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)

ANNOUNCEMENT UPDATE ON THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of GCL-Poly Energy Holdings Limited 保利協鑫能源控股有限公司 (the "**Company**") dated 31 March 2020 in relation to the unaudited annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 (the "**2019 Unaudited Results Announcement**"). Capitalised terms used herein, unless otherwise defined, shall have the same meanings as those defined in the 2019 Unaudited Results Announcement.

AUDITOR'S AGREEMENT ON THE 2019 ANNUAL RESULTS

As stated in the 2019 Unaudited Results Announcement, the unaudited annual results for the year ended 31 December 2019 contained therein were not yet agreed by the Group's auditor as required under Rule 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The board (the "**Board**") of directors (the "**Directors**") wishes to announce that on 27 April 2020, the Company has obtained the agreement from the Group's auditor, Messrs. Deloitte Touche Tohmatsu, on the figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto (the "**2019 Annual Results**") as set out in this announcement ("**2019 Results Announcement**"). The unaudited annual results contained in the 2019 Unaudited Results Announcement has no material changes except for updates on the following items:

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Item as at 31 December 2019	Disclosure in 2019 Results Announcement *(RMB'000)*	Disclosure in the 2019 Unaudited Results Announcement *(RMB'000)*	Difference *(RMB'000)*	*Note*
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
Trade and other receivables	13,857,141	14,950,112	(1,092,971)	1
Bank and other borrowings	26,976,972	28,069,943	1,092,971	1

Note:

1. Regarding certain bills provided from third parties and discounted to financial institutions for financing which the liabilities relating to these arrangements were fully settled to the relevant third parties during the year, the amount should be disclosed as contingent liabilities (as disclosed in note 15 to this 2019 Results Announcement) rather than recognised as bank and other borrowings in the consolidated statement of financial position.

The audited consolidated results of the Group for the year ended 31 December 2019 (the "**Reporting Period**"), with comparative figures for the corresponding period in the previous year, are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	**2019** *RMB'000*	2018 *RMB'000*
Revenue	*3*	**19,249,621**	20,565,435
Cost of sales		**(14,571,196)**	(15,532,570)
Gross profit		**4,678,425**	5,032,865
Other income	*4*	**818,746**	890,844
Distribution and selling expenses		**(126,338)**	(113,271)
Administrative expenses		**(2,051,326)**	(2,019,564)
Finance costs	*5*	**(3,946,920)**	(3,419,011)
Impairment losses under expected credit loss model, net of reversal		**(462,741)**	247,235
Other expenses, gains and losses, net	*6*	**1,058,183**	(1,289,968)
Share of profits of associates		**401,019**	139,246
Share of (losses) profits of joint ventures		**(51,365)**	20,829
Profit (loss) before tax		**317,683**	(510,795)
Income tax (expense) credit	*7*	**(206,848)**	52,361
Profit (loss) for the year	*8*	**110,835**	(458,434)

	2019	2018
	RMB'000	*RMB'000*
Other comprehensive (expense) income		
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	**(49,691)**	(34,672)
Financial liabilities designated as at fair value through profit or loss attributable to changes in credit risk	**—**	(108)
	(49,691)	(34,780)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**36,139**	67,605
Fair value loss on investments in debt instruments measured at fair value through other comprehensive income	**—**	(3,540)
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**	—
	39,679	64,065
Other comprehensive (expense) income for the year	**(10,012)**	29,285
Total comprehensive income (expense) for the year	**100,823**	(429,149)

	NOTE	2019 RMB'000	2018 RMB'000
Profit (loss) for the year attributable to:			
Owners of the Company		**(197,207)**	(693,399)
Non-controlling interests		**308,042**	234,965
		110,835	(458,434)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**(213,514)**	(681,533)
Non-controlling interests		**314,337**	252,384
		100,823	(429,149)

	NOTE	2019 RMB cents	2018 RMB cents
Loss per share			
— Basic	*10*	**(1.05)**	(3.81)
— Diluted		**(1.05)**	(3.84)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

	NOTES	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**52,412,895**	70,999,823
Right-of-use assets		**4,529,359**	—
Prepaid lease payments		—	1,106,622
Investment properties		**65,804**	70,460
Other intangible assets		**247,723**	801,307
Interests in associates		**7,539,323**	1,814,544
Interests in joint ventures		**706,200**	777,596
Other financial assets at fair value through profit or loss		**357,542**	315,918
Equity instruments at fair value through other comprehensive income ("FVTOCI")		**41,857**	90,716
Convertible bonds receivable		**101,097**	76,001
Deferred tax assets		**291,711**	364,041
Deposits, prepayments and other non-current assets		**2,396,446**	3,727,632
Contract assets		**5,639,898**	4,236,405
Amounts due from related companies	*13*	**826,951**	302,628
Pledged and restricted bank deposits		**1,132,156**	935,469
		76,288,962	85,619,162
CURRENT ASSETS			
Inventories		**751,188**	992,027
Trade and other receivables	*11*	**13,857,141**	13,309,008
Amounts due from related companies	*13*	**1,706,133**	934,216
Prepaid lease payments		—	26,647
Other financial assets at fair value through profit or loss		**477,256**	220,328
Debt instruments at fair value through other comprehensive income		—	65,606
Held for trading investments		**4,339**	108,408
Tax recoverable		**6,651**	116,199
Pledged and restricted bank deposits		**5,797,270**	5,638,363
Bank balances and cash		**1,548,019**	4,075,791
		24,147,997	25,486,593
Assets classified as held for sale		—	1,388,009
		24,147,997	26,874,602

	NOTES	2019 RMB'000	2018 RMB'000
CURRENT LIABILITIES			
Trade and other payables	*12*	**15,018,649**	20,959,225
Amounts due to related companies	*13*	**1,816,308**	578,092
Loans from related companies	*14*	**743,922**	508,000
Contract liabilities		**224,939**	195,985
Bank and other borrowings — due within one year		**26,976,972**	25,288,840
Lease liabilities/obligations under finance leases — due within one year		**530,655**	277,138
Notes payables — due within one year		**422,175**	984,453
Derivative financial instruments		**133,400**	26,011
Deferred income		**41,885**	57,495
Tax payables		**144,922**	121,907
		46,053,827	48,997,146
Liabilities associated with assets classified as held for sale		**—**	935,463
		46,053,827	49,932,609
NET CURRENT LIABILITIES		**(21,905,830)**	(23,058,007)
TOTAL ASSETS LESS CURRENT LIABILITIES		**54,383,132**	62,561,155

	NOTES	2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES			
Contract liabilities		**147,740**	197,411
Loans from related companies	*14*	**1,031,639**	3,091,789
Bank and other borrowings — due after one year		**20,285,750**	26,477,062
Lease liabilities/obligations under finance leases — due after one year		**1,910,864**	951,261
Notes and bonds payables — due after one year		**3,470,542**	4,136,665
Deferred income		**628,441**	691,003
Deferred tax liabilities		**186,748**	183,457
		27,661,724	35,728,648
NET ASSETS		**26,721,408**	26,832,507
CAPITAL AND RESERVES			
Share capital		**1,742,850**	1,610,009
Reserves		**20,507,309**	20,255,547
Equity attributable to owners of the Company		**22,250,159**	21,865,556
Non-controlling interests		**4,471,249**	4,966,951
TOTAL EQUITY		**26,721,408**	26,832,507

NOTES:

1. BASIS OF PREPARATION

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

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 RMB21,906 million as at 31 December 2019. The Group had cash and cash equivalents of approximately RMB1,548 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 RMB55,373 million, out of which approximately RMB28,674 million will be due in the coming twelve months. In addition, the Group provided financial guarantees to several banks and financial institutions in respect of banking and other facilities of the associates and third parties as at 31 December 2019.

