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 OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2020	2019	% of changes
	RMB'million	*RMB'million*	
	(Unaudited)	(Unaudited)	
Revenue	**7,159.2**	10,001.8	–28.4%
Gross profit	**1,804.0**	2,354.2	–23.4%
Loss for the period	**(1,924.8)**	(751.4)	156.2%
Loss for the period attributable to owners of the Company	**(1,996.0)**	(997.5)	100.1%

The basic loss per share and diluted loss per share for the six months ended 30 June 2020 were RMB10.20 cents (Six months ended 30 June 2019: loss per share and diluted loss per share of RMB5.51 cents).

The board of directors (the "Board" or the "Directors") of GCL-Poly Energy Holdings Limited (the "Company" or "GCL-Poly") announces the unaudited condensed interim consolidated results of the Company and its subsidiaries (the "Group" or "GCL-Poly") for the six months ended 30 June 2020 together with the comparative figures for the corresponding period in the previous year as follows:

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended 30 June	
		2020	2019
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**7,159,240**	10,001,835
Cost of sales		**(5,355,199)**	(7,647,662)
Gross profit		**1,804,041**	2,354,173
Other income		**459,275**	441,325
Distribution and selling expenses		**(40,946)**	(70,263)
Administrative expenses		**(762,379)**	(1,133,581)
Finance costs		**(1,690,543)**	(1,982,234)
Impairment losses under expected credit loss model, net of reversal		**(221,880)**	(12,574)
Other expenses, gains and losses, net	*4*	**(1,469,175)**	(457,720)
Share of profits of associates		**121,327**	140,625
Share of losses of joint ventures		**(65,773)**	(24,665)
Loss before tax		**(1,866,053)**	(744,914)
Income tax expense	*5*	**(58,760)**	(6,448)
Loss for the period	*6*	**(1,924,813)**	(751,362)

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other comprehensive income (expense):		
Item that will not be reclassified to profit or loss:		
Fair value loss on investments in equity instruments at fair value through other comprehensive income	**(12,618)**	(17,738)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**13,455**	(1,242)
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
	13,455	2,298
Other comprehensive income (expense) for the period	**837**	(15,440)
Total comprehensive expenses for the period	**(1,923,976)**	(766,802)

	NOTE	Six months ended 30 June **2020** ***RMB'000*** **(Unaudited)**	 2019 *RMB'000* (Unaudited)
Loss for the period attributable to:			
Owners of the Company		**(1,995,988)**	(997,530)
Non-controlling interests		**71,175**	246,168
		(1,924,813)	(751,362)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(1,998,700)**	(1,012,953)
Non-controlling interests		**74,724**	246,151
		(1,923,976)	(766,802)
		RMB cents **(Unaudited)**	*RMB cents* (Unaudited)
Loss per share	*8*		
— Basic		**(10.20)**	(5.51)
— Diluted		**(10.20)**	(5.51)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	NOTES	**As at 30 June 2020** ***RMB'000*** **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**47,459,510**	52,412,895
Right-of-use assets		**3,919,071**	4,529,359
Investment properties		**63,477**	65,804
Other intangible assets		**230,068**	247,723
Interests in associates		**7,608,403**	7,539,323
Interests in joint ventures		**642,174**	706,200
Other financial assets at fair value through profit or loss		**271,306**	357,542
Equity instruments at fair value through other comprehensive income		**29,239**	41,857
Convertible bonds receivable		**—**	101,097
Deferred tax assets		**283,735**	291,711
Deposits, prepayments and other non-current assets		**1,938,983**	2,396,446
Contract assets		**735,076**	5,639,898
Amounts due from related companies	*11*	**846,951**	826,951
Pledged and restricted bank and other deposits		**884,844**	1,132,156
		64,912,837	76,288,962
CURRENT ASSETS			
Inventories		**653,084**	751,188
Convertible bonds receivable		**96,364**	—
Trade and other receivables	*9*	**13,845,091**	13,857,141
Contract assets		**4,323,281**	—
Amounts due from related companies	*11*	**981,481**	1,706,133
Other financial assets at fair value through profit or loss		**781,682**	477,256
Held for trading investments		**4,265**	4,339
Tax recoverable		**3,272**	6,651
Pledged and restricted bank and other deposits		**5,761,663**	5,797,270
Bank balances and cash		**1,056,665**	1,548,019
		27,506,848	24,147,997
Assets classified as held for sale		**2,842,334**	—
		30,349,182	24,147,997

	NOTES	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	*10*	**13,346,339**	15,018,649
Amounts due to related companies	*11*	**2,296,259**	1,816,308
Loans from related companies		**664,734**	743,922
Contract liabilities		**123,172**	224,939
Bank and other borrowings — due within one year		**24,302,240**	26,976,972
Lease liabilities — due within one year		**413,849**	530,655
Notes and bonds payables — due within one year		**3,954,175**	422,175
Derivative financial instruments		**162,000**	133,400
Deferred income		**42,806**	41,885
Tax payables		**189,107**	144,922
		45,494,681	46,053,827
Liabilities associated with assets classified as held for sale		**1,596,622**	—
		47,091,303	46,053,827
NET CURRENT LIABILITIES		**(16,742,121)**	(21,905,830)
TOTAL ASSETS LESS CURRENT LIABILITIES		**48,170,716**	54,383,132
NON-CURRENT LIABILITIES			
Contract liabilities		**83,703**	147,740
Loans from related companies		**1,065,649**	1,031,639
Bank and other borrowings — due after one year		**19,567,860**	20,285,750
Lease liabilities — due after one year		**1,696,124**	1,910,864
Notes and bonds payables — due after one year		**—**	3,470,542
Deferred income		**573,756**	628,441
Deferred tax liabilities		**123,542**	186,748
		23,110,634	27,661,724
NET ASSETS		**25,060,082**	26,721,408

	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
CAPITAL AND RESERVES		
Share capital	**1,862,437**	1,742,850
Reserves	**18,655,271**	20,507,309
Equity attributable to owners of the Company	**20,517,708**	22,250,159
Non-controlling interests	**4,542,374**	4,471,249
TOTAL EQUITY	**25,060,082**	26,721,408

NOTES:

1. BASIS OF PREPARATION

The unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The unaudited condensed interim consolidated financial statements do not include all the information required for a complete set of financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

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 RMB16,742 million as at 30 June 2020 and it has incurred a net loss of approximately RMB1,925 million for the six-month period then ended. The Group had cash and cash equivalents of approximately RMB1,126 million (including bank balances and cash classified as assets held for sale of approximately RMB70 million) against the Group's total borrowings (including loans from related companies, bank and other borrowings, lease liabilities and notes and bonds payables) amounted to approximately RMB53,165 million. The amounts included loan from a related company, bank and other borrowings and lease liabilities classified as liabilities associated with assets held for sale totalling approximately RMB1,501 million. For the remaining balance of the Group's total borrowings, approximately RMB29,335 million will be due in the coming twelve months from the end of the reporting period. In addition, the Group has entered into agreements which will involve commitments and provided financial guarantees to several banks and financial institutions in respect of banking and other facilities of a joint venture, associates and third parties as at 30 June 2020.

