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)

INTERIM RESULTS ANNOUNCEMENT FOR SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2019	2018	% of changes
	RMB'million	*RMB'million*	
	(Unaudited)	(Unaudited)	
Revenue	**10,001.8**	11,031.6	–9.3%
Gross profit	**2,354.2**	3,327.1	–29.2%
(Loss) profit for the period	**(751.4)**	563.5	–233.3%
(Loss) profit for the period attributable to owners of the Company	**(997.5)**	382.0	–361.1%

The basic loss per share and diluted loss per share for the six months ended 30 June 2019 were RMB5.51 cents (Six months ended 30 June 2018: earnings per share and diluted earnings per share of RMB2.08 cents).

Business segment operating results:

- Solar Material business resulted a loss of RMB1,311.0 million (Six months ended 30 June 2018: profit of RMB256.2 million).
- Segment result from New Energy business increased by 19.0% to profit of RMB554.1 million (Six months ended 30 June 2018: profit of RMB465.5 million).
- Segment result from Solar Farm business decreased by 6.6% to profit of RMB63.6 million (Six months ended 30 June 2018: profit of RMB68.1 million).

The board of directors (the "Board" or the "Directors") of GCL-Poly Energy Holdings Limited (the "Company" or "GCL-Poly") announces the unaudited condensed interim consolidated results of the Company and its subsidiaries (the "Group" or "GCL-Poly") for the six months ended 30 June 2019 together with the comparative figures for the corresponding period in the previous year as follows:

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

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
		2019	2018
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**10,001,835**	11,031,580
Cost of sales		**(7,647,662)**	(7,704,471)
Gross profit		**2,354,173**	3,327,109
Other income		**441,325**	386,762
Distribution and selling expenses		**(70,263)**	(51,126)
Administrative expenses		**(1,133,581)**	(861,401)
Finance costs		**(1,982,234)**	(1,589,997)
Impairment losses under expected credit loss model, net of reversal		**(12,574)**	148,293
Other expenses, gains and losses, net	*4*	**(457,720)**	(762,349)
Share of profits of associates		**140,625**	43,604
Share of (losses) profits of joint ventures		**(24,665)**	13,562
(Loss) profit before tax		**(744,914)**	654,457
Income tax expense	*5*	**(6,448)**	(90,936)
(Loss) profit for the period		**(751,362)**	563,521

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other comprehensive 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	**(17,738)**	(44,410)
Financial liabilities designated as at fair value through profit or loss attributable to changes in credit risk	**—**	(108)
	(17,738)	(44,518)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(1,242)**	9,171
Cumulative loss reclassified to profit or loss on sale of investments in debt instruments measured at fair value through other comprehensive income upon disposal	**3,540**	—
	2,298	9,171
Other comprehensive expense for the period	**(15,440)**	(35,347)
Total comprehensive (expense) income for the period	**(766,802)**	528,174

	NOTE	Six months ended 30 June **2019** ***RMB'000*** **(Unaudited)**	 2018 *RMB'000* (Unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		**(997,530)**	382,013
Non-controlling interests		**246,168**	181,508
		(751,362)	563,521
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(1,012,953)**	340,771
Non-controlling interests		**246,151**	187,403
		(766,802)	528,174
		RMB cents **(Unaudited)**	*RMB cents* (Unaudited)
(Loss) earnings per share	*8*		
Basic		**(5.51)**	2.08
Diluted		**(5.51)**	2.08

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	NOTES	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**66,643,155**	70,999,823
Right-of-use assets		**4,922,956**	—
Prepaid lease payments		—	1,106,622
Investment properties		**68,133**	70,460
Other intangible assets		**750,556**	801,307
Interests in associates		**2,269,780**	1,814,544
Interests in joint ventures		**769,948**	777,596
Other financial assets at fair value through profit or loss		**337,513**	315,918
Equity instruments at fair value through other comprehensive income		**73,510**	90,716
Convertible bonds receivable		**83,289**	76,001
Deferred tax assets		**332,913**	364,041
Deposits, prepayments and other non-current assets		**2,737,467**	3,727,632
Contract assets		**5,175,191**	4,236,405
Amounts due from related companies	*11*	**255,911**	302,628
Pledged and restricted bank deposits		**1,041,209**	935,469
		85,461,531	85,619,162
CURRENT ASSETS			
Inventories		**957,015**	992,027
Trade and other receivables	*9*	**14,901,129**	13,309,008
Amounts due from related companies	*11*	**785,552**	934,216
Prepaid lease payments		—	26,647
Other financial assets at fair value through profit or loss		**221,208**	220,328
Debt instruments at fair value through other comprehensive income		—	65,606
Held for trading investments		**69,822**	108,408
Tax recoverable		**30,089**	116,199
Pledged and restricted bank deposits		**7,219,041**	5,638,363
Bank balances and cash		**3,539,278**	4,075,791
		27,723,134	25,486,593
Assets classified as held for sale		—	1,388,009
		27,723,134	26,874,602

	NOTES	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	*10*	**20,675,340**	20,959,225
Amounts due to related companies	*11*	**480,768**	578,092
Loans from related companies	*12*	**626,121**	508,000
Contract liabilities		**167,938**	195,985
Bank and other borrowings — due within one year		**27,245,269**	25,288,840
Lease liabilities/obligations under finance leases — due within one year	*13*	**514,348**	277,138
Notes payables — due within one year		**1,551,465**	984,453
Derivative financial instruments		**32,468**	26,011
Deferred income		**54,149**	57,495
Tax payables		**163,905**	121,907
		51,511,771	48,997,146
Liabilities associated with assets classified as held for sale		**—**	935,463
		51,511,771	49,932,609
NET CURRENT LIABILITIES		**(23,788,637)**	(23,058,007)
TOTAL ASSETS LESS CURRENT LIABILITIES		**61,672,894**	62,561,155

	NOTES	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Contract liabilities		**189,201**	197,411
Loans from related companies	*12*	**3,469,371**	3,091,789
Bank and other borrowings — due after one year		**25,131,879**	26,477,062
Lease liabilities/obligations under finance leases — due after one year	*13*	**2,027,930**	951,261
Notes and bonds payables — due after one year		**3,418,630**	4,136,665
Deferred income		**662,085**	691,003
Deferred tax liabilities		**136,170**	183,457
		35,035,266	35,728,648
NET ASSETS		**26,637,628**	26,832,507
CAPITAL AND RESERVES			
Share capital		**1,742,850**	1,610,009
Reserves		**19,700,132**	20,255,547
Equity attributable to owners of the Company		**21,442,982**	21,865,556
Non-controlling interests		**5,194,646**	4,966,951
TOTAL EQUITY		**26,637,628**	26,832,507

NOTES:

1. BASIS OF PREPARATION

The unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The unaudited condensed interim consolidated financial statements do not include all the information required for a complete set of financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

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 RMB23,789 million as at 30 June 2019 and it has incurred a net loss of approximately RMB751 million for the six-month period then ended. The Group had cash and cash equivalents of approximately RMB3,539 million against the Group's total borrowings (comprising loans from related companies, bank and other borrowings, lease liabilities and notes and bonds payables) amounted to approximately RMB63,985 million, out of which approximately RMB29,937 million will be due in the coming twelve months.

Included in the Group's bank borrowings is a loan of approximately RMB1,358 million that the Group has not been able to meet a financial covenant as stipulated in the relevant loan agreement. The relevant bank borrowing is due after one year in accordance with the original repayment terms. In addition, the inability to respect the covenant requirement has triggered the cross default clauses in several other bank borrowings of approximately RMB6,418 million. Among this, approximately RMB3,404 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 consent from the relevant lender to waive the financial covenant concerned and not to demand for immediate repayment of the bank borrowing; and accordingly, the cross default clauses on the relevant bank borrowings are then remedied. Notwithstanding this, reclassification of long-term borrowings of approximately RMB4,762 million as current liabilities is still required at 30 June 2019 under applicable accounting standard because the bank waiver was obtained subsequent to the end of the reporting period. As a result, in the Group's unaudited condensed consolidated statement of financial position as at 30 June 2019, net current liabilities of approximately RMB23,789 million, rather than net current liabilities of approximately RMB19,027 million, were recorded.

GNE, whose shares are listed on the Stock Exchange, is a subsidiary of the Company. As at 30 June 2019, 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 RMB3,383 million. The Directors have noted the going concern status of GNE Group in preparing these unaudited condensed interim consolidated financial statements, in light of the fact that, GNE Group's current liabilities exceeded its current assets by approximately RMB11,296 million. In addition, as at 30 June 2019, GNE Group has entered into agreements to construct solar farms which will involve capital commitments of approximately RMB568 million. In the event that GNE Group is successful in expanding the investments in the existing solar farms in the coming twelve months from 30 June 2019, additional cash outflows will be required to settle further committed capital expenditure.

As at 30 June 2019, GNE Group's total borrowings comprising bank and other borrowings, lease liabilities, bonds and notes payables, loans from the Company and related companies amounted to approximately RMB42,279 million. The balance of approximately RMB11,322 million will be due in the coming twelve months from the end of the reporting period including bank borrowings of approximately RMB1,963 million, which shall be due after twelve months from the end of reporting period in accordance with the scheduled repayment dates as set out in the respective loan agreements but are reclassified to current liabilities as a result of the inability to respect a loan covenant by the Company, the guarantor of certain bank borrowings of GNE Group and thereby triggered the cross default of certain bank borrowings of GNE Group. GNE Group's pledged and restricted bank deposits and bank balances and cash amounted to approximately RMB2,019 million and RMB959 million as at 30 June 2019, respectively. The financial resources available to GNE Group as at 30 June 2019 and up to the date of approval of these unaudited condensed interim consolidated financial statements for issuance may not be sufficient to meet its financial obligations, including the above capital expenditure requirements. GNE Group is 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 30 June 2019. 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 30 June 2019.

In July 2018, 保利協鑫 (蘇州) 新能源有限公司 (GCL-Poly (Suzhou) New Energy Limited*, "GCL-Poly Suzhou") received a notice from the China Securities Regulatory Commission to accept its registration of a total amount of RMB1.5 billion corporate bonds. 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 2019, GCL-Poly Suzhou has been given AA+ rating. The Group intends to issue the corporate bonds as and when required to meet its funding needs. In view of the nature 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 unaudited condensed interim consolidated financial statements for issuance.

In June 2019, 江蘇中能硅業科技發展有限公司 (Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.*, "Jiangsu Zhongneng"), a non-wholly owned subsidiary of the Company, entered into a share transfer agreement with 徐州中平協鑫產業升級股權投資基金(有限合伙) (Xuzhou Zhongping GCL Industrial Upgrading Equity Investment Fund LLP*, "Zhongping GCL"), regarding the sale of its 31.5% equity interest in Xinjiang GCL New Energy Materials Technology Co., Limited ("Xinjiang GCL") to Zhongping GCL, for a consideration of approximately RMB2,491 million in cash. Further details of this sale are set out in the announcement of the Company dated 26 June 2019.

