total staff costs	**2,166,103**	2,573,316
Depreciation of property, plant and equipment	**4,178,623**	3,654,072
Depreciation of investment properties	**4,656**	4,656
Amortisation of prepaid lease payments	**28,509**	27,174
Amortisation of other intangible assets (included in cost of sales)	**98,068**	78,571
Total depreciation and amortisation	**4,309,856**	3,764,473
Less: net amounts included in opening and closing inventories	**(21,148)**	(17,391)
Total of depreciation and amortisation charged to profit or loss	**4,288,708**	3,747,082
Auditor's remuneration	**13,315**	12,586

8. DIVIDENDS

The Directors do not recommend the payment of final dividend for the year ended 31 December 2018 (2017: Nil).

9. (LOSS) EARNINGS PER SHARE

For continuing operations

The calculation of the basic and diluted (loss) 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*
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company	**(693,399)**	1,974,398
Less: profit for the year from discontinued operations attributable to owners of the Company	**—**	(48,025)
	(693,399)	1,926,373
Effect of dilutive potential ordinary shares:		
— Adjustment to the share of profit of GNE Group attributable to the Company based on dilution arising on convertible bonds issued by GNE	**(4,981)**	—
— Fair value change on convertible bonds issued by the Company	**—**	37,771
— Adjustment to the share of profit of an associate based on dilution arising on convertible bonds issued by the associate	**—**	(2,986)
(Loss) earnings for the purpose of dilutive (loss) earnings per share from continuing operations	**(698,380)**	2,009,183

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**18,179,089**	18,453,617
Effect of dilutive potential ordinary shares:		
— Convertible bonds issued by the Company	**—**	457,698
— Share options issued by the Company	**—**	6,372
Weighted average number of ordinary shares for the purpose of dilutive (loss) earnings per share	**18,179,089**	18,917,687

For the year ended 31 December 2018, the weighted average number of ordinary shares for the purpose of calculation of basic loss per share has been adjusted for the effect of the 322,998,888 ordinary shares purchased by the Computershare Hong Kong Trustees Limited ("**Trustee**") from the market pursuant to the Share Award Scheme (the "**Scheme**") and the 262,424,000 shares repurchased by the Company during the current year.

For the year ended 31 December 2017, the weighted average number of ordinary shares for the purpose of calculation of basic earnings per share has been adjusted for the effect of the 222,998,888 ordinary shares purchased by the Trustee from the open market pursuant to the Scheme.

Diluted loss per share for the year ended 31 December 2018 did not assume the conversion of the convertible bonds issued by the Company and the exercise of share options granted by the Company and share options granted by GNE, since the conversion and the exercise would decrease the loss per share for the year ended 31 December 2018.

Diluted earnings per share for the year ended 31 December 2017 did not assume (1) the conversion of the convertible bonds issued by GNE in May and July 2015 because the assumed conversion would result in an increase in earnings per share; and (2) the exercise of certain share options granted by the Company and share option granted by GNE, since the exercise prices were higher than the average market prices of shares of the Company and GNE, respectively, for the year ended 31 December 2017.

For continuing and discounted operations

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

	2018	2017
	RMB'000	*RMB'000*
(Loss) earnings for the purpose of basic (loss) earnings per share:		
(Loss) profit for the year attributable to owners of the Company	**(693,399)**	1,974,398
Effect of dilutive potential ordinary shares:		
— Adjustment to the share of profit of GNE Group attributable to the Company based on dilution arising on convertible bonds issued by GNE	**(4,981)**	—
— Fair value change on convertible bonds issued by the Company	**—**	37,771
— Adjustment to the share of profit of an associate based on dilution arising on convertible bonds issued by the associate	**—**	(2,986)
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(698,380)**	2,009,183

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

For discontinued operations

For the year ended 31 December 2017, basic earning per share for the discontinued operations is RMB0.26 cent per share and diluted earning per share for the discontinued operations is RMB0.25 cent per share, based on the profit for the year from the discontinued operations attributable to owners of the Company of RMB48,025,000 and the denominators detailed above for both basic and diluted earnings per share.

10. TRADE AND OTHER RECEIVABLES

The following is an aged analysis of trade receivables (excluding sales of electricity in the PRC), net of allowances for credit losses, presented based on the invoice date which approximated the respective revenue recognition dates or bills issue date at the end of the reporting period, as appropriate:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**2,788,710**	4,116,154
3 to 6 months	**3,502,347**	4,797,580
Over 6 months	**104,587**	5,240
	6,395,644	8,918,974

The following is an aged analysis of trade receivables for sales of electricity in the PRC, 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
Within 3 months	**443,700**	254,889
3 to 6 months	**302,020**	202,445
Over 6 months	**369,407**	161,360
	3,569,137	4,984,581

Note:

As at 31 December 2018, amount represents unbilled trade receivables for solar farms operated by the Group, and also unbilled tariff adjustment receivables of those solar farms already registered in the Rnewable Energy Tariff Subsidy catalogue (the "**Catalogue**"). The Directors expect the unbilled tariff adjustments would be settled within one year from the end of the reporting period.

As at 31 December 2017, amount represents trade receivables and unbilled tariff adjustment receivable of all solar farms. Tariff adjustments related to solar farms yet to obtain approval for registration in the Catalogue are reclassified to contract assets as at 1 January 2018.

11. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date and bills payable (trade related) presented based on the bill issue date, at the end of the reporting period:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**2,828,741**	2,617,897
3 to 6 months	**2,837,727**	3,174,671
Over 6 months	**126,690**	—
	5,793,158	5,792,568

12. BALANCES WITH RELATED COMPANIES

The following is an aged analysis of amounts due from related companies (trade related), net of allowance of credit losses, at the end of the reporting period, presented based on the invoice date which approximated the respective revenue recognition dates:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**163,249**	484,347
3 to 6 months	**399,286**	—
Over 6 months	**43,264**	—
	605,799	484,347

The following is an aged analysis of amounts due to related companies (trade related) at the end of the reporting period, presented based on the invoice date:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**341,761**	133,788
3 to 6 months	**69,350**	3
Over 6 months	**55,783**	318
	466,894	134,109

Note: The amounts due from/to related companies are unsecured, non-interest bearing and the credit period for trade-related balances are normally within 30 days (2017: 30 days).

CHAIRMAN'S STATEMENT

Dear Shareholders,

2018 was no ordinary year for the PV industry. Owing to a policy change in the PRC, the global PV industry underwent a re-shuffle in 2018. Prior to the announcement of the May 31 New Policy, GCL-Poly always focused on reducing costs, improving efficiency and effectiveness, bolstering business foundation and keeping abreast of industry developments in order to cope with any change in the industry. Subsequent to the promulgation of the May 31 New Policy, demand in the domestic PV market dropped, while the international market showed an opposite movement. The Company responded swiftly by adjusting its production plans. After a phased adjustment and integration, the global market has witnessed substantial progress on grid-parity with demand increasing exponentially, and is expected to resume steady growth in 2019. Led by several industry leaders with a fine division of labour and complementary advantages, the industry now exhibits a unique industrial pattern. With its solid business foundation and competitive edges, GCL-Poly surmounted such market fluctuations, forged ahead and maintained its leading position in the industry.