Included in the Group's bank borrowings is a loan of approximately RMB212 million that the Group has not been able to meet a financial covenant as stipulated in the relevant loan agreement. The relevant bank borrowing is due within one year in accordance with the original repayment term. In addition, the inability to respect the covenant requirement has triggered the cross default clauses in several other bank borrowings of approximately RMB5,033 million. Among this, approximately RMB2,662 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, such bank borrowing amounting to approximately RMB212 million has been fully repaid by the Group. In light of this, reclassification of long-term borrowings of approximately RMB2,662 million as current liabilities is still required at 30 June 2020 under applicable accounting standard. As a result, in the Group's unaudited condensed consolidated statement of financial position as at 30 June 2020, net current liabilities of approximately RMB16,742 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 30 June 2020, 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 RMB2,448 million. The Directors have noted the going concern status of GNE Group in preparing these unaudited condensed interim consolidated financial statements, in light of the fact that, GNE Group's current liabilities exceeded its current assets by approximately RMB6,510 million. In addition, as at 30 June 2020, GNE Group has entered into agreements which will involve capital commitments of approximately RMB669 million to construct solar farms and provided financial guarantees to its associates and third parties for their bank and other borrowings.

As at 30 June 2020, GNE Group's total borrowings comprising bank and other borrowings, lease liabilities, bonds and notes payables, loans from the Company and related companies amounted to approximately RMB36,485 million. The amounts included bank and other borrowings, loan from a related company and lease liabilities classified as liabilities associated with assets classified as held for sale totalling of approximately RMB1,501 million. For the remaining balance of GNE Group's total borrowings, approximately RMB14,774 million will be due in the coming twelve months from the end of the reporting period, including bank and other borrowings of approximately RMB1,345 million, which will 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 clauses of these bank borrowings. GNE Group's pledged bank and other deposits and bank balances and cash amounted to approximately RMB1,161 million (including pledged deposit of approximately RMB5 million placed at an associate of the Company for its loans advanced to GNE Group, in which RMB2 million are classified as assets held for sale, and pledged deposits classified as assets held for sale of approximately RMB8 million) and RMB737 million (including bank balances and cash classified as assets held for sale of approximately RMB70 million) as at 30 June 2020, respectively. The financial resources available to GNE Group as at 30 June 2020 and up to the date of approval of these unaudited condensed interim consolidated financial statements for issuance may not be sufficient to satisfy the above capital expenditure requirements. 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 30 June 2020. 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 30 June 2020.

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) 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 transfer 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"). Further details of the Disposal are set out in the announcement of the Company published on 21 January 2020. Pursuant to the Listing Rules, this transaction is considered as a major transaction of GNE, the Disposal has been approved by the shareholders of GNE in the special general meeting as well as the shareholders of the Company in an extraordinary general meeting on 21 May 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. As at 30 June 2020, the disposal of one of the six wholly-owned subsidiaries has been completed, four of them have been completed by the date of approval of these unaudited condensed interim consolidated financial statements, and the remaining one is expected to be completed before the second half of 2020.

On 29 June 2020, GNE Group also entered into a share transfer agreements with 國開新能源科技有限公司 CDB New Energy Technology Co., Ltd.,* ("CDB New Energy") an independent third party, to sell its 75% interest in 金湖正輝太陽能電力有限公司 Jinhu Zhenghui Photovoltaic Co., Ltd.* ("Jinhu") for a consideration in aggregate of RMB136,624,000 (the "Divestment"). Jinhu has a solar farm project with installed capacity of approximately 100MW in operation. The Divestment is completed in July 2020; and

(ii) GNE Group still owns 175 solar farms with an aggregate grid connected capacity of approximately 5.3GW upon completion of the Disposal and Divestment. Those operational solar farms are expected to generate operating cash inflows to GNE Group within the coming twelve months from the date of these unaudited condensed interim consolidated financial statements.

* English name for identification only

Taking into account the undrawn banking facilities, renewal of existing banking facilities, the Group's cash flow projections for the coming twelve months, and the successful implementation of measures of GNE Group as described above, the Directors are of the opinion that the Group will have sufficient working capital to meet its cashflow requirements in the next twelve months. The Directors are satisfied that it is appropriate to prepare these unaudited condensed interim consolidated financial statements on a going concern basis.

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRS") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the unaudited condensed interim consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2019.

3. SEGMENT INFORMATION

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

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

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

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

Segment revenue and results

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

Six months ended 30 June 2020

	Solar Material business *RMB'000* (Unaudited)	Solar Farm business *RMB'000* (Unaudited)	New Energy business *RMB'000* (Unaudited) *(Note)*	Total *RMB'000* (Unaudited)
Segment revenue	**4,189,055**	**239,045**	**2,731,140**	**7,159,240**
Segment (loss) profit	**(2,023,124)**	**41,070**	**172,133**	**(1,809,921)**
Elimination of inter-segment profit				**(81,900)**
Unallocated income				**5,144**
Unallocated expenses				**(50,157)**
Loss on fair value change of convertible bonds receivable				**(403)**
Gain on fair value change of financial assets at fair value through profit or loss ("FVTPL")				**1,756**
Loss on fair value change of held for trading investments				**(148)**
Share of profit of an associate				**10,191**
Share of profits of joint ventures				**625**
Loss for the period				**(1,924,813)**

Six months ended 30 June 2019

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

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss) profit of each respective segment excluding unallocated income, unallocated expenses (including certain change in fair value of certain financial assets at FVTPL, exchange losses and unallocated tax expense), change in fair value of convertible bonds receivable, change in fair value of held for trading investments, 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.

Disaggregation of revenue

Six months ended 30 June 2020

Segments	**Solar Material business** *RMB'000* (Unaudited)	**Solar Farm business** *RMB'000* (Unaudited)	**New Energy business** *RMB'000* (Unaudited)	**Total** *RMB'000* (Unaudited)
Types of goods or services				
Sales of wafer	**2,572,834**	**—**	**—**	**2,572,834**
Sales of electricity *(Note)*	**—**	**239,045**	**2,731,140**	**2,970,185**
Sales of polysilicon	**1,015,188**	**—**	**—**	**1,015,188**
Processing fees	**357,390**	**—**	**—**	**357,390**
Others (comprising the sales of ingots)	**243,643**	**—**	**—**	**243,643**
Total	**4,189,055**	**239,045**	**2,731,140**	**7,159,240**

Six months ended 30 June 2019

Segments	Solar Material business *RMB'000* (Unaudited)	Solar Farm business *RMB'000* (Unaudited)	New Energy business *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Types of goods or services				
Sales of wafer	4,535,386	—	—	4,535,386
Sales of electricity *(Note)*	—	248,517	3,172,984	3,421,501
Sales of polysilicon	1,289,009	—	—	1,289,009
Processing fees	310,133	—	—	310,133
Others (comprising the sales of ingots)	445,806	—	—	445,806
Total	6,580,334	248,517	3,172,984	10,001,835

Note: Sales of electricity included RMB1,814,474,000 (Six months ended 30 June 2019: RMB2,081,860,000) tariff adjustment received and receivable from the state grid companies in the PRC based on the prevailing nationwide government policies on renewable energy for solar farms.

4. OTHER EXPENSES, GAINS AND LOSSES, NET

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Research and development costs	**231,780**	298,878
Exchange losses, net	**92,654**	6,997
Loss (gain) on fair value change of convertible bonds receivable	**403**	(9,599)
Gain on fair value change of other financial assets at FVTPL	**(14,783)**	(14,292)
Loss on fair value change of held for trading investments	**148**	17,197
Loss on fair value change of derivative financial instruments	**28,600**	6,457
Loss on measurement of assets classified as held for sale to fair value less cost to sell	**153,339**	—
Impairment loss on property, plant and equipment *(Note)*	**740,596**	280,000
Loss on disposal of property, plant and equipment	**15,074**	27,466
Bargaining purchase from business combination	**—**	(73,858)
Loss on disposal of subsidiaries	**84,225**	—
Loss (gain) on disposal of subsidiaries with solar farm projects	**87,738**	(46,263)
Gain on disposal of joint ventures	**—**	(35,263)
Loss on deemed disposal of an associate	**49,408**	—
Gain on early termination of a lease	**(7)**	—
	1,469,175	457,720

Note:

Due to the continuing unfavourable market conditions and poor economic condition induced by the outbreak of COVID-19 during the current interim period, the polysilicon and wafer faced a stronger than expected price pressure with decrease in demand, and the solar material business segment recognised a segment loss of approximately RMB2,023 million during the six months ended 30 June 2020. With the impairment indicators identified, the Directors conducted a review of the recoverable amounts of several cash-generating units ("CGUs") in the solar material business segment to which the property, plant and equipment and intangible assets belonged to as at 30 June 2020.