In addition, 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.

* English name for identification only

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

(i) Subsequent to 30 June 2019, GNE Group successfully obtained new borrowings of approximately RMB310 million from banks and other financial institutions in the People's Republic of China (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 and public offering bonds with an aggregate principal amount of not exceeding RMB3,000 million in Shenzhen Stock Exchange in the PRC before their expiry date in June 2020 and September 2020, respectively. 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. GNE Group is also negotiating with banks and other financial institutions for credit facilities;

(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;

(iv) On 22 May 2019, GNE Group entered into a series of seven share purchase agreements with 上海榕耀新能源有限公司 (Shanghai Rongyao New Energy Co., Ltd*), an independent third party, in which GNE Group is going to sell 70% equity interest in a number of subsidiaries of GNE Group of which these subsidiaries own 19 operational solar farms in the PRC with an aggregate installed capacity of approximately 977MW, for a consideration in aggregate of RMB1,740,616,700 (the "Disposal"). Pursuant to the Listing Rules, this transaction was considered as a major transaction of GNE, and it was subject to the approval by the shareholders of GNE in the special general meeting as well as the shareholders of the Company, in an extraordinary general meeting, respectively. Subsequent to the current interim period, this transaction was approved by the shareholders of GNE in the special general meeting, and also the shareholders of the Company in the extraordinary general meeting, respectively, on 19 July 2019. The Disposal is expected to complete in second half of 2019. Further details of the Disposal are set out in the circular of GNE to its shareholders dated 28 June 2019;

(v) On 3 June 2019, Elite Time Global Limited, a wholly-owned subsidiary of the Company, entered into a non-legal binding cooperation intent agreement with China Hua Neng Group Hong Kong Limited ("China Hua Neng"), a subsidiary of China Huaneng Group Co., Ltd., being a state-owned enterprise in the PRC, regarding the possible sale of 9,727,594,875 ordinary shares in the share capital of GNE, representing approximately 51% of the entire issued share capital of GNE as at the date of approval of these unaudited condensed interim consolidated financial statements for issuance. Upon the completion of the proposed transaction, China Hua Neng will become the controlling shareholder of GNE Group; and

(vi) GNE Group still owns 184 solar farms with an aggregate grid connected capacity of approximately 5.6GW upon completion of the Disposal. Those operational solar farms are expected to generate operating cash inflows to GNE Group within the coming twelve months from the date of these unaudited condensed interim consolidated financial statements.

* English name for identification only

Taking into account the registered corporate bonds that are available for issuance, proceeds from the sale of Xinjiang GCL, undrawn banking facilities, renewal of existing banking facilities, the Group's cash flow projections for the coming twelve months, 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. The Directors are satisfied that it is appropriate to prepare these unaudited condensed interim consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group 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 unaudited condensed interim consolidated financial statements for issuance is dependent on the Group's ability to generate adequate financing and operating cash flows and financing 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 unaudited condensed interim consolidated financial statements for issuance, 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 realisable values, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these unaudited condensed interim consolidated financial statements.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to IFRS Standards, the accounting policies and methods of computation used in the unaudited condensed interim consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2018.

Application of new and amendments to IFRS Standards

In the current interim period, the Group has applied, for the first time, the new and amendments to IFRS Standards issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's unaudited condensed interim consolidated financial statements.

Except for IFRS 16 *Leases* as described below, the application of the new and amendments to IFRS Standards in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed interim consolidated financial statements.

2.1 Impacts and changes in accounting policies on application of IFRS 16 Leases

The Group recognised additional lease liabilities of RMB1,470,026,000 and the related right-of-use assets of the same amount at 1 January 2019 by applying IFRS 16.C8(b)(ii) transition. When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.68%. The Group recognised lease liabilities of RMB2,542,278,000 at 30 June 2019 of which RMB1,373,161,000 is related to leases previously classified as operating leases at 1 January 2019.

3. SEGMENT INFORMATION

The Group's reportable and operating segments under IFRS 8 *Opearting Segment* 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.

Segment revenue and results

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

Six months ended 30 June 2019

	Solar Material business *RMB'000* (Unaudited)	Solar Farm business *RMB'000* (Unaudited)	New Energy business *RMB'000* (Unaudited) *(Note)*	Total *RMB'000* (Unaudited)
Segment revenue	**6,580,334**	**248,517**	**3,172,984**	**10,001,835**
Segment (loss) profit	**(1,311,006)**	**63,551**	**554,096**	**(693,359)**
Elimination of inter-segment profit				**(81,450)**
Unallocated income				**26,164**
Unallocated expenses				**(22,369)**
Gain on fair value change of convertible bonds receivable				**9,599**
Loss on fair value change of held for trading investments				**(17,197)**
Share of profit of an associate				**10,536**
Share of profits of joint ventures				**2,422**
Gain on fair value change of financial assets at fair value through profit or loss ("FVTPL")				**14,292**
Loss for the period				**(751,362)**

Six months ended 30 June 2018

	Solar Material business *RMB'000* (Unaudited)	Solar Farm business *RMB'000* (Unaudited)	New Energy business *RMB'000* (Unaudited) *(Note)*	Total *RMB'000* (Unaudited)
Segment revenue	8,064,124	263,271	2,704,185	11,031,580
Segment profit	256,189	68,118	465,478	789,785
Elimination of inter-segment profit				(65,700)
Unallocated income				27,637
Unallocated expenses				(49,848)
Loss on fair value change of convertible bonds receivable				(4,766)
Loss on fair value change of convertible bonds issued by the Company				(40,768)
Loss on fair value change of held for trading investments				(23,109)
Share of loss of an associate				(1,050)
Share of profits of joint ventures				5,775
Loss on deemed disposal of an associate				(77,894)
Gain on fair value change of FVTPL				3,459
Profit for the period				563,521

Note: The operating results of the New Energy business include allocated corporate expenses.

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 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, share of profits (losses) of certain interests in an associate and joint ventures, change in fair value of certain financial assets at FVTPL and loss on deemed disposal of an associate. This is the measure reported to the chief operating decision maker 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 segments:

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
Segment assets		
Solar Material business	**46,064,564**	45,991,159
Solar Farm business	**3,640,320**	3,653,291
New Energy business	**61,602,602**	61,109,942
Total segment assets	**111,307,486**	110,754,392
Other financial assets at FVTPL	**414,400**	391,925
Equity instruments at fair value through other comprehensive income ("FVTOCI")	**73,510**	90,716
Debt instruments at FVTOCI	**—**	65,606
Held for trading investments	**69,822**	108,408
Convertible bonds receivable	**83,289**	76,001
Interests in associates	**373,128**	362,286
Interests in joint ventures	**190,545**	98,728
Unallocated bank balances and cash	**607,637**	532,387
Unallocated corporate assets	**64,848**	13,315
Consolidated assets	**113,184,665**	112,493,764
Segment liabilities		
Solar Material business	**33,139,445**	32,286,905
Solar Farm business	**1,930,462**	1,994,059
New Energy business	**51,414,884**	51,339,150
Total segment liabilities	**86,484,791**	85,620,114
Unallocated corporate liabilities	**62,246**	41,143
Consolidated liabilities	**86,547,037**	85,661,257

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 certain other financial assets at FVTPL, equity instruments at FVIOCI, debt instruments at FVTOCI, held for trading investments, convertible bonds receivable and certain interests in associates and joint ventures) of the management companies and investment holdings companies; and

- All liabilities are allocated to operating segments, other than unallocated corporate liabilities of the management companies and investment holdings companies.

Disaggregation of revenue

Six months ended 30 June 2019

Segments	**Solar Material business** *RMB'000* **(Unaudited)**	**Solar Farm business** *RMB'000* **(Unaudited)**	**New Energy business** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
Types of goods or services				
Sales of wafer	**4,535,386**	**—**	**—**	**4,535,386**
Sales of electricity *(Note)*	**—**	**248,517**	**3,172,984**	**3,421,501**
Sales of polysilicon	**1,263,455**	**—**	**—**	**1,263,455**
Processing fees	**310,133**	**—**	**—**	**310,133**
Others (comprising the sales of silicon rods and ingots)	**471,360**	**—**	**—**	**471,360**
Total	**6,580,334**	**248,517**	**3,172,984**	**10,001,835**

Six months ended 30 June 2018

Segments	Solar material business *RMB'000* (Unaudited)	Solar farm business *RMB'000* (Unaudited)	New energy business *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Types of goods or services				
Sales of wafer	6,993,557	—	—	6,993,557
Sales of electricity *(Note)*	—	251,506	2,704,185	2,955,691
Sales of polysilicon	518,551	—	—	518,551
Processing fees	412,829	—	—	412,829
Others (comprising the sales of ingots and modules)	139,187	11,765	—	150,952
Total	8,064,124	263,271	2,704,185	11,031,580

Note: Sales of electricity included RMB2,081,860,000 (Six months ended 30 June 2018: RMB1,804,062,000) tariff adjustment received and receivable from the state grid companies in the PRC based on the prevailing nationwide government policies on renewable energy for solar farms.

4. OTHER EXPENSES, GAINS AND LOSSES, NET

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Research and development costs	**298,878**	356,710
Exchange loss, net	**6,997**	238,887
(Gain) loss on fair value change of convertible bonds receivable	**(9,599)**	4,766
Loss on fair value change of convertible bonds payables	**—**	44,656
Gain on fair value change of other financial assets at FVTPL	**(14,292)**	(32,112)
Loss on fair value change of held for trading investments	**17,197**	23,109
Loss on fair value change of derivative financial instruments	**6,457**	2,624
Impairment loss on property, plant and equipment *(Note)*	**280,000**	—
Loss on disposal of property, plant and equipment	**27,466**	3,641
Loss on deemed disposal of an associate	**—**	77,894
Bargain purchase from business combination	**(73,858)**	—
Impairment loss on goodwill	**—**	75,359
Gain on disposal of solar farm projects	**(46,263)**	(33,185)
Gain on disposal of joint ventures	**(35,263)**	—
	457,720	762,349

Note:

Due to continuing unfavourable market conditions during the current interim period, the polysilicon products faced a stronger than expected price pressure and the production plant of polysilicon within the solar material business segment incurred continuous loss during the six months ended 30 June 2019 and its financial performance is less satisfactory than expected. With the impairment indicators identified, the Directors conducted a review of the recoverable amounts of the property, plant and equipment of the relevant asset groups as at 30 June 2019 and determined that an impairment loss of approximately RMB280,000,000 on property, plant and equipment in relation to the production of polysilicon is recognised. The recoverable amounts of the relevant assets have been determined on the basis of value in use.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax ("EIT")		
Current tax	**84,155**	133,767
Overprovision in prior periods	**(39,642)**	(29,478)
PRC dividend withholding tax	**—**	34,663
	44,513	138,952
USA Federal and State Income Tax		
Current tax	**20**	236
Underprovision in prior periods	**2**	3
	22	239
Deferred tax	**(38,087)**	(48,255)
	6,448	90,936

6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss) profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	**2,186,081**	2,061,029
Depreciation of investment properties	**2,327**	2,327
Depreciation of right-of-use assets	**149,105**	—
Amortisation of prepaid lease payments	**—**	13,822
Amortisation of other intangible assets	**50,751**	48,160
Total depreciation and amortisation	**2,388,264**	2,125,338
Less: amounts absorbed in opening and closing inventories, net	**(44,496)**	(135,149)
	2,343,768	1,990,189
Less: amounts absorbed in inventories sold, including opening inventories	**(1,985,115)**	(1,769,567)
	358,653	220,622

7. DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2019 (Six months ended 30 June 2018: Nil).

8. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss) earnings for the purpose of basic (loss) earnings per share		
— (Loss) profit for the period attributable to owners of the Company	**(997,530)**	382,013
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	**—**	(545)
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(997,530)**	381,468

	Six months ended 30 June	
	2019	2018
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**18,115,551**	18,353,251
Effect of dilutive potential ordinary shares:		
— Share options issued by the Company	**—**	4,275
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**18,115,551**	18,357,526

For the six months ended 30 June 2019, the weighted average number of ordinary shares for the purpose of calculation of basic loss per share has been adjusted for the effect of 322,998,888 ordinary shares purchased by the Trustee from the market pursuant to the Share Award Scheme (the "Scheme").

