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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 AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Financial Highlights

| | Year ended 31 December | | % of changes |
|---|------------------------|--------------------|--------------|
| | 2020 | 2019 | |
| | <i>RMB'million</i> | <i>RMB'million</i> | |
| | (Audited) | (Audited) | |
| Revenue | 14,620.7 | 19,249.6 | -24.0% |
| Gross profit | 3,702.3 | 4,678.4 | -20.9% |
| (Loss) profit for the year | (6,271.3) | 110.8 | -5,760.0% |
| Loss for the year attributable to owners of the Company | (5,667.9) | (197.2) | 2,774.2% |

The basic loss per share and diluted loss per share for 2020 amounted to RMB28.06 cents and RMB28.06 cents respectively (2019: basic loss per share of RMB1.05 cents and diluted loss per share of RMB1.05 cents.)

Reference is made to the announcement of GCL-Poly Energy Holdings Limited (the “**Company**” or “**GCL-Poly**”) dated 19 April 2021 in relation to the unaudited management accounts of the Company for the year ended 31 December 2020 (the “**2020 Unaudited Management Accounts**”). As disclosed in the 2020 Unaudited Management Accounts, the financial information contained therein in respect of the annual results for the year ended 31 December 2020 (the “**2020 Annual Results**”) have not been audited and have not been agreed with the Company’s then auditor, Deloitte Touche Tohmatsu (the “**Former Auditor**”).

Reference is also made to:

- (i) the announcements of the Company dated 28 April 2021, 7 May 2021, 14 July 2021 and 25 October 2021, in relation to, amongst others, a forensic investigation by an independent forensic accountant into the Former Auditor’s concerns in its auditor letter issued to the Company on 9 April 2021 (the “**Former Auditor Letter**” or “**Deloitte**”);
- (ii) the announcement of the Company dated 17 May 2021 in relation to the resignation of the Former Auditor; and
- (iii) the announcements of the Company dated 17 May 2021 and 29 June 2021 in relation to the appointment of Crowe (HK) CPA Limited as the auditor of the Company (the “**Auditor**” or “**Crowe**”).

The special audit issue committee and the Board have reviewed the forensic review report and consider that the content and findings in such report are reasonable and acceptable, and the Board consider that the forensic accountant’s findings adequately address the concerns raised in the Former Auditor Letter.

Since the auditing process of the 2020 Annual Results is completed, the Company makes this announcement pursuant to Rule 13.49(3)(ii)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The following is the full text of the preliminary announcement based on the Company’s financial statements for the year ended 31 December 2020 which have been agreed with the Auditor.

RESULTS

The board of directors (the “**Board**” or the “**Directors**”) of the Company announces the audited consolidated results of the Company and its subsidiaries (the “**Group**” or “**GCL-Poly Group**”) for the year ended 31 December 2020 together with the comparative figures for the corresponding period in the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

| | NOTES | 2020 RMB'000 | 2019 RMB'000 |
|---|-------|---------------------|---------------------|
| Revenue | 3 | 14,620,736 | 19,249,621 |
| Cost of sales | | <u>(10,918,475)</u> | <u>(14,571,196)</u> |
| Gross profit | | 3,702,261 | 4,678,425 |
| Other income | 5 | 692,077 | 818,746 |
| Distribution and selling expenses | | (93,942) | (126,338) |
| Administrative expenses | | (1,814,180) | (2,051,326) |
| Finance costs | 4 | (3,155,293) | (3,946,920) |
| Impairment losses under expected credit loss model, net of reversal | 6 | (649,147) | (462,741) |
| Other expenses, gains and losses, net | 6 | (5,010,542) | 1,058,183 |
| Share of profits of associates | | 271,564 | 401,019 |
| Share of losses of joint ventures | | <u>(103,553)</u> | <u>(51,365)</u> |
| (Loss) profit before tax | | (6,160,755) | 317,683 |
| Income tax expense | 7 | <u>(110,496)</u> | <u>(206,848)</u> |
| (Loss) profit for the year | 8 | <u>(6,271,251)</u> | <u>110,835</u> |

| | 2020 | 2019 |
|---|---------------------------|-----------------------|
| | RMB'000 | <i>RMB'000</i> |
| Other comprehensive (expense) income | | |
| <i>Item that will not be reclassified to profit or loss:</i> | | |
| Fair value loss on investments in equity instruments at fair value through other comprehensive income | <u>(20,784)</u> | <u>(49,691)</u> |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| Exchange differences arising on translation of foreign operations | (69,855) | 36,139 |
| Cumulative loss reclassified to profit or loss on sale of investments in debt instruments measured at fair value through other comprehensive income upon disposal | <u>—</u> | <u>3,540</u> |
| | <u>(69,855)</u> | <u>39,679</u> |
| Other comprehensive expense for the year | <u>(90,639)</u> | <u>(10,012)</u> |
| Total comprehensive (expense) income for the year | <u><u>(6,361,890)</u></u> | <u><u>100,823</u></u> |

| | <i>NOTE</i> | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|-------------|---------------------------------|--------------------------|
| (Loss) profit for the year attributable to: | | | |
| Owners of the Company | | (5,667,864) | (197,207) |
| Non-controlling interests | | (603,387) | 308,042 |
| | | <u>(6,271,251)</u> | <u>110,835</u> |
| Total comprehensive (expense) income for the year attributable to: | | | |
| Owners of the Company | | (5,742,520) | (213,514) |
| Non-controlling interests | | (619,370) | 314,337 |
| | | <u>(6,361,890)</u> | <u>100,823</u> |
| | | 2020 <i>RMB cents</i> | 2019 <i>RMB cents</i> |
| Loss per share | <i>10</i> | | |
| — Basic | | <u>(28.06)</u> | <u>(1.05)</u> |
| — Diluted | | <u>(28.06)</u> | <u>(1.05)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