The recoverable amounts of the relevant CGUs are determined based on a value in use calculations by the Directors on the production plants in relation to the production of polysilicon and wafer of the CGUs in the solar material business segment as at 30 June 2020. The calculation uses cash flow projections covering the useful lives of those property, plant and equipment and intangible assets in relation to the production of polysilicon and wafer based on financial budgets approved by management including replacement of assets with shorter useful lives within the relevant CGUs. 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 CGUs is lower than the value in use. As a result, an impairment loss of approximately RMB698,000,000 is recognised on property, plant and equipment during the six months ended 30 June 2020. During the six months ended 30 June 2019, an impairment loss of approximately RMB280,000,000 was recognised on property, plant and equipment in relation to the production of polysilicon.

The impairment loss of approximately RMB43 million arose from the termination of constructing certain in-progress solar farm projects of GNE group during the six months ended 30 June 2020. In current period, having considering the financial resources of GNE Group, and considered that the equipment costs related to certain solar farms, which are still in preliminary stage, will not generate future economic returns to GNE Group, and therefore the management determined to suspend these projects and the relevant equipment costs in these projects are fully impaired.

5. INCOME TAX EXPENSE

	Six months ended 30 June 2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax ("EIT")		
Current tax	**95,397**	80,005
Under (Over) provision in prior periods	**1,107**	(39,642)
PRC dividend with holding tax	**7,158**	4,150
	103,662	44,513
USA Federal and State Income Tax		
Current tax	**27**	20
Underprovision in prior periods	**5**	2
	33	22
Deferred tax	**(44,935)**	(38,087)
	58,760	6,448

6. LOSS FOR THE PERIOD

	Six months ended 30 June 2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging the following items:		
Depreciation of property, plant and equipment	**1,702,885**	2,186,081
Depreciation of right-of-use assets	**163,318**	149,105
Depreciation of investment properties	**2,327**	2,327
Amortisation of other intangible assets	**16,745**	50,751
Total depreciation and amortisation	**1,885,275**	2,388,264
Less: amounts absorbed in opening and closing inventories, net	**(5,082)**	(44,496)
	1,880,193	2,343,768
Less: amounts absorbed in inventories sold, including opening inventories	**(708,707)**	(1,016,681)
	1,171,486	1,327,087

7. DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

8. LOSS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	**(1,995,984)**	(997,530)

	Six months ended 30 June	
	2020	2019
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**19,568,050**	18,115,551

For the six months ended 30 June 2020 and 2019, the weighted average number of ordinary shares for the purpose of calculation of basic and diluted loss per share has been adjusted for the effect of 322,998,888 ordinary shares purchased by Computershare Hong Kong Trustees Limited ("Trustee") from the market pursuant to the Share Award Scheme (the "Scheme").

Diluted loss per share for the six months ended 30 June 2020 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 period.

Diluted loss per share for the six months ended 30 June 2020 and 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 respective period.

9. TRADE AND OTHER RECEIVABLES

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

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

	As at 30 June 2020 ***RMB'000*** **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Within 3 months	**344,738**	559,711
3 to 6 months	**95,427**	29,048
Over 6 months	**163,894**	76,740
	604,059	665,499

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:

	As at 30 June 2020 ***RMB'000*** **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Unbilled *(Note)*	**4,156,250**	2,524,359
Within 3 months	**271,506**	280,503
3 to 6 months	**68,346**	147,892
Over 6 months	**706,981**	504,380
	5,203,083	3,457,134

Note: The Amount represents unbilled basic tariff receivables for solar farms operated by the Group, and tariff adjustment receivables of those solar farms already registered in the Renewable Energy Tariff Subsidy Catalogue (the "Catalogue")/Renewable Energy Tariff Subsidy List (可再生能源發電輔助項目的清單) (the "List"). The Directors expect the unbilled tariff adjustments would be generally billed and settled within one year from the end of the reporting period.

10. TRADE AND OTHER PAYABLES

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

	As at 30 June 2020 *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Within 3 months	**1,152,360**	2,005,385
3 to 6 months	**1,850,386**	2,046,535
More than 6 months	**278,655**	207,719
	3,281,401	4,259,639

Note: The credit period for trade payables is within 3 to 6 months (31 December 2019: 3 to 6 months).

11. 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 for credit losses, at the end of the reporting period, presented based on the invoice date which approximated the respective revenue recognition dates:

	As at 30 June 2020 *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Within 3 months	**61,444**	103,108
3 to 6 months	**19,873**	17,306
More than 6 months	**62,686**	111,573
	144,003	231,987

Note: The amounts due from related companies are unsecured, non-interest bearing and the credit period is normally within 30 days (31 December 2019: 30 days).

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

	As at 30 June 2020 *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Within 3 months	**36,848**	1,151,455
3 to 6 months	**593,571**	38,711
More than 6 months	**660,002**	71,215
	1,290,421	1,261,381

Note: The amounts due to related companies are unsecured, non-interest bearing and the credit period is normally within 30 days (31 December 2019: 30 days).

CHAIRMAN'S STATEMENT AND CEO REVIEW OF OPERATIONS AND OUTLOOK

Since the beginning of 2020, the global manufacturing chain has been subject to negative impacts to various extents owing to unsettling factors such as the sudden outbreak of "COVID-19" and escalating domestic and international risks and challenges. Against this backdrop, photovoltaic companies in China have resumed production operations in the fastest pace possible and sustained stable development, credit to their strong resilience and solid foundation forged in previous periods, favourable national policies and the customary upward trend of the industry. According to the National Energy Administration, new installed capacity for PV power generation in China for the first half of 2020 increased by 0.88% to 11.52 GW, as compared to 11.4 GW for the same period in 2019, marking the first positive growth in new installed capacity during the first half of the year since 2018. Given the current unusual circumstances, such hard-earned growth has provided a powerful boost to confidence across the industry and contributed to greater enthusiasm in the market. According to the latest industry analysis report of BloombergNEF (BNEF), the estimated global installed capacity for the year will range between a low-case scenario of 111 GW and a best-case scenario of 141 GW. According to the latest forecast of the China Photovoltaic Industry Association (CPIA), domestic installed capacity of China could reach 40GW or above.

During this unusual year, the strong leaders in the PV industry emerged even stronger and became trend buckers against the epidemic. As a PV enterprise that had lived through multiple industry cycles, GCL Poly committed itself to profound self-reflection in response to the fast-evolving innovation of the industry, revisiting its product positioning and exploring ways to implement reforms from a pragmatic point of view, actively adjusting its strategic deployment and firmly grasping any opportunities amidst challenges as it followed a path of qualitative development in fulfillment of its social responsibility, with the determination and persistence befitting a sustainable business enterprise.

Business Review for the First Half of 2020

During the first half of 2020, GCL-Poly produced approximately 17,881 MT of rod silicon and 14,328 MW of wafers, respectively. As of 30 June 2020, GCL-Poly recorded revenue of RMB7,159 million, representing a decrease of 28.4% as compared with the same period in 2019; gross profit amounted to approximately RMB1,804 million, representing a decrease of 23.4% as compared with the same period in 2019; loss for the period attributable to owners of the Company amounted to approximately RMB1,996 million and basic loss per share was approximately RMB10.20 cents.