For the six months ended 30 June 2018, the weighted average number of ordinary shares for the purpose of calculation of basic earnings per share has been adjusted for the effect of 322,998,888 ordinary shares purchased by the Trustee from the market pursuant to the Scheme and 232,424,000 shares repurchased by the Company during the period.

Diluted loss per share for the six months ended 30 June 2019 did not assume the exercise of share options granted by the Company and share options granted by GNE, since the exercise price of the relevant share options is higher than the share price of the respective entities for the six months ended 30 June 2019.

9. TRADE AND OTHER RECEIVABLES

The Group allows a credit period of approximately one month from the invoice date for trade receivables (excluding sales of electricity) and may further extend 3 to 6 months for settlement through bills issued by banks and financial institutions obtained from trade customers.

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

The following is an aged analysis of trade receivables (excluding sales of electricity and bills held by the Group for future settlement), net of allowances for credit losses, presented based on the invoice date at the end of the reporting period:

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**828,918**	573,358
3 to 6 months	**62,760**	20,365
Over 6 months	**113,194**	127,683
	1,004,872	721,406

The following is an aged analysis of trade receivables for sales of electricity (excluding bills held by the Group for future settlement), presented based on the invoice date at the end of the reporting period:

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unbilled *(Note)*	**3,449,503**	2,454,010
Within 3 months	**497,244**	337,718
3 to 6 months	**127,826**	252,612
Over 6 months	**734,025**	370,786
	4,808,598	3,415,126

Note:

The amount represents unbilled basic tariff receivables for solar farms operated by the Group, and tariff adjustment receivables of those solar farms already registered in the Catalogue. The Directors expect the unbilled tariff adjustments would be billed and settled within one year from the end of the reporting period.

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables (excluding bills presented by the Group for settlement and endorsed to bank with recourse) presented based on the invoice date at the end of the reporting period:

	As at 30 June 2019 *RMB'000* **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
Within 3 months	**2,033,046**	1,862,007
3 to 6 months	**1,765,531**	1,246,563
More than 6 months	**194,164**	126,690
	3,992,741	3,235,260

Note: The credit period for trade payables is within 3 to 6 months (31 December 2018: 3 to 6 months).

11. BALANCES WITH RELATED COMPANIES

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

	As at 30 June 2019 *RMB'000* **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
Within 3 months	**1,283**	163,249
3 to 6 months	**272**	399,286
More than 6 months	**431,280**	43,264
	432,835	605,799

Note: The amounts due from related companies (trade related) are unsecured, non-interest bearing and the credit period is normally within 30 days (31 December 2018: 30 days).

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:

	As at 30 June 2019 *RMB'000* **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
Within 3 months	**85,865**	341,761
3 to 6 months	**62,526**	69,350
More than 6 months	**122,141**	55,783
	270,532	466,894

Note: The amounts due to related companies (trade related) are unsecured, non-interest bearing and the credit period is normally within 30 days (31 December 2018: 30 days).

12. LOANS FROM RELATED COMPANIES

	As at 30 June 2019 *RMB'000* **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
Loans from:		
— an associate	**1,523,249**	1,621,949
— companies controlled by Mr. Zhu Gong Shan, the chairman of the Group, and his family members	**2,572,243**	1,977,840
	4,095,492	3,599,789
Analysis for reporting purpose as:		
— Current liabilities	**626,121**	508,000
— Non-current liabilities	**3,469,371**	3,091,789
	4,095,492	3,599,789

13. LEASE LIABILITIES/OBLIGATIONS UNDER FINANCE LEASE

As at 30 June 2019, the amount includes RMB1,373,161,000 of lease liabilities arising from the implementation of IFRS 16.

CHAIRMAN'S STATEMENT

Dear Shareholders,

The escalation of tension in global trading markets has sent shocks to the international financial markets since the beginning of 2019. The whole PV industry is again undergoing widespread instability due to sudden changes of solar policies in different countries. The external landscape is growing more and more intricate. However, in line with rising global temperature, record-breaking hot summers have been recorded in different places across the world. Therefore, solid demands have again become more prominent as grid-parity is realized in the end market for PV materials. We are delighted to see that the global demand is in steady rise in total. The market is becoming more evenly distributed globally. This brings the PV industry into a new phase of global innovation and relaunch. While the PRC, United States, India and other countries in Europe, the Americas and Asia contributed greatly to the growth of the global PV industry, emerging markets such as Mexico, Brazil, Saudi Arabia, Iran and Egypt are also bringing in new demands, making more pronounced the long tail effect in the development of the global PV market. **We believe that the year 2019 will be a key turning point for the PRC's PV production industry as it enters a phase of quality development, inaugurating a new era of grid-parity in the truest sense of the term.**

Following the drastic change in industry policy after May 31 2018, the PRC's PV manufacturing industry was in a reform phase marked by production capacity reconfiguration and elimination of low efficient capacities. Thankfully, in Q2 this year, NEA announced the Circular on the Construction of Wind and PV Power Generation Projects in 2019, specifying concrete policy agendas and laying out a series of practical details. It reaffirmed the fact that the PRC's PV industry already inaugurated a period of development characterized by market-led, unsubsidised quality enhancement and optimisation aiming for grid parity. As reforms of the energy industry are being rolled out at a faster pace, the ubiquity of energy and its interconnection with other material networks become more prominent as a new feature. We believe that these policies and reform trends bring about challenges as well as opportunities for leaping development. We adhere to the principle of sparing no good timing to pass and no opportunities as they arise. We use our best efforts to explore different practical modes of reform in different ways, making timely adjustment to our strategic layout at industry down cycle. **We believe that faced by the challenges from both the policy and the market, GCL-Poly has made solid efforts for adaptive preparation and transformative strategy anticipating our next round of robust development. We have become more resilient and stronger in our immunity.**

BUSINESS REVIEW FOR THE FIRST HALF OF 2019

During the first half of 2019, GCL-Poly's total production of polysilicon and wafer were 36,592 MT and 14,658 MW respectively. As of 30 June 2019, GCL-Poly recorded a revenue of RMB10,002 million, representing a decrease of 9.3% as compared with the same period in 2018; gross profit was approximately RMB2,354 million, representing a decrease of 29.2% as compared with the same period in 2018; losses from continuing operations attributable to owners of the Company amounted to approximately RMB998 million and basic loss per share were approximately RMB5.51 cents.

During the period, GNE's total PV installed capacity was approximately 7,182 MW, an increase of 0.6% as compared with that at the same period in 2018. Total revenue from PV power generation business was approximately RMB3,173 million, representing an increase of 17.3% as compared with the same period in 2018. Profit attributable to shareholders of the GNE Group amounted to approximately RMB410 million and basic earnings per share were approximately RMB2.15 cents.

Revamping Our Strategy and Repositioning Our Advantages

We believe that the PV production industry will continue to undergo structural adjustment, industry-wide reconfiguration, and faster rollouts of innovations in both technology and the business model. **To better grasp the new opportunities in historic development of the industry, GCL-Poly makes its best efforts, discerns opportunities and seize them as they arise, and reposition our multiple advantages.**

First of all, we are supported by the best R&D, production and sales team in the industry for silicon materials with access with to proprietary silicon materials technology developed over a decade's experience of stable production and operation of polysilicon materials and bolstered by the silicon-methane fluidized bed (FBR) technology team and equipment acquired from SunEdison in 2017; on the back of the low-cost silicon materials production bases in Xinjiang incubated in recent years, as well as the FBR production in Xuzhou which is capable of industrial-scale mass production, we firmly believe that our principal business of PV and higher-end semiconductor silicon materials can be conducted in a more refined manner with a higher level of industrialization and at lower cost; During the first half of 2019, the first phase of GCL-Poly Xinjiang's 60,000 ton polysilicon project ramped up to full capacity. With quality meeting world-class standards, its products are totally capable of fulfilling the corporate objective of replacing imported counterparts. In the future, while continuing to develop world-class polysilicon bases, we will also actively explore a diverse range of options in capital activities, and the possibility of asset reorganization to facilitate a return to the Mainland market for financing should not be ruled out.

Second, in ingot and wafer cutting, we insist on the dual-track development of both quasi-mono and mono wafer to maintain and expand our market share. In so doing, we can provide a more diversified product mix with better cost efficiency for our downstream customers. Our GCL-Poly quasi-mono wafer, a product of our dedicated in-house R&D effort for almost 8 years, has received strong market recognition upon its launch and been applied in scale as a mainstream wafer product. The Company has entered into sales agreements with a number of downstream customers and will increase its monthly shipment volume from the ten-million pieces to the hundred-million pieces in the second half of the year. As end-users' recognition of our quasi-mono wafers increases, our quasi-mono wafer capacity will increase to 10GW to satisfy the ever-growing market demands. Meanwhile, the Company has further deepened its cooperation with Zhonghuan, a leading mono-wafer producer, and raised the collaboration to the level of a strategic alliance for mutually complementary benefits. On the back of sound rapport and cooperation developed in previous periods, a 25GW mono-wafer production base will built, which will become the world's largest high-efficiency PV mono wafer production base upon completion. GCL-Poly will leverage this project to reinforce its competitiveness in mono wafer products and improve its product mix. In the meantime, the project will alleviate the undersupply of PV materials in the global market and fill the void of premium production capacity, making a major effort to drive grid parity for the global PV industry and enhance the competitiveness of solar energy in global energy transformation.