Business Review for 2018

During 2018, GCL-Poly's total production of polysilicon and wafers were 61,785 MT and 24,189 MW, respectively, outperforming its global peers. As of 31 December 2018, GCL-Poly recorded a revenue of RMB20,565 million, representing a decrease of 13.6% as compared with 2017; gross profit was approximately RMB5,039 million, representing a decrease of 38.6% as compared with 2017. Loss attributable to shareholders amounted to approximately RMB693 million and basic losses per share was approximately RMB3.81 cents.

GNE's total installed PV capacity was 7,309 MW for 2018, representing an increase of 22% as compared with 2017. Total revenue from the new energy business was approximately RMB5,632 million, representing a year-on-year increase of 17.7%.

High-Quality Development across PV Industry

Looking back to 2018, the industry plunged into a temporary downturn amidst a host of adversities, such as the US-China trade disputes, financial deleveraging as well as cyclical and structural economic problems, particularly the May 31 PV New Policy and the delay in the payment of new energy subsidy. As a result, new PV installations in the PRC dipped in 2018. Nevertheless, the global new PV installed capacity continued to grow. Thanks to the concerted efforts of all players, the PV industry has made tremendous technological advancements that enhanced quality and efficiency while knocking down prices of solar modules and PV systems, thus significantly lowering average PV power generation costs in the last decade. As such, PV application is flourishing and the future looks promising.

2018 marked a development milestone for the PRC PV industry from high speed to high quality. In fact, appropriate "slowdown" can optimise production scale, improve development quality and promote further consolidation across the industry. The PV industry chain will eventually be led by several industry leaders with a fine division of labour and complementary advantages, and will exhibit a unique industrial pattern which facilitates an orderly development. As a result, the industry will be more consolidated and industry chain co-operation will be enhanced with closer technological collaboration and better synergies.

Steady Growth amidst Adversities

To adapt proactively to market changes, GCL-Poly has implemented a number of vigorous strategic measures during the industrial transformation and achieved ground-breaking development. Well before the announcement of the May 31 New Policy, GCL-Poly has completed the transformation of its diamond wire sawing technology, the commercialisation of the black multi-wafer technology has been making steady progress, and the development of GCL-Poly's Xinjiang polysilicon project was commenced for achieving high-quality output at a low cost. In the second half of the year, the Xinjiang polysilicon base of GCL-Poly commenced operation. With a designed capacity of 60,000 MT, it has become a role model for polysilicon production projects around the world, further highlighting GCL-Poly's industry prominence. Once again, GCL-Poly completed the world's largest polysilicon project with the shortest construction period, lowest investment and operating costs, highest overall efficiency, most sophisticated intelligent technologies, lowest carbon emissions and best environmental performance across the globe. Being market-oriented, GCL-Poly maintained its dual track mono and multi wafer marketing strategy and introduced differentiating products with a high cost performance by improving efficiency and reducing costs with its technological innovation. It has developed quasi-mono wafer, a product combining the features of mono and multi wafer of low costs, low energy consumption, high quality and high efficiency. Its pivotal and differentiating high-quality ingot product delivers the efficiency of a mono wafer with the cost of a multi-wafer, and will realise commercial production and sale in 2019. During the period, GCL-Poly further upgraded and renovated its existing microtomes and has enhanced its cutting efficiency, with an aim of continuously reducing wafer cutting cost. To speed up its expansion in the mono wafer market, GCL-Poly has strengthened its strategic partnership with Tianjin Zhonghuan Semiconductor Co., Ltd. ("Tianjin Zhonghuan") in order to capitalise on their extensive managerial expertise. With the steady progress of a series of strategies, including the commencement of operation of the Xinjiang polysilicon base, producing both mono wafers and multi-wafers, launching quasi-mono wafers, developing new technologies and optimising assets, GCL-Poly realised a steady growth, maintained its leading position, and is poised to leverage on the future growth momentum of the industry.

GNE, a subsidiary of the Company, vigorously improved its gearing position in 2018 by carrying out a series of financing activities. It has optimised and adjusted its financial structure, increased the proportion of long-term financing and reduced liabilities, so as to head towards an "asset-light" operation. During the year, GNE took a strategic and crucial step in its transformation to the asset-light business model with phased achievements. New strategic partnership was formed for project collaboration, thereby speeding up the availability of capital. This will enable GNE to achieve its development goals of transformation and upgrade, move further towards the asset-light model and provide management service after disposal.

With respect to the capital market, GCL-Poly always focuses on shareholders' value. At the annual general meeting in May 2018, the repurchase mandate was approved. GCL-Poly has made a total of 8 rounds of share buy-back, totaling 262,424,000 shares during the period. Continuous share repurchases effectively increased the Company's earnings per share and maximised shareholders' interests, as well as demonstrated GCL-Poly's confidence in the Company's development and growth potential.

Bright Future after Overcoming Challenges

In 2018, the PV industry fluctuated wildly and entered a transient downturn. In spite of the deep adjustment and fallen demand in the PRC PV market, the overseas market, particularly emerging markets, enjoyed strong demand attributable to lower costs of PV products. On a global scale, PV power generation will continue to enjoy enormous room for development in many overseas regions and will become a major alternative energy source in the future thanks to the continuous drop in average generation costs.

In the near term, the National Energy Administration is considering the expansion of PV and other renewable energies as a part of the interim review of the 13th Five-year Plan. Following the implementation of the Renewable Portfolio Standard on 1 January, quota assessment is required and the electricity industry will be marketised. PV power generation will benefit from such favourable development and take up a more prominent role in the electricity market.

2019 is the first year for the abolishment of subsidies on PV power generation and this marks a new beginning for the PRC PV industry. A new era of quality and efficiency improvement has begun, and it is believed that the PV industry will gradually recover and resume rational, healthy and orderly growth in 2019. GCL-Poly is also poised to grasp new opportunities brought by industry consolidation. Looking forward, GCL-Poly will continue to upgrade its existing technologies, enhance efficiency, reduce costs, launch products with higher cost performance that meet market demand, improve its return on assets and profitability, seize grid-parity and bring green energy to every household.

Finally, I sincerely thank the Company's Board of Directors, management team and all staff for their hard work in 2018. I am deeply grateful to the Company's shareholders and partners for their staunch support.

Zhu Gongshan
Chairman

CEO'S REVIEW AND OUTLOOK

On behalf of the management of the Company, I hereby announce the following annual results achieved by GCL-Poly in 2018: as of 31 December 2018, GCL-Poly recorded a revenue of RMB20,565 million, representing a 13.6% decrease as compared with 2017. Gross profit was approximately RMB5,039 million, representing a 38.6% decrease as compared with 2017. Loss attributable to shareholders amounted to approximately RMB693 million and basic loss per share was approximately RMB3.81 cents. In 2018, with a sale of 24,761 MW, the Company completed total production of polysilicon and wafer of 61,785 MT and 24,189 MW, respectively, ranking the first in the world in terms of production volumes of both polysilicon and wafers.

GNE developed steadily in 2018. As of 31 December 2018, GNE's total grid-connected installed capacity was 7,309 MW, an increase of 22% as compared with last year. In terms of results, GNE's total revenue for 2018 was approximately RMB5,632 million, up by 17.7% year-on-year.