Included in the Group's bank borrowings totaling approximately RMB557 million, the Group has not been able to meet a financial covenant as stipulated in the relevant loan agreement. The relevant bank borrowing is due within one year in accordance with the original repayment term, in which approximately RMB488.3 million and RMB68.7 million was required to be repaid in February 2020 and August 2020, respectively. In addition, the inability to respect the covenant requirement has triggered the cross default clauses in several other bank borrowings of approximately RMB5,172 million. Among this, approximately RMB2,896 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 lenders to waive the financial covenant concerned and not to demand for immediate repayment of such bank borrowing, and revised the repayment of approximately RMB348.8 million out of RMB488.3 million from February 2020 to June 2020. Subsequent to the end of the reporting period, the Company has settled approximately RMB139.5 million on 28 February 2020 as agreed with the banks. Accordingly, the cross default clauses on the relevant bank borrowings are then remedied. In light of this, reclassification of long-term borrowings of approximately RMB2,896 million as current liabilities is still required at 31 December 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 consolidated statement of financial position as at 31 December 2019, net current liabilities of approximately RMB21,906 million, rather than net current liabilities of approximately RMB19,010 million, were recorded.

GCL New Energy Holdings Limited ("**GNE**"), whose shares are listed on the Stock Exchange, is a subsidiary of the Company. As at 31 December 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 RMB2,770 million. The Directors have noted the going concern status of GNE Group in preparing these consolidated financial statements, in light of the fact that, GNE Group's current liabilities exceeded its current assets by approximately RMB11,267 million. In addition, as at 31 December 2019, GNE Group has entered into agreements which will involve capital commitments of approximately RMB337 million to construct solar farms and provide the financial guarantee to its associates and third parties for their bank and other borrowings.

As at 31 December 2019, GNE Group's total borrowings comprising bank and other borrowings, lease liabilities, bonds and notes payables and loans from the Company and related companies amounted to approximately RMB37,401 million. The balance of approximately RMB12,507 million will be due in the coming twelve months from the end of the reporting period, including bank borrowings of approximately RMB1,597 million, which shall be due after twelve months from the end of the 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 the covenant requirement by the Company, the guarantor of certain bank borrowings of GNE Group and thereby triggered the cross default of these bank borrowings. GNE Group's pledged and restricted bank and other deposits and bank balances and cash amounted to approximately RMB1,709 million (including pledged deposit of RMB8 million placed at an associate of the Company for its loans advanced to GNE Group) and RMB1,073 million as at 31 December 2019, respectively. The financial resources available to GNE Group as at 31 December 2019 and up to the date of approval of these consolidated financial statements for issuance may not be sufficient to satisfy the above capital expenditure requirements and other funding requirements. GNE Group is actively pursuing additional financing including, but not limited to, debt financing and bank borrowings.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Directors have reviewed the Group's cash flow projections which cover a period of not less than twelve months from 31 December 2019. They are of the opinion that the Group will have sufficient working capital to meet its financial obligations, including committed capital expenditures and other commitments, that will be due in the coming twelve months from 31 December 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.

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

(i) Subsequent to 31 December 2019, GNE Group successfully obtained new borrowings of approximately RMB541 million from banks and other financial institutions in the PRC;

(ii) GNE Group proposed to issue medium-term notes with an aggregate principal amount of not exceeding RMB3,000 million to institutional investors of the national interbank bond market in the PRC before their expiry date in June 2020. It is expected that the notes will be issued in one or more tranches and that each tranche of the notes 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.

On 18 November 2019, GNE and 中國華能集團有限公司 China Huaneng Group Co., Ltd* ("**China Huaneng**") entered into a cooperation framework agreement (the "**Cooperation Framework Agreement**") regarding the disposal of (i) certain solar farms of GNE Group in the PRC (the "**Power Plants**") or (ii) certain project companies of GNE Group which operate the Power Plants (the "**Framework Disposal**").

On 21 January 2020, GNE Group entered into a series of six share purchase agreements with 華能工融一號(天津)股權投資基金合夥企業(有限合夥) Huaneng Gongrong No.1 (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* ("**Hua Neng No. 1 Fund**") and 華能工融二號(天津)股權投資基金合夥企業(有限合夥) Huaneng Gongrong No. 2 (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* ("**Hua Neng No. 2 Fund**"), pursuant to which GNE Group agreed to sell 60% and 40% of the equity interest in six wholly-owned subsidiaries of GNE Group to Hua Neng No. 1 Fund and Hua Neng No. 2 Fund, respectively, of which these subsidiaries own 7 solar farms in the PRC with aggregate installed capacity of approximately 294MW, for a consideration in aggregate of RMB850,500,000 (the "**Disposal**"). Pursuant to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rule**") Listing Rules, this transaction is considered as a major transaction of GNE, and it is 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. Further details of the Disposal are set out in the announcement of the Company published on 21 January 2020.

GNE Group and China Huaneng are actively working together under the Cooperation Framework Agreement to explore other solar farm assets for the Framework Disposal and will enter into other definitive agreements in respect of and in compliance with the Measures for the Supervision and Administration of State-Owned Assets (國有資產監督管理辦法) in the PRC, the relevant laws and regulations and the Listing Rules, in due course.

On 21 January 2020, GNE Group also entered into two share purchase agreements with 中核(南京)能源發展有限公司CNI (Nanjing) Energy Development Company Limited* to sell its entire equity interest in 阜陽衡銘太陽能電力有限公司 Fuyang Hengming Solar Power Co., Ltd.* and 鎮江協鑫新能源有限公司 Zhenjiang GCL New Energy Co., Ltd.* ("**Zhenjiang GCL**") for a consideration in aggregate of RMB77,476,000 (the "**Divestment**"). Each of them has a solar farm project with capacity of 20MW in operation. One of the Divestments is completed on 13 March 2020 and the other one is expected to be completed before June 2020; and

(iv) GNE Group still owns 176 solar farms with an aggregate grid connected capacity of approximately 5.2GW upon completion of the Disposal and Divestments. Those operational solar farms are expected to generate operating cash inflows to GNE Group.

Taking into account the 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 cash flow requirements in the next twelve months. The Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

* *English name for identification only*

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS STANDARDS")

New and amendments to IFRS Standards that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRS Standards and an interpretation issued by the IASB for the first time in the current year:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to International Accounting Standard ("**IAS**") 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2015–2017 Cycle

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

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

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid lease payments 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.

3. SEGMENT INFORMATION

The Group's reportable and operating segments under IFRS 8 *Operating Segments* 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 segment:

Year ended 31 December 2019

	Solar material business *RMB'000*	Solar farm business *RMB'000*	New energy business *RMB'000* *(Note)*	Total *RMB'000*
Segment revenue				
Revenue from external customers	**12,708,118**	**489,516**	**6,051,987**	**19,249,621**
Segment (loss) profit	**(418,799)**	**116,028**	**569,649**	**266,878**
Elimination of inter-segment profit				**(162,000)**
Unallocated income				**58,203**
Unallocated expenses				**(117,005)**
Gain on fair value change of convertible bonds receivable				**29,820**
Gain on fair value change of financial assets at fair value through profit or loss ("FVTPL")				**31,367**
Loss on fair value change of held for trading investments				**(28,053)**
Share of profits of associates				**21,154**
Share of profits of joint ventures				**10,471**
Profit for the year				**110,835**

Year ended 31 December 2018

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

Note: The operating results of new energy business included 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 (gains) and unallocated tax expense), change in fair value of convertible bonds receivable, change in fair value of convertible bonds issued by the Company, change in fair value of certain financial assets at FVTPL, change in fair value of held for trading investments, loss on deemed disposal of an associate, share of profits of certain interests in associates and joint ventures. 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 segment:

	2019	2018
	RMB'000	*RMB'000*
Segment assets		
Solar material business	**41,155,374**	45,991,159
Solar farm business	**3,541,357**	3,653,291
New energy business	**54,343,458**	61,109,942
Total segment assets	**99,040,189**	110,754,392
Other financial assets as at FVTPL	**427,543**	391,925
Equity instruments at fair value through other comprehensive income ("**FVTOCI**")	**41,857**	90,716
Debt instruments at FVTOCI	**—**	65,606
Held for trading investments	**4,339**	108,408
Convertible bonds receivable	**101,097**	76,001
Interests in associates	**384,611**	362,286
Interests in joint ventures	**198,594**	98,728
Unallocated bank balances and cash	**138,275**	532,387
Unallocated corporate assets	**100,454**	13,315
Consolidated assets	**100,436,959**	112,493,764
Segment liabilities		
Solar material business	**27,477,455**	32,286,905
Solar farm business	**1,915,576**	1,994,059
New energy business	**44,094,269**	51,339,150
Total segment liabilities	**73,487,300**	85,620,114
Unallocated corporate liabilities	**228,251**	41,143
Consolidated liabilities	**73,715,551**	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 FVTOCI, debt instruments at FVTOCI, held for trading investments, convertible bonds receivable, certain interests in associates and joint ventures of the management companies and investment holding companies; and