Once again, we are of the view that, in the era of grid parity, in order to improve module performance and reduce the production costs along the industry chain, we should put our hope in large-size wafers, in addition to resorting ongoing technological progress for higher efficiency in battery conversion. Larger sizes are helpful to enhance the absolute power output of module, as well as lowering the unit per watt production cost of cell and module. Currently, some manufacturers, notably GCL-Poly, are capable of mass production and supply of 210 mm quasi mono wafers. The performance of a PERC cell made of quasi mono wafers is similar to that of those based on mono wafer, with a difference of less than 0.2% in conversion efficiency. There are the advantages of lower oxygen content, lower LeTID, and a larger area. In terms of power output, quasi mono wafer is also comparable to mono wafer plus PERC, being capable of output at the same grade. At the dawn of the era of grid parity, the superior cost effectiveness of quasi mono wafers has been widely accepted and recognized by solar farms.

Full Optimisation of Asset Composition and Enhancement of Asset Value

GCL-Poly has also set the improvement of its debt asset structure by reducing the gearing ratio of the listed company to a reasonable and safe range as a main objective of the holding company. Our specific implementation plan is as follows: first, the goal of reducing debt and recouping cash flow at the holding company level has been swiftly achieved through the disposal of the incubate assets and assets from non-principal operations; **for example, the holding company announced the "agreement of potential disposal of approximately 51% of the entire issued share capital of GCL New Energy to China Huaneng Group" on 4 June 2019, with the aim of disposing of the controlling interests in GCL New Energy within the year to directly recoup the investment gain of the listed company and swiftly achieved the goal of debt reduction and deleveraging for the**

listed company. Second, through the investment of reusable assets in relevant industries or projects, the reusable value of existing assets has been realised for value preservation. During the first half of 2019, the Company announced "Joint Establishment of Investment Fund with Leshan Government", "Joint Establishment of Investment Funds with Xuzhou City Industrial Development Guidance Fund Co., Ltd.* (徐州市產業發展引導基金有限公司) and Xuzhou Economic and Technological Development Zone Jinlong Lake City Investment Co., Ltd.* (徐州經濟技術開發區金龍湖城市投資有限公司)" and **"Disposal of 31.5% Equity Interests in Xinjiang GCL" (as disclosed in the announcement, the consideration for the transaction is approximately RMB2.5 billion, which will recognize approximately RMB1.6 billion disposal gain (excluding any tax effect) for the Company); in an effort to expedite the introduction of capital to achieve our goals in corporate transformation and industry upgrade.** Moreover, the Company is in discussion with the Xuzhou Municipal Government on more intensive cooperation in capacity upgrade, involving a proposed transfer of fixed assets with a worth of not less than RMB3.5 billion to the cooperative project in further optimisation of its asset structure.

Subsidiary GCL New Energy announced during the first half of 2019 the disposal of controlling stakes in over 1GW solar energy plants to Wuling Electric and Shanghai Rongyao New Energy, respectively, to make turnovers for the company's capital, reduce its indebtedness and alleviate its project financing pressure while further increasing its rate of capital return.

Outlook

Energy is fundamental to national economy and social development. After the Eighteenth National Congress, General Secretary Xi Jinping proposed "Four Revolutions, One Cooperation" as the new strategy for energy security in the face of new changes to the energy supply and demand as well as global energy development trends. It represented an important inspiration for energy development in the new era and illuminated the direction for transitions from old to new forms of energy development. Under the guidance of this energy strategy, New Energy, including solar energy, will undergo even faster reforms in a bid to reach world-class standards, and has become a major impetus for the revolution in our energy production and consumption. **As a leading PV power generation company, GCL-Poly remains focused on Solar Material business by leveraging its existing advantages, satisfaction of market demand, energy technology innovation, energy conservation and emission reduction as well as introduction of highly efficient new products. Meanwhile, GCL-Poly will facilitate disposal of assets, introduce of new business and optimization of existing business by reusing existing assets and developing assets at incubation period with an aim to enhance asset value.**

In the past, cooperation, innovation and mutually beneficial engagement encouraged epoch-changing transitions of the solar energy industry. Cost has been greatly reduced while market application has become more and more variegated, as solar energy becomes more and more important in global energy sector. Consensus is being cemented that solar energy will become the most important alternative energy source in the near future.

Going forward, considering the global energy reform and upcoming energy development trends, there is great prospect for global solar energy industry. Having been through technological advancement, industry upgrade, market transformation and re-composition, the solar energy market will head into a new era with more strength, stability and order. Despite all possible difficulties and obstacles on the way of upgrade and development for the solar industry, we are firmly convinced that solidarity is the key to success. We are grateful for the kindred spirits who have fought and struggled in unison with GCL-Poly, and we shall continue our work cautiously and pro-actively at the same time, in high morale and great modesty. We aim high but remain down on earth. In unity we make greater ventures and overcome struggles.

Finally, I sincerely thank the Company's Board of Directors, management team and all staff for their hard work in the first half of 2019. I am deeply grateful to the Company's shareholders and partners for their powerful support.

CEO'S REVIEW OF OPERATIONS AND OUTLOOK

On behalf of the management of the Company, I hereby announce the following results achieved by GCL-Poly in the first half of 2019: as of 30 June 2019, GCL-Poly recorded revenue of RMB10,002 million, representing a 9.3% decrease as compared with the same period in 2018. Gross profit was approximately RMB2,354 million, representing a 29.2% decrease as compared with the same period in 2018. Loss attributable to shareholders of the Company amounted to approximately RMB998 million and basic loss per share was approximately RMB5.51 cents. In the first half of 2019, the Company completed a total production of 36,592MT of polysilicon, and a total production of 14,658MW wafer.

As of 30 June 2019, GNE's total grid-connected installed capacity was 7,182MW, an increase of 0.6% as compared with the same period of last year. In terms of results, GNE's total revenue in the first half of 2019 was approximately RMB3,173 million, up by 17.3% period on period. Profit attributable to shareholders of the GNE Group amounted to approximately RMB410 million and basic earnings per share were approximately RMB2.15 cents.

After reconfiguration of the industry and repositioning of the market, a key transitional phase has begun where product cycle turns over at a faster pace. GCL-Poly constantly reflects on its business practice and take proactive approaches to tackling its challenges. We ceaselessly seek breakthrough and pursue excellence. We optimize our assets and launch new products to enhance our competitiveness and secure our industry-leading position.

Capacities Released As Scheduled, Further Reducing Cost

GCL-Poly Xinjiang polysilicon base Phase I has ramped up its production by the first half of 2019, quickly increasing the capacity by 48,000T. With minimal capital expenditure, Xinjiang polysilicon's annual production capacity will quickly scale up to 60,000T. The Xinjiang polysilicon base will further reduce production cost and become a new growth driver for GCL-Poly. The product quality of the Xinjiang polysilicon base meets world-class standards and can satisfy the N-type materials which could be a perfect fit for the raw materials required for Continuous Czocharlski process (CCz). It will achieve multiple goals including low operating cost, high performance efficiency, high product quality, low carbon emission and high environmental efficiency with zero emission. In the future, it can replace imported products and GCL-Poly aims to obtain market share in the high-end market.

Planning Ahead to Seize Pricing Power, Quasi-mono Wafer to Increase Shipment Volume in Second Half of the Year

As the arrival of the grid-parity era raises the bar for the technological level and product quality required for the PV industry, the market is leaning on highly efficient products with lower cost. GCL-Poly timed the launch of its quasi-mono wafer products to this trend after almost 8 years of intense research as a highly competitive option for an ever-diversifying PV material market. Standing the trial of time, the quasi-mono wafer has gained recognition and appreciation from the market owing to its multiple strengths, including lower production cost, higher conversion efficiency, lower deterioration, more flexible sizing to satisfy customized designs, more concentrated distribution of electricity resistance, and high compatibility with the production of PREC cells.

Currently, major pricing information websites have already included quotations of the quasi-mono wafers, marking the quasi-mono wafer products' entry to the mainstream product catalogue. There remains substantial room for cost reduction for quasi-mono wafer. With increased production cost will be further lowered. As of the first half of 2019, GCL-Poly has already contracted with multiple manufacturers of downstream components. Product sales increased on a monthly basis. Gross profit margin from quasi-mono wafer products rose at a significant rate. A number of first-tier cell manufacturers have completed the rehaul of a number of quasi-mono wafer assembly lines. As end users' recognition of quasi-mono wafer products increases, the product could see its monthly shipment volume rise from the 10-million level to over the 100-million level in the second half of the year. The Company plans to ramp up its quasi-mono wafer capacity to 10GW within the year to satisfy the ever increasing market demand, and the economies of scale will further reduce our production cost.

Deepen Partnership with Leading Mono Wafer Player

Besides many years of intensive work in the polysilicon sector, GCL-Poly is also developing a strong presence in the mono wafer market. During the period, we forged closer partnership with Tianjin Zhonghuan by scaling up our strategic alliance and exploring our mutual complementarity. Based on our well-coordinated cooperation, we developed a closer relationship and expanded our mono ingot production base. The project will become the largest high-efficient PV mono ingot production base in the world after its completion. GCL-Poly will leverage on this to strengthen its competitiveness in mono wafer products and improve its product mix. Through our joint-investment and cooperation in the whole industry chain from polysilicon to wafer cutting, GCL-Poly and

Tianjin Zhonghuan obtained stronger authority and influence in the industry. Meanwhile, the project will also mitigate the supply shortage of PV materials in the global market and fill in the gap in quality production capacity. It will encourage grid-parity in the global PV industry and enhance the competitiveness of PV energy amid global energy restructuring.

Improving Balance Sheet and Increasing Cash Inflow

To better optimize our capital structure and revitalize our asset in an effort to encourage corporate transformation, GCL-Poly announced in late June the disposal of 31.5% of shareholding in Xinjiang GCL by its subsidiary Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd. ("Jiangsu Zhongneng") to Xuzhou Zhongping GCL Industrial Upgrading Equity Investment Fund LLP ("Xuzhou Fund"). This measure will significantly improve GCL-Poly's liquidity and profitability and reduce its gearing ratio, ensuring that corporate capital is expensed in the service of its business functions. In the future, Jiangsu Zhongneng's polysilicon production capacity can model itself after this transaction. We will consider to deconsolidate other assets through the Leshan Fund and help the Company's future development. Meanwhile, we actively forged strategic partnership with large state-owned enterprises. During the period, announcement was made on the proposed disposal of 51% of share capital in GNE to Hua Neng Group to further improve our gearing structure. The transaction is viewed as an example in expansion combined with reformed hybrid ownership in the energy sector, by which both parties will enjoy complementarity and synergy in terms of capital, resources, technology, policy, branding and personnel.

Reducing Gearing Ratio towards Asset Light Model, GNE's Diversified Development to Seize Market Opportunities

During the reporting period, GNE forged alliances with domestic and overseas enterprises and made accelerated progress in its business globalization. Diversified, innovative funding methods were adopted at the level of its domestic holding company and regional companies, with a particular focus on modes with high turnover and equity cooperation O&M services were also expanded in an effort to improve our asset structure and financing structure. During the period, GNE completed the disposal of domestic holding company and solar project companies. The disposal of the controlling shareholding for over 1GW Solar Farms to Wuling Electric and Shanghai Rongyao New Energy, respectively, was completed. Besides obtaining cash flow, debt was also off balance sheet, which reduced our indebtedness and alleviated the financing.