During the period, GNE's total PV installed capacity was approximately 7,043 MW, a decrease of 1.94% as compared with the same period in 2019. Total revenue from PV power generation business amounted to approximately RMB2,731 million, representing a decrease of 13.9% as compared with the same period in 2019. Profit attributable to shareholders of the GNE Group amounted to approximately RMB42 million and basic earnings per share was approximately RMB0.22 cents.

Market-oriented focus on the principal business

In view of intricate international developments and opportunities arising from the rotation of industries, GCL Poly monitored the situation and made diligent efforts to enhance its inherent strengths in close tandem with market developments, overcoming difficulties and making radical changes where necessary. Nevertheless, we remained committed to achieving ongoing cost reduction and efficiency enhancement, as we strengthened our business foundation with a strong focus on our principal operations to increase our competitiveness by achieving excellence in industrial operations. In the meantime, the Company continued to deepen its cooperation with financial institutions and explore initiatives for collaborative financial innovation with the aim of further optimising its balance sheet and financing structure, so that it will be well-positioned for the next cycle of steady development with adaptive preparations and strategic plans for transformation in place.

Polysilicon: Xuzhou base resumed operation of existing facilities with new FBR capacity poised for operation

During the first half of the year, we experienced a setback with our new installed capacity as the impact of the epidemic was felt, resulting in a notable decline in prices for all sections along the industry chain, with the prices of polysilicon falling to historic low. With the gradual waning of the global pandemic, industrial production has returned to a level similar to that prior to the outbreak, and delayed projects in the first half of the year will go a long way driving retaliatory rebound in the installed capacity of the industry during the second half of the year. Since the end of the second quarter, there has been a rapid upsurge in polysilicon prices driven mainly by the growth in orders backed by emerging global demand for installed capacity, coupled with the commissioning of the new capacities of downstream water manufacturers. Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.* (江蘇中能硅業科技發展有限公司), a wholly-owned subsidiary of GCL Poly, benefited from the recovery as a first-tier enterprise among global suppliers of silicon materials and reported marked improvements in production and sales. Jiangsu Zhongneng is hopeful of a turnaround to profit for the full year based on the latest forecasts of market trading prices in August.

GCL Poly's R&D, production and sales teams for polysilicon are among the best in the industry with access to proprietary polysilicon technology developed over more than a decade of stable production and operation of polysilicon and further complemented by the patented silicon-methane fluidized bed (FBR) technology team and equipment acquired from SunEdison, U.S. in 2017. Our FBR technology for granular silicon has been applied at our polysilicon base in Xuzhou and facilitated stable mass production on a continuous basis. Its quality has been well testified and recognised by downstream mono-wafer customers. The Xuzhou Base currently has a production capacity of 6,000 tonnes of granular silicon, which is expected to increase to over 10,000 tonnes within the year, while further new capacities are scheduled for commissioning next year. Given GCL's investment, experience and capability in polysilicon developed on the back of intensive effort over the years, we firmly believe that we are capable of conducting our principal business in a more refined manner, producing better quality at lower costs as we continue to offer customers with world-class polysilicon products and grow GCL into a world-class brand for polysilicon.

Wafer: augmenting the effect of the Company's unique advantage with a diverse range of complementary products meeting the requirements of "large-size" terminals

In view of diverse customer requirements and changing market preferences, GCL Poly has also continued to drive the strategy for product transformation and upgrade in an active manner. In respect of mono wafer, GCL Poly has adopted a complementary approach to develop its mono wafer capacity via a range of pathways. In addition to maintaining our market shares in Ningxia Base and Zhonghuan Phase IV, we are looking to expand our mono wafer capacity according to market requirements and supply competitive mono wafers. By the end of 2020, the Company is expected to own a mono wafer capacity in excess of 10 GW. In connection with multi-wafer and quasi-mono wafer, while maintaining its production and promotion, the Company has adopted defined customisation in a departure from its tradition, which is conducive to the effective control of inventory level while substantially meeting the differentiated requirements of customers. In addition, the Company will optimise its customer mix in a proactive manner in a bid to lock-in long-term orders from quality customers at an early stage and ensure optimal capacity utilisation as well as maximum profitability.

The unique advantage enjoyed by GCL Poly as a vertically integrated enterprise in the upstream sector has been obvious in the current seller's market for the full industry chain. We have been able not only to ensure priority supply of products, but also to conduct internal control and coordination with substantially increased economic efficiency, resulting in greater competitiveness for the Company's products. Meanwhile, to further strengthen our cashflow books and leverage old assets to create new value, we have been actively taking up orders for OEM cutting operations, with a view to increasing utilisation of our cutting capacity without affecting our own operations.

Optimising balance sheet structure to facilitate industry upgrade

Subsidiary GNE will dispose of its solar farms to recoup capital and lower its debt, so as to alleviate the pressure of project financing and further increase its rate of return on capital. On 21 January 2020, the Group announced that it had entered into the first batch of share purchase agreements with Huaneng, upon the completion of which more cooperation opportunities could be discussed and further disposals will be actively carried forward. The aforesaid measures have not only allowed the Group overcome cash flow pressure, but have also marked a huge step in GNE's future move towards an asset-light approach. It is also worth noting that relevant national authorities have recently sent out positive signals on the solution of new energy subsidy, and it is hopeful that the issue of overdue new energy subsidies will be effectively alleviated or even settled once and for all in the near future, upon which there will be a radical turnaround in the financial conditions of the Company.

Outlook

Despite the difficulties encountered amidst the epidemic, the PV industry is expected to return to the normal course of development in no time given its unique positioning as a highly flexible operation with incessant supply of resources, and the positive trend of stability and growth for the global PV market should remain unchanged. From a long-term perspective, economic stimulus measures adopted in different parts of the world should play an important role in driving national economic recovery and development, fostering healthy business environments and channeling investments for the solar energy sector, thereby lending a positive outlook on the global PV market. According to the forecasts of a number of international agencies, the installed capacity and power generation volume of the global PV industry will embrace growth to various extents in the coming years with encouraging momentum. According to SolarPower Europe (SPE), the installed capacity of the global PV industry is likely to exceed the TW mark in 2022 and may reach 1.678 TW by 2024 according to optimistic predictions. Based on best-case scenarios, the annual installed capacity of the global PV industry will grow from 138.8 GW in 2020 to 255 GW in 2024.

During the course of the said growth, GCL Poly will seize every opportunities with its full effort and leverage its existing advantages to focus on its principal business of PV materials. Through the core products of our Solar Materials (polysilicon and wafer) segments, we will continue to enhance our competitiveness, while making flexible adjustments to our product mix in tandem with the requirements and developments of the market. In the meantime, we will drive asset disposal by developing incubative assets through the recycling of existing assets, while enhancing asset value by developing new businesses and optimising existing ones. We are profoundly aware that only through radical internal evolution will we be able to reap success in the future. We also firmly believe that, following technological progress, industrial upgrade, market optimisation and the reshaping of business landscape, GCL Poly will emerge stronger, healthier and in a more disciplined manner as it embraces the new era of development.

Finally, we would like to express sincere appreciation to the Company's Board of Directors, management team and all staff for their hard work and dedication during the first six months of 2020. We are also deeply grateful to the Company's shareholders and partners for their strong support.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The first half of 2020, the novel coronavirus ("COVID-19") pandemic has affected the entire world. The tension in the China-US relation has adversely influenced the global economic landscape. During the period under review, the negative market sentiment has deteriorated the solar industry, which affected our performance.