Maintaining Industry Leading Position and Building a Global Flagship Plant for Polysilicon Production

GCL-Poly's polysilicon base in Xinjiang commenced production in the fourth quarter of 2018. In line with the Company's expansion plan, the capacity of the base rose from the initial 40,000 tonnes to 60,000 tonnes with a minimal increase in capital expenditure. The base is the world's largest polysilicon production base with the shortest construction period, lowest investment and operating costs, highest overall efficiency, topnotch product quality, most sophisticated intelligent technologies, lowest carbon emissions and best environmental performance across the world. Given the low tariff in Xinjiang, state-of-the-art proprietary production techniques as well as GCL-Poly's extensive experience in managing polysilicon production of more than 10,000 tonnes, the Xinjiang base will become a key driver and profit source of the Company. Its highly competitive products will replace imported ones and set new standards for the global silicon industry.

Rolling Out New Differentiating Products of Both Mono Wafers and Multi-wafers

To cater for the market's diversified product demand, GCL-Poly will implement a "Dual Track Mono Wafers and Multi-Wafers" business strategy and adjust its capacity allocation in a timely manner. In respect of multi-wafers, the intelligent black silicon production plant has ramped up its capacity and achieved the biggest reduction in production cost in the last 3 years. The power gap between mono wafer and multi-wafer modules is narrowed and the cost performance and market competitiveness of black multi-wafers is enhanced by developing new technologies, improving efficiency and increasing the power output of the modules. With respect to mono wafers, GCL-Poly has formed a strategic alliance with Tianjin Zhonghuan to create synergy in silicon and wafer production so as to offer quality mono wafer products under the collaboration and mutual support of the two giants.

High efficiency and high power output are the trend of the PV industry. High efficiency can enhance the unit capacity of modules, and high power output can lower the per watt cost of modules. With advanced mono wafer casting techniques, GCL-Poly has struck a balance between mono and multi wafer production with low costs, low energy consumption, high quality and high efficiency. It has developed quasi-mono wafer, a pivotal and differentiating high-quality mono wafer ingot product which combines the efficiency of a mono wafer and the economy of a multi-wafer. The application of quasi-mono wafer to modules exemplifies advantages in three areas: 1. Quasi-mono wafers currently used in modules are large-sized wafers, which, together with the half-cell and MBB module technologies, enable modules to have ultrahigh power output; 2. testing data shows that the lumen depreciation of quasi-mono wafer modules is a half less than that of mono wafer modules; 3. the cost advantage is more prominent compared to that of mono wafer due to its technique advancement and its use of ingots. By applying the mono wafer ingot technologies developed over the years, GCL-Poly will boost the production capacity of quasi-mono wafers in 2019 through persistent technology upgrade and transformation, with the ultimate goal of meeting the increasing market demand for cost-effective products.

Embracing New Policy with New Business Model

The announcement of the May 31 PV New Policy has shaken the PV industry. In the short term, the domestic market will experience a transient downturn, periodic adjustment and re-shuffle as the growth in new PV installations decline. As a leader in the global polysilicon market, GCL-Poly is both confident and capable of turning such challenges into opportunities by adjusting its operating strategy and seizing industry rebound opportunity in a timely manner.

In October 2018, the National Development and Reform Commission, the Ministry of Finance and the National Energy Administration jointly promulgated the Notice on Matters Related to PV Power Generation in 2018, which states that subsidy will be provided for plants connected ahead of 30 June. In January 2019, the Notice on Actively Promoting the Unsubsidised Grid Parity of Wind and PV Power Generation was issued by the National Development and Reform Commission and the National Energy Administration to formally announce the unsubsidised grid-parity policy for PV. As a part of the interim review of the 13th Five-Year Plan, the scale of renewable energy production can hopefully be enlarged. The third consultation paper for the Renewable Portfolio Standard has also been released. All these favourable policies signify the end of the darkest time. GCL-Poly is poised to welcome the next growth cycle in the PV industry.

Seizing Market Opportunities with Diversification by GNE

GNE focuses on domestic business while actively exploring overseas markets at the same time. During the reporting period, GNE formed alliances with domestic and foreign enterprises to accelerate the internationalisation of its PV business. GNE adopted a diversified and innovative financing model at the holding and regional company level to improve its comprehensive financing ability as a whole and effectively reduce the debt level of the Company. GNE actively established strategic partnerships with large stated-owned enterprises, obtaining financing advantages through a win-win co-operation. GNE will continue to rely on its competitive edges to allocate resources prudently, focus on overseas markets with abundant resources, mature standards, and reasonable risks, and form strong alliances with internationally influential partners and financial institutions to seek projects with high return potential and low risk.

Outlook

According to the latest data from the National Energy Administration, China's new PV installations were over 44 GW in 2018. Based on the recent data from the China Photovoltaic Industry Association, China's PV industry chain accounted for more than 50% of the global production in all segments. Domestic polysilicon production in 2018 was approximately 250,000 tonnes, recording a year-on-year increase of 3.3%. The implementation of the May 31 PV New Policy will inevitably affect China's new PV installations in the short term. However, in the long run, it will promote the healthy and orderly development of the PV industry. At present, overseas markets is experiencing exponential growth, especially in emerging markets including India, Turkey, Saudi Arabia, the Middle East, South America and Southeast Asia. Many countries and regions have already realised grid parity on the generation side. With decreasing PV power generation costs, more GW-grade markets will emerge across the globe, which will be conducive to the long-term balanced and sustainable development of the PV and silicon material markets.

GCL-Poly believes that spring has come to the PV industry, and is well prepared for it. We will continue to upgrade its existing diamond wire sawing technology in order to improve efficiency and reduce costs. Differentiating mono wafer ingot products will be developed according to market needs and products with a high cost performance will be introduced to the market with the help of the low-cost and high-quality Xinjiang intelligent production base as well as the mono wafer joint venture with Tianjin Zhonghuan. GCL-Poly will also steadily promote asset optimization in the Xuzhou production base and reduce its electricity cost with the aim of reinforcing its competitive strengths in anticipation of grid parity.

The challenges currently faced by the new energy sector are transient and crucial to the growth and development of the industry. Faith is invaluable. Having complete faith in the future, the Group will carry out resource sharing as well as platform, technological, capital and development co-operation through wider, stronger and deeper industry chain collaborations

Finally, I would like to express my heartfelt gratitude to the management team and all the staff members of the Company for their efforts and hard work in 2018. My sincere gratitude also goes to our shareholders and business partners for their staunch support to the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

2018 is a challenging year for the company. It is believed that the solar industry will enter into a reshuffle phase due to the consequence of the issuance of *Notice on Matters Related to Photovoltaic Power Generation* ("531 PV New Policy") issued by the PRC government during the year. The photovoltaic products faced a downward price pressure after 531 PV New Policy. Although more positive news released in the market and the price has stopped decreasing in late 2018, the Group's financial performance is still being affected accordingly.

Results of the Group

For the year ended 31 December 2018, the revenue and gross profit of the Group were approximately RMB20,565 million and RMB5,033 million, respectively, representing an decrease of 13.6% and 38.6% respectively as compared with approximately RMB23,794 million and RMB8,199 million in the corresponding period in 2017.

The Group recorded a loss attributable to the owners of the Company of RMB693 million as compared to profit attributable to owners of the Company of RMB1,974 million in 2017.

Business Structure

The Group is principally engaged in: (i) manufacturing and sales of polysilicon and wafers for solar industry and (ii) the development, construction, operation and management of solar farms.