| | <i>NOTES</i> | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|--------------|-------------------------------|--------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 36,706,248 | 52,412,895 |
| Right-of-use assets | | 3,432,600 | 4,529,359 |
| Investment properties | | 61,149 | 65,804 |
| Other intangible assets | | 213,338 | 247,723 |
| Interests in associates | | 7,039,026 | 7,539,323 |
| Interests in joint ventures | | 574,158 | 706,200 |
| Other financial assets at fair value through profit or loss | | 321,267 | 357,542 |
| Equity instruments at fair value through other comprehensive income | | 21,073 | 41,857 |
| Convertible bonds receivable | | — | 101,097 |
| Deferred tax assets | | 289,814 | 291,711 |
| Deposits, prepayments and other non-current assets | | 1,712,971 | 2,396,446 |
| Contract assets | | 1,227,979 | 5,639,898 |
| Amounts due from related companies — non-trade related | | 740,531 | 826,951 |
| Pledged and restricted bank and other deposits | | 682,105 | 1,132,156 |
| | | <u>53,022,259</u> | <u>76,288,962</u> |
| CURRENT ASSETS | | | |
| Inventories | | 488,629 | 751,188 |
| Trade and other receivables | <i>11</i> | 16,487,802 | 13,857,141 |
| Amounts due from related companies — trade related | <i>13</i> | 210,750 | 231,987 |
| Amounts due from related companies — non-trade related | | 386,565 | 1,474,146 |
| Other financial assets at fair value through profit or loss | | 800,763 | 477,256 |
| Held for trading investments | | 3,447 | 4,339 |
| Tax recoverable | | 2,777 | 6,651 |
| Pledged and restricted bank and other deposits | | 3,864,571 | 5,797,270 |
| Bank balances and cash | | 1,709,585 | 1,548,019 |
| | | <u>23,954,889</u> | <u>24,147,997</u> |
| Assets classified as held for sale | | 3,525,749 | — |
| | | <u>27,480,638</u> | <u>24,147,997</u> |

| | <i>NOTES</i> | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|--------------|-------------------------------|------------------------|
| CURRENT LIABILITIES | | | |
| Trade and other payables | <i>12</i> | 12,530,712 | 15,018,649 |
| Amounts due to related companies | | | |
| — trade related | <i>13</i> | 214,298 | 1,261,381 |
| Amounts due to related companies | | | |
| — non-trade related | | 1,873,859 | 554,927 |
| Loans from related companies | | 788,668 | 743,922 |
| Contract liabilities | | 357,461 | 224,939 |
| Bank and other borrowings — due within one year | | 22,884,812 | 26,976,972 |
| Lease liabilities — due within one year | | 531,258 | 530,655 |
| Notes payables — due within one year | | 3,312,863 | 422,175 |
| Derivative financial instruments | | 60,561 | 133,400 |
| Deferred income | | 40,136 | 41,885 |
| Tax payables | | 134,483 | 144,922 |
| | | 42,729,111 | 46,053,827 |
| Liabilities associated with assets classified as held for sale | | 1,919,568 | — |
| | | 44,648,679 | 46,053,827 |
| NET CURRENT LIABILITIES | | (17,168,041) | (21,905,830) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 35,854,218 | 54,383,132 |

| | 2020 | 2019 |
|--|--------------------------|-------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| NON-CURRENT LIABILITIES | | |
| Contract liabilities | — | 147,740 |
| Loans from related companies | 119,840 | 1,031,639 |
| Bank and other borrowings — due after one year | 13,351,853 | 20,285,750 |
| Lease liabilities — due after one year | 1,358,881 | 1,910,864 |
| Notes payables — due after one year | — | 3,470,542 |
| Deferred income | 518,448 | 628,441 |
| Deferred tax liabilities | 113,991 | 186,748 |
| | <u>15,463,013</u> | <u>27,661,724</u> |
| NET ASSETS | <u>20,391,205</u> | <u>26,721,408</u> |
| CAPITAL AND RESERVES | | |
| Share capital | 1,862,725 | 1,742,850 |
| Reserves | 14,726,394 | 20,507,309 |
| | <u>16,589,119</u> | <u>22,250,159</u> |
| Equity attributable to owners of the Company | 16,589,119 | 22,250,159 |
| Non-controlling interests | 3,802,086 | 4,471,249 |
| | <u>20,391,205</u> | <u>26,721,408</u> |
| TOTAL EQUITY | <u>20,391,205</u> | <u>26,721,408</u> |

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (the “**IFRS Standards**”) issued by the International Accounting Standards Board (“**IASB**”). In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The Directors have given careful consideration to the going concern status of the Group in light of the fact that the Group has incurred a net loss of approximately RMB6,271 million for the year ended 31 December 2020, and as of that date, the Group’s current liabilities exceeded its current assets by approximately RMB17,168 million, a portion of which is contributed by its non-wholly owned subsidiary, GCL New Energy Holdings Limited (“**GNE**”), whose shares are listed on the Stock Exchange, and its subsidiaries (collectively referred to as “**GNE Group**”), and whose current liabilities exceeded its current assets by approximately RMB9,230 million. The Group had cash and cash equivalents of approximately RMB1,758 million (including bank balances and cash classified as assets held for sale of approximately RMB48 million) against the Group’s total borrowings (comprising loans from related companies, bank and other borrowings, lease liabilities and notes payables) amounting to approximately RMB44,116 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 RMB1,768 million. For the remaining balance of the Group’s total borrowings under current liabilities, approximately RMB27,518 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 capital commitments and provided financial guarantee to several banks and financial institutions in respect of banking and other facilities of a joint venture, associates and third parties as at 31 December 2020.

As at 31 December 2020, the Company and the GNE Group defaulted the repayment of several borrowings; and the GNE Group was involved in several litigation cases, either as a defendant or a guarantor relating to claims by relevant claimants, which exceeded the limit of litigation amounts stipulated in the financial covenants of certain bank borrowings, and which resulted in triggering the cross default clauses in several bank and other borrowings of the Group totalling approximately RMB6,512 million, approximately RMB4,541 million of which is repayable after one year in accordance with the original repayment terms. In light of this, reclassification of long-term borrowings of approximately RMB4,541 million as current liabilities is required at 31 December 2020 under applicable accounting standard. Subsequent to the end of the reporting period, the Company and the GNE Group had fully settled its defaulted borrowings. However, the abovementioned litigations of the GNE Group have not yet been subsequently settled and accordingly, the cross default clauses on the relevant borrowings are still not remediated.

As at 31 December 2020, the Company and certain subsidiaries of the Company guaranteed bank and other borrowings of the GNE Group amounting to approximately RMB1,820 million. In addition, as at 31 December 2020, the GNE Group has entered into agreements which will involve capital commitments of approximately RMB135 million to construct solar farms and provided financial guarantee of approximately RMB4,435 million to its associates and certain third parties for their bank and other borrowings. The Directors have noted the going concern status of the GNE Group in preparing these consolidated financial statements.