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

Disaggregation of revenue from contracts with customers

For the year ended 31 December 2019

Segments	**Solar material business** *RMB'000*	**Solar farm business** *RMB'000*	**New energy business** *RMB'000*	**Total** *RMB'000*
Types of goods or services				
Sales of wafer	**8,787,186**	**—**	**—**	**8,787,186**
Sales of electricity	**—**	**489,516**	**6,051,987**	**6,541,503**
Sales of polysilicon	**2,324,761**	**—**	**—**	**2,324,761**
Processing fees	**811,472**	**—**	**—**	**811,472**
Others (comprising the sales of ingots)	**784,699**	**—**	**—**	**784,699**
Total	**12,708,118**	**489,516**	**6,051,987**	**19,249,621**

For the year ended 31 December 2018

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

Geographical information

The Group's revenue from external customers by customers location is detailed below:

	2019	2018
	RMB'000	*RMB'000*
The PRC	**17,923,038**	17,794,575
Others	**1,326,583**	2,770,860
	19,249,621	20,565,435

Information about major customers

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

4. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Government grants	**175,374**	254,634
Interest income		
— bank and other interest income	**165,631**	148,723
— debt instruments at FVTOCI	**393**	4,908
Interest arising from contracts containing significant financing component	**118,218**	111,287
Sales of scrap materials	**113,699**	184,342
Management and consultancy fee income	**88,936**	65,489
Rental income	**24,106**	33,809
Forfeitures of deposits from customers	**72,613**	28,782
Compensation income	**6,615**	1,100
Others	**53,161**	57,770
	818,746	890,844

5. FINANCE COSTS

	2019 *RMB'000*	2018 *RMB'000*
Interest on financial liabilities at amortised cost:		
— Bank and other borrowings	**3,224,570**	2,957,016
— Notes and bonds payables and senior notes	**329,054**	490,738
— Loans from related companies	**274,922**	83,530
Interest on lease liabilities/obligations under finance leases	**167,374**	90,671
Total borrowing costs	**3,995,920**	3,621,955
Less: interest capitalised	**(49,000)**	(202,944)
	3,946,920	3,419,011

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.80% (2018: 6.32%) per annum to expenditure on qualifying assets.

6. OTHER EXPENSES, GAINS AND LOSSES, NET

	2019 *RMB'000*	2018 *RMB'000*
Research and development costs	**736,522**	521,442
Exchange losses, net	**126,622**	479,501
(Gain) loss on fair value change of convertible bonds receivable	**(29,820)**	1,910
Loss on fair value change of convertible bonds payables	**—**	46,292
Gain on fair value change of other financial assets at FVTPL	**(42,300)**	(84,420)
Loss on fair value change of held for trading investments	**28,053**	15,201
Loss on fair value change of derivative financial instruments	**107,389**	10,112
Impairment loss on goodwill	**—**	176,528
Impairment loss on property, plant and equipment *(Note 1)*	**2,130,780**	526,105
Impairment loss on other intangible assets *(Note 1)*	**479,091**	—
(Gain) on disposal of property, plant and equipment	**(55,173)**	(583)
Bargain purchase from business combination	**(73,858)**	—
Loss on deemed disposal of an associate	**—**	77,894
Gain on disposal of subsidiaries *(Note 2)*	**(4,405,876)**	(444,868)
Gain on disposal of joint ventures	**(35,263)**	—
Gain on disposal of solar farm projects, net	**(26,926)**	(35,146)
Others	**2,576**	—
	(1,058,183)	1,289,968

Note:

(1) Due to the continuing unfavourable market conditions during the year, the polysilicon and wafer faced a stronger than expected price pressure and the solar material business segment recognised a segment loss of approximately RMB419 million during the year. With the impairment indicators identified, the Directors conducted a review of the recoverable amounts of the several cash-generating units of solar material business segment to which the property, plant and equipment, right-of-use assets and intangible assets belonged to as at 31 December 2019.

The recoverable amounts of the relevant cash-generating units are determined based on value in use calculations by the Directors with reference to the valuation reports of an independent valuer, on the production plants in relation to the production of polysilicon and wafer of the solar material business segment as at 31 December 2019. The calculation uses cash flow projections covering the useful lives of those property, plant and equipment in relation to the production of polysilicon and wafer based on financial budgets approved by management. Key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows include discount rate, budgeted sales and gross margin. Such estimation is based on past performance and management's expectations for the market. The fair value less costs to sell of the property, plant and machinery in relation to the production of polysilicon and wafer is lower than the value in use. As a result, an impairment loss of approximately RMB1,571,069,000 and RMB479,091,000 are recognised on property, plant and equipment and other intangible assets during the year ended 31 December 2019 respectively.

In addition, the Group has two wafer plants have suspended the operations and operations of some of the machineries and equipments of the polysilicon production have been suspended. Management conducted a review of the relevant machineries and equipments and determined that a number of these assets are no longer to be used in the future. The Group considered recoverable amount based on fair value less disposal cost and recognised an impairment loss of approximately RMB502,476,000 (2018: nil) for such assets during the year ended 31 December 2019. No impairment loss is recognised on property, plant and equipment in relation to the other production plants of wafer in 2019.

In August 2019, the power generator and related equipment of a solar farm of GNE Group located in Shandong Province, the PRC, was damaged during typhoon. Accordingly, an impairment loss of approximately RMB57,235,000 was recognised for the respective property, plant and equipment for the year ended 31 December 2019. The Group has insurance policies in place to cover damages to property, plant and equipment incidental to typhoon and received approximately RMB6,615,000 from insurance claim as of 31 December 2019 which was recognised as compensation income.

(2) For the year ended 31 December 2019, the gain on disposal of a subsidiary of RMB4,406 million, which is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of the 38.5% retained interest of Xinjiang GCL and (ii) the carrying amount of the assets, and liabilities of Xinjiang GCL attributable to the owners of the Company, comprises: The amount of approximately RMB1,982 million realised gain on disposal of 31.5% equity interest in a Xinjiang GCL; Gain on fair value uplift on an associate of approximately RMB2,424 million as the fair value of the 38.5% equity interest in Xinjiang GCL at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate.

7. INCOME TAX EXPENSE (CREDIT)

	2019	2018
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("**EIT**")		
Current tax	**168,699**	126,118
Overprovision in prior years	**(46,130)**	(21,890)
	122,569	104,228
USA Federal and State Income Tax		
Current tax	**21**	237
Underprovision in prior years	**2**	3
	23	240
Hong Kong Profits Tax		
Current tax	**277**	312
PRC dividend withholding tax	**49,495**	—
Deferred tax	**34,484**	(157,141)
	206,848	(52,361)

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

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

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

Certain subsidiaries of GNE Group, being enterprises engaged in solar photovoltaic projects, under the PRC Tax Law and its relevant regulations, are entitled to tax holidays of 3-year full exemption followed by 3-year 50% exemption commencing from their respective years in which their first operating incomes were derived. For the year ended 31 December 2019, certain subsidiaries of GNE engaged in solar photovoltaic projects had their first year of 3-year 50% exemption period.