Results of the Group

For the period ended 30 June 2020, the revenue and gross profit of the Group were approximately RMB7,159 million and RMB1,804 million, respectively, representing a decrease of 28.4% and 23.4% respectively as compared with approximately RMB10,002 million and RMB2,354 million in the corresponding period in 2019.

The Group recorded a loss attributable to the owners of the Company of approximately RMB1,996 million as compared to loss attributable to owners of the Company of approximately RMB998 million in 2019.

Placing of new shares

During the period under review, the Company placed 1,300,000,000 shares at a price of HK$0.203 per share. The net proceeds of the placing, after taking into account all related costs, fees, expenses and commission of the placing, is approximately HK$260 million. The net proceeds have been used for repayment of existing borrowings and for general corporate purposes.

Segment Information

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

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

b) Solar Farm business — manages and operates 371 MW Solar Farms, of which 18 MW is located in the United States and 353 MW is located in the PRC. These Solar farms were constructed or acquired by the Group prior to obtaining a controlling stake in GCL New Energy Holdings Limited ("GNE Group or GNE").

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

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

	Six months ended 30 June 2020		Six months ended 30 June 2019	
	Revenue	**Segment (loss) profit**	Revenue	Segment (loss) profit
	RMB million	***RMB million***	*RMB million*	*RMB million*
Solar Material Business	**4,189**	**(2,023)**	6,580	(1,311)
Solar Farm Business	**239**	**41**	249	64
Sub-total	**4,428**	**(1,982)**	6,829	(1,247)
New Energy Business[1]	**2,731**	**172**	3,173	554
Total	**7,159**	**(1,810)**	10,002	(693)

1. The segment profit from operations of the New Energy business includes reported net profit of GNE Group of approximately RMB191 million (six months ended 30 June 2019: RMB571 million) and allocated corporate expenses of approximately RMB19 million (six months ended 30 June 2019: RMB17 million).

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.

The Group owns 62.28% equity interest in GNE. GNE is a listed company in Hong Kong (Stock code: 0451). Except for 371MW Solar Farm that were constructed or acquired by the Group prior to obtaining a controlling stake in GNE, the Group primarily develops, constructs, operates and manages downstream Solar Farms through the platform of GNE.

For illustrative purpose, if excluding GNE Group and recognising the costs of investment in GNE and the perpetual notes receivable from GNE as non-current assets, the effect of de-consolidated GNE Group as at 30 June 2020 would be as follows:

	The Group *RMB million*	**GNE Group** *RMB million*	**Deconsolidated adjustment** *(note)* *RMB million*	**The effect of De-consolidated GNE Group** *RMB million*
Total assets	95,262	52,856	(5,005)	47,411
Total liabilities	70,202	42,686	(370)	27,886
Bank balances and cash, pledged and restricted bank and other deposits	7,703	1,815	—	5,888
Pledged deposits at related companies	58	3	—	55
Bank balance and cash classified as assets held for sale	80	80	—	—
Subtotal	**7,841**	**1,898**	—	**5,943**
Indebtedness				
Bank and other borrowings	43,870	28,729	—	15,141
Lease liabilities	2,110	1,158	—	952
Notes and bonds payables	3,954	3,802	(272)	424
Loans from related companies	1,730	1,295	—	435
Indebtedness for solar power plants projects classified as held for sale	1,501	1,501	—	—
Subtotal	**53,165**	**36,485**	**(272)**	**16,952**

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 the solar industry supply chain, wafers are further processed by downstream manufacturers to produce solar cells and modules.

Polysilicon

As at 30 June 2020, part of the annual production capacity of rod silicon of the Group's Xuzhou base switched to that of 30,000 MT of granular silicon, resulting in a decrease in production capacity of rod silicon from 70,000 MT to 36,000 MT for the period. As of 30 June 2020, production capacity of granular silicon was 6,000 MT. During the six months ended 30 June 2020, the Group produced approximately 17,881 MT of rod silicon, representing a decrease of 51.1% as compared to 36,592 MT for the corresponding period in 2019. The decrease in production was mainly due to deconsolidation of Xinjiang GCL as a result of disposal of 31.5% of equity interest in the fourth quarter last year. During the six months ended 30 June 2020, production volume of granular silicon was 2,442 MT.

Wafer

As at 30 June 2020, as a result of an enhancement in cutting efficiency and the commissioning of specialised cutting machines, the Group's annual wafer production capacity increased from 35 GW to 40 GW. During the six months ended 30 June 2020, the Group produced 14,328 MW of wafers in aggregate (including 7,288 MW of OEM wafers), representing a decrease of approximately 2.3% from 14,658 MW (including 4,006 MW of OEM wafers) for the corresponding period in 2019, while the production volume of wafers (excluding OEM wafer) recorded a decrease of 33.9%.

Sales Volume and Revenue

During the six months ended 30 June 2020, the Group sold 17,489 MT of rod silicon and 14,419 MW of wafers (including OEM wafer of 7,132 MW), representing a decrease of 15.6% and 2.2% respectively, as compared with 20,731 MT of rod silicon and 14,737 MW of wafers (including OEM wafer of 4,012 MW) for the corresponding period in 2019, while sales volume of wafers (excluding OEM wafer) recorded a decrease of 32.1%.

The average selling prices (excluding tax) of rod silicon and wafer were approximately RMB53.2 (equivalent to US$7.56) per kilogram and RMB0.353 (equivalent to US$0.050) per W respectively for the six months ended 30 June 2020. The corresponding average selling prices of rod silicon and wafer for the six months ended 30 June 2019 were approximately RMB60.9 (equivalent to US$9.01) per kilogram and RMB0.423 (equivalent to US$0.062) per W respectively.

Revenue from external customers of the Solar Material business amounted to approximately RMB4,189 million for the six months ended 30 June 2020, representing a decrease of 36.3% from approximately RMB6,580 million for the corresponding period in 2019. It was mainly attributable to a decrease in both sales volume and selling price of wafers (excluding OEM wafer).

Cost and Segment Result

The Group's polysilicon and wafer production costs mainly depend on its ability to control raw material costs, lower energy consumption, achieve economies of scale in its operations and streamline production processes. Benefited from the application of new technologies, the decrease in raw and auxiliary material costs, technological advancements 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 continuous decrease in production costs for the Company, gross profit margin for the Solar Material business changed from positive gross profit margin to negative gross profit margin of –4.3% due to the sharp decrease in selling prices of photovoltaic products. Nevertheless, as the impacts of the global pandemic gradually subside, prices along the full industry chain surged, as demonstrated by the rebound in selling prices of photovoltaic products in early August, while production in the industry has recovered to pre-pandemic levels.

Solar Farm Business

Overseas Solar Farms

As at 30 June 2020, the Solar Farm business includes 18 MW of solar farms in the United States. Besides, 150 MW solar farms in South Africa, which was partnered with CAD Fund, commenced operation in 2014 with the total effective ownership of 9.7% owned by the Group.

PRC Solar Farms

As at 30 June 2020, the Solar Farm business also includes 10 solar farms in the PRC and its installed capacity and attributable installed capacity were remained unchanged at 353.0 MW and 289.3 MW, respectively.

Sales Volume and Revenue

For the six months ended 30 June 2020, the electricity sales volume of Solar Farm business in overseas and the PRC were 14,834 MWh and 238,611 MWh respectively (2019: 14,413 MWh and 246,999 MWh, respectively).

For the six months ended 30 June 2020, revenue for Solar Farm business was approximately RMB239 million (2019: RMB249 million).

New Energy Business

Capacity and Electricity Generation

As at 30 June 2020, the aggregate installed capacity of grid-connected solar power plants of the Group, including subsidiaries, joint ventures and associates, was 7,043MW (31 December 2019: 7,145MW). Details of capacity, electricity sales volume and revenue for the six months ended 30 June 2020 are set out below.