As at 31 December 2020, the GNE Group's total borrowings comprising bank and other borrowings, lease liabilities, bonds payables and loans from related companies amounted to approximately RMB30,930 million. The amounts included bank and other borrowings, loan from a related company and lease liabilities classified as liabilities associated with assets held for sale totalling approximately RMB1,768 million. For the remaining balance of approximately RMB29,162 million, approximately RMB16,531 million will be due in the coming twelve months from the end of the reporting period, including bank and other borrowings of approximately RMB4,541 million, which shall be due after twelve months from the end of the reporting period in accordance with the scheduled repayment dates as set out in the respective loan agreements but were reclassified to current liabilities as a result of the triggering of the cross default clauses in several bank borrowings as mentioned above. The GNE Group's pledged and restricted bank and other deposits and bank balances and cash amounted to approximately RMB788 million (including pledged bank and other deposits classified as assets held for sale of approximately RMB44 million) and RMB1,191 million (including bank balances and cash classified as assets held for sale of approximately RMB48 million) as at 31 December 2020, respectively. The financial resources available to the GNE Group as at 31 December 2020 and up to the date of approval of these consolidated financial statements for issuance may not be sufficient to satisfy the above capital expenditure requirements together with the repayment of borrowings. The GNE Group is undergoing the process of negotiations with the respective lenders for extension or renewal of the bank and other borrowings as of the date of these consolidated financial statements, and the GNE Group has not received any request from any lenders to accelerate the repayments of bank and other borrowings. The GNE Group is actively pursuing additional financing including, but not limited to, equity financing from the issuance of new shares, extension of payment date for bank and other borrowings that are due for maturity and divesting certain of its existing solar farm projects in exchange for cash proceeds.

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. The Directors have reviewed the Group's cash flow projections which cover a period of not less than twelve months from 31 December 2020. They are of the opinion that the Group will have sufficient working capital to meet its financial obligations, including those committed capital expenditures and other commitments, that will be due in the coming twelve months from 31 December 2020, and the on-going covenants compliance upon successful implementation of the following measures which will generate adequate financing and operating cash inflows for the Group:

In addition, the Directors have evaluated the Group's current undrawn banking facilities and renewable bank borrowings. Subsequent to the end of the reporting period, the Group successfully issued 3,900,000,000 shares with net cash proceeds of approximately HK\$4,148 million (equivalent to RMB3,491 million). In order to further 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 the GNE Group to improve their liquidity position, which include:

(i) Financing through the issuance of GNE's shares

Subsequent to the end of the reporting period, GNE successfully issued 2,000 million shares with net cash proceeds of approximately HK\$895 million (equivalent to RMB753 million).

(ii) Financing through the extension of maturity of senior notes

Subsequent to the end of the reporting period, the GNE Group announced that the failure of repayment of the senior notes with a total principal amount of US\$500 million constituted an event of default under the terms of indenture. On 9 February 2021, the GNE Group announced that holders of the senior notes of approximately US\$459 million, representing 91.85% of the outstanding aggregate principal amount of the senior notes, had validly submitted their respective executed irrevocable accession deeds for exchanging the senior notes for new notes with an extended maturity and terms as stipulated in the amended and restated restructuring support agreement (the "RSA"). The RSA became effective on 16 June 2021.

(iii) Financing through divesting of certain solar farms

The GNE Group continues to implement business strategies, among others, to transform its heavy-asset business model to a light-asset model by divesting certain of its existing solar farm projects in exchange for cash proceeds to improve the GNE Group's indebtedness position.

- (a) During the year ended 31 December 2020, the GNE Group disposed of 21 subsidiaries at an aggregate consideration of approximately RMB1,894 million.
- (b) Subsequent to the end of the reporting period, during the six months ended 30 June 2021, the GNE Group disposed of 47 subsidiaries at an aggregate consideration of RMB2,762 million.
- (c) Subsequent to the six months ended 30 June 2021 and up to the date of approval of these consolidated financial statements, the GNE Group disposed of 22 subsidiaries at an aggregate consideration of RMB2,218 million; and there were disposals of other 25 subsidiaries at an aggregate consideration of RMB1,047 million have not yet been completed at the date of approval of these consolidated financial statements.

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 the GNE Group as described above, the Directors are of the opinion that the Group will have sufficient working capital to meet its cash flow requirements in the next twelve months. The Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group as a whole and GNE Group can achieve the plans and measures described above to generate adequate cash inflow as scheduled. The sufficiency of the Group's working capital to satisfy its present requirements for at least the next twelve months from the date of approval of these consolidated financial statements for issuance is dependent on the Group's ability to generate adequate 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 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 the consolidated financial statements.

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

2. APPLICATION OF NEW AND AMENDMENTS TO THE IFRS STANDARDS

Amendments to IFRS Standards that are mandatorily effective for the current year

The International Accounting Standards Board has issued several amendments to IFRS Standards that are first effective for the current accounting period of the Group. None of these amendments to IFRS standards have significant impact on the consolidated financial statements for the year ended 31 December 2020.

New and amendments to IFRS Standards in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Standards that have been issued but are not yet effective:

| | |
|--|--|
| IFRS 17 | Insurance Contracts and the related Amendments ¹ |
| Amendment to IFRS 16 | COVID-19-Related Rent Concessions ⁴ |
| Amendment to IFRS 16 | COVID-19-Related Rent Concessions beyond 30 June 2021 ⁶ |
| Amendments to IFRS 3 | Reference to the Conceptual Framework ² |
| Amendments to IFRS 9, International Accounting Standard (“IAS”) 39, IFRS 7, IFRS 4 and IFRS 16 | Interest Rate Benchmark Reform — Phase 2 ⁵ |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current ¹ |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies ¹ |
| Amendments to IAS 8 | Definition of Accounting Estimates ¹ |
| Amendments to IAS 16 | Property, Plant and Equipment — Proceeds before Intended Use ² |
| Amendments to IAS 37 | Onerous Contracts — Cost of Fulfilling a Contract ² |
| Amendments to IFRS Standards | Annual Improvements to IFRS Standards 2018 – 2020 ² |

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

⁶ Effective for annual periods beginning on or after 1 April 2021.

The Directors anticipate that the application of all new and amendments to IFRS Standards will have no material impact on the consolidated financial statements.