Federal and State tax rate in the USA are calculated at 21% and 8.84%, respectively, for both years.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million is taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

8. PROFIT (LOSS) FOR THE YEAR

	2019	2018
	RMB'000	*RMB'000*
Profit (loss) for the year has been arrived at after charging the following items:		
Staff costs, including directors' remuneration		
Salaries, wages and other benefits	**1,684,210**	2,041,303
Retirement benefits scheme contributions	**90,414**	92,048
Share-based payment expenses	**9,412**	32,752
Total staff costs	**1,784,036**	2,166,103
Depreciation of property, plant and equipment	**4,235,163**	4,178,623
Depreciation of investment properties	**4,656**	4,656
Depreciation of right-of-use assets	**343,768**	—
Amortisation of prepaid lease payments	**—**	28,509
Amortisation of other intangible assets (included in cost of sales)	**101,711**	98,068
Total depreciation and amortisation	**4,685,298**	4,309,856
Less: amounts absorbed in opening and closing inventories, net	**(54,882)**	(21,148)
	4,630,416	4,288,708
Auditor's remuneration	**13,833**	13,088

9. DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2019 (2018: nil).

10. LOSS PER SHARE

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

Loss figures are calculated as follows:

	2019	2018
	RMB'000	*RMB'000*
Loss		
Loss for the purpose of basic loss per share		
— Loss for the year attributable to owners of the Company	**(197,207)**	(693,399)
Effect of dilutive potential ordinary shares:		
— Adjustment to the share of profit of GNE Group attributable to the Company based on dilution arising on convertible bonds issued by GNE	**—**	(4,981)
Loss for the purpose of dilutive loss per share	**(197,207)**	(698,380)

	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and dilutive loss per share	**18,822,564**	18,179,089

For the year ended 31 December 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 the 322,998,888 ordinary shares purchased by Computershare Hong Kong Trustees Limited ("Trustee") from the market pursuant to the Share Award Scheme (the "Scheme").

For the year ended 31 December 2018, the weighted average number of ordinary shares for the purpose of calculation of basic loss per share has been adjusted for the effect of the 322,998,888 ordinary shares purchased by the Trustee from the market pursuant to the Scheme and the 262,424,000 shares repurchased by the Company during the year ended 31 December 2018.

Diluted loss per share for the year ended 31 December 2018 and 2019 did not assume the exercise of share options granted by the Company since the exercise would decrease the loss per share for the respective year.

Diluted loss per share for the year ended 31 December 2019 did not assume the exercise of 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 year ended 31 December 2019.

Diluted loss per share for the year ended 31 December 2018 did not assume the conversion of the convertible bonds issued by the Company and the exercise of share options granted by GNE, since the exercise prices were higher than the average market prices of the shares of the Company and GNE, respectively, for the year ended 31 December 2018.

11. TRADE AND OTHER RECEIVABLES

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:

	2019 *RMB'000*	2018 *RMB'000*
Within 3 months	**559,711**	573,358
3 to 6 months	**29,048**	20,365
Over 6 months	**76,740**	127,683
	665,499	721,406

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 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:

	2019 *RMB'000*	2018 *RMB'000*
Unbilled *(Note)*	**2,524,359**	2,454,010
Within 3 months	**280,503**	337,718
3 to 6 months	**147,892**	252,612
Over 6 months	**504,380**	370,786
	3,457,134	3,415,126

Note: 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 Renewable Energy Tariff Subsidy Catalogue (the "**Catalogue**"). The Directors expect the unbilled tariff adjustments would be billed and settled within one year from the end of the reporting period.

12. TRADE AND OTHER PAYABLES

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

	2019 *RMB'000*	2018 *RMB'000*
Within 3 months	**2,005,385**	1,862,007
3 to 6 months	**2,046,535**	1,246,563
Over 6 months	**207,719**	126,690
	4,259,639	3,235,260

13. BALANCES WITH RELATED COMPANIES

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

	2019 *RMB'000*	2018 *RMB'000*
Within 3 months	**103,108**	163,249
3 to 6 months	**17,306**	399,286
Over 6 months	**111,573**	43,264
	231,987	605,799

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:

	2019 *RMB'000*	2018 *RMB'000*
Within 3 months	**1,151,455**	341,761
3 to 6 months	**38,711**	69,350
Over 6 months	**71,215**	55,783
	1,261,381	466,894

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

14. LOANS FROM RELATED COMPANIES

	2019 *RMB'000*	2018 *RMB'000*
Loans from:		
— an associate *(Note a)*	**601,918**	1,621,949
— companies controlled by Mr. Zhu Gong Shan and his family *(Note b)*	**1,173,643**	1,977,840
	1,775,561	3,599,789
Analysed for reporting purposes as:		
— Current liabilities	**743,922**	508,000
— Non-current liabilities	**1,031,639**	3,091,789
	1,775,561	3,599,789

Notes:

(a) As at 31 December 2019, the amounts represent the advances from Xinxin arising from several financing arrangements. Advances of approximately RMB146,679,000 (2018: RMB508,000,000) are secured, interest bearing and repayable within one year, and are therefore classified as current liabilities. The remaining advances of approximately RMB455,239,000 (2018: RMB1,113,949,000) are secured and interest bearing with repayment terms of 3 to 8 years (2018: 3 to 8 years), and are therefore classified as non-current liabilities. Balance of approximately RMB392,507,000 (2018: RMB1,409,355,000) is secured by cash deposits of approximately RMB38,000,000 (2018: RMB142,194,000) and carries interest ranging from 6% to 8.58% (2018: 6% to 8.58%) per annum. The remaining balance of approximately RMB209,411,000 (2018: RMB212,594,000) is secured by certain property, plant and equipment held by the Group and carries interest at 7.81% (2018: 7.80%) per annum.

(b) During the year ended 31 December 2019, GNE Group obtained and renewed six (2018: three) loans from 協鑫集團有限公司 GCL Group Limited*, 南京鑫能陽光產業投資基金企業(有限合夥) Nanjing Xinneng Solar Property Investment Fund Enterprise (Limited Partnership)*, 江蘇協鑫房地產有限公司 Jiangsu GCL Real Estate Co., Ltd.* and 江蘇協鑫建設管理有限公司 Jiangsu GCL Construction Management Co., Ltd.* in total amounted to approximately RMB1,173,643,000 (2018: RMB1,977,840,000). These loans are unsecured, interest bearing at 8% per annum and repayable from 2020 through 2021. Approximately RMB597,243,000 (2018: nil) of the outstanding loans are repayable within twelve months from the end of the reporting period.

15. CONTINGENT LIABILITIES

In July 2019, GNE Group discounted certain bills provided from third parties with a total face value of RMB1,136,390,000 for short-term financing, and the liabilities relating to these arrangements were fully settled to these relevant third parties during the year. As at 31 December 2019, these bills were not yet matured and outstanding. In accordance with the relevant regulations in the PRC, GNE Group, being an endorser of the bills, is jointly and severally liable if the relevant bills are not settled by the issuer upon maturity. However, in the opinion of the directors of GNE, the risk of default in payment of these bills is remote because they are guaranteed by reputable PRC banks. The maximum exposure to GNE Group of these outstanding bills was RMB1,136,390,000 as at 31 December 2019.

* *English name for identification only*

Please refer to page 25 to 32 of the 2019 Unaudited Results Announcement for the section "Chairman's Statement" and "CEO's Review of Operations and Outlook".

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, hence the performance from operation of the Group was greatly impacted.

Results of the Group

For the year ended 31 December 2019, the revenue and gross profit of the Group were approximately RMB19,250 million and RMB4,678 million, respectively, representing an decrease of 6.4% and 7.0% respectively as compared with approximately RMB20,565 million and RMB5,033 million in the corresponding period in 2018.

The Group recorded a loss attributable to the owners of the Company of approximately RMB197 million as compared to loss attributable to owners of the Company of approximately RMB693 million in 2018.

Material Disposals

Solar Material Business

1) 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 RMB2,490,850,000 (equivalent to approximately HK$2,831,058,159). The disposal was completed during the year.

   After the transaction, Xinjiang GCL will cease to be a subsidiary of the Company, and the profits and loss as well as assets and liabilities of Xinjiang GCL will no longer be consolidated into the consolidated financial statements of the Group. Upon completion of the transaction, the Company received an RMB4.4 billion one-off gain from disposal.

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 year, 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 RMB328 million. Ruzhou, Jiangling and Xinan operates a number of solar power plants with a capacity of approximately 280MW in the PRC. The disposals are completed during the year.

3) On 23 May 2019 the Group announced that it has entered into share transfer agreements with 上海榕耀新能源有限公司 Shanghai Rongyao New Energy Co., Ltd* ("**Shanghai Rongyao**"), an independent third party, for the disposal of 70% equity interest in a number of subsidiaries of the Group of which these subsidiaries own operational solar power plants in the PRC with an aggregate installed capacity of approximately 977MW. The disposal were completed during the year ended 31 December 2019.