Outlook

Since the beginning of 2019, the PV industry has been in the course of recovery with active market demands. On 30 May 2019, NEA announced the Proposal of Construction Work for Photovoltaic Power Generation Projects in 2019, with a confirmed subsidy budgeted at RMB3 billion, clarifying the allocation mode and bidding scheme for competitive bidding projects and transitional measures from previous policies and related treatments were specified. The new policy reassured the market that the supportive stance of the government towards the PV industry remains unchanged. Subsidiary on the basis of a bidding mechanism could encourage technology innovations and elimination of low efficient capacity. Production cost will fall at a faster pace, promoting healthy and orderly development of the industry.

According to the latest statistics from the NEA, in the second half of 2019 the PRC's PV competitive bidding projects amounted to 22.8GW, with newly installed capacity at 40–45GW for the year. As non-subsidized projects mature, the domestic PV demand will boom in the second half of 2019 with grid-parity reaching a phase of explosive and intense development, seeing a new wave of demand. In the meantime, while overseas markets such as the US and Europe — traditional markets enter peak season shortly, emerging markets such as India, Turkey, Saudi Arabia, the Middle East, South America and Southeast Asia are in active growth as well. Prominent growth in demands from the overseas market is expected. The domestic and overseas markets will be benefited by these trends and create synergy to ramp up the PV industry chain. Annual installed capacity is expected to exceed 120GW for 2019.

The past year was the "darkness before dawn" for GCL-Poly with daybreak looming in the horizon. We will consolidate ourselves and become more in sync with the market rhythm as well as the new policies. Combining a series of strategic transformation and capital activities, we are committed to our goals of reducing cost and improving efficiency. We will strengthen our core businesses while expanding market share and improving competitiveness. We shall overcome our current hardship and see the fruition of our labor.

Finally, I would like to express my heartfelt gratitude to our management team and all the staff members of the Company for their efforts and hard work during the first half of the year. I also wish to extend my gratitude to our shareholders and business partners for their strong support to the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

2019 is a year to rectify. Solar product was affected by the issuance of Notice on Matters Related to Photovoltaic Power Generation ("531 PV New Policy") issued by the PRC government in 2018, its selling price in 2019 is still under pressure, the performance of Solar Material business was greatly impacted accordingly. Although the New Energy business contributed more profit during the period, this could not off set the loss from the Solar Material business.

Results of the Group

For the period ended 30 June 2019, the revenue and gross profit of the Group were approximately RMB10,002 million and RMB2,354 million, respectively, representing a decrease of 9.3% and 29.2% respectively as compared with approximately RMB11,032 million and RMB3,327 million in the corresponding period in 2018.

The Group recorded a loss attributable to the owners of the Company of approximately RMB998 million as compared to profit attributable to owners of the Company of approximately RMB382 million in 2018.

Placing of new shares

During the period under review, the Company placed 1,511,000,000 shares at a price of HK$0.45 per share, raising approximately RMB588 million after deducting placing commission and related expenses. The net proceeds have been used for repayment of borrowings.

Segment Information

The Group are reported on the three 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 GCL New Energy Holdings Limited ("GNE Group or 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 operations by business segments:

	Six months ended 30 June 2019			Six months ended 30 June 2018		
		Segment	**Adjusted**		Segment	Adjusted
	Revenue	**(loss) profit**	**EBITDA[3]**	Revenue	profit	EBITDA[3]
	RMB million	***RMB million***	***RMB million***	*RMB million*	*RMB million*	*RMB million*
Solar Material Business	**6,580**	**(1,311)**	**671**	8,065	256	1,979
Solar Farm Business	**249**	**64**	**218**	263	68	223
Corporate/intersegment transactions[1]	**N/A**	**N/A**	**21**	N/A	N/A	11
Sub-total	**6,829**	**(1,247)**	**910**	8,328	324	2,213
New Energy Business[2]	**3,173**	**554**	**2,885**	2,704	466	2,458
Total	**10,002**	**(693)**	**3,795**	11,032	790	4,671

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

2. The segment profit from operations of the New Energy business includes reported net profit of GNE Group of approximately RMB571 million (six months ended 30 June 2018: RMB489 million) and allocated corporate expenses of approximately RMB17 million (six months ended 30 June 2018: RMB23 million).

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

Business Structure

The Group owns 62.28% equity interest in GNE. GNE is a listed company in Hong Kong (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 30 June 2019 would be as follows:

	The Group *RMB million*	GNE Group *RMB million*	Deconsolidated adjustment (note) *RMB million*	The effect of De-consolidated GNE Group *RMB million*
Total assets	113,185	61,692	(5,316)	56,809
Total liabilities	86,547	51,503	(843)	35,887
Bank balances and cash, pledged and restricted bank deposits	11,800	2,970	—	8,830
Pledged deposit at related companies	142	8	—	134
Subtotal	**11,942**	**2,978**	**—**	**8,964**
Indebtedness				
Bank and other borrowings	52,377	33,582	—	18,795
Loan from fellow subsidiaries	—	481	(481)	—
Obligations under finance leases	1,169	—	—	1,169
Notes and bonds payables	4,971	3,976	—	995
Loan from related parties	4,095	2,977	—	1,118
Lease liabilities*	1,373	1,262	—	111
Subtotal	**63,985**	**42,278**	**(481)**	**22,188**
Net indebtedness (Post-IFRS 16 Basis)#	**52,043**	**39,300**	**(481)**	**13,224**
Net indebtedness (Pre-IFRS 16 Basis)#	**50,670**	**38,038**	**(481)**	**13,113**

Following the adoption of IFRS 16 on 1 January 2019, the Group has applied IFRS 16 basis in the current interim period ("Post-IFRS 16 basis"). In order to allow a like-for-like comparison with indebtedness amount for the previous report, a presentation with IAS 17 basis ("Pre-IFRS 16 basis") has been disclosed for illustrative purpose.

* Lease liability has been recognised as a result of implementation of IFRS 16, which were previously disclosed as operating lease commitments at Pre-IFRS 16 basis.

Deconsolidation 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 of RMB481,229,000.

As at 30 June 2019, the Company and certain subsidiaries of the Company guaranteed bank and other borrowings of certain subsidiaries of GNE amounted to RMB3,383 million.

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 30 June 2019, the annual production capacity of polysilicon of the Group's Xuzhou base remained at the level of 70,000 MT. Due to the Xinjiang base (phase 1) has started the production since the beginning of 2019, the Group's total production capacity increased by 48,000 MT to 118,000 MT during the period. During the six months ended 30 June 2019, the Group produced approximately 36,592 MT of polysilicon, representing an increase of 3.4% as compared to 35,374 MT for the corresponding period in 2018.

Wafer

As at 30 June 2019, the Group's annual wafer production capacity increase to 35 GW. During the six months ended 30 June 2019, the Group produced approximately 14,658 MW of wafers, representing an increase of 10.7% from 13,239 MW for the corresponding period in 2018.

Ingot Monosilicon ("quasi-mono wafer")

The Group has firmly implemented the strategy of developing both mono wafers and multi-wafers. At present, quasi-mono wafer is widely recognised in the market and large-scale applications of quais-mono wafer are available. The launch of new generation of "quasi-monno wafer G4" product is expected in the year. With numerous outstanding advantages of quasi-mono wafer, including low production cost, high conversion rate, low lumen depreciation, flexible size, great fulfilment of the requirement for customisation, more concentrated distribution of resistivity as well as production techniques of highly adaptable PERC solar cells, the quasi-mono wafer is widely recognised and highly recommended. Given the increase in production volume of ingot monosilicon, there is still an enormous room for cost reduction. As production cost will further decline significantly, such cost advantage will be more noticeable.

In addition, on-going scale expansion of production capacity of mono wafer and closer strategic alliance and cooperation with upstream and downstream manufacturers allow the Group to establish the largest production base of highly effective mono wafer for the solar energy in the world.

Sales Volume and Revenue

During the six months ended 30 June 2019, the Group sold 20,731 MT of polysilicon and 14,737 MW of wafers, representing an increase of 295.9% and 21.8% respectively, as compared with 5,237 MT of polysilicon and 12,098 MW of wafer for the corresponding period in 2018.

The average selling prices (excluding tax) of polysilicon and wafer were approximately RMB60.9 (equivalent to US$9.01) per kilogram and RMB0.423 (equivalent to US$0.062) per W respectively for the six months ended 30 June 2019. The corresponding average selling prices of polysilicon and wafer for the six months ended 30 June 2018 were approximately RMB99.0 (equivalent to US$15.4) per kilogram and RMB0.700 (equivalent to US$0.110) respectively.

Revenue from external customers of the Solar Materials business amounted to approximately RMB6,580 million for the period ended 30 June 2019, representing a decrease of 18.4% from RMB8,064 million for the corresponding period in 2018. 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 Result

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. Benefited from the decrease in cost of raw material, the commencement in production from Xinjiang factory and further increase in production volume, the overall manufacturing cost decreased. The Group will continue to push forward cost reduction and control measures.

Despite the increase in sales volume of polysilicon and wafer by 295.9% and 21.8% and the substantial decrease in manufacturing cost, average selling prices of polysilicon and wafers dropped by 38.5% and 39.6% respectively following the implementation of the 531 PV New Policy, resulting in Segment result of the Solar Material business decreased to a loss of RMB1,311 million for the period ended 30 June 2019 from a profit of RMB256 million for the period ended 30 June 2018. Significant decrease in performance of Solar Material business.

Solar Farm Business

Overseas Solar Farms

As at 30 June 2019, 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 30 June 2019, 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 six month ended 30 June 2019, the electricity sales volume of Solar Farm business in overseas and the PRC were 14,413 MWh and 246,999 MWh respectively (2018: 16,236 MWh and 253,623 MWh, respectively).

For the six month ended 30 June 2019, revenue for Solar Farm business was approximately RMB249 million (2018: RMB263 million).

New Energy Business

As at 30 June 2019, the aggregated installed capacity of GNE Group was 7,182 MW (31 December 2018: 7,309 MW). Details of capacity, electricity sales volume and revenue for the six months ended 30 June 2019 are set out below.