GCL New Energy Holdings Limited ("GNE Group or GNE") is a listed company in HK (Stock code: 0451). Except for 371MW solar farm that were constructed or acquired by the Group prior to obtaining a controlling stake in GNE, the Group primarily develops, constructs, operates and manages downstream solar farms through the platform of GNE.

For illustrative purpose, if excluding GNE Group and recognising the costs of investment in GNE and the perpetual notes receivable from GNE as non-current assets, the effect of de-consolidated GNE Group as at 31 December 2018 would be as follows:

	The Group	**GNE Group**	**De-consolidation adjustment (note)**	**The effect of de-consolidated GNE Group**
	RMB million	*RMB million*	*RMB million*	*RMB million*
Total assets	112,494	61,180	(5,287)	56,601
Total liabilities	85,661	51,478	(894)	35,077
Bank balances and cash, pledged and restricted bank deposits	10,650	3,394	—	7,256
Bank balances and cash classified as assets held for sale	45	45	—	—
Pledged deposit at related companies	142	18	—	124
Subtotal	**10,837**	**3,457**	**—**	**7,380**
Indebtedness				
Bank and other borrowings	51,766	32,663	—	19,103
Indebtedness directly associated with assets held for sale	873	873	—	—
Loan from fellow subsidiaries	—	755	(755)	—
Obligations under finance leases	1,228	—	—	1,228
Notes and bonds payables	5,121	3,934	—	1,187
Loan from related parties	3,600	2,462	—	1,138
Subtotal	**62,588**	**40,687**	**(755)**	**22,656**
Net debt	**51,751**	**37,230**	**(755)**	**15,276**

Note:

De-consolidation adjustments included:

1. The Group's cost of investment in GNE amounted to be RMB2,365,304,000.

2. The GNE's perpetual notes of RMB1,800,000,000 subscribed by the subsidiaries of the Group.

3. The transaction balances with GNE Group, mainly include loan to GNE Group of RMB754,952,000, amount due from GNE Group, net and other eliminations

As at 31 December 2018, the Company and certain subsidiaries of the Company guaranteed bank and other borrowings of certain subsidiaries of GNE which amounted to RMB2,971 million.

Segment Information

The Group are reported on the three continuing operating segments as follows:

a) Solar Material Business — mainly manufactures and sales of polysilicon and wafer to companies operating in the solar industry.

b) Solar Farm Business — manages and operates 371 MW solar farms, of which 18 MW is located in the United States and 353 MW is located in the PRC. These solar farms were constructed or acquired by the Group prior to obtaining a controlling stake in GNE.

c) New Energy Business — represents the business operations of GNE, which is principally engaged in the development, construction, operation and management of solar farms.

The following table sets forth the Group's operating results from continuing operations by business segments:

	2018			2017		
	Revenue	**Segment (loss) profit**	**Adjusted EBITDA[3]**	Revenue	Segment profit	Adjusted EBITDA[3]
	RMB million	***RMB million***	***RMB million***	*RMB million*	*RMB million*	*RMB million*
Solar Material Business	**14,436**	**(1,011)**	**2,648**	19,355	1,264	5,705
Solar Farm Business	**497**	**115**	**423**	497	68	415
Corporate/intersegment transactions[1]	**N/A**	**N/A**	**34**	N/A	N/A	33
Sub-total	**14,933**	**(896)**	**3,105**	19,852	1,332	6,153
New Energy Business	**5,632**	**708**	**4,898**	3,942	852	3,379
Total	**20,565**	**(188)**	**8,003**	23,794	2,184	9,532

1. The corporate items that are not a reportable segment primarily included unallocated income, unallocated expenses and intersegment transactions.

2. The segment profit of the new energy business includes reported net profit of GNE Group of approximately RMB750.8 million (2017: RMB904.3 million) and allocated corporate expenses of approximately RMB42.8 million (2017: RMB51.9 million).

3. Calculation of the adjusted EBITDA is detailed in the Financial Review Section in this announcement.

Business Review

Solar Material Business

Production

The Group's solar material business belongs to the upstream of the solar supply chain, which supplies polysilicon and wafer to companies operating in the solar industry. Polysilicon is the primary raw material used in the solar wafer production. In addition, the Group also produces wafer by using polysilicon that are produced by the Group. In the solar industry supply chain, wafers are further processed by downstream manufacturers to produce solar cells and modules.

Polysilicon

As at 31 December 2018, the annual production capacity of polysilicon of the Group's Xuzhou base remained at 70,000 MT. During the year ended 31 December 2018, the Group produced approximately 61,785 MT of polysilicon, representing a decrease of 17.4% as compared to 74,818 MT for the corresponding period in 2017. The production capacity of the Group's Xinjiang polysilicon production base was on the rise as at 31 December 2018 and will reach 50,000 MT in the first quarter of 2019. It is anticipated that the lower electricity tariff and energy cost in Xinjiang will help to reduce the cost of polysilicon production and boost the competitiveness of the Company.

Wafer

As at 31 December 2018, the Group's annual wafer production capacity remained at 30 GW. During the 12 months ended 31 December 2018, the Group produced approximately 24,189 MW of wafers, representing an increase of 1.2% from 23,902 MW for the corresponding period in 2017.

During the year ended 31 December 2018, the Group's monosilicon entered mass production and a capacity expansion was underway. It is anticipated that the monthly production capacity will surge to no less than 500 MW in 2019, making monosilicon a new profit driver.

Sales Volume and Revenue

During the twelve months ended 31 December 2018, the Group sold 20,041 MT of polysilicon and 24,761 MW of wafers, representing an increase of 173.9% and 5.7% respectively, as compared with 7,316 MT of polysilicon and 23,417 MW of wafer for the corresponding period in 2017.

The average selling prices (excluding tax) of polysilicon and wafer were approximately RMB78.8 (equivalent to US$11.73) per kilogram and RMB0.570 (equivalent to US$0.087) per W respectively for the twelve months ended 31 December 2018. The corresponding average selling prices of polysilicon and wafer for the twelve months ended 31 December 2017 were approximately RMB104.8 (equivalent to US$15.46) per kilogram and RMB0.905 (equivalent to US$0.134) respectively.

Revenue from external customers of the solar materials business amounted to approximately RMB14,436 million for the twelve months ended 31 December 2018, representing a decrease of 25.4% from RMB19,355 million for the corresponding period in 2017. Notwithstanding the increase in the sales volume of both polysilicon and wafers, the drop in average selling prices following the implementation of the 531 PV New Policy in 2018 led to the decrease in revenue.

Cost and Segment Gross Profit

The Group's polysilicon and wafer production costs mainly depend on its ability to control raw material costs, lower energy consumption, achieve economies of scale in its operations and streamline production processes. During the year ended 31 December 2018, due to the higher wafer output after diamond wire cutting, improvement of ingot casting furnaces, and the upgrade of black silicon wafer from double-side textured to single-side textured product, which the Group has proprietary intellectual property rights, the Group recorded a further decrease in overall production cost as wafer production cost has been reduced significantly. The Group will continue to push forward cost reduction and control measures.

Segment gross profit of the solar material business decreased to RMB995 million for the year ended 31 December 2018 from RMB5,268 million for the year ended 31 December 2017. Such decrease was due to the drop in average selling prices of polysilicon and wafers of 24.8% and 37.0% respectively following the implementation of the 531 PV New Policy, despite the year-on-year rise in polysilicon and wafer sales of 173.9% and 5.7% respectively and the significant reduction in cost.