Subsidiaries by provinces	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	359	359	293	0.76	223
Qinghai	1	3	107	107	77	0.81	62
Xinjiang	1	1	20	20	63	0.74	46
Ningxia	1	6	233	233	169	0.69	117
		21	**719**	**719**	**602**	**0.74**	**448**
Qinghai	2	6	179	179	123	0.64	79
Xinjiang	2	2	47	47	32	0.80	26
Shaanxi	2	18	1,018	1,018	786	0.70	548
Yunnan	2	8	279	279	207	0.65	134
Jilin	2	4	51	51	39	0.74	29
Sichuan	2	2	85	85	69	0.80	55
Liaoning	2	3	47	47	32	0.69	22
Gansu	2	2	39	39	29	0.74	21
		45	**1,745**	**1,745**	**1,317**	**0.69**	**914**
Jiangsu	3	40	543	543	325	0.85	276
Jiangxi	3	5	192	192	93	1.01	93
Shaanxi	3	1	6	6	3	0.66	2
Hebei	3	1	21	21	15	0.46	7
Hubei	3	4	165	165	90	0.86	77
Hainan	3	3	80	80	54	0.84	45
Zhejiang	3	3	62	62	27	1.02	28
Shandong	3	6	190	190	111	0.84	93
Anhui	3	11	390	390	230	0.79	182
Henan	3	14	584	584	386	0.74	287
Guizhou	3	6	235	235	118	0.81	95
Guangdong	3	8	219	133	76	0.78	60
Hunan	3	5	101	101	44	0.83	37
Guangxi	3	3	160	160	67	0.77	52
Fujian	3	3	55	55	27	0.79	21
Shanghai	3	1	7	7	3	0.99	3
		114	**3,010**	**2,924**	**1,669**	**0.81**	**1,358**
Subtotal		**180**	**5,474**	**5,388**	**3,588**	**0.76**	**2,720**
US		2	134	134	78	0.50	39
Total of Subsidiaries		**182**	**5,608**	**5,522**	**3,666**	**0.75**	**2,759**
Joint ventures and associates[2]							
PRC		28	1,435	1,435	802	0.78	622
Total		**210**	**7,043**	**6,957**	**4,468**	**0.76**	**3,381**

	Revenue *(RMB million)*
Representing:	
Electricity sales	1,081
Tariff adjustment — government subsidies received and receivable	1,678
Total of subsidiaries	2,759
Less: effect of discounting tariff adjustment to present value[(3)]	(28)
Total revenue of the GNE Group	2,731

(1) Aggregate installed capacity represents the maximum capacity that was 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 portions 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 2.45% to 2.98% per annum.

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 of GNE Group considered that the credit risk of trade receivables was minimal.

Revenue and Gross Profit

During the six months ended 30 June 2020, the revenue of GNE Group comprised sales of electricity and related tariff adjustment (i.e. government subsidies) amounting to approximately RMB2,731 million (2019: RMB3,173 million), net of effect of discounting the tariff adjustment to its present value of approximately RMB28 million (2019: RMB89 million). The decrease in revenue was mainly attributable to the disposal of solar power plants during 2019 and 2020. The grid connected capacity was decreased from 6.6 GW as at 30 June 2019 to 5.5 GW as at 30 June 2020. The average tariff (net of tax) for the PRC was approximately RMB0.76/kWh (2019: RMB0.74/kWh).

In terms of revenue generated by tariff zone from the PRC for the six months ended 30 June 2020, approximately 16%, 34% and 50% of revenue were generated from zone 1, zone 2 and zone 3 respectively (2019: 15%, 34% and 51%). In line with our prevailing strategy, GNE Group focused more on developing solar power plants in well-developed areas with strong domestic power demand (i.e. zone 2 and zone 3) to minimize the grid curtailment risk in zone 1 area.

GNE Group's gross margin for the six months ended 30 June 2020 was 67.3%, as compared to 67.5% for the six months ended 30 June 2019. The cost of sales mainly consisted of depreciation, which accounted for 82.8% (2019: 85.9%) of cost of sales, with the remaining costs being operation and maintenance costs of solar power plants.

Outlook

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

Financial Review

Revenue

Revenue for the six months ended 30 June 2020 amounted to approximately RMB7,159 million, representing a decrease of 28.4% as compared with approximately RMB10,002 million for the corresponding period in 2019. The decrease was mainly due to the drop in revenue in solar material business as a result of the decrease in sales volume and selling price of wafer (excluding OEM wafer), and decrease in sales of the GNE Group due to disposal of solar power plants during 2019 and 2020.

Gross Profit Margin

The Group's overall gross profit margin for the six month ended 30 June 2020 was 25.2%, as compared with 23.5% for the corresponding period in 2019. Gross profit amounted to approximately RMB1,804 million, representing a decrease of 23.4% as compared with the same period in 2019.

Gross profit margin for the Solar Material business changed from 0.9% for the six months ended 30 June 2019 to negative gross profit margin of −4.3% for the six months ended 30 June 2020. The decrease was mainly attributable to the decrease in the average selling price of photovoltaic products.

Solar Farm business has a gross profit margin of 53.6% for the period ended 30 June 2020, 0.5 percentage points lower than the corresponding period in 2019.

The gross profit margin for the New Energy business was 67.3% for the six months ended 30 June 2020 and 67.5% for the corresponding period in 2019.

Other Income

For the six months ended 30 June 2020, other income mainly comprised bank and other interest income and interest arising from contracts containing significant financing components of approximately RMB248 million (six months ended 30 June 2019: RMB128 million), sales of scrap materials of approximately RMB53 million (six months ended 30 June 2019: RMB78 million), government grants of approximately RMB57 million (six months ended 30 June 2019: RMB69 million), management and consultancy fee income of approximately RMB29 million (six months ended 30 June 2019: RMB53 million), compensation income of approximately RMB44 million (six months ended 30 June 2019: Nil).

Distribution and Selling Expenses

Distribution and selling expenses decreased from approximately RMB70 million for the six months ended 30 June 2019 to approximately RMB41 million for the six month period ended 30 June 2020.

Administrative Expenses

Administrative expenses amounted to approximately RMB762 million for the six months ended 30 June 2020, representing a decrease of 33% from approximately RMB1,134 million for the corresponding period in 2019. The decrease in administrative expenses was mainly due to cost cutting measures and drop in business scale of GNE Group.

Impairment losses under expected credit loss model, net of reversal

The Group recognised the amount of approximately RMB222 million impairment losses under expected credit loss model for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB13 million). The increase was mainly due to impairment of consideration receivables from disposal of RMB140 million and impairment of amounts due from related companies of RMB60 million.

Other Expenses, Gains and Losses, Net

The other expenses, gains and losses, net represents net losses of approximately RMB1,469 million for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB458 million). The net losses for the current period mainly comprises of impairment loss on property, plant and equipment of approximately RMB741 million (six months ended 30 June 2019: RMB280 million), research and development costs of approximately RMB232 million (six months ended 30 June 2019: RMB299 million), loss on measurement of assets classified as held for sale to fair value less cost to sell of RMB153 million (six months ended 30 June 2019: Nil), net exchange loss of approximately RMB93 million (six month period ended 30 June 2019: RMB7 million), loss on disposal of subsidiaries with solar farm projects and joint ventures of approximately RMB88 million (six month period ended 30 June 2019: gain of approximately RMB82 million), loss on deemed disposal of an associate of approximately RMB49 million (six month period ended 30 June 2019: Nil), and loss on disposal of subsidiaries of approximately RMB84 million (six month period ended 30 June 2019: Nil).