3. SEGMENT INFORMATION

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

- (a) Solar material business — mainly manufactures and sales of polysilicon and wafer to companies operating in the solar industry.
- (b) Solar farm business — manages and operates solar farms located in the USA and 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:

Year ended 31 December 2020

| | Solar material business RMB'000 | Solar farm business RMB'000 | New energy business RMB'000 (Note) | Total RMB'000 |
|---|--|--|---|--------------------------|
| Segment revenue | | | | |
| Revenue from external customers | <u>9,225,026</u> | <u>460,521</u> | <u>4,935,189</u> | <u>14,620,736</u> |
| Segment (loss) profit | <u>(4,866,776)</u> | <u>64,372</u> | <u>(1,262,882)</u> | <u>(6,065,286)</u> |
| Elimination of inter-segment profit | | | | (166,822) |
| Unallocated income | | | | 75,563 |
| Unallocated expenses | | | | (141,761) |
| 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") | | | | 26,650 |
| Loss on fair value change of held for trading investments | | | | (656) |
| Loss on disposal of an associate | | | | (10,745) |
| Share of profit of an associate | | | | 13,317 |
| Share of losses of joint ventures | | | | <u>(1,108)</u> |
| Loss for the year | | | | <u>(6,271,251)</u> |

Year ended 31 December 2019

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

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss) profit of each respective segment excluding unallocated income, unallocated expenses, change in fair value of convertible bonds receivable, change in fair value of certain financial assets at FVTPL, change in fair value of held for trading investments and share of profits (losses) of interests in certain associates and joint ventures. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

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

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|--------------------------|---------------------------|
| Segment assets | | |
| Solar material business | 32,273,414 | 41,155,374 |
| Solar farm business | 2,015,984 | 3,541,357 |
| New energy business | <u>44,990,518</u> | <u>54,343,458</u> |
| | | |
| Total segment assets | 79,279,916 | 99,040,189 |
| Other financial assets as at FVTPL | 452,937 | 427,543 |
| Equity instruments at fair value through other comprehensive income (“FVTOCI”) | 21,073 | 41,857 |
| Held for trading investments | 3,447 | 4,339 |
| Convertible bonds receivable | — | 101,097 |
| Interests in associates | — | 384,611 |
| Interests in joint ventures | 196,932 | 198,594 |
| Unallocated bank balances and cash | 91,916 | 138,275 |
| Unallocated corporate assets | <u>456,676</u> | <u>100,454</u> |
| | | |
| Consolidated assets | <u><u>80,502,897</u></u> | <u><u>100,436,959</u></u> |
| | | |
| Segment liabilities | | |
| Solar material business | 22,719,454 | 27,477,455 |
| Solar farm business | 800,954 | 1,915,576 |
| New energy business | <u>36,406,103</u> | <u>44,094,269</u> |
| | | |
| Total segment liabilities | 59,926,511 | 73,487,300 |
| Unallocated corporate liabilities | <u>185,181</u> | <u>228,251</u> |
| | | |
| Consolidated liabilities | <u><u>60,111,692</u></u> | <u><u>73,715,551</u></u> |

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

- All assets are allocated to operating segments, other than unallocated corporate assets, corporate bank balances and cash and other assets (including certain other financial assets at FVTPL, equity instruments at FVTOCI, held for trading investments, convertible bonds receivable, certain interests in associates and joint ventures) of the management companies and investment holding companies; and
- All liabilities are allocated to operating segments, other than unallocated corporate liabilities of the management companies and investment holding companies.

Disaggregation of revenue from contracts with customers

For the year ended 31 December 2020

| Segments | Solar material business <i>RMB'000</i> | Solar farm business <i>RMB'000</i> | New energy business <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|--|--|--|-------------------------|
| Types of goods or services | | | | |
| Sales of wafer | 5,692,391 | — | — | 5,692,391 |
| Sales of electricity | — | 460,521 | 4,935,189 | 5,395,710 |
| Sales of polysilicon | 2,205,836 | — | — | 2,205,836 |
| Processing fees | 830,495 | — | — | 830,495 |
| Others (comprising the sales of ingots) | 496,304 | — | — | 496,304 |
| Total | 9,225,026 | 460,521 | 4,935,189 | 14,620,736 |

For the year ended 31 December 2019

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

Geographical information

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

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---------|------------------------|------------------------|
| The PRC | 13,783,224 | 17,923,038 |
| Others | 837,512 | 1,326,583 |
| | 14,620,736 | 19,249,621 |

Information about major customers

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

4. FINANCE COSTS

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|-------------------------|-------------------------|
| Interest on financial liabilities at amortised cost | | |
| — bank and other borrowings | 2,598,909 | 3,224,570 |
| — notes payables | 313,494 | 329,054 |
| — loans from related companies | 150,920 | 274,922 |
| Interest on lease liabilities | <u>111,747</u> | <u>167,374</u> |
| Total borrowing costs | 3,175,070 | 3,995,920 |
| Less: interest capitalised | <u>(19,777)</u> | <u>(49,000)</u> |
| | <u><u>3,155,293</u></u> | <u><u>3,946,920</u></u> |

There was no borrowing cost capitalised during the year ended 31 December 2020 arisen on the general borrowing pool. Borrowing costs capitalised for the year ended 31 December 2019 arose on the general borrowing pool and were calculated by applying a capitalisation rate of 7.80% per annum to expenditure on qualifying assets.

5. OTHER INCOME

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Government grants | 120,274 | 175,374 |
| Interest income | | |
| — bank and other interest income | 148,771 | 165,631 |
| — debt instruments at FVTOCI | — | 393 |
| Interest arising from contracts containing significant financing component | 77,100 | 118,218 |
| Sales of scrap materials | 180,260 | 113,699 |
| Management and consultancy fee income | 63,653 | 88,936 |
| Rental income | 34,407 | 24,106 |
| Forfeitures of deposits from customers | 9,612 | 72,613 |
| Compensation income (<i>Note</i>) | 50,325 | 6,615 |
| Others | <u>7,675</u> | <u>53,161</u> |
| | <u><u>692,077</u></u> | <u><u>818,746</u></u> |

Note: Amount mainly represents the insurance claims received as compensation for the suspension of operation of a production plant in the solar material business segment resulting from a power outage and other damages to property, plant and equipment of the new energy business segment incidental to a typhoon. The relevant production plant had resumed its operation subsequent to the power outage.