* *English name for identification only*

Material Investment

On 12 April 2019, the Group entered into a partnership agreement with independent investors for 40.27% equity interest in 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 ("Zhongping GCL") for a consideration of RMB1,350 million and is fully injected. The Group can exercise significant influence over Zhongping GCL and it is therefore classified as an associate of the Group.

Placing of new shares

During the year 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:

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

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**").

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:

	2019			2018		
	Revenue	**Segment (loss) profit**	**Adjusted EBITDA[3]**	Revenue	Segment profit	Adjusted EBITDA[3]
	RMB million	***RMB million***	***RMB million***	*RMB million*	*RMB million*	*RMB million*
Solar Material Business	**12,708**	**(419)**	**1,320**	14,436	(1,011)	2,648
Solar Farm Business	**490**	**116**	**431**	497	115	423
Corporate/intersegment transactions[1]	**N/A**	**N/A**	**24**	N/A	N/A	34
Sub-total	**13,198**	**(303)**	**1,775**	14,933	(896)	3,105
New Energy Business[2]	**6,052**	**570**	**5,405**	5,632	708	4,898
Total	**19,250**	**267**	**7,180**	20,565	(188)	8,003

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

2. The segment profit of the New Energy business includes reported net profit of GNE Group of approximately RMB605 million (2018: RMB750.8 million) and allocated corporate expenses of approximately RMB35 million (2018: RMB42.8 million).

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

Business Structure

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

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

For illustrative purpose, if excluding GNE Group and recognising the costs of investment in GNE and the perpetual notes receivable from GNE as non-current assets, the effect of de-consolidated GNE Group as at 31 December 2019 would be as follows:

	The Group *RMB million*	GNE Group *RMB million*	Deconsolidation adjustment *(note)* *RMB million*	The effect of de-consolidated GNE Group *RMB million*
Total assets	**100,437**	**54,416**	**(4,900)**	**50,921**
Total liabilities	**73,716**	**44,447**	**(352)**	**29,621**
Bank balances and cash, pledged and restricted bank deposits	**8,477**	**2,775**	—	**5,702**
Pledged deposit at related companies	**38**	**8**	—	**30**
Subtotal	**8,515**	**2,783**	—	**5,732**
Indebtedness				
Bank and other borrowings	**47,263**	**30,933**	—	**16,330**
Lease liabilities/Obligations under finance leases	**2,441**	**1,162**	—	**1,279**
Notes and bonds payables	**3,893**	**3,742**	**(272)**	**423**
Loan from related parties	**1,776**	**1,564**	—	**212**
Subtotal	**55,373**	**37,401**	**(272)**	**18,244**
Net Indebtedness	**46,858**	**34,618**	**(272)**	**12,512**

Note:

Deconsolidation adjustments mainly included:

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

— The GNE's perpetual notes of RMB1,800,000,000 subscribed by the subsidiaries of the Group and its relevant interest accrual.

— The transaction balances with GNE Group and other eliminations.

Business Review

Solar Material Business

Production

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

Polysilicon

As at 31 December 2019, the annual production capacity of polysilicon of the Group's Xuzhou base remained at 70,000 MT. The group has disposed 31.5% of equity interest in Xinjiang GCL during the year and remained 38.5% equity interest on hand to promote the industrial transformation and upgrade of Jiangsu Zhongneng and the competitiveness of Xuzhou subsidiaries in the photovoltaic and other clean energy industries.

During the year ended 31 December 2019, the Group produced approximately 60,273 MT of polysilicon, representing a decrease of 2.4% as compared to 61,785 MT for the corresponding period in 2018.

Commercialisation of Fluidized bed reactor (FBR) Technology

Utilizing the accumulated silicon material technology with independent intellectual property rights, together with the acquisition of Fluidized Bed Reactor (FBR) technology patent owned by SunEdison of the United States in 2017, the Xuzhou production base will expand production according to market demand and production and operation conditions and gradually upgrade itself as the FBR silicon base. Granular silicon has many natural competitive advantages. The first is its high product applicability, which can better meet the needs of downstream monocrystalline silicon manufacturers for silicon materials, and 100% meet the RCZ and CCZ materials. Second, the granular silicon cost index per unit is significantly lower than that of rod silicon. GCL-Poly is confident that this new particle silicon process, which is entirely dependent on independent innovation, can fills in the domestic blanks and will provide brand-new technology boost for photovoltaic generation, and also bring new profit growth points for the company.

Wafer

As at 31 December 2019, the Group's annual wafer production capacity maintains 35 GW. During the twelve months ended 31 December 2019, the Group produced approximately 31,852 MW of wafers, representing an increase of 31.7% from 24,189 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 quasi-mono wafer are available. The launch of the new generation of "quasi-mono 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.

During the year ended 31 December 2019, the Group's monosilicon entered mass production and a capacity expansion was underway, making monosilicon a new profit driver.

Sales Volume and Revenue

During the twelve months ended 31 December 2019, the Group sold 38,789 MT of polysilicon and 31,969 MW of wafers, representing an increase of 93.5% and 29.1% respectively, as compared with 20,041 MT of polysilicon and 24,761 MW of wafers for the corresponding period in 2018.

The average selling prices (excluding tax) of polysilicon and wafer were approximately RMB59.9 (equivalent to US$8.7) per kilogram and RMB0.422 (equivalent to US$0.061) per W respectively for the twelve months ended 31 December 2019. The corresponding average selling prices of polysilicon and wafer for the twelve months ended 31 December 2018 were approximately RMB78.8 (equivalent to US$11.73) per kilogram and RMB0.570 (equivalent to US$0.087) per W respectively.

Revenue from external customers of the solar materials business amounted to approximately RMB12,708 million for the year ended 31 December 2019, representing a decrease of 11.9% from RMB14,436 million in 2018. Despite the increase in the sales volume of both polysilicon and wafers during the year, the drop in average selling prices following the implementation of the 531 PV New Policy in 2018 led to the decrease in revenue.

Cost and Segment Gross Profit

The Group's polysilicon and wafer production costs mainly depend on its ability to control raw material costs, lower energy consumption, achieve economies of scale in its operations and streamline production processes. 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, and the decrease in manufacturing cost, average selling prices of polysilicon and wafers dropped following the implementation of the 531 PV New Policy, Solar Material business recorded segment gross profit of RMB423 million for the year ended 31 December 2019, as compared with a profit of RMB995 million for the year ended 31 December 2018 which indicate a significant decrease in performance of Solar Material business.

Solar Farm Business

Overseas Solar Farms

As at 31 December 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 and with the total effective ownership of 9.7% owned by the Group.

PRC Solar Farms

As at 31 December 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 year ended 31 December 2019, the electricity sales volume of the solar farm business in overseas and the PRC were 27,931 MWh and 488,869 MWh respectively (2018: 30,473 MWh and 492,950 MWh, respectively).

For the year ended 31 December 2019, revenue for the solar farm business was approximately RMB490 million (2018: RMB497 million).

New Energy Business

As at 31 December 2019, the Group owns 11,880 million shares of GNE (approximately 62.28% of GNE's issued capital). As at 31 December 2019, the aggregated installed capacity of grid-connected solar farms of the GNE Group decreased by 2.2% to 7,145 MW (31 December 2018: 7,309 MW). Details of capacity, electricity sales volume and revenue for the year ended 31 December 2019 are set out below.