Subsidiaries by provinces	Tariff Zones	Number of solar power farm	Aggregate Installed Capacity[(1)]	Grid-connected Capacity[(1)]	Electricity Sales Volume	Average Tariff (Net of Tax)	Revenue
			(MW)	*(MW)*	*(million kWh)*	*(RMB/kWh)*	*(RMB million)*
Inner Mongolia	1	11	358	358	335	0.75	252
Ningxia	1	6	233	233	165	0.72	118
Qinghai	1	3	107	107	82	0.83	68
Xinjiang	1	2	81	81	61	0.67	41
	Zone 1	**22**	**779**	**779**	**643**	**0.75**	**479**
Shaanxi	2	18	1,018	1,018	737	0.71	521
Yunnan	2	8	279	272	193	0.60	116
Hebei	2	5	255	255	187	0.72	135
Qinghai	2	6	179	179	123	0.68	84
Shanxi	2	1	107	107	65	0.87	57
Sichuan	2	2	85	85	73	0.78	57
Jilin	2	4	51	51	44	0.76	33
Liaoning	2	3	47	47	33	0.71	24
Xinjiang	2	2	47	47	31	0.75	23
Gansu	2	2	39	39	25	0.70	18
Inner Mongolia[(4)]	2	—	—	—	46	0.65	30
	Zone 2	**51**	**2,107**	**2,100**	**1,577**	**0.70**	**1,098**
Henan	3	14	584	584	396	0.74	291
Jiangsu	3	41	565	565	326	0.77	252
Anhui	3	12	410	410	241	0.83	200
Shanxi	3	9	405	405	282	0.69	194
Guizhou	3	6	234	221	107	0.81	86
Hebei	3	9	230	230	159	0.89	142
Shandong	3	7	220	220	149	0.76	113
Guangdong	3	8	219	112	53	0.81	43
Jiangxi	3	5	192	192	76	0.98	74
Hubei	3	4	165	165	99	0.83	82
Guangxi	3	3	160	157	57	0.79	45
Hunan	3	5	101	101	37	0.86	32
Hainan	3	3	80	75	46	0.84	39
Zhejiang	3	3	62	62	25	1.19	30
Fujian	3	3	55	46	16	0.79	13
Shanghai	3	1	7	7	3	1.28	4
Shaanxi	3	1	6	6	3	0.66	2
	Zone 3	**134**	**3,695**	**3,558**	**2,075**	**0.79**	**1,642**
Subtotal		**207**	**6,581**	**6,437**	**4,275**	**0.75**	**3,219**
Japan		1	4	4	2	2.23	4
US		2	134	134	100	0.39	39
Total of Subsidiaries		**210**	**6,719**	**6,575**	**4,377**	**0.74**	**3,262**

Subsidiaries by provinces	Tariff Zones	Number of solar power farm	Aggregate Installed Capacity[1]	Grid-connected Capacity[1]	Electricity Sales Volume	Average Tariff (Net of Tax)	Revenue
			(MW)	*(MW)*	*(million kWh)*	*(RMB/kWh)*	*(RMB million)*
Joint ventures/associates[2]							
PRC		5	458	458	197	0.83	164
Japan		3	5	5	3	2.15	7
Total		**218**	**7,182**	**7,038**	**4,577**	**0.75**	**3,433**

	Revenue *(RMB million)*
Representing:	
Electricity sales	1,260
Tariff adjustment — government subsidies received and receivables	2,002
Total of subsidiaries	3,262
Less: effect of discounting tariff adjustment to present value[3]	(89)
Total revenue of GNE Group	3,173

(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 were accounted for under "Share of (losses)/profits of joint ventures" or "Share of profits of associates" in the consolidated statement of profit and loss and other comprehensive income.

(3) Certain portion of the tariff adjustment (government subsidies) receivables will be recovered after twelve months from the reporting date. The tariff adjustment receivables are discounted at an effective interest rate ranging from 2.48% to 2.98% per annum.

(4) The subsidiaries were disposed of during the period ended 30 June 2019.

Most of the Solar farms of the GNE 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 of trade receivables was minimal and no provision for impairment was considered necessary for the six months period ended 30 June 2019 and for the year ended 31 December 2018.

Revenue

During the six months ended 30 June 2019, the revenue of GNE Group comprised sales of electricity and related tariff adjustment (i.e. government subsidies) amounting to approximately RMB3,262 million (2018: RMB2,779 million), net of effect of discounting the tariff adjustment to its present value of approximately RMB89 million (2018: RMB75 million). The significant increase in revenue was mainly attributable to the increase in sales of electricity of the solar power farms by 22% as a result of intensive developments of solar power plants in 2018 and full grid-connected capacity in 2019. The average tariff (net of tax) for the PRC was approximately RMB0.74/kWh (2018: RMB0.76/kWh). The decrease in average tariff was mainly due to the tariff cut introduced by the government adopted from 1 July 2018 and competitive bidding tariff for some of our projects.

In terms of revenue generated by tariff zone from the PRC for the six months ended 30 June 2019, approximately 15%, 34% and 51% of revenue were generated from zone 1, zone 2 and zone 3 respectively (2018: 17% for zone 1, 28% 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 six months ended 30 June 2019 was 67.5%, as compared to 68.7% for the six months ended 30 June 2018. The slight decrease in gross margin was mainly due to tariff cut introduced by the government for the projects connected to the grid after 30 June 2018.

The cost of sales mainly consisted of depreciation, which accounted for 85.9% (2018: 83.2%) of cost of sales, with the remaining costs being operation and maintenance costs of solar farm.

Financial resources of GNE Group

The net cash from operating activities during the six months ended 30 June 2019 was RMB1,009 million, representing a 214% increase from RMB321 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 farms registered to the 7th batch of subsidy catalogue.

The net cash used in investing activities during the six months ended 30 June 2019 primarily arose from payments and deposit paid for the acquisition and development of solar power farm projects.

For the six months ended 30 June 2019, GNE Group's main source of funding was cash generated from financing activities amounting to RMB700 million, which mainly included the net effect of (1) newly raised bank and other borrowings of RMB4,227 million, (2) proceeds from loans from related parties of RMB604 million, (3) repayment of bank and other borrowings of RMB2,661 million and (4) interest payment of RMB1,351 million.

Outlook

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

Financial Review

Revenue

Revenue for the six months ended 30 June 2019 amounted to approximately RMB10,002 million, representing a decrease of 9.3% as compared with approximately RMB11,032 million for the corresponding period in 2018. The decrease was mainly affected by downward average selling price adjustment for wafer products, which lead to a significantly drop in revenue in Solar Material business, partly offset by 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 six month ended 30 June 2019 was 23.5%, as compared with 30.2% for the corresponding period in 2018.

Gross profit margin for the Solar Material business decreased from 16.2% for the six months ended 30 June 2018 to 0.9% for the six months ended 30 June 2019. 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 54.1% for the period ended 30 June 2019, 1.4 percentage points lower than the corresponding period in 2018.

The gross profit margin for the New Energy business was 67.5% for the six month ended 30 June 2019 and 68.7% for the corresponding period in 2018. The decrease in gross profit margin was mainly due to the tariff cut for the projects connected to the grid after 30 June 2018.

Other Income

For the six months ended 30 June 2019, other income mainly comprised bank and other interest income and interest arising from contracts containing significant financing components of approximately RMB128 million (six months ended 30 June 2018: RMB115 million), sales of scrap materials of approximately RMB78 million (six months ended 30 June 2018: RMB95 million), forfeitures of deposits from customers of approximately RMB73 million (six months ended 30 June 2018: nil), government grants of approximately RMB69 million (six months ended 30 June 2018: RMB113 million), and management and consultancy fee income of approximately RMB53 million (six months ended 30 June 2018: RMB6 million).

Distribution and Selling Expenses

Distribution and selling expenses increased from approximately RMB51 million for the six- month period ended 30 June 2018 to approximately RMB70 million for the six month period ended 30 June 2019.

Administrative Expenses

Administrative expenses amounted to approximately RMB1,134 million for the six-month period ended 30 June 2019, representing an increase of 31.7% from approximately RMB861 million for the corresponding period in 2018. Increase in administrative expenses was primarily due to less cost capitalised after commencement of operations from power plants of New Energy business during the period.

Other Expenses, Gains and Losses, Net

The other expenses, the gains and losses, net represents net expenses of approximately RMB458 million for the six-month period ended 30 June 2019 (six month period ended 30 June 2018: net expenses of approximately RMB762 million). The net expenses for the current period mainly comprises of impairment loss on property, plant and equipment of approximately RMB280 million (six month period ended 30 June 2018: nil), research and development costs of approximately RMB299 million (six month period ended 30 June 2018: RMB357 million), loss on disposal of property, plant and equipment of RMB27 million (six month period ended 30 June 2018: RMB4 million), loss on fair value change of held for trading investments of RMB17 million (six month period ended 30 June 2018: RMB23 million), net exchange loss of approximately RMB7 million (six month period ended 30 June 2018: RMB239 million), gain on disposal of solar farm projects and joint ventures of approximately RMB82 million (six month period ended 30 June 2018: RMB33 million), bargain purchase from business combination of approximately RMB74 million (six month ended 30 June 2018: nil), and gain on fair value change of other financial assets at fair value through profit or loss of approximately RMB14 million (six month period ended 30 June 2018: RMB32 million).

Finance Costs

Finance costs for the six-month period ended 30 June 2019 were approximately RMB1,982 million, increased by 24.7% as compared to approximately RMB1,590 million for the corresponding period in 2018. Increase was mainly related to less expenses being capitalized and the higher average borrowing balance from GNE Group during the period.

Share of Results of Associates and Joint Ventures

The Group's share of profit of associates for the six-month period ended 30 June 2019 was approximately RMB141 million, mainly contributed by an associate, Inner Mongolia Zhonghuan — GCL Solar Material Co., Ltd.* ("Mongolia Zhonghuan — GCL") (內蒙古中環協鑫光伏材料有限公司).

The Group's share of loss of joint ventures for the six-month period ended 30 June 2019 was approximately RMB25 million, mainly contributed by the share of loss from "江蘇鑫華半導體材料科技有限公司", partly offset by the contribution of joint venture in South Africa.

Income Tax Expense

Income tax expense for the six-month period ended 30 June 2019 was approximately RMB6 million, representing a decrease of 93.4% as compared with approximately RMB91 million for the corresponding period in 2018. A decrease was mainly due to the loss from the Solar Material business being recorded in the first half of 2019.

(Loss) Profit attributable to Owners of the Company

Loss attributable to owners of the Company amounted to approximately RMB998 million for the six-month period ended 30 June 2019 as compared with a profit of approximately RMB382 million for the corresponding period in 2018. Loss for the period was mainly due to the loss arising from Solar Material business during the period, which was partially offset by the increase in profit contributed by the New Energy business.

Adjusted EBITDA and Adjusted EBITDA Margin

	2019 **RMB million**	2018 RMB million
For the period ended 30 June:		
(Loss) profit for the period	**(751)**	564
Adjust for non-operating or non-recurring items:		
Impairment loss of property, plant and equipment	**280**	—
(Gain) loss on fair value change of convertible bonds receivable	**(9)**	5
Loss on fair value change of convertible bonds payables	—	45
Loss on fair value change of held for trading investments	**17**	23
Loss on deemed disposal of an associate	—	78
Impairment loss on goodwill	—	75
Bargaining purchase from business combination	**(74)**	—
Gain on fair value change of other financial assets at fair value through profit or loss	**(14)**	(32)
Loss on fair value change of derivative financial instruments, net	**7**	3
Exchange losses (gains), net	**7**	239
	(537)	1,000
Add:		
Finance costs	**1,982**	1,590
Income tax expense	**6**	91
Depreciation and amortisation	**2,344**	1,990
Adjusted EBITDA	**3,795**	4,671
Adjusted EBITDA Margin	**37.9%**	42.3%

Note 1: As the impact on rental expenses from pre-IFRS 16 basis is immaterial, the pre-IFRS 16 basis's EBITDA will not be disclosed.