Finance Costs

Finance costs for the six months ended 30 June 2020 were approximately RMB1,691 million, decreased by 14.7% as compared to approximately RMB1,982 million for the corresponding period in 2019. The decrease was mainly due to the decrease in interest-bearing debts during the period.

Share of profits of Associates

The Group's share of profits of associates for the six-month period ended 30 June 2020 was approximately RMB121 million, mainly contributed by an associate, Inner Mongolia Zhonghuan — GCL Solar Material Co., Ltd.* ("Mongolia Zhonghuan — GCL") (內蒙古中環協鑫光伏材料有限公司) and share of profits from associates of GNE Group as a result of disposal majority of equity interest of these solar farms in late 2019.

Share of losses of Joint Ventures

The Group's share of loss of joint ventures for the six-month period ended 30 June 2020 was approximately RMB66 million, mainly due to the share of loss from Jiangsu Xinhua Semiconductor Material Technology Co., Ltd.* ("江蘇鑫華半導體材料科技有限公司"), partly offset by the contribution of joint venture in South Africa.

Income Tax Expense

Income tax expense for the six-month period ended 30 June 2020 was approximately RMB59 million, representing an increase of 811% as compared with approximately RMB6 million for the corresponding period in 2019. 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 period.

Loss attributable to Owners of the Company

As a result of the above factors, loss attributable to owners of the Company amounted to approximately RMB1,996 million for the six-month period ended 30 June 2020 as compared with a loss of approximately RMB998 million for the corresponding period in 2019.

Property, Plant and Equipment

Property, plant and equipment decreased from approximately RMB52,413 million as at 31 December 2019 to approximately RMB47,460 million as at 30 June 2020. Decrease in property, plant and equipment was mainly attributable to disposal of subsidiaries, depreciation and impairment during the period.

Deposits, Prepayments and Other Non-current Assets

Non-current portion for deposits, prepayments and other non-current assets decreased from approximately RMB2,396 million as at 31 December 2019 to approximately RMB1,939 million as at 30 June 2020. It was due to decrease in refundable value-added tax.

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 farms 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 decreased from approximately RMB5,640 million as at 31 December 2019 to approximately RMB5,058 million as at 30 June 2020, because some solar power plants entered into the eighth batches of Subsidy Catalogue.

Interests in Associates

Interests in associates mainly represent our interest in Xinjiang GCL, Zhongping GCL and Mongolia Zhonghuan-GCL. The slight increase of balance from approximately RMB7,539 million as at 31 December 2019 to approximately RMB7,608 million as at 30 June 2020 was mainly due to share of profit from Mongolia Zhonghuan-GCL, partly offset by loss on deemed disposal of interest in Mongolia Zhonghuan-GCL.

Trade and Other Receivables

Trade and other receivables decreased from approximately RMB13,857 million as at 31 December 2019 to approximately RMB13,845 million as at 30 June 2020. The decrease was mainly due to decrease in bills received held by the Group for further settlement of trade receivables from Solar Material Business, but partly offset by increase in unbilled trade receivables of GNE Group.

Trade and Other Payables

Trade and other payables decreased from approximately RMB15,019 million as at 31 December 2019 to approximately RMB13,346 million as at 30 June 2020. The decrease was mainly due to decrease in trade payables during the period.

Loans from related companies

Loan from related companies decreased from approximately RMB1,776 million as at 31 December 2019 to approximately RMB1,730 million as at 30 June 2020. The slight decrease was mainly due to repayment of loans during the period.

Liquidity and Financial Resources

As at 30 June 2020, the total assets of the Group were about RMB95.3 billion, of which the aggregate pledged and restricted bank and other deposits cash and bank balances and cash amounted to approximately RMB7.8 billion (including pledged bank deposits and bank balances and cash classified as assets held for sale).

For the period ended 30 June 2020, the Group's main source of funding was cash generated from operating activities and financing activities.

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 RMB16,742 million as at 30 June 2020 and the Group had cash and cash equivalents of approximately RMB1,126 million against the Group's total borrowings (comprising bank and other borrowings, lease liabilities, notes and bonds payables, loans from related companies and indebtedness associated with solar farm projects classified as held for sale) amounted to approximately RMB53,165 million. For the remaining balance of the Group's total borrowings, approximately RMB29,335 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 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 unaudited condensed interim consolidated financial statements, 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.

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

Indebtedness

	As at 30 June 2020 *RMB Million*	As at 31 December 2019 *RMB Million*
Current liabilities		
Bank and other borrowings — due within one year	**24,302**	26,977
Lease liabilities — due within one year	**414**	531
Notes and bonds payables — due within one year	**3,954**	422
Loans from related parties — due within one year	**665**	744
	29,335	28,674
Non-current liabilities		
Bank and other borrowings — due after one year	**19,568**	20,286
Lease liabilities — due after one year	**1,696**	1,911
Notes and bonds payables — due after one year	**—**	3,470
Loans from related parties — due after one year	**1,065**	1,032
	22,329	—
Indebtedness associated with assets classified as held for sale	**1,501**	—
	23,830	26,699
Total indebtedness	**53,165**	55,373
Less: Pledged and restricted bank and other deposits and bank balances and cash (including bank balances and cash classified as assets held for sale)	**(7,841)**	(8,515)
Net indebtedness	**45,324**	46,858

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

	As at 30 June 2020 *RMB Million*	As at 31 December 2019 *RMB Million*
Secured	**39,613**	40,668
Unsecured	**4,257**	6,595
	43,870	47,263

As at 30 June 2020, 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 30 June 2020	As at 31 December 2019
Current ratio	**0.64**	0.53
Quick ratio	**0.63**	0.51
Net debt to equity attributable to owners of the Company	**220.9%**	210.6%

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

Policy risk

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

Credit Risk

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

Credit risk on sales of polysilicon and wafer products is not significant as the major customers are listed entities with good repayment history. In order to minimize the credit risk, the Group reviews the recoverable amount of each individual trade receivables periodically to ensure that adequate expected credit losses are made. Credit risk of sales of electricity is also not significant as most of the revenue is obtained from the subsidiaries of State Grid Corporation of China (the "State Grid"). The State Grid is a state-owned enterprise in China, which possesses low default risk.

Grid curtailment risk

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

Risk associated with tariff

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

Risk related to high gearing ratio

The New Energy business under the Group is a capital intensive industry, which highly relies on external financing in order to fund for the construction of Solar Farm while the recovery of capital investment takes a long period of time. To cope with the gearing risk, GNE Group and the Group will pay close attention to the market dynamics, and to avoid any unfavorable changes to the Company. Additionally, the Company is constantly seeking alternative financing tools and pursing asset-light model to optimize the finance structure and lower its gearing ratio.

Risk related to interest rate

Interest risk may result from fluctuations in bank loan rates. Given the Group highly relies on external financing in order to obtain investment capital for new solar power project development, any interest rate changes will have impact on the capital expenditure and finance expenses of the Group, hence, affecting our operating results.

Foreign Currency Risk

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

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

Risk related to disputes with joint venture partners

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

Pledge of Assets/Lease Liabilities with Right-of-use Assets

As at 30 June 2020, the following assets were pledged for certain bank and other borrowings, loans from a related company, lease liabilities, issuance of bills, short-term letters of credit for trade and other payables granted to the Group:

— Property, plant and equipment of RMB28.1 billion (31 December 2019: RMB29.0 billion)

— Right-of-use assets of approximately RMB0.8 billion (31 December 2019: RMB0.6 billion)

— Investment properties of approximately RMB0.06 billion (31 December 2019: RMB0.07 billion)

— Trade receivables and contract assets of approximately RMB11.2 billion (31 December 2019: RMB7.8 billion)

— Pledged and restricted bank and other deposits of approximately RMB6.7 billion (31 December 2019: RMB6.9 billion)

— Deposit paid to a related company of approximately RMB0.06 billion (31 December 2019: RMB0.04 billion)

— Equity instruments at fair value through other comprehensive income of approximately RMB0.02 billion (31 December 2019: RMB: Nil)

In addition, lease liabilities of approximately RMB2.1 billion are recognised with related right-of-use assets of approximately RMB2.8 billion as at 30 June 2020 (31 December 2019: lease liabilities of approximately RMB2.4 billion are recognised with related right-of-use assets of approximately RMB3.4 billion).