Solar Farm Business

Overseas Solar Farms

As at 31 December 2018, the solar farm business includes 18 MW of solar farms in the United States. Besides, 150 MW solar farms in South Africa, which was partnered with CAD Fund, commenced operation in 2014 with the total effective ownership of 9.7% owned by the Group.

PRC Solar Farms

As at 31 December 2018, the solar farm business also includes 10 solar farms in the PRC and its installed capacity and attributable installed capacity were remained unchanged at 353.0 MW and 289.3 MW, respectively.

Sales Volume and Revenue

For the year ended 31 December 2018, the electricity sales volume of solar farm business in overseas and the PRC were 30,473 MWh and 492,950 MWh respectively (2017: 29,804 MWh and 495,365 MWh, respectively).

For the year ended 31 December 2018, revenue for solar farm business was approximately RMB497 million (2017: RMB497million).

New Energy Business

As at 31 December 2018, the Group owns 11,880 million shares of GNE (approximately 62.28% of GNE's issued capital). As at 31 December 2018, the aggregated installed capacity of the 221 grid-connected solar farms of GNE Group (31 December 2017: 162) increased by 22.0% to 7,309 MW (31 December 2017: 5,990 MW). 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

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)
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

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)
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**

Representing:	
Electricity sales	2,223
Tariff adjustment — government subsidies received and receivables	3,561
Total of subsidiaries	5,784
Less: effect of discounting tariff adjustment to present value(3)	(152)
Total revenue of GNE 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 and accordingly contains significant financing component. 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 credit losses was considered necessary for the years ended 31 December 2018 and 31 December 2017.

Revenue

During the year ended 31 December 2018, the revenue of the GNE 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, GNE Group focused more on developing solar power plants in well-developed areas with strong domestic power demand (i.e. zone 2 and zone 3) to minimize the grid curtailment risk in zone 1 area.

Gross Profit

GNE 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.

Financial resources of GNE Group

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, GNE 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.

Outlook

The Group's outlook and likely future developments of the Group's business, is set out in the CEO's Review of Operations and Outlook of this report.

Financial Review

Continuing operations

Revenue

Revenue for the year ended 31 December 2018 amounted to approximately RMB20,565 million, representing a decrease of 13.6% as compared with approximately RMB23,794 million for the corresponding period in 2017. The decrease was mainly affected by downward average selling price adjustment for wafer products, which lead to a drop in revenue in solar material business, partly offset by combined effect of increase in sales volume of both polysilicon and wafer and growth in revenue from GNE Group.

Gross Profit Margin

The Group's overall gross profit margin for the year ended 31 December 2018 was 24.5%, as compared with 34.5% for the corresponding period in 2017.

Gross profit margin for the solar material business decreased from 27.2% for the year ended 31 December 2017 to 6.9% for the year ended 31 December 2018. The decrease was mainly attributable to the decrease in the average selling price for wafer, partially offset by the reduction of production costs.

Solar farm business has a gross profit margin of 52.4% for the year ended 31 December 2018, 3.9% higher than the corresponding period in 2017.

The gross profit margin for the new energy business was 66.5% for the year ended 31 December 2018 and 67.3% for the corresponding period in 2017. The decrease in gross profit margin was mainly due to the tariff cut for the projects connected to the grid after 30 June 2017.

Other Income

For the year ended 31 December 2018, other income mainly comprised government grants of approximately RMB255 million (2017: RMB141 million), sales of scrap materials of approximately RMB184 million (2017: RMB390 million) and bank and other interest income of approximately RMB265 million (2017: RMB229 million).

Distribution and Selling Expenses

Distribution and selling expenses decreased from approximately RMB119 million for the year ended 31 December 2017 to approximately RMB113 million for the year ended 31 December 2018.

Administrative Expenses

Administrative expenses amounted to approximately RMB2,020 million for the year ended 31 December 2018, representing a decrease of 7.7% from approximately RMB2,188 million for the corresponding period in 2017. Decrease in administrative expenses was primarily due to the decrease in salary and staff welfare driven by the cost control policy.

Other Expenses, Gains and Losses, Net

The other expenses, gains and losses represents net expenses of RMB1,290 million for the year ended 31 December 2018 (2017: net expenses of RMB1,351 million). The net expenses for the current year mainly comprises of research and development costs of approximately RMB521 million (2017: RMB956 million), impairment on property, plant and equipment of RMB526 million (2017: RMB263 million), net exchange loss of approximately RMB480 million (2017: net exchange gain of RMB8 million), impairment loss on goodwill of approximately RMB177 million (2017: nil); loss on fair value change of convertible bonds payable of approximately RMB46 million (2017: RMB157 million), gain on fair value change of financial assets at fair value through profit or loss of approximately RMB84 million (2017: RMB17 million), loss on deemed disposal of an associate of approximately RMB78 million (2017: nil) and gain on disposal of a subsidiary of approximately RMB445 million (2017: nil).

Finance Costs

Finance costs for the year ended 31 December 2018 were approximately RMB3,419 million, increased by 34.6% as compared to approximately RMB2,541 million for the corresponding period in 2017. Increase was mainly related to the increase of bank and other borrowings by GNE Group during the year.

Share of Profits of Associates and Joint Ventures

The Group's share of profits of associates for the year ended 31 December 2018 was approximately RMB139 million, mainly contributed by an associate Inner Mongolia Zhonghuan GCL Solar Material Co., Ltd. (內蒙古中環協鑫光伏材料有限公司).

The Group's share of profits of joint ventures for the year ended 31 December 2018 was approximately RMB21 million, mainly contributed by the joint venture in South Africa.

Income Tax (Credit)/Expense

Income tax credit for the year ended 31 December 2018 was approximately RMB52 million, representing a significant decrease of 108.2% as compared with approximately RMB638 million of income tax expense for the corresponding period in 2017. The change was mainly due to the loss from the solar material business and the deferred income tax credit from the impairment on fixed assets in 2018.

(Loss) profit attributable to Owners of the Company

Loss attributable to owners of the Company from continuing operations amounted to approximately RMB693 million for the year ended 31 December 2018 as compared with a profit of approximately RMB1,926 million for the corresponding period in 2017. Loss for the year was mainly due to the loss arising from the segment loss of RMB1,011 million from the solar material business for the year, which was partially offset by the increase in profit contributed by the new energy business.

No discontinued operation resided during the year

The profit for the year ended 31 December 2017 from discontinued operations was RMB77 million.

Profit attributable to owners of the Company from continuing operations and discontinued operations amounted to approximately RMB1,974 million for the year ended 31 December 2017.