Places	Tariff Zones	Number of solar power plant	Aggregate Installed Capacity[1] *(MW)*	Grid-connected Capacity[1] *(MW)*	Electricity Sales Volume *(million kWh)*	Average Tariff (Net of Tax) *(RMB/kWh)*	Revenue *(RMB million)*
Inner Mongolia	1	11	358	358	606	0.75	452
Ningxia	1	6	233	233	248	0.94	232
Qinghai	1	3	107	107	150	0.83	125
Xinjiang	1	2	81	81	124	0.69	85
	Zone 1	22	779	779	1,128	0.79	894
Shaanxi	2	18	1,018	1,018	1,166	0.78	912
Qinghai	2	6	179	179	239	0.69	165
Yunnan	2	8	279	279	378	0.62	235
Sichuan	2	2	85	85	132	0.75	99
Jilin	2	4	51	51	77	0.75	58
Xinjiang	2	2	47	47	62	0.73	45
Liaoning	2	3	47	47	60	0.72	43
Gansu	2	2	39	39	49	0.69	34
Hebei[4]	2	—	—	—	241	0.74	178
Shanxi[4]	2	—	—	—	127	0.87	110
Inner Mongolia[4]	2	—	—	—	46	0.65	30
	Zone 2	45	1,745	1,745	2,577	0.74	1,909
Henan	3	14	584	584	751	0.74	557
Jiangsu	3	41	565	565	660	0.81	536
Anhui	3	12	410	410	501	0.84	423
Guizhou	3	6	235	235	226	0.81	182
Guangdong	3	8	219	133	139	0.81	113
Jiangxi	3	5	192	192	203	0.97	197
Shandong	3	6	190	190	260	0.77	201
Hubei	3	4	165	165	201	0.85	171
Guangxi	3	3	160	160	157	0.77	121
Hunan	3	5	101	101	96	0.95	91

Places	Tariff Zones	Number of solar power plant	Aggregate Installed Capacity[1] (MW)	Grid-connected Capacity[1] (MW)	Electricity Sales Volume (million kWh)	Average Tariff (Net of Tax) (RMB/kWh)	Revenue (RMB million)
Hainan	3	3	80	80	101	0.84	85
Zhejiang	3	3	62	62	59	1.07	63
Fujian	3	3	55	55	53	0.81	43
Hebei	3	1	21	21	223	0.87	193
Shanghai	3	1	7	7	7	1.14	8
Shaanxi	3	1	6	6	6	0.67	4
Shanxi[4]	3	—	—	—	465	0.69	320
	Zone 3	116	3,052	2,966	4,108	0.81	3,308
Subtotal		183	5,576	5,490	7,813	0.78	6,111
Japan		—	—	—	4	2.25	9
US		2	134	134	217	0.38	83
Total of Subsidiaries		**185**	**5,710**	**5,624**	**8,034**	**0.77**	**6,203**
Joint ventures and associates[2]							
PRC		28	1,435	1,435	724	0.84	606
Japan		—	—	—	4	2.00	8
Total		**213**	**7,145**	**7,059**	**8,762**	**0.78**	**6,817**

	Revenue *(RMB million)*
Representing:	
Electricity sales	2,429
Tariff adjustment — government subsidies received and receivables	3,774
Total of subsidiaries	6,203
Less: effect of discounting tariff adjustment to present value[3]	(151)
Total revenue of the GNE Group	6,052

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

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

(3) Certain portion of the tariff adjustment (government subsidies) will be recovered after twelve months from the reporting date. The tariff adjustment is discounted at an effective interest rate ranging from 2.55% to 3.01% per annum.

(4) The subsidiaries were disposed during the year ended 31 December 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 credit losses were considered necessary for the years ended 31 December 2019 and 31 December 2018.

Revenue

During the year ended 31 December 2019, the revenue of the GNE Group mainly comprised sales of electricity and related tariff adjustment (i.e. government subsidies) amounting to approximately RMB6,052 million (2018: RMB5,632 million), net of effect of discounting the tariff adjustment to its present value of approximately RMB151 million (2018: RMB152 million). The increase in revenue was mainly attributable to the increase in sales of electricity of the solar farms by 9% as a result of intensive developments of solar farms in 2018 and full grid-connected capacity in 2019. The average tariff (net of tax) for the PRC was approximately RMB0.77/kWh (2018: RMB0.76/kWh).

In terms of revenue generated by tariff zone from the PRC, for the year ended 31 December 2019, approximately 15%, 31% and 54% of revenue were generated from zone 1, zone 2 and zone 3 respectively (2018: 16% for zone 1, 29% for zone 2 and 55% for zone 3). In consistent with our prevailing strategy, the GNE Group focused more on developing solar farms in well-developed areas with strong domestic power demand (i.e. zone 2 and zone 3) to minimise the grid curtailment risk in zone 1 area.

Gross Profit

The GNE Group's gross margin for the year ended 31 December 2019 was 65.3%, as compared to 66.5% for the year ended 31 December 2018. The cost of sales mainly consisted of depreciation, which accounted for 80.6% (2018: 79.2%) of cost of sales, with the remaining costs being operation and maintenance costs of solar farms.

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" section of the 2019 Unaudited Results Announcement.

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2019 amounted to approximately RMB19,250 million, representing a decrease of 6.4% as compared with approximately RMB20,565 million for the corresponding period in 2018. The decrease was mainly due to the drop in revenue in solar material business as a result of the downward average selling price for wafer and polysilicon products, partially offset by the combined effect of increase in sales volume of both polysilicon and wafer and growth in revenue from the GNE Group.

Gross Profit Margin

The Group's overall gross profit margin for the year ended 31 December 2019 was 24.3%, as compared with 24.5% for the corresponding period in 2018.

Gross profit margin for the Solar Material Business decreased from 6.9% for the year ended 31 December 2018 to 3.3% for the year ended 31 December 2019. The decrease was mainly attributable to the decrease in the average selling price of wafer, partially offset by the reduction of production costs.

The gross profit margin for the Solar Farm Business slightly increased from 52.4% for the year ended 31 December 2018 to 53.0% for the year ended 31 December 2019.

The gross profit margin for the New Energy Business was 65.3% for the year ended 31 December 2019 and 66.5% for the corresponding period in 2018.

Distribution and Selling Expenses

Distribution and selling expenses increased from approximately RMB113 million for the year ended 31 December 2018 to approximately RMB126 million for the year ended 31 December 2019.

Administrative Expenses

Administrative expenses amounted to approximately RMB2,051 million for the year ended 31 December 2019, representing a increase of 1.5% from approximately RMB2,020 million for the corresponding period in 2018.

Impairment losses under expected credit loss model, net of reversal

The Group recognized the amount of approximately RMB463 million impairment loss under expected credit loss model for the year ended 31 December 2019, mainly included the amounts due from related companies of approximately RMB275 million, trade receivable (net of reversal) of approximately RMB48 million and consideration receivable of approximately RMB140 million.

Other Expenses, Gains and Losses, Net

For the year ended 31 December 2019, net gains of approximately RMB1,058 million in other expenses, gains and losses were recorded as compared to net losses of approximately RMB1,290 million for the year ended 31 December 2018. The changes were mainly due to:

Gain on disposal of subsidiaries of RMB4.4 billion, which is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of the 38.5% retained interest of Xinjiang GCL and (ii) the carrying amount of the assets, and liabilities of Xinjiang GCL attributable to the owners of the Company, comprises:

— The amount of approximately RMB1,982 million realised gain on disposal of 31.5% equity interest in a Xinjiang GCL;

— Gain on fair value uplift on an associate of approximately RMB2,424 million as the fair value of the 38.5% equity interest in Xinjiang GCL at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate.

Decreased in exchange losses from approximately RMB480 million to approximately RMB127 million.

There were partially offset by:

— Increased in impairment loss on property, plant and equipment and other intangible assets from approximately RMB526 million to approximately RMB2,610 million. It was mainly due to the continuing unfavourable market conditions during the year, the products of solar material business segment faced a stronger than expected price pressure as a result, Solar material business recognised impairment loss of approximately RMB2,074 million and RMB479 million on property, plant and equipment and other intangible assets respectively. In addition, in August 2019, the power generator and related equipment of a solar power plant of the GNE Group located in Shandong Province, the PRC, was damaged during typhoon. Accordingly, an impairment loss of RMB57,235,000 was recognised for the respective property, plant and equipment for the year ended 31 December 2019. The Group has insurance policies in place to cover damages to property, plant and equipment incidental to typhoon and received RMB6,615,000 from insurance claim as of 31

December 2019 which was recognised as compensation income. The Group has an insurance claim for the remaining loss as at 31 December 2019. Based on the insurance policies, the directors believe that it is probable that their claim will be successful.

— Increased in research and development cost by RMB215 million.

Finance Costs

Finance costs for the year ended 31 December 2019 were approximately RMB3,947 million, which increased by 15.4% as compared to approximately RMB3,419 million for the corresponding period in 2018. The increase was mainly related to less expenses being capitalized and the increase of average bank and other borrowings from the GNE Group during the year.

Share of Profits of Associates

The Group's share of profits of associates for the year ended 31 December 2019 was approximately RMB401 million, mainly contributed by associates, 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), Xinxin Finance Leasing Company Limited ("**Xinxin**") (芯鑫融資租賃有限責任公司), Xinjiang GCL and associates of the GNE Group.