6. OTHER EXPENSES, GAINS AND LOSSES, NET

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Research and development costs | 529,045 | 736,522 |
| Exchange (gains) losses, net | (373,446) | 126,622 |
| Loss (gain) on fair value change of convertible bonds receivable | 403 | (29,820) |
| Gain on fair value change of other financial assets at FVTPL | (39,677) | (42,300) |
| Loss on fair value change of held for trading investments | 656 | 28,053 |
| (Gain) loss on fair value change of derivative financial instruments | (111,400) | 107,389 |
| Impairment loss on property, plant and equipment (<i>Note</i>) | 4,248,251 | 2,130,780 |
| Impairment loss on right-of-use assets | 84,086 | — |
| Impairment loss on other intangible assets | — | 479,091 |
| Written off of deposits for acquisition of property, plant and equipment | 14,720 | — |
| Loss (gain) on disposal of property, plant and equipment | 56,900 | (55,173) |
| Bargain purchase from business combination | — | (73,858) |
| Loss on disposal and deemed disposal of associates | 117,258 | — |
| Gain on disposal of joint ventures | — | (35,263) |
| Loss (gain) on disposal of subsidiaries, net | 81,477 | (4,405,876) |
| Loss (gain) on disposal of solar farm projects, net | 218,004 | (26,926) |
| Loss on disposal of right-of-use assets | — | 2,583 |
| Loss on measurement of assets classified as held for sale to fair value less costs to sell | 207,836 | — |
| Gain on early termination of leases | (23,571) | (7) |
| | <u>5,010,542</u> | <u>(1,058,183)</u> |

IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Impairment losses recognised (reversed), net in respect of | | |
| — trade receivables — goods and services | 41,759 | 47,598 |
| — other receivables | 460,740 | (39) |
| — other loan receivables | 1,250 | — |
| — consideration receivables | 140,000 | 140,000 |
| — amounts due from related companies (trade related) | — | 275,182 |
| — contract assets | 5,398 | — |
| | <u>649,147</u> | <u>462,741</u> |

Note: During the year ended 31 December 2020, the solar material business segment recognised a segment loss (before impairment loss on property, plant and equipment and right-of-use assets) of approximately RMB1.7 billion mainly due to the lower than expected demand under continuing unfavourable market conditions in solar industry induced by the COVID-19 pandemic and suspension of production of lower profit margin wafer products. With the impairment indicators identified, the Directors conducted a review of the recoverable amounts of the several cash generating units (“CGUs”) of solar material business segment to which the property, plant and equipment and right-of-use assets belonged as at 31 December 2020.

The recoverable amounts of the relevant CGUs were either determined based on the higher of value in use calculations or fair value less costs to sell by the Directors with reference to the valuation reports of an independent valuer on the production plants in relation to the production of polysilicon and wafer of the solar material business segment as at 31 December 2020. The value in use calculation uses cash flow projections covering the useful lives of those property, plant and equipment, right-of-use assets and other intangible assets in relation to the production of polysilicon and wafer based on financial budgets approved by the management including replacement of assets with shorter useful lives within the relevant CGUs (including allocation of corporate assets). Key assumptions for the value in use calculations relating to the estimation of cash inflows/outflows include discount rates and revenue growth rates. Such estimation is based on past performance and management’s expectations for the market. The revenue growth rates and discount rates have been reassessed as at 31 December 2020 taking into consideration the higher degree of estimation uncertainties in the current year due to the uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets and solar industry, including potential disruptions of the Group’s solar material business operation. As a result, an impairment loss of approximately RMB3,194,486,000 is recognised on property, plant and equipment and right-of-use assets of the solar material business segment during the year ended 31 December 2020 (2019: approximately RMB2,050,160,000 was recognised on property, plant and equipment and other intangible assets). The fair value less costs to sell of the relevant CGUs is lower than the value in use. The impairment amount has been allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero.

In addition, impairment loss of approximately RMB1,137,851,000 has been recognised in profit or loss on property, plant and equipment of new energy business segment during the year ended 31 December 2020.

7. INCOME TAX EXPENSE

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|-----------------------------------|------------------------|------------------------|
| PRC Enterprise Income Tax (“EIT”) | | |
| Current tax | 172,886 | 168,699 |
| Overprovision in prior years | (2,214) | (46,130) |
| PRC dividend withholding tax | <u>14,578</u> | <u>49,495</u> |
| | <u>185,250</u> | <u>172,064</u> |
| USA Federal and State Income Tax | | |
| Current tax | 216 | 21 |
| Underprovision in prior years | <u>5</u> | <u>2</u> |
| | <u>221</u> | <u>23</u> |
| Hong Kong Profits Tax | | |
| Current tax | <u>—</u> | <u>277</u> |
| Deferred tax | <u>(74,975)</u> | <u>34,484</u> |
| | <u><u>110,496</u></u> | <u><u>206,848</u></u> |

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

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

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

Certain subsidiaries of the GNE Group, being enterprises engaged in solar photovoltaic projects, under the EIT Law and its relevant regulations, are entitled to tax holidays of the 3-year full exemption followed by the 3-year 50% exemption commencing from their respective years in which their first operating income were derived. For the years ended 31 December 2020 and 2019, certain subsidiaries of GNE engaged in solar photovoltaic projects had their first year of the 3-year 50% exemption period.

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

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

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

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

8. (LOSS) PROFIT FOR THE YEAR

| | 2020 <i>RMB’000</i> | 2019 <i>RMB’000</i> |
|---|------------------------|------------------------|
| (Loss) profit for the year has been arrived at after charging (crediting) the following items: | | |
| Staff costs, including directors’ remuneration | | |
| Salaries, wages and other benefits | 1,148,237 | 1,684,210 |
| Retirement benefits scheme contributions | 39,137 | 90,414 |
| Share-based payment expenses | — | 9,412 |
| | <u>1,187,374</u> | <u>1,784,036</u> |
| Total staff costs | | |
| Depreciation of property, plant and equipment | 3,237,172 | 4,235,163 |
| Depreciation of right-of-use assets | 390,487 | 343,768 |
| Depreciation of investment properties | 4,656 | 4,656 |
| Amortisation of other intangible assets | 32,986 | 101,711 |
| | <u>3,665,301</u> | <u>4,685,298</u> |
| Total depreciation and amortisation | | |
| Add/(less) amounts absorbed in opening and closing inventories, net | 30,121 | (54,882) |
| | <u>3,695,422</u> | <u>4,630,416</u> |

9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

10. LOSS PER SHARE

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

Loss figures are calculated as follows:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Loss | | |
| Loss for the purpose of basic and diluted loss per share | | |
| (Loss for the year attributable to owners of the Company) | <u>(5,667,864)</u> | <u>(197,207)</u> |
| | 2020 <i>'000</i> | 2019 <i>'000</i> |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | <u>20,196,570</u> | <u>18,822,564</u> |

For the years ended 31 December 2020 and 2019, the weighted average number of ordinary shares for the purpose of the calculation of basic loss per share had been adjusted for the effect of the 322,998,888 ordinary shares purchased by the Computershare Hong Kong Trustees Limited (“Trustee”) from the market pursuant to the Share Award Scheme (the “Scheme”).