Adjusted EBITDA and Adjusted EBITDA Margin

	2018	2017
	RMB million	*RMB million*
For the year ended 31 December:		
(Loss) profit for the year from continuing operations:	**(458)**	2,274
Adjust: non-operating or non-recurring items:		
Impairment loss of property, plant and equipment	**526**	263
Loss (gain) on fair value change of convertible bonds receivable	**2**	(13)
Loss on fair value change of convertible bonds payables	**46**	157
Loss on fair value change of held for trading investments	**15**	28
Restructuring and acquisition costs	—	78
Loss on deemed disposal of an associate	**78**	—
Impairment loss on goodwill	**177**	—
Gain on disposal of a subsidiary	**(445)**	—
Compensation income in relation to shutdown of a power plant	**—**	(156)
Gain on fair value change of financial assets designated at fair value through profit or loss	**(84)**	(17)
Loss on fair value change of derivative financial instruments	**10**	—
Exchange loss (gain), net	**480**	(8)
	347	2,606
Add:		
Finance costs	**3,419**	2,541
Income tax (credit)/expense	**(52)**	638
Depreciation and amortization	**4,289**	3,747
Adjusted EBITDA	**8,003**	9,532
Adjusted EBITDA Margin	**38.9%**	40.1%

Property, Plant and Equipment

Property, plant and equipment increased from RMB63,780 million as at 31 December 2017 to RMB71,000 million as at 31 December 2018. The significant increase is mainly attributable to the increase in the total installed capacity of solar-farms in GNE Group from 5,990 MW as at 31 December 2017 to 7,309 MW as at 31 December 2018 and expansion of polysilicon production capacity in Xinjiang.

Deposits, Prepayments and Other Non-current Assets and Contract Assets

Non-current portion for deposits, prepayments and other non-current assets and contract asset increased from RMB6,083 million as at 31 December 2017 to RMB7,964 million as at 31 December 2018.

Contract assets of RMB4,236 million represent unbilled tariff adjustment receivable (government subsidies) yet to obtain approval for registration into the subsidy catalogue. This item in amount of RMB1,836 million was included in “Deposit, prepayment and other non-current assets” in 2017.

The increase was mainly attributable to the increase in tariff adjustments expected to be received after twelve months because some solar farms were waiting for registration into the coming 8th batch or after of subsidies catalogue which is not yet open for registration.

Interests in Associates and Joint Ventures

Interests in associates and joint ventures increased when compared to 31 December 2017 mainly because of (1) further capital injection to Xinxin Finance Leasing Company Limited; (2) share of profit from Inner Mongolia Zhonghuan GCL Solar Material Co., Ltd. during the year; partially offset with (3) deemed disposal in Lamtex Holdings Limited due to share dilution.

Trade and Other Receivables

Trade and other receivables decreased from RMB14,537 million as at 31 December 2017 to RMB13,309 million as at 31 December 2018. The decrease was mainly due to decrease in bill receivables from solar material business; and partly offset by the overall increase in refundable value-added tax.

Trade and Other Payables

Trade and other payables increased from RMB19,592 million as at 31 December 2017 to RMB20,959 million as at 31 December 2018. The increase was mainly due to increase in non-trade related bill payable, partially offset with trade payables under solar material business.

Liquidity and Financial Resources

As at 31 December 2018, the total assets of the Group were about RMB112.5 billion, of which the aggregate restricted and unrestricted cash and bank balances amounted to approximately RMB10.8 billion. The bank and other interest received for the year ended 31 December 2018 was approximately RMB0.1 billion.

For the year ended 31 December 2018, the Group's main source of funding was cash generated from operating activities. The net cash from operating activities was RMB6.4 billion, compared with RMB9.0 billion in the corresponding period in 2017. The decrease is mainly attributable to the decrease in operating cash flow from solar material business.

For the year ended 31 December 2018, the net cash used in investing activities was approximately RMB12.7 billion (2017: RMB18.8 billion), primarily related to purchase of property, plant and equipment of approximately RMB10.9 billion (which was mainly attributable to GNE Group of approximately RMB8.2 billion).

For the year ended 31 December 2018, the net cash used in financing activities was approximately RMB0.4 billion (2017: net inflow RMB11.7 billion). This was mainly due to repayment of convertible bonds and notes and payables RMB4.9 billion, interest paid of RMB3.2 billion, partly offset by net proceeds of notes issuance of RMB3.2 billion from GNE Group and the net addition of bank and other borrowings of RMB2.9 billion. During the year, the Company paid in total of RMB67 million to Trustee to purchase 100,000,000 shares of the Company from the market pursuant to the Scheme. Also, the Company repurchased and cancelled 262,424,000 shares of its own ordinary shares at the total consideration of RMB163 million.

The Directors have given careful consideration to the going concern status of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately RMB23,058 million as at 31 December 2018 and the Group had cash and cash equivalents of RMB4,076 million against the Group's total borrowings (comprising bank and other borrowings, obligations under finance leases, notes, bonds payable, loan from a related company) amounted to approximately RMB62,588 million (including indebtedness directly associated with assets classified as held for sale of RMB873 million), out of which approximately RMB27,999 million will be due in the coming twelve months.

In order to improve liquidity, the Group continues to pay close attention in managing the Group's cash position and conducts on-going negotiations with banks to ensure that the existing facilities will be successfully renewed and additional banking facilities are obtained when necessary. The Directors are of the opinion that, taking into account the registered SCP and Corporate bonds that are available for issuance, undrawn banking, renewal of existing banking facilities, the Group's cash flow projection for the coming year, and the successful implementation of measures of GNE Group as described in Note 1 "Basis of Preparation" to the consolidated financial statements, the Group will have sufficient working capital to meet its cashflow requirements in the next twelve months. The Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

For detailed information, please refer to "Basis of Preparation" section of this report.

Indebtedness

Details of the Group's indebtedness are as follows:

	2018 ***RMB million***	2017 *RMB million*
Current liabilities		
Bank and other borrowings — due within one year	**25,288.8**	17,107.8
Obligations under finance leases — due within one year	**277.1**	740.9
Notes and bonds payables — due within one year	**984.4**	2,968.0
Convertible bonds payables — due within one year	**—**	1,765.3
Indebtedness directly associated with assets classified as held for sale	**873.0**	—
Loans from a related party — due within one year	**508.0**	—
	27,931.3	22,582.0
Non-current liabilities		
Bank and other borrowings — due after one year	**26,477.1**	32,857.1
Obligations under finance leases — due after one year	**951.3**	895.7
Notes and bonds payables — due after one year	**4,136.7**	1,861.4
Loans from a related party — due after one year	**3,091.8**	—
	34,656.9	35,614.2
Total indebtedness	**62,588.2**	58,196.2
Less: Pledged and restricted deposit and bank balances and cash (includes bank balances and cash classified as assets held for sale)	**(10,836.7)**	(15,580.1)
Net indebtedness	**51,751.5**	42,616.1

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

	2018	2017
	RMB million	*RMB million*
RMB	**53,364.2**	50,898.1
USD	**9,047.1**	6,178.3
EUR	**111.4**	125.6
JPY	**65.5**	68.6
HKD	**—**	925.6
	62,588.2	58,196.2

Below is a table showing the bank and other borrowing structure and maturity profile of the Group.

	2018	2017
	RMB million	*RMB million*
Secured	**40,330.5**	39,399.0
Unsecured	**11,435.4**	10,565.9
	51,765.9	49,964.9
Maturity profile of bank and other borrowings		
On demand or within one year	**25,288.9**	17,107.8
After one year but within two years	**4,617.5**	7,993.8
After two years but within five years	**10,723.8**	11,382.0
After five years	**11,135.7**	13,481.3
Group's total bank and other borrowings	**51,765.9**	49,964.9

Bank and other borrowings are denominated in the following currencies:

	2018	2017
	RMB million	*RMB million*
RMB	**46,289.6**	45,025.9
USD	**5,299.4**	4,813.4
EUR	**111.4**	125.6
JPY	**65.5**	—
	51,765.9	49,964.9

As at 31 December 2018, RMB bank and other borrowings carried floating interest rates with reference to the Benchmark Borrowing Rate of The People's Bank of China. USD bank and other borrowings carried interest rates with reference to the London Interbank Offer Rate.