Share of losses of Joint Ventures

The Group's share of losses of joint ventures for the year ended 31 December 2019 was approximately RMB51 million, mainly contributed by the share of loss from "江蘇鑫華半導體材料科技有限公司", partially offset by the contribution of joint venture in South Africa.

Income Tax Expense (Credit)

Income tax expense for the year ended 31 December 2019 was approximately RMB207 million as compared with approximately RMB52 million of income tax credit for the corresponding period in 2018. There is an increase in income tax expenses mainly because some of the solar farms in GNE Group had passed the three year's exemption period for the PRC income tax, partially offset by the income tax credit from Solar Material Business recorded during the year.

Loss attributable to Owners of the Company

As a result of the above factors, loss attributable to owners of the Company amounted to approximately RMB197 million for the year ended 31 December 2019 as compared with a loss of approximately RMB693 million for the corresponding period in 2018.

Adjusted EBITDA and Adjusted EBITDA Margin

	2019 *RMB million*	2018 *RMB million*
For the year ended 31 December:		
Profit (loss) for the year	**111**	(458)
Adjust: non-operating or non-recurring items:		
Impairment loss of property, plant and equipment and other intangible assets	**2,610**	526
Loss (gain) on fair value change of convertible bonds receivable	**(30)**	2
Loss on fair value change of convertible bonds payables	**—**	46
Loss on fair value change of held for trading investments	**28**	15
Loss on deemed disposal of an associate	**—**	78
Impairment loss on goodwill	**—**	177
Gain on disposal of subsidiaries	**(1,982)**	(445)
Gain on fair value change for an associate	**(2,424)**	—
Gain on disposal of joint ventures of the GNE Group	**(35)**	—
Gain on fair value change of other financial assets at fair value through profit or loss	**(42)**	(84)
Loss on fair value change of derivative financial instruments, net	**107**	10
Bargain purchase	**(74)**	—
Exchange losses, net	**127**	480
	(1,604)	347
Add:		
Finance costs	**3,947**	3,419
Income tax expense (credit)	**207**	(52)
Depreciation and amortisation	**4,630**	4,289
Adjusted EBITDA	**7,180**	8,003
Adjusted EBITDA Margin	**37.3%**	38.9%

Property, Plant and Equipment

Property, plant and equipment decreased from approximately RMB71,000 million as at 31 December 2018 to approximately RMB52,413 million as at 31 December 2019. Decrease in property, plant and equipment was mainly attributable to disposal of subsidiaries and increase in depreciation and impairment during the period. In addition, certain property, plant and equipment was reclassified to right-of-use assets after the adoption of IFRS 16.

Deposits, Prepayments and Other Non-current Assets

Non-current portion for deposits, prepayments and other non-current assets decreased from approximately RMB3,728 million as at 31 December 2018 to approximately RMB2,396 million as at 31 December 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 recognised right-of-use assets since 1 January 2019. As at 31 December 2019, the right-of-use assets amounted to approximately RMB4,529 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 increased from approximately RMB4,236 million as at 31 December 2018 to approximately RMB5,640 million as at 31 December 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 from approximately RMB1,815 million as at 31 December 2018 to approximately RMB7,539 million as at 31 December 2019. The increase was mainly due to:

1. The Group retained 38.5% equity interest in Xinjiang GCL and interest in an associate of approximately RMB3,061 million was recognised after completion of disposal of 31.5% equity interest in an subsidiary of Xinjiang GCL.

2. The Group invested the amount of RMB1,350 million for 40.26% equity interest in Xuzhou Zhongping GCL Industrial Upgrading Equity Investment Fund LLP.

3. During the year, the GNE Group recognised several interests in associates resulting from completion of partial disposal of subsidiaries while the GNE Group retained certain percentage of equity interests.

Trade and Other Receivables

Trade and other receivables increased from approximately RMB13,309 million as at 31 December 2018 to approximately RMB13,857 million as at 31 December 2019. The increase was mainly due to increase in bills recovered held by the Group for future settlement of trade receivables, from solar material business and increase in tariff receivables of GNE Group.

Trade and Other Payables

Trade and other payables decreased from approximately RMB20,959 million as at 31 December 2018 to approximately RMB15,019 million as at 31 December 2019. The decrease was mainly due to significant decrease in construction payables during the year, partly offset by an increase in trade payables.

Balances with related companies

The related companies included associates and joint ventures of the Group and companies controlled by Mr. Zhu Gongshan and his family members which hold in aggregate approximately 32% (2018: 34%) of the Company's share capital as at 31 December 2019 and exercise significant influence over the Company.

Amounts due from related companies increased from approximately RMB1,237 million as at 31 December 2018 to approximately RMB2,533 million as at 31 December 2019. The increase was mainly due to loans to Xinjiang GCL. These loans to Xinjiang GCL were reclassified to amounts due from associates as a result of the disposal of 31.5% equity interests in Xingjiang GCL.

Amounts due to related companies increased from approximately RMB578 million as at 31 December 2018 to approximately RMB1,816 million as at 31 December 2019. The increase was mainly due to significant increase in balances with associates during the year. Same as above, the balances were mainly due to the reclassification of balances as a result of the disposal of 31.5% equity interests in Xingjiang GCL.

Loans from related companies

Loan from related companies decreased from approximately RMB3,600 million as at 31 December 2018 to approximately RMB1,776 million as at 31 December 2019. The decrease was mainly due to repayment of loans during the year.

Liquidity and Financial Resources

As at 31 December 2019, the total assets of the Group were about RMB101.5 billion, of which the aggregate restricted and unrestricted cash and bank balances amounted to approximately RMB8.5 billion.

For the year ended 31 December 2019, the Group's main source of funding was cash generated from operating activities. The net cash from operating activities was RMB7.2 billion, compared with RMB6.4 billion in the corresponding period in 2018. The increase is mainly attributable to the increase in operating cash flow from solar material business and GNE group.

For the year ended 31 December 2019, the net cash used in investing activities was approximately RMB5.7 billion (2018: RMB12.7 billion), primarily related to purchase of property, plant and equipment of approximately RMB5.0 billion, which was mainly attributable to GNE Group of approximately RMB3.6 billion, contribution to investments in associates of approximately RMB1.35 billion, net placement of pledged and restricted bank and other deposits of approximately RMB1.54 billion, partially offset by net cash inflow from disposal of subsidiaries of approximately RMB2.5 billion.

For the year ended 31 December 2019, the net cash used in financing activities was approximately RMB4.1 billion (2018: RMB0.4 billion). This was mainly due to repayment of convertible bonds and notes and payables RMB1.6 billion, interest paid of RMB3.0 billion and the net reduction of bank and other borrowings of RMB0.5 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 RMB21,906 million as at 31 December 2019 and the Group had cash and cash equivalents of approximately RMB1,548 million against the Group's total borrowings (comprising bank and other borrowings, lease liabilities, notes and bonds payables, loans from related companies) amounted to approximately RMB55,373 million. For the remaining balance of the Group's total borrowings, approximately RMB28,674 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 the GNE Group as described in Note 1 "Basis of Preparation" to the consolidated financial statements, the Group will have sufficient working capital to meet its cashflow requirements in the next twelve months. The Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

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

Indebtedness

Details of the Group's indebtedness are as follows:

	As at 31 December 2019 *RMB Million*	As at 31 December 2018 *RMB Million*
Current liabilities		
Bank and other borrowings — due within one year	**26,977**	25,289
Lease liabilities/obligations under finance leases — due within one year	**531**	277
Notes and bonds payables — due within one year	**422**	984
Indebtedness associated with assets classified as held for sale	**—**	873
Loans from related parties — due within one year	**744**	508
	28,674	27,931
Non-current liabilities		
Bank and other borrowings — due after one year	**20,286**	26,477
Lease liabilities/obligations under finance leases — due after one year	**1,911**	951
Notes and bonds payables — due after one year	**3,470**	4,137
Loans from related parties — due after one year	**1,032**	3,092
	26,699	34,657
Total indebtedness	**55,373**	62,588
Less: Pledged and restricted bank deposits and bank balances and cash (including bank balances of related companies and cash classified as assets held for sale)	**(8,515)**	(10,837)
Net indebtedness	**46,858**	51,751

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

	2019	2018
	RMB million	*RMB million*
Secured	**40,668**	40,331
Unsecured	**6,595**	11,435
	47,263	51,766
Maturity profile of bank and other borrowings		
On demand or within one year	**26,977**	25,289
After one year but within two years	**3,383**	4,617
After two years but within five years	**10,766**	10,724
After five years	**6,137**	11,136
Group's total bank and other borrowings	**47,263**	51,766

As at 31 December 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.