Diluted loss per share for the years ended 31 December 2020 and 2019 did not assume the exercise of share options granted by the Company, since the exercise would decrease the loss per share of the respective year.

Diluted loss per share for the year ended 31 December 2020 did not assume the exercise of share options granted by GNE since any exercise would result in decrease in loss per share in current year (2019: the exercise price was higher than the average share price).

11. TRADE AND OTHER RECEIVABLES

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|---|--------------------------|--------------------------|
| Trade receivables (<i>Note a</i>) | 13,504,618 | 10,993,839 |
| Other receivables: | | |
| — Refundable value-added tax | 621,048 | 860,714 |
| — Consideration receivables | 1,349,641 | 672,909 |
| — Receivables for modules procurement | 63,376 | 287,044 |
| — Other loan receivables | — | 14,250 |
| — Prepayments | 252,671 | 518,566 |
| — Others | 1,547,138 | 822,692 |
| | <u>17,338,492</u> | <u>14,170,014</u> |
| Less: allowance for credit losses (Trade) | (109,936) | (102,669) |
| Less: allowance for credit losses (Non-Trade) | (740,754) | (210,204) |
| | <u><u>16,487,802</u></u> | <u><u>13,857,141</u></u> |

Note a:

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 ageing 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:

| | 2020 <i>RMB'000</i> | 2019 <i>RMB'000</i> |
|-----------------|------------------------|------------------------|
| Within 3 months | 259,570 | 559,711 |
| 3 to 6 months | 42,536 | 29,048 |
| Over 6 months | 129,557 | 76,740 |
| | <u><u>431,663</u></u> | <u><u>665,499</u></u> |

For sales of electricity, the Group generally grants credit period of approximately one month to 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 grid companies.

The following is an aged analysis of trade receivables arising from 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:

| | 2020 | 2019 |
|--------------------------|-------------------------|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Unbilled (<i>Note</i>) | 6,717,763 | 2,524,359 |
| Within 3 months | 197,194 | 280,503 |
| 3 to 6 months | 177,946 | 147,892 |
| Over 6 months | 282,419 | 504,380 |
| | <u>7,375,322</u> | <u>3,457,134</u> |

Note: Amount represents unbilled basic tariff receivables for solar farms operated by the Group, and tariff adjustment receivables of those solar farms already registered in the Renewable Energy Tariff Subsidy List (2019: Renewable Energy Tariff Subsidy Catalogue). The Directors expect the unbilled tariff adjustments would be generally billed and settled within one year from the end of the reporting period.

As at 31 December 2020, total bills received amounting to approximately RMB5,587,697,000 (2019: RMB6,768,537,000) are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

12. TRADE AND OTHER PAYABLES

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

| | 2020 | 2019 |
|--------------------|-------------------------|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 3 months | 1,461,865 | 2,005,385 |
| 3 to 6 months | 1,912,708 | 2,046,535 |
| More than 6 months | 229,736 | 207,719 |
| | <u>3,604,309</u> | <u>4,259,639</u> |

13. BALANCES WITH RELATED COMPANIES

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

| | 2020 | 2019 |
|--------------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 3 months | 66,648 | 103,108 |
| 3 to 6 months | 6,052 | 17,306 |
| More than 6 months | 138,050 | 111,573 |
| | <u>210,750</u> | <u>231,987</u> |

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:

| | 2020 | 2019 |
|--------------------|-----------------------|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 3 months | 137,517 | 1,151,455 |
| 3 to 6 months | 37,976 | 38,711 |
| More than 6 months | 38,805 | 71,215 |
| | <u>214,298</u> | <u>1,261,381</u> |

Note: The amounts due from/to related companies are unsecured, non-interest bearing and the credit period for trade-related balances are normally within 30 days (2019: 30 days).

MATERIAL DIFFERENCE BETWEEN 2020 AUDITED FINANCIAL INFORMATION IN THIS ANNOUNCEMENT AND 2020 UNAUDITED FINANCIAL INFORMATION IN THE PREVIOUS UNAUDITED RESULTS ANNOUNCEMENT

Since the financial information contained in the previous 2020 Unaudited Management Accounts was neither audited by nor agreed with the Former Auditor or the Auditor, as at the date of its publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the audited annual results of the Group disclosed in this announcement and that disclosed in the 2020 Unaudited Management Accounts.

Set forth below are details and reasons for the material differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules:

| Financial items | Disclosure in this announcement <i>RMB'000</i> | Disclosure in this announcement <i>RMB'000</i> | Disclosure in Previous Unaudited Management Accounts <i>RMB'000</i> | Difference <i>RMB'000</i> | <i>Notes</i> |
|--|--|--|---|-------------------------------------|------------------|
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | | | | | |
| Loss for the year | (6,271,251) | (6,254,481) | (6,254,481) | (16,770) | 1 |
| Consolidated Statement of Financial Position | | | | | |
| Non-current assets | | | | | |
| Interests in associates | 7,039,026 | 7,032,381 | 7,032,381 | 6,645 | 1(d) |
| Interests in joint ventures | 574,158 | 567,303 | 567,303 | 6,855 | 1(d) |
| Equity instruments at fair value through other comprehensive income | 21,073 | 24,616 | 24,616 | (3,543) | 3 |
| Deferred tax assets | 289,814 | 287,973 | 287,973 | 1,841 | 1(d) |
| Deposits, prepayments and other non-current assets | 1,712,971 | 1,677,691 | 1,677,691 | 35,280 | 1(a) |
| Current assets | | | | | |
| Trade and other receivables | 16,487,802 | 16,986,419 | 16,986,419 | (498,617) | 1(c),2(a),2(d),5 |

| Financial items | Disclosure in this announcement RMB'000 | Disclosure in Previous Unaudited Management Accounts RMB'000 | Difference RMB'000 | <i>Notes</i> |
|----------------------------------|--|---|-------------------------------|---------------------|
| Current liabilities | | | | |
| Trade and other payables | 12,530,712 | 13,071,106 | (540,394) | <i>1(b),(d),5,6</i> |
| Bank and other borrowings | | | | |
| — due within one year | 22,884,812 | 23,195,212 | (310,400) | <i>4</i> |
| Derivative financial instruments | 60,561 | 22,000 | 38,561 | <i>6</i> |
| Non-current liabilities | | | | |
| Bank and other borrowings | | | | |
| — due after one year | 13,351,853 | 13,062,167 | 289,686 | <i>2(c),4</i> |
| Deferred income | 518,448 | 522,298 | (3,850) | <i>1(d)</i> |
| Deferred tax liabilities | 113,991 | 110,066 | 3,925 | <i>1(d)</i> |
| Equity | | | | |
| Reserves | 14,726,394 | 14,882,037 | (155,643) | <i>1,2,3,6</i> |
| Non-controlling Interests | 3,802,086 | 3,575,509 | 226,577 | <i>1,2,6</i> |