Property, Plant and Equipment

Property, plant and equipment decreased from RMB71,000 million as at 31 December 2018 to RMB66,643 million as at 30 June 2019. Decrease in property, plant and equipment was mainly attributable to decrease from GNE Group and increase in depreciation and impairment during the period. In addition, certain property, plant and equipment was reclassified to right-of-use after the implementation of IFRS 16.

Deposits, Prepayments and Other Non-current Assets

Non-current portion for deposits, prepayments and other non-current assets decreased from RMB3,728 million as at 31 December 2018 to RMB2,737 million as at 30 June 2019. The is due to decrease in refundable value-added tax and decrease in deposit paid for EPC contracts and constructions.

Right-of-use Assets

The Group has applied IFRS 16 and recognized right-of-use assets since 1 January 2019. As at 30 June 2019, the right-of-use assets amounted to RMB4,923 million (31 December 2018: Nil).

Contract Assets

Contract assets primarily relate to the portion of tariff adjustments for the electricity sold to the local state grid companies in the PRC in which the relevant on-grid solar power plants are still pending for registration to the Catalogue. Any amount previously recognized as contract assets is reclassified to trade receivables at the point at which it is registered in the subsidy Catalogue.

Contract assets were increased from RMB4,236 million as at 31 December 2018 to RMB5,175 million as at 30 June 2019, because some solar farms were waiting for registration in the coming 8th batch or after of Subsidy Catalogue which is not yet open for registration.

Interests in Associates

Interests in associates increased when compared to 31 December 2018 mainly because of increase in profit contribution from Mongolia Zhonghuan — GCL during the period.

Trade and Other Receivables

Trade and other receivables increased from RMB13,309 million as at 31 December 2018 to RMB14,901 million as at 30 June 2019. The increase was mainly due to an increase in unbilled tariff adjustment receivables on electricity under GNE group; and partly offset by a decrease in bank bills receivable.

Trade and Other Payables

Trade and other payables decreased from RMB20,959 million as at 31 December 2018 to RMB20,675 million as at 30 June 2019. The decrease was mainly due to significant decrease in construction payables during the period.

Liquidity and Financial Resources

As at 30 June 2019, the total assets of the Group were about RMB113.2 billion, of which the aggregate restricted and unrestricted cash and bank balances amounted to approximately RMB11.9 billion. The bank and other interest received for the six months ended 30 June 2019 was approximately RMB0.8 billion.

For the six months ended 30 June 2019, the Group's main source of funding was cash generated from operating activities. The net cash from operating activities was RMB4.2 billion, compared with RMB1.8 billion in the corresponding period in 2018. The increase is mainly attributable to the increase in working capital from Solar Material business and GNE.

For the period ended 30 June 2019, the net cash used in investing activities was approximately RMB4.1 billion (six months ended 30 June 2018: RMB6.4 billion), primarily related to purchase of property, plant and equipment of approximately RMB2.8 billion, which was mainly attributable to GNE Group of approximately RMB2.6 billion and increase in pledged and restricted bank deposits of RMB1.7 billion.

For the six months ended 30 June 2019, the net cash used in financing activities was approximately RMB0.6 billion (six months ended 30 June 2018: net inflow RMB1.9 billion). The cash used mainly related to interest paid of RMB1.7 billion, partly offset by net proceeds of placing of new shares of RMB0.6 billion from the Company and cash inflow from net of new bank loans and repayment of RMB0.2 billion.

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 RMB23,789 million as at 30 June 2019 and the Group had cash and cash equivalents of RMB3,539 million against the Group's total borrowings (comprising bank and other borrowings, obligations under finance leases, notes, bonds payable and loan from a related company) amounted to approximately RMB63,985 million. For the remaining balance of the Group's total borrowings, approximately RMB29,937 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 short-term commercial paper 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 condensed 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 condensed consolidated financial statements on a going concern basis.

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

Indebtedness

	As at 30 June 2019	As at 31 December 2018
	RMB Million	*RMB Million*
Current liabilities		
Bank and other borrowings — due within one year	**27,245.3**	25,288.8
Obligations under finance leases — due within one year	**401.3**	277.1
Notes payables — due within one year	**1,551.5**	984.4
Indebtedness associated with assets classified as held for sale	**—**	873.0
Loans from related parties — due within one year	**626.1**	508.0
	29,824.1	27,931.3
Lease liabilities — due within one year	**113.1**	—
	29,937.2	27,931.3

	As at 30 June 2019 RMB Million	As at 31 December 2018 RMB Million
Non-current liabilities		
Bank and other borrowings — due after one year	**25,131.9**	26,477.1
Obligations under finance leases — due after one year	**767.9**	951.3
Notes and bonds payables — due after one year	**3,418.6**	4,136.7
Loans from related parties — due after one year	**3,469.4**	3,091.8
	32,787.8	34,656.9
Lease liabilities — due after one year	**1,260.0**	—
	34,047.8	34,656.9
Total indebtedness	**63,985.0**	62,588.2
Less: Pledged and restricted bank deposits and bank balances and cash (including bank balances and cash classified as assets held for sale)	**(11,941.6)**	(10,836.7)
Net indebtedness (Post-IFRS 16 Basis)	**52,043.4**	51,751.9
Net indebtedness (Pre-IFRS 16 Basis)	**50,670.3**	51,751.9

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

	As at 30 June 2019 RMB Million	As at 31 December 2018 RMB Million
RMB	**55,146.7**	53,364.2
USD	**8,301.0**	9,047.1
EUR	**106.0**	111.4
JPY	**65.3**	65.5
HKD	**366.0**	—
	63,985.0	62,588.2

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

	As at 30 June 2019 RMB Million	As at 31 December 2018 RMB Million
Secured	**42,961.2**	40,330.5
Unsecured	**9,416.0**	11,435.4
	52,377.2	51,765.9
Maturity profile of bank and other borrowings		
On demand or within one year	**24,434.5**	25,288.9
After one year but within two years	**6,600.0**	4,617.5
After two years but within five years	**13,545.0**	10,723.8
After five years	**7,797.7**	11,135.7
Group's total bank and other borrowings	**52,377.2**	51,765.9

Bank and other borrowings are denominated in the following currencies:

	As at 30 June 2019 RMB Million	As at 31 December 2018 RMB Million
HKD	**366.0**	—
RMB	**47,255.3**	46,341.8
USD	**4,587.0**	5,247.2
EUR	**103.6**	111.4
JPY	**65.3**	65.5
	52,377.2	51,765.9

As at 30 June 2019, 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 notes payables bear interest at a rate of 4.15%–7.5% per annum (31 December 2018: 4.15%–7.5%).

Key Financial Ratios of the Group

	As at 30 June 2019	As at 31 December 2018
Current ratio	**0.54**	0.54
Quick ratio	**0.52**	0.52
Net debt to equity attributable to owners of the Company (Post-IFRS 16 basis) *(Note)*	**242.7%**	236.7%
Net debt to equity attributable to owners of the Company (Pre-IFRS 16 basis)	**236.3%**	236.7%

Note:

As at 30 June 2019, the net debt of GNE was approximately RMB39,300 million and the net debt to equity attributable to owners of GNE was 600.3%. For illustration purpose, if purely excluding GNE Group's net debt of RMB38,819 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 (Post-IFRS 16 basis) 61.7%.

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

Subsequent event update

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

As at 30 June 2019, the Group was not able to meet a financial covenant requirement as stipulated in the relevant loan agreement, and thereby triggered the cross default clauses in several other bank borrowings. On discovery of the breach, the Directors informed the lender and commenced renegotiations of the terms of the bank borrowing with the relevant bank and the waiver of strict compliance on the financial ratio has been obtained before the announcement date.

As at 30 June 2019, negotiations have not been concluded and the bank borrowing was classified as current liabilities as at 30 June 2019 under applicable accounting standards, despite the fact that waiver has been granted by the relevant bank and such bank borrowings will be due and repayable after 1 July 2019 in accordance with the repayment terms.

On 1 August 2019, the Group obtained waivers on financial covenant ratios for the relevant bank borrowings. As part of an undertaking, the repayment schedules of such bank borrowing have been amended accordingly. The below condensed consolidated statement of financial position of the Group at 30 June 2019 is presented for illustrative purpose.

	At 30 June 2019	Adjustments upon obtained waiver	For illustrative purpose adjusted financial position
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Pledged and restricted bank deposits	1,041,209	3,319	1,044,528
Other non-current assets	84,420,322		84,420,322
	85,461,531		85,464,850
CURRENT ASSETS			
Pledged and restricted bank deposits	7,219,041	(3,319)	7,215,722
Bank balances and cash	3,539,279		3,539,279
Other current assets	16,964,814		16,964,814
	27,723,134		27,719,815
CURRENT LIABILITIES			
Bank and other borrowings — due within one year	27,245,269	(4,762,245)	22,483,024
Obligations under finance leases — due within one year	401,253		401,253
Lease liabilities — due within one year	113,095		113,095
Notes payables — due within one year	1,551,465		1,551,465
Loans from related companies	626,121		626,121
Other current liabilities	21,574,568		21,574,568
	51,511,771		46,749,526
NET CURRENT LIABILITIES	(23,788,637)		(19,029,711)
TOTAL ASSETS LESS CURRENT LIABILITIES	61,672,894		66,435,139
NON-CURRENT LIABILITIES			
Bank and other borrowings — due after one year	25,131,879	4,762,245	29,894,124
Obligations under finance leases — due after one year	767,864		767,864
Lease liabilities — due after one year	1,260,066		1,260,066
Notes and bonds payables — due after one year	3,418,630		3,418,630
Loans from related companies	3,469,371		3,469,371
Other non-current liabilities	987,458		987,458
	35,035,268		39,797,513
NET ASSETS	26,637,626		26,637,626

Policy risk

Policies made by the Government have a pivotal role in the solar power industry. Any alternation such as 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. 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. 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.

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 Farm 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 the 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 the Group, hence, affecting our operating results.