Key Financial Ratios of the Group

	As at 31 December 2019	As at 31 December 2018
Current ratio	**0.53**	0.54
Quick ratio	**0.51**	0.52
Net debt to equity attributable to owners of the Company	**210.6%**	236.7%

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

Policy risk

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

Credit Risk

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

In order to minimize the credit risk on sales of polysilicon and wafer products, 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 business under the Group is a capital intensive industry, which highly relies on external financing in order to fund for the construction of property, plant and equipment and 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 Group. Additionally, the GNE Group 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 and plants, 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 venture partners 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 or restrictions on assets

As at 31 December 2019, the following assets were pledged for certain bank and other borrowings, lease liabilities or restrictions on assets, 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 RMB29.0 billion (31 December 2018: RMB40.6 billion)

— Right-of-use assets of approximately RMB0.6 billion (31 December 2018: nil)

— Investment properties of approximately RMB0.07 billion

— Aircraft reclassified to Right-of-use assets (31 December 2018: RMB0.2 billion)

— Prepaid lease payments reclassified to Right-of-use assets (31 December 2018: RMB0.4 billion)

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

— Pledged and restricted bank deposits of approximately RMB6.9 billion (31 December 2018: RMB6.6 billion)

— Deposit paid to a related company of approximately RMB0.04 billion (31 December 2018: RMB0.1 billion)

In addition, lease liabilities of approximately RMB2.4 billion are recognised with related right-of-use assets of approximately RMB3.4 billion as at 31 December 2019.

Capital and other Commitments

As at 31 December 2019, the Group's capital commitments in respect of purchase of property, plant and equipment contracted for but not provided amounted to approximately RMB663 million respectively (2018: RMB2,893 million).

Contingencies

Financial guarantees contracts

As at 31 December 2019 and 2018, the Company and certain of its subsidiaries guaranteed bank and other borrowings of certain subsidiaries of GNE which amounted to approximately RMB2,770 million and approximately RMB2,971 million, respectively.

At 31 December 2019, the Group provided a total guarantee with maximum amount of approximately RMB4,578,397,000 (2018: nil) to several banks and financial institutions in respect of banking and other facilities of 新疆協鑫新能源材料科技有限公司 Xinjiang GCL New Energy Materials Technology Co., Limited*, an associate of the Group. The Directors consider that the fair value of the guarantee at the date of inception is insignificant.

As at 31 December 2019, GNE Group provided guarantee to its several associates, including 河北協鑫新能源有限公司 Hebei GCL New Energy Co., Ltd.* ("Hebei GNE"), and their subsidiaries, for certain of their bank and other borrowings with maximum amount of RMB5,369,119,000, out of which a joint guarantee of RMB520,000,000 was provided by the Group with GNE Group to Hebei GNE and one of its subsidiaries for their bank borrowings. Since these bank and other borrowings are secured by the borrowers' (i) property, plant and equipment, (ii) trade receivables, contract assets and fee collection right in relation to sales of electricity, in the opinion of the directors of GNE, the fair value of the guarantee is considered insignificant at initial recognition and as at 31 December 2019.

Contingent liability

During the year ended 31 December 2019, the GNE Group discounted certain non-trade bills receivables to banks, which were endorsed from independent third parties to the GNE Group, with a total face value of RMB1,136,390,000 for short-term financing. The funds received from the non-trade discounted bills arrangement has been fully settled to the independent third parties during the year. As the GNE Group is the last endorser when the relevant non-trade bills were discounted to the banks, the GNE Group might be required to reimburse the bank if the relevant bills are not settled by the issuer upon maturity.

* *English name for identification only*

However, in the opinion of the Directors, the risk of default in payment of these bills receivables is remote because they are issued and guaranteed by reputable PRC banks. The maximum exposure to the GNE Group that may result from the default of these outstanding bills was RMB1,136,390,000 as at 31 December 2019.

Events After the End of The Reporting Period

(a) Reference is made to the announcement on 21 January 2020 and the circular dated on 28 June 2019 in relation to the disposal of 100% equity interest in a number of subsidiaries of the GNE Group, of which these subsidiaries owning 7 operational solar power plants in the PRC with an aggregate installed capacity of approximately 294MW. This transaction was pending the approval by the shareholders of the Company in special general meetings, and also the shareholders of GCL-Poly in extraordinary general meeting, respectively. The Disposal is expected to be completed in 2020.

(b) The outbreak of coronavirus disease ("**COVID-19**") in the PRC, which subsequently spread throughout other regions, has affected many businesses to different extent in early 2020. The respective governments in the PRC and other regions had implemented different types and levels of precautionary measures in an attempt to curb the spread of the pandemic. Hence, the Group's ability to serve customers will largely depend on (i) the effectiveness of the government measures that have been implemented, (ii) continuous availability of workforce which may be affected by the temporary travel restrictions and home quarantine requirements, and (iii) customers' confidence and demand which may be influenced by the market sentiments and economic performances in different jurisdictions.

    Based on available information up to this date, the management of the Group considers that COVID-19 has limited impact on the Group's solar farm business and new energy business, while the Group's solar material business in the PRC and operations of its associates and joint ventures engaged in solar material business are negatively affected, which may affect the carrying amounts of the Group's assets relating to solar material business, including investments in associates and joint ventures, the long-lived assets and ECL on trade receivables. Given the dynamic nature of these circumstances, the related impact on our Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's future financial statements.

Employees

We consider our employees to be our most important resource. Employees are remunerated with reference to individual performance, working experience, qualification and the prevailing industry practice. Apart from basic remuneration and the statutory retirement benefit scheme, employee benefits including but not limited to discretionary bonuses, with share options granted to eligible employees.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: nil).

SCOPE OF WORK OF MESSRS DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in 2019 Results Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board on 27 April 2020. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the 2019 Results Announcement.

EXTRACT OF AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS FROM INDEPENDENT AUDITOR

The independent auditor has issued an unmodified audit opinion with a Material Uncertainty Related to Going Concern section in the auditor's report on the Group's consolidated financial statements for the year ended 31 December 2019. The following is an extract of the auditor's report on the Group's consolidated financial statements for the year ended 31 December 2019.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRS Standards**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements, which indicates that the Group's current liabilities exceeded its current assets by approximately RMB21,906 million as at 31 December 2019, 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 RMB11,267 million and which has entered into agreements which will involve capital commitments of approximately RMB377 million to construct solar farms and provided financial guarantees to several banks and other financial institutions in respect of bank and other facilities of the associates and third parties. In addition, at 31 December 2019, the Group was not able to meet a financial covenant in respect of a bank borrowing in the amount of approximately RMB557 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 RMB5,172 million. Subsequent to the end of the reporting period, the Group has obtained consents from the relevant lenders to waive the financial covenant concerned and not to demand for immediate repayment of such bank borrowing; and accordingly, the cross default clauses on the relevant bank borrowings are remedied. Notwithstanding this, reclassification of long-term borrowings of approximately RMB2,896 million as current liabilities is still required at 31 December 2019 under applicable accounting standard because the bank waivers were obtained subsequent to the end of the reporting period.

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

The aforesaid "note 2 to the consolidated financial statements" in the extract from the Auditor's Report is disclosed as note 1 to this 2019 Results Announcement.

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions as stipulated in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2019 save for the deviation from the following code provisions of the CG Code:

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.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial report matters including the review of the audited financial statements for the year ended 31 December 2019 and the 2019 annual results.

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 year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has established its model code (the "**Code**") in terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Listing Rules. Having made specific inquires of all Directors, the Company has received from all Directors confirmations of compliance with the required standard as set out in the Code throughout the year ended 31 December 2019.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2019 annual report will be despatched to Shareholders and published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.gcl-poly.com.hk in due course.

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

Hong Kong, 27 April 2020

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