Notes:

1. The difference in loss for the year was mainly due to combined effect of the followings:
 - (a) Being reversal of impairment loss under expected credit loss model of approximately RMB35,280,000 for prepayments under construction contract previously impaired for the year ended 31 December 2020 due to subsequent settlement from third parties.
 - (b) Being recognition of additional audit fee and other professional fee incurred for the year ended 31 December 2020 of approximately RMB8,800,000 and RMB500,000 respectively.
 - (c) Being recognition of impairment loss of approximately RMB57,334,000 under expected credit loss model during the year ended 31 December 2020 in respect of a receivable under a pledged share arrangement, details of which are set out in note 2 below.
 - (d) Being adjustments made to the additional finance costs, taxation expenses and exchange losses, resulting in an increase in loss for the year of approximately RMB10,171,000; and adjustments made to other income, share of profits from associates and joint venture, adjustment of administrative expenses, and adjustment of cost of sales resulting in a decrease in loss for the year of approximately RMB24,755,000.

2. As disclosed in the Company's announcements dated 21 May 2021, 28 May 2021 and 4 October 2021, in May 2021, Elite Time Global Limited ("**Elite Time**"), a wholly-owned subsidiary of the Company, was informed that, 865,100,000 shares in GNE pledged ("**Pledged Shares**") under a loan agreement entered in 2019 was forfeited in 2020. Prior to this, Elite Time had not been notified of such purported forfeiture. As a result of the purported forfeiture, the Group considered that the 865,100,000 shares in GNE were forfeited in 2020 and the proceeds from Pledged Shares forfeited were set off against the outstanding loan amount. Upon the purported forfeiture of 865,100,000 shares in GNE, there was a decrease of approximately 4.5% of the Group's interest in total issued share capital of GNE held by Elite Time.
 - (a) A receivable with fair value of approximately RMB79,808,000 was recognized as proceeds from the purported forfeiture of Pledged Shares. An amount of approximately RMB205,541,000 was changed against reserves and an amount of approximately RMB285,349,000 was recorded as an increase in non-controlling interests.
 - (b) Approximately RMB63,903,000 was adjusted from loss for the year attributable to owners of the Company to non-controlling interests as a result of the purported forfeiture of Pledged Shares in 2020.
 - (c) The loan balances of approximately RMB22,474,000 was derecognised.
 - (d) Impairment loss under the expected credit loss model of RMB57,334,000 was recognized in respect of the receivable mentioned in (a) above.
3. Being adjustment for change in fair value of equity instruments at fair value through other comprehensive income.
4. Being reclassification of bank and other borrowings from current liability to non-current liability.
5. Being adjustment for overstatement of assets and related liabilities.
6. Being adjustment for the recognition of put option interests in Kunshan GCL Optoelectronic Material Co., Ltd (昆山協鑫光電材料有限公司) as derivative financial instruments, recognition of related non-controlling interests and de-recognition of the corresponding liabilities. The fair value of the put option has been recognised in the consolidated statement of financial position with a corresponding debit to other reserve and non-controlling interests.

CHAIRMAN’S STATEMENT AND CEO’S REVIEW OF OPERATIONS AND OUTLOOK

In 2020, as COVID-19 spread across the world, the global supply chains faced the most serious health and economic crisis in the past 30 years. Against the backdrop of stagnant or negative growth of the global economy and a more complicated and acute external environment, photovoltaic companies in China have resumed production operations in the fastest pace possible after the epidemic was under effective control, giving credit to their strong resilience and solid foundation forged in previous periods, achieved outstanding performance in many industries by “bucking up the trend”, and delivered annual results beyond industry expectations.

According to the statistics of the China Photovoltaic Industry Association, in 2020, the new PV installed capacity across the world was approximately 130 GW, representing a year-on-year increase of 13%. The new PV installed capacity in China was approximately 48.2 GW, representing a year-on-year increase of 60% as compared with 2019 which only had an installed capacity of 30.11 GW. The restorative growth of China’s PV market has driven the development of the global PV industry. By the end of 2020, China has ranked first in the world in terms of total PV installed capacity, new PV installed capacity and polysilicon production for 6, 8 and 10 consecutive years, respectively.

As a listed enterprise that had been deeply involved in the photovoltaic industry for many years and had lived through multiple industry cycles, GCL-Poly has committed itself to business transformation. In the process of fast-evolving innovation and transformation of the industry, the Company is always ready to make new breakthroughs with full focus and firm belief and commitment through profound self-reflection. In particular, the FBR based granular silicon technology, which has been developed and researched by the Company over more than a decade, made a major technological breakthrough and completed a milestone achievement of 10,000 metric tonnes production capacity expansion in 2020, injecting a strong and unstoppable new vitality into GCL-Poly.

Business Review for 2020

During 2020, GCL-Poly produced a total of 42,189 MT of polysilicon. The decrease in production of rod silicon as compared with that of last year was mainly due to the deconsolidation of approximately 32,192 MT polysilicon, as a result of the disposal of 31.5% equity interest in Xinjiang GCL in the fourth quarter of 2019. GCL-Poly produced a total of 31,449 MW wafers. As at 31 December 2020, GCL-Poly recorded revenue of RMB14,621 million, representing a decrease of 24.0% as compared with the corresponding period in 2019; gross profit was approximately RMB3,702 million, representing a decrease of 20.9% as compared with the corresponding period in 2019. Loss attributable to shareholders of the Company amounted to approximately RMB5,668 million and basic loss per share was approximately RMB28.06 cents.

The grid connected capacity of GNE, a holding subsidiary of GCL-Poly, decreased from 5.6 GW in 2019 to 4.8 GW in 2020, representing a decrease of approximately 14% in GNE's business scale. GNE's electricity sales volume and revenue decreased proportionally by 14% and 18%, respectively. The drop in GNE's business scale led to a decrease in gross profit, from RMB3,954 million in 2019 to RMB3,131 million in 2020. As of 2020, the gross profit margin of GNE was 63.5%, as compared to 65.3% for the corresponding period in 2019.