The note payables bear interest at a rate of 4.15%–7.5% per annum (2017: 4.15%–7.5%) and the convertible bonds payables bear interest at a fixed rate of 0.75%–6.0% per annum in 2017.

Key Financial Ratios of the Group

	As at 31 December 2018	As at 31 December 2017
Current ratio	**0.54**	0.72
Quick ratio	**0.52**	0.69
Net debt to equity attributable to owners of the Company *(Note)*	**237%**	187.1%

Note:

As at 31 December 2018, the net debt of GNE was approximately RMB37,230 million (including the loans from fellow subsidiaries of RMB755 million) and the net debt to equity attributable to owners of GNE was 594.5%. For illustration purpose, if purely excluding GNE Group's net debt of RMB36,475 million (excluded the loans provided by the Group to GNE Group) and assuming the equity attributable to owners of the Company remains unchanged, the net debt to equity attributable to owners of the Company would be 69.4%.

Current ratio	=	Balance of current assets at the end of the year/balance of current liabilities at the end of the year
Quick ratio	=	(Balance of current assets at the end of the year - balance of inventories at the end of the year)/balance of current liabilities at the end of the year
Net debt to total equity attributable to owners of the Company	=	(Balance of total indebtedness at the end of the year - balance of bank balances, cash and pledged and restricted bank deposits at the end of the year)/balance of equity attributable to owners of the Company at the end of the year

Subsequent event update

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

As at 31 December 2018, the Group was not able to meet certain of the covenant requirements, primarily related to financial ratios of the Group, and thereby triggered the cross default clauses in several other bank borrowings. On discovery of the breach, the Directors informed the lenders and commenced renegotiations of the terms of the bank borrowings with the relevant banks and the waivers of strict compliance on the financial ratios have been obtained before the announcement date.

As at 31 December 2018, negotiations have not been concluded and the bank borrowings were classified as current liabilities as at 31 December 2018 as required by applicable accounting standard, despite the fact that waivers have been granted by the relevant banks and such bank borrowings will be due and repayable after 2019 in accordance with the original repayment terms.

On 27 March 2019, the Group obtained a waiver on a financial covenant ratio for the relevant bank borrowings. As part of an undertaking, the repayment schedule of such bank borrowings has been amended accordingly. The below condensed consolidated statement of financial position of the Group at 31 December 2018 is presented for illustrative purpose.

As at 31 December 2018	At 31 December 2108 *RMB'000*	Adjustments upon obtained waiver *RMB'000*	For illustrative purpose Adjusted financial position *RMB'000*
NON-CURRENT ASSETS			
Pledged and restricted bank deposits	935,469	6,000	941,469
Other non-current assets	84,683,693		84,683,693
	85,619,162		85,625,162
CURRENT ASSETS			
Pledged and restricted bank deposits	5,638,363	(6,000)	5,632,363
Bank balances and cash	4,075,791		4,075,791
Other current assets	17,160,448		17,160,448
	26,874,602		26,868,602
CURRENT LIABILITIES			
Bank and other borrowings — due within one year	25,288,840	(5,291,182)	19,997,658
Obligations under finance leases — due within one year	277,138		277,138
Notes and bonds payables — due within one year	984,453		984,453
Loans from related companies	508,000		508,000
Indebtedness directly associated with assets classified as held for sale	872,955		872,955
Other current liabilities	22,001,223		22,001,223
	49,932,609		44,641,427
NET CURRENT LIABILITIES	(23,058,007)		(17,772,825)
TOTAL ASSETS LESS CURRENT LIABILITIES	62,561,155		67,852,337
OTHER NON-CURRENT LIABILITIES			
Bank and other borrowings — due after one year	26,477,062	5,291,182	31,768,244
Obligations under finance leases — due after one year	951,261		951,261
Notes and bonds payables — due after one year	4,136,665		4,136,665
Loans from related companies	3,091,789		3,091,789
Other non-current liabilities	1,071,871		1,071,871
	35,728,648		41,019,830
NET ASSETS	26,832,507		26,832,507

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 Group will follow rules set out by the government strictly, and will pay close attention to policy makers in order to foresee any disadvantageous movements.

Credit Risk

Each major operating business of the Group has a policy of credit control in place under which credit evaluations of customers are performed on all customers requiring credit.

Credit risk on sales of polysilicon and wafer products is not significant as the major customers are listed entities with good repayment history. Credit risk of sales of electricity is also not significant as most of the revenue is obtained from the subsidiaries of State Grid Corporation of China (the "**State Grid**"). The State Grid is a state-owned enterprise in China, which possesses low default risk.

In order to minimize the credit risk, the Group reviews the recoverable amount of each individual trade receivables periodically to ensure that adequate expected credit losses are made.

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, GNE 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.

Risk associated with tariff

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

Risk related to high gearing ratio

The new energy business under the Group 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, GNE Group and the Group 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 the finance structure and lower its gearing ratio.

Risk related to interest rate

Interest risk may result from fluctuations in bank loan rates. Given GNE Group 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 capital expenditure and finance expenses of GNE Group, hence, affecting our operating results. Transformation into asset-light model in GNE Group is an effective way to reduce debts and interest rate exposure.

Foreign Currency Risk

Most of the Group's businesses are located in the PRC and the presentation currency of the consolidated financial statements of the Company is RMB. Substantially all of the Group's revenue, cost of sales and operating expenses are denominated in RMB, and the majority of the Group's assets and liabilities are denominated in RMB, while the rest are mainly denominated in US dollar and Hong Kong dollar. Any depreciation/appreciation of RMB against US dollar or any other foreign currencies may result in a change in value of the monetary assets and liabilities that are denominated in foreign currencies and affect the earnings and value of the net assets of the Group.

The Group continues to adopt a conservative approach on foreign exchange exposure management and ensure that its exposure to fluctuations in foreign exchange rates is minimised. The majority of the Group's borrowings are denominated in RMB. Foreign currency forward contracts will be utilised when it is considered as appropriate to hedge against foreign currency risk exposure.

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.

Pledge of Assets

As at 31 December 2018, the following assets were pledged for certain bank and other borrowings, obligations under finance leases, bills payable, short-term letters of credit for trade and other payables granted to the Group:

— Property, plant and equipment of RMB39.7 billion (31 December 2017: RMB38.0 billion)

— Prepaid lease payments of RMB0.4 billion (31 December 2017: RMB0.3 billion)

— Aircraft of RMB0.2 billion (31 December 2017: RMB0.2 billion)

— Trade receivable and contract assets of RMB9.8 billion (31 December 2017: RMB6.8 billion)

— Pledged and restricted bank deposits of RMB6.6 billion (31 December 2017: RMB4.9 billion)

— Deposit paid to a related company of RMB0.1 billion (31 December 2017: N/A)

Capital Commitments

As at 31 December 2018, the Group's capital commitments in respect of purchase of property, plant and equipment contracted for but not provided amounted to RMB2,893 million respectively (2017: RMB7,185 million).

Contingencies

Financial guarantees contracts

As at 31 December 2018 and 2017, the Company and certain of its subsidiaries guaranteed bank and other borrowings of certain subsidiaries of GNE which amounted to RMB2,971 million and RMB4,355 million, respectively.