Capital Commitments

As at 30 June 2020, the Group's capital commitments in respect of purchase of property, plant and equipment contracted for but not provided amounted to approximately RMB909 million (31 December 2019: RMB663 million).

Contingencies

Financial guarantees contracts

As at 30 June 2020 and 31 December 2019, the Company and certain of its subsidiaries guaranteed bank and other borrowings of certain subsidiaries of GNE amounted to RMB2,448 million and RMB2,770 million, respectively.

As at 30 June 2020, the Group provided a total guarantee with maximum amount of approximately RMB4,818 million and RMB900 million (31 December 2019: RMB4,578 million and RMB900 million) to several banks and financial institutions in respect of banking and other facilities of Xinjiang GCL, an associate of the Group and Jiangsu Xinhua, a joint venture of the Group respectively.

As at 30 June 2020, GNE Group provided guarantee to its associates for certain of their bank and other borrowings with maximum amount of RMB5,369 million (31 December 2019: RMB5,369 million), out of which a joint guarantee of RMB520 million (31 December 2019: RMB520 million) was provided by the Group with GNE Group to an associate of GNE Group and one of its subsidiaries for their bank borrowings.

In addition to those financial guarantees provided to related parties as above, GNE Group also provided financial guarantees to certain third parties for certain of their bank and other borrowings amounting to approximately RMB110 million (31 December 2019: RMB540 million) as at 30 June 2020.

Contingent liability

As at 30 June 2020 and 31 December 2019, the Group and the Company did not have any significant contingent liabilities.

Material Disposals

GNE Group

In January 2020, the GNE Group has entered into share transfer agreements with CNI (Nanjing) Energy Development Company Limited* (中核(南京)能源發展有限公司), for the disposal of 100% equity interest in Fuyang Hengming Solar Power Company Limited* (阜陽衡銘太陽能電力有限公司) and Zhenjiang GCL New Energy Limited* (鎮江協鑫新能源有限公司) for an aggregate consideration of approximately RMB77 million. The two solar power plants have an aggregate installed capacity of approximately 40MW. The disposals were completed in the first half of 2020.

In January 2020, the GNE Group entered into share purchase agreements with Huaneng Gongrong No. 1 (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* (華能工融一號(天津)股權投資基金合夥企業(有限合夥)) and Huaneng Gongrong No. 2 (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* (華能工融二號(天津)股權投資基金合夥企業(有限合夥)) for the disposal of 7 operational solar power plants in the PRC with an aggregate installed capacity of 294MW. One of the solar power plants with a capacity of 30MW has been completed during the six months ended 30 June 2020. The remaining disposals expected to be completed in the second half of 2020.

In June 2020, the GNE Group entered into a share purchase agreement with China Development Bank New Energy Technology Co., Ltd.* (國開新能源科技有限公司), an independent third party, to sell 75% of the equity interest of Jinhu Zhenghui Photovoltaic Co., Ltd.* (金湖正輝太陽能電力有限公司) ("Jinhu") for a consideration of approximately RMB137 million (the "Divestment"). Jinhu has a solar power plant project with installed capacity of approximately 100MW in operation. The Divestment was completed in July 2020.

Save as disclosed above, there were no other significant investments during the six months ended 30 June 2020, or plans for material investments as at the date of this announcement, nor were there other material acquisitions and disposals of subsidiaries during the six months ended 30 June 2020.

* English name for identification only.

Events after the Reporting Period

The Group did not have any significant events since the end of the reporting period (i.e. 30 June 2020) and up to the date of this announcement.

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 interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

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

The following is an extract of the independent auditor's report ("Auditor's Report") on review of the Group's interim financial information for the six months ended 30 June 2020 which has included a material uncertainty related to going concern paragraph, but without qualification:

CONCLUSION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1 to the unaudited condensed interim consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB1,925 million during the six-month period ended 30 June 2020, and as of that date, the Group's current liabilities exceeded its current assets by approximately RMB16,742 million, a portion of which is contributed by its non-wholly owned subsidiary, GCL New Energy Holdings Limited, whose shares are listed on The Stock Exchange of Hong Kong Limited, and its subsidiaries, and whose current liabilities exceeded its current assets by approximately RMB6,510 million, and the Group has entered into agreements which will involve capital commitments and provided financial guarantees to several banks and financial institutions in respect of banking and other facilities of a joint venture, associates and third parties. In addition, at 30 June 2020, the Group was not able to meet a financial covenant in respect of a bank borrowing in the amount of approximately RMB212 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 RMB5,033 million. Subsequent to the end of the reporting period, such bank borrowing amounting to approximately RMB212 million has been fully repaid by the Group. Notwithstanding this, reclassification of long-term borrowings of approximately RMB2,662 million as current liabilities is still required at 30 June 2020 under applicable accounting standard.

The Company is undertaking a number of financing plans and other measures as described in note 1 to the unaudited condensed interim consolidated financial statements in order to ensure it is able to meet its commitments in the next twelve months. The directors of the Company are of the opinion that based on the assumptions that these financing plans and other measures as set forth in note 1 to the unaudited condensed interim consolidated financial statements can be successfully executed, the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future. However, the likelihood of successful implementation of these financing plans and other measures, including the

Group's on-going compliance with its borrowing covenants, and along with other matters as set forth in note 1 to the unaudited condensed interim consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The corporate governance report of the Company has been set out in the Company's 2019 Annual Report. During the six months ended 30 June 2020, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules with the exception of the following area:

Code provision E.1.2

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. Mr. Zhu Gongshan, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 17 June 2020 due to the COVID-19 pandemic. Mr. Zhu had invited Mr. Yeung Man Chung, Charles, an executive Director, Chief Financial Officer and Company Secretary of the Company to attend and act as the chairman of such meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the model code for securities transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2020.

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

On 16 June 2020, the Company and the placing agent entered into the placing agreement to place out 1,300,000,000 placing shares at a placing price of HK$0.203 per placing share to no fewer than six independent placees. The net proceeds of the placing, after taking into account all related costs, fees, expenses and commission of the placing, is approximately HK$260 million. The placing was completed on 24 June 2020. Upon completion, the placing shares represent approximately 6.15% of the Company's issued share capital as enlarged by the placing.

Other than disclosed above, during the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDITOR'S AND AUDIT COMMITTEE'S REVIEW

The unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 June 2020 have been reviewed by the Group's external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants and by the Audit Committee of the Company which consists of four independent non-executive Directors, namely Mr. Yip Tai Him, Ir. Dr. Ho Chung Tai, Raymond, Dr. Shen Wenzhong and Mr. Wong Man Chung, Francis. The Audit Committee expressed no disagreement with the accounting policies and principles adopted by the Group.

PUBLICATION OF 2020 INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Company (www.gcl-poly.com.hk) and HKExnews (www.hkexnews.hk). The 2020 Interim Report containing all the information as required by the Listing Rules will be despatched to the shareholders and made available for review on the same websites in due course.

By order of the Board
GCL-Poly Energy Holdings Limited
保利協鑫能源控股有限公司
Zhu Gongshan
Chairman

Hong Kong, 28 August 2020

* *English name for identification only*

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