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 30 June 2019, the following assets were pledged for certain bank and other borrowings, lease liabilities/obligations under finance leases, issuance of bills, short-term letters of credit for trade and other payables granted to the Group:

— Property, plant and equipment of RMB33.2 billion (31 December 2018: RMB40.4 billion)

— Right-of-use assets of RMB2.1 billion (31 December 2018: nil)

— Aircraft of nil (31 December 2018: RMB0.2 billion)

— Prepaid lease payments of nil (31 December 2018: RMB0.4 billion)

— Trade receivables and contract assets of RMB7.0 billion (31 December 2018: RMB9.8 billion)

— Pledged and restricted bank deposits of RMB8.3 billion (31 December 2018: RMB6.6 billion)

— Deposit paid to a related company of RMB0.3 billion (31 December 2018: RMB0.1 billion)

Capital Commitments

As at 30 June 2019, the Group's capital commitments in respect of purchase of property, plant and equipment contracted for but not provided amounted to RMB1,966 million respectively (31 December 2018: RMB2,893 million).

Contingencies

Financial guarantees contracts

As at 30 June 2019 and 31 December 2018, the Company and certain of its subsidiaries guaranteed bank and other borrowings of certain subsidiaries of GNE amounted to RMB3,344 million and RMB2,971 million, respectively.

Contingent liability

As at 30 June 2019 and 31 December 2018, the Group and the Company did not have any significant contingent liabilities.

Material Acquisitions and Disposals of Subsidiaries, Associated Companies and Joint Ventures

Acquisitions

Material Acquisition by the Group

1) On 12 April 2019, Zhongneng Polysilicon Technology Development Co., Ltd.* (江蘇中能硅業科技發展有限公司) ("Jiangsu Zhongneng"), an indirect non-wholly owned subsidiary of the Company, entered into the Limited Partnership Agreement with the Partners in relation to, among other matters, the establishment of the Investment Fund in the PRC and the subscription of its interest therein.

   Pursuant to the Limited Partnership Agreement, the total capital commitment to the Investment Fund is approximately RMB3.35 billion (equivalent to approximately HK$3.91 billion), of which RMB1.35 billion (equivalent to approximately HK$1.58 billion) is to be contributed by Jiangsu Zhongneng as a Limited Partner.

2) On 31 May 2019, Jiangsu Zhongneng entered into the Cooperation Agreements in relation to the establishment of Leshan Polysilicon Photovoltaic Information Industry Investment Fund* (樂山多晶硅光電信息產業基金) (the "Fund"). The other parties to the Cooperation Agreements are: (a) Leshan Gaoxin Investment Development (Group) Limited* (樂山高新投資發展 (集團) 有限公司) ("Leshan"), (b) Suzhou Zeye Investment Co., Ltd. (蘇州澤業投資有限公司) ("Zeye Investment"), (c) Zeye New Energy Holdings Limited* (澤業新能源控股有限公司) ("Zeye Holding") and (d) Shanghai Zhongping Guohao Assets Management Co., Ltd* (上海中平國瑀資產管理有限公司) ("Zhongping Guohao").

   Under the Cooperation Agreements, the total capital commitment for the Fund is intended to be between RMB4 billion and RMB4.5 billion, of which: (a) Leshan intends to contribute RMB1.5 billion; (b) Jiangsu Zhongneng intends to contribute RMB500 million; (c) Zeye Investment intends to contribute RMB500 million to RMB1 billion; and (d) a nominee of Zhongping Guohao intends to contribute RMB1.5 billion (of which RMB1 billion will be contributed by Jiangsu Zhongneng).

Material Acquisition by the GNE Group

1) For the period ended 30 June 2019, the GNE Group acquired two subsidiaries, which are engaged in solar power plant business in the PRC of approximately 135MW at a total consideration of approximately RMB264 million. The construction of the solar power farm projects has been completed as at the dates of acquisitions. Thus, the acquisitions are classified as business combination.

Disposals

Disposal by the Group

1) On 3 June 2019, Elite Time Global Limited, a wholly owned subsidiary of the Company, entered into a cooperation intent agreement with China Hua Neng Group Hong Kong Limited in relation to the possible sale of 9,727,594,875 ordinary shares in the share capital of GNE, representing approximately 51% of the entire issued share capital of GNE ("Possible Transaction").

   Completion of the Possible Transaction (if materialised and completed) will (a) constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. The Company will make further announcement(s) in accordance with the Listing Rules as and when appropriate; and (b) lead to a change in control of GNE and a mandatory general offer under Rule 26.1 of The Hong Kong Code on Takeovers and Mergers.

2) On 26 June 2019, Jiangsu Zhongneng, entered into a share purchase agreement with Xuzhou Zhongping GCL Industrial Upgrading Equity Investment Fund LLP* (徐州中平協鑫產業升級股權投資基金 (有限合夥)) and Xinjiang GCL New Energy Materials Technology Co., Ltd.* (新疆協鑫新能源材料科技有限公司) ("Xinjiang GCL") in relation to the sale of 31.5% of the equity interests in Xinjiang GCL (the "Sale Shares") for a consideration of RMB2,490,849,900 (equivalent to approximately HK$2,831,058,159).

   Subject to the review of the Company's auditor, based on the consideration net of the 31.5% of the net asset value of Xinjiang GCL transferred, the Group currently expects to record a gain of approximately RMB1.6 billion (equivalent to approximately HK$1.8 billion), excluding tax impact, arising from the above disposal. Closing under the Share Purchase Agreement is subject to the fulfilment or (if applicable) waiver of the conditions precedent on announcement dated on 26 June 2019.

Material Disposal by the GNE Group

1) On 24 October 2018, Suzhou GCL New Energy 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, to sell 80% equity interests in Linzhou Xinchuang* (林州市新創太陽能有限公司). Besides, on 30 December 2018, the 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, to sell 100% equity interest of several wholly-owned subsidiaries. During the period ended 30 June 2019, the disposals of the above subsidiaries are completed.

2) On 28 March 2019, the GNE Group announced that it has entered into share transfer agreements with 五凌電力有限公司 (“Wuling Power Corporation Ltd.”*), a subsidiary of China Power Investment Corporation, for the disposal of 55% equity interest in 汝州協鑫光伏電力有限公司 (Ruzhou GCL Photovoltaic Power Co. Ltd.*) (“Ruzhou”), 江陵縣協鑫光伏電力有限公司 (Jiangling Xian GCL Solar Power Co., Ltd.*) (“Jiangling”) and 新安縣協鑫光伏電力有限公司 (Xinan Xian GCL Solar Power Co., Ltd.*) (“Xinan”) for consideration in aggregate of approximately RMB355 million. Ruzhou GCL, Jiangling Xian and Xinan operates a number of solar power plants with a capacity of approximately 280MW in the PRC. The disposals are completed during the period ended 30 June 2019.

Save as disclosed above, there were no other significant investments during the period ended 30 June 2019, or plans for material investments as at the date of this report, nor were there other material acquisitions and disposals during the period ended 30 June 2019.

EVENTS AFTER THE REPORTING PERIOD

1) On 26 July 2019, Suzhou GCL Technology Development Co., Ltd (“Suzhou GCL Technology”), Tianjin Zhonghuan Semiconductor Co., Ltd. (“Tianjin Zhonghuan”) and Inner Mongolia Zhonghuan GCL Solar Material Co., Ltd. (“Inner Mongolia Zhonghuan GCL”) entered into a supplemental agreement further to the Capital Increase Agreement.

   Suzhou GCL Technology shall transfer the rights and obligations attaching to part of its Capital Contribution under the Capital Increase Agreement, being RMB320,000,000, to Tianjin Zhonghuan, reducing the Capital Contribution by Suzhou GCL Technology from RMB800,000,000 to RMB480,000,000, and increasing the Capital Contribution by Tianjin Zhonghuan from RMB800,000,000 to RMB1,120,000,000.

   Upon the completion of the Transfer and upon the payment of the Transferred Capital Contribution, Tianjin Zhonghuan will be entitled to the shares corresponding to the Transferred Capital Contribution, being 5.07% of equity interests in the registered capital of Inner Mongolia Zhonghuan GCL.

2) Reference is made to the announcement on 22 May 2019 and the circular dated 28 June 2019 in relation to the disposal of 70% equity interest in a number of subsidiaries of the GNE Group of which these subsidiaries own 19 operational solar power plants in the PRC with an aggregate installed capacity of approximately 977MW. This transaction is approved by the shareholders of the Company in the special general meeting, and also the shareholders of GCL-Poly in the extraordinary meeting, respectively, on 19 July 2019. The Disposal is expected to complete in second half of 2019.

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 six months ended 30 June 2019 (six months ended 30 June 2018: nil).

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

The following is an extract of the independent auditor's report ("Auditor's Report") on review of the Group's interim financial information for the six months ended 30 June 2019 which has included a material uncertainty related to going concern paragraph, but without qualification:

CONCLUSION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1 to the unaudited condensed interim consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB751 million during the six months ended 30 June 2019, and as of that date, the Group's current liabilities exceeded its current assets by approximately RMB23,789 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 RMB11,296 million and which has entered into agreements to construct solar farms which will involve capital commitments of approximately RMB568 million. In addition, at 30 June 2019, the Group was not able to meet a financial covenant in respect of a bank borrowing in the amount of approximately RMB1,358 million as stipulated in the loan agreement. Further, the inability to respect the covenant requirement has triggered the cross default clauses in several other bank borrowings of the Group totalling approximately RMB6,418 million. Subsequent to the end of the reporting period, the Group has obtained consent from the relevant lender to waive the financial covenant concerned and not to demand for immediate repayment of the bank borrowing; and accordingly, the cross default clauses on the relevant bank borrowings are remedied.

Notwithstanding this, reclassification of long-term borrowings of approximately RMB4,762 million as current liabilities is still required at 30 June 2019 under applicable accounting standard because the bank waiver was 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 1 to the unaudited condensed interim 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 1 to the unaudited condensed interim 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 1 to the unaudited condensed interim 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 conclusion is not modified in respect of this matter.

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The corporate governance report of the Company has been set out in the Company's 2018 Annual Report. During the six months ended 30 June 2019, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules with the exception of the following area:

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 12 June 2019 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the model code for securities transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2019.

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

On 10 June 2019, the Company and the placing agent entered into the placing agreement to place out 1,511,000,000 placing shares at a placing price of HK$0.45 per placing share with an aggregate value of approximately HK$680 million to no fewer than six independent placees. The placing was completed on 18 June 2019. Upon completion, the placing shares represent approximately 7.62% of the Company's issued share capital as enlarged by the placing.

Other than disclosed above, during the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDITOR'S AND AUDIT COMMITTEE'S REVIEW

The unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 June 2019 have been reviewed by the Group's external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants and by the Audit Committee of the Company which consists of four independent non-executive Directors, namely Mr. Yip Tai Him, Dr. Raymond Ho Chung Tai, Dr. Shen Wenzhong and Mr. Wong Man Chung, Francis. The Audit Committee expressed no disagreement with the accounting policies and principles adopted by the Group.

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

Hong Kong, 6 August 2019

* *English name for identification only*

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; Dr. Ho Chung Tai, Raymond, Mr. Yip Tai Him, Dr. Shen Wenzhong and Mr. Wong Man Chung, Francis as independent non-executive Directors.