Contingent liability

As at 31 December 2018 and 2017, the Group and the Company did not have any significant contingent liabilities.

Material Acquisitions and Disposals of Subsidiaries and/or Associated Companies

Acquisitions

For the year ended 31 December 2018, GNE 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 28 December 2018, the Group entered into a share transfer agreement with an independent third party to dispose of its entire 100% equity interest in Suzhou Kezhun at a consideration of RMB850,000,000.

On 9 February 2018, GNE 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. GNE 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 GNE 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 GNE 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 RMB119,155,000, respectively.

On 30 December 2018, GNE 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 GNE Group to China Three Gorges New Energy Company Limited for consideration in aggregate of RMB184,643,000. The wholly-owned subsidiaries of GNE 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 End of The Reporting Period

On 1 February 2019, GNE 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 ended.

On 28 March 2019, GNE Group announced to dispose first batch of 55% equity interests in approximately 280MW of its solar power plant projects to Wuling Power Corporation Ltd. ("**Wuling Power**"), a company under China Power Investment Corporation at the consideration of approximately RMB246 million. Details of the transaction are set out in GNE's announcements on the same date.

Employees

We consider our employees to be our most important resource. 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 including but not limited to discretionary bonuses, with share options granted to eligible employees.

DIVIDEND

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

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 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.

EXTRACT OF AUDITOR'S REPORT ON ANNUAL FINANCIAL INFORMATION FROM INDEPENDENT AUDITOR

The following is an extract of the auditor's report on the Group's financial information for the year ended 31 December 2018 from the independent auditor. The report includes particulars of the material uncertainty related to going concern without qualified opinion:

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 ("**IFRS Standards**") 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 the Group incurred a net loss of approximately RMB458 million during the year ended 31 December 2018, and as of that date, the Group's current liabilities exceeded its current assets by approximately RMB23,058 million, a portion of which is contributed by its non-wholly owned subsidiary, GCL New Energy Holdings Limited, whose shares are listed on The Stock Exchange of Hong Kong Limited, and whose current liabilities exceeded its current assets by approximately RMB11,241 million and which has entered into agreements to construct solar farms and inject capital to joint venture which will involve capital commitments of approximately RMB1,151 million. In addition, at 31 December 2018, the Group breached certain covenants in respect of bank borrowings in the amount of approximately RMB2,181 million as stipulated in the relevant loan agreements. Further, the breach of these covenant requirements have triggered the cross default clauses in several other bank borrowings of the Group totaling approximately RMB6,022 million. Subsequent to the end of the reporting period, the Group 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 clauses on the relevant bank borrowings are remedied. Notwithstanding this, accounting reclassification of long-term borrowings of approximately RMB6,012 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 as set forth in note 2 to the consolidated financial statements 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 on-going compliance with its 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 Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The aforesaid "note 2 to the consolidated financial statements" in the extract from the Auditor's Report is disclosed as note 1 to this Results Announcement.

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions as stipulated in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2018 save for the deviation from the following code provisions of the CG Code:

(i) CG Code provision A.6.7

Code provision A.6.7 stipulates that (including but not limited to) independent non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Two of our independent non-executive Directors were unable to attend the extraordinary general meeting of the Company held on 5 January 2018 due to other engagement.

(ii) CG Code provision E.1.2

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. Mr. Zhu Gongshan, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 28 May 2018 as he had to attend certain business abroad. Mr. Zhu had invited Mr. Yeung Man Chung, Charles, an executive Director, Chief Financial Officer and Company Secretary of the Company to attend and act as the chairman of such meeting.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting ("**AGM**") of the Company will be held on 12 June 2019. For details of the AGM, please refer to the notice of AGM which is expected to be published by the end of April 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 5 June 2019 to Wednesday, 12 June 2019, both days inclusive, during which period no transfer of shares of the Company will be effected and for the purpose of determining the identity of members who are entitled to attend and vote at the annual general meeting of the Company to be held on Wednesday, 12 June 2019. In order to be eligible to attend and vote at the annual general meeting, all completed share transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Tuesday, 4 June 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company announced on 15 July 2015 that it proposed to issue an aggregate principal amount of US$225 million of 0.75% convertible bonds due 2019 (the "**2019 Convertible Bonds**"), the issuance of which was completed on 22 July 2015. The 2019 Convertible Bonds was listed and quoted on the Singapore Stock Exchange with effect from 22 January 2016.

Thereafter, the Company entered into agreements with the bondholder to purchase each of US$50 million in the principal amount of the 2019 Convertible Bonds (the "**Repurchased Bonds**") at the purchase price of US$47,625,000 and US$49,375,000 in cash (the "**Partial Buy-back**") on 26 April 2016 and 7 April 2017, respectively. After the Partial Buyback, the Repurchased Bonds were cancelled by the Company and the principal amount of the 2019 Convertible Bonds which remains outstanding amounts to US$125 million. At 1 January 2018, the outstanding principal amount of the 2019 Convertible Bonds was US$125 million (the "**Outstanding 2019 Convertible Bonds**").

Pursuant to a notice delivered to the Company by the bondholders in accordance with the terms and conditions of the 2019 Convertible Bonds, the Company has completed the redemption of the 2019 Convertible Bonds in full in the aggregate principal amount of US$125,000,000 for a total redemption price of US$132,593,750 on 23 July 2018 ("**Full Redemption**") in cash. After Full Redemption, the Outstanding 2019 Convertible Bonds were cancelled by the Company.

During the year ended 31 December 2018, the trustee of the share award scheme pursuant to the trust deed and the share award scheme purchased an aggregate of 100,000,000 shares from the market at a total consideration of approximately HK$81,385,000.

During the year ended 31 December 2018, the Company bought-back 262,424,000 shares ("**Repurchased Shares**") at the total consideration of HK$196,578,810 (excluding commission fee and etc.) and at the highest and lowest prices of HK$0.78 and HK$0.67 per share respectively. The Repurchased Shares were cancelled thereafter.

Other than disclosed above, during the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has established its model code (the "**Code**") in terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Listing Rules. Having made specific inquires of all Directors, the Company has received from all Directors confirmations of compliance with the required standard as set out in the Code throughout the year ended 31 December 2018.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company (www.gcl-poly.com.hk) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2018 will be dispatched to shareholders of the Company and available on the above websites by the end of April 2019.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the audited financial statements of the Group for the year ended 31 December 2018.

GLOSSARY OF TERMS

"Board" or "Board of Directors"	our board of Directors
"China" or "PRC"	the People's Republic of China, for the purposes of this announcement, excludes Hong Kong and Macau Special Administrative Region of the PRC
"Company" or "GCL-Poly"	GCL-Poly Energy Holdings Limited

"Director(s)"	director(s) of the Company or any one of them
"GNE"	GCL New Energy Holdings Limited, a limited liability company incorporated in Bermuda with its shares listed in The Stock Exchange Hong Kong Limited (Stock Code: 451)
"GNE Group"	GNE and its subsidiaries
"Group"	the Company and its subsidiaries
"GW"	gigawatts
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MT"	metric tonnes
"MW"	megawatts
"MWh"	megawatt hour
"PV"	photovoltaic
"W"	watts

By order of the Board
GCL-Poly Energy Holdings Limited
Zhu Gongshan
Chairman

Hong Kong, 28 March 2019

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