Getting rid of the “burden” and riding on the trend while focusing on the principal business of silicon materials

In view of intricate international developments and opportunities arising from the rotation of industries, on one hand, GCL-Poly monitored the situation and made diligent efforts to enhance its inherent strengths in close tandem with market developments. We calmly faced our business weaknesses in the past, re-examined and recalibrated asset values, and provided impairment for the assets that drag on the future cash flow and profit of the Company, such that GCL-Poly was able to move towards an asset-light approach after recreation.

On the other hand, GCL-Poly continued to innovate, make radical changes where necessary and focus on strategies. We remained committed to achieving ongoing cost reduction and efficiency enhancement. On the basis of fully understanding the dynamic changes of the industry trends and competitive landscape, we gave precision play to our own strengths, and made cautious and bold strategic layouts. We strengthened our business foundation with a strong focus on our principal operations of silicone materials and the steady development of the granular silicon business to gradually increase our competitiveness.

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 by fully leveraging the functions of the capital market, so that it will be well-positioned for the next cycle of business expansion with adaptive preparations and strategic plans for transformation in place.

Currently, the profitability of the Company continues to improve. It is expected that the Company will achieve better profitability in the whole year of 2021. We will quickly develop GCL-Poly into one of the leading enterprise in the industry that is healthy, stable, continuous innovation and sustainable operation.

Granular silicon achieving 10,000 metric tonnes production capacity with another breakthrough in technical indicators after a decade of hard work

GCL-Poly has been exploring the research and development of FBR based granular silicon technology for more than ten years. During the period, through numerous independent attempts, trials and practical operations and further complemented by the patent and technology team acquired from SunEdison in 2017, and after years of refined and internal scale exploration, the Company finally ushered in outstanding technological progress and realized long-cycle, high-quality, low-cost commercial mass production of granular silicon, and started to accelerate the pace of expansion in 2020.

In February 2021, the Company was pleased to announce that GCL-Poly has mastered various matured techniques and mass production technologies of granular silicon and has successfully increased the annual effective production capacity of granular silicon from 6,000 metric tonnes to 10,000 metric tonnes, and has officially reached the 10,000 metric tonnes capacity benchmark. Through managing the construction and operation of such project which reaches 10,000 metric tonnes capacity, GCL-Poly has possessed leading technical advantages and large-scale replication capability in project planning and construction, artificial intelligence operation of core equipment, digital control of product safety production and systematic verification of product quality.

In March 2021, the Company further announced that a new breakthrough was made in the indicators of granular silicon. Various quality indicators have reached the Siemens standard for dense materials, and some indicators are even better than those of dense materials. At the same time, through process improvement, the total metal contents, carbon contents, hydrogen contents and fine powder ratio have all been reduced to ideal levels without additional costs.

Market-oriented approach for making strategic layout of a 100,000 metric tonnes production capacity matrix, forming a “tripartite” of Jiangsu, Sichuan and Inner Mongolia

Given the continuous breakthroughs in various indicators of granular silicon technology, and positive empirical findings and feedback from downstream customers, and taking into full consideration of the end-market demand of the PV industry and the dynamic changes in silicon materials layout, GCL-Poly has strategically deployed a 100,000 metric tonnes production capacity matrix in advance, with implementation in several regions.

First of all, on the basis of the existing annual production capacity of 10,000 metric tonnes of granular silicon in Xuzhou Jiangsu Zhongneng, the Company plans to build a production capacity of 54,000 metric tonnes by using part of the Company’s existing plants to increase capital and issue additional shares.

In February 2021, the Company published an announcement that the granular silicon production expansion plans have made major substantial progress in Sichuan and Inner Mongolia. Leshan Sumin, as the main entity of constructing the Sichuan Leshan granular silicon project (60,000 metric tonnes for phase one), has successfully introduced strategic investors and has received full support from the Leshan Municipal Government. At the same time, the Company has officially signed a letter of intent with Wuxi Shangji Automation Co., Ltd. for strategic cooperation, intending to jointly invest and construct a granular silicon project of 300,000 metric tonnes capacity in Inner Mongolia, with a total investment of RMB18 billion.

High recognition from downstream customers with multi-channel strategic cooperation

After nearly a year of wide range verification of downstream customers, the granular silicon products continued to receive improved customer recognition and market trust and its long-term production order coverage rate has been increasing. Major world-wide downstream manufacturers have fully passed the granular silicon pulling test and indicated that the granular silicon can better meet the requirements of monocrystal process improvement and green intelligent manufacturing.

The Company actively explored and deepened the strategic cooperation with downstream customers, and issued an announcement on 2 February 2021 that Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd., a wholly-owned subsidiary of GCL-Poly, entered into the long-term orders for silicone materials totaling no less than 441,400 metric tonnes with Tianjin Zhonghuan Semiconductor Co., Ltd. and its subsidiaries as well as LONGi Green Energy Technology Co., Ltd. and its subsidiaries respectively, to facilitate the stable sales of the Company's polysilicon products and promote the wide application and rapid increase in the market share of granular silicon products.

On 28 February 2021, the Company further announced the strategic cooperation plan for a project of 300,000 metric tonnes of granular silicon with downstream customer, Wuxi Shangji Automation Co., Ltd. This is the first in-depth strategic cooperation between GCL-Poly and downstream customers on the granular silicon project, which not only demonstrates the recognition of the quality and application of granular silicon by reputable downstream manufacturers of the industrial chain, but also effectively facilitates the rapid and extensive increase in market shares of granular silicon, which is important to the marketing of granular silicon.

Low-carbon silicon-based new materials, promoting carbon neutrality achievement

The green and environmental features and advantages of low cost, low energy consumption, low emission, long service life, high quality and high conversion rate of GCL-Poly's granular silicon have become a consensus in the industry. The entire process of granular silicon manufacturing is fully in line with the national strategic direction of "low carbon and emission reduction, energy saving and consumption reduction, green and intelligent manufacturing", and will become a new growth pole leading the PV industry to help China to achieve the goal of carbon neutrality.

According to the calculation of the Specification for Photovoltaic Manufacturing Industry in 2020, the comprehensive power consumption generated by the production of granular silicon per kilogram saves about two-thirds of electricity as compared with the traditional Siemens process. Each 10,000 tonnes of granular silicon produced will reduce carbon emissions by approximately 448,000 tonnes, representing an additional planting of 2.186 million trees per year, saving consumption of 166,400 tonnes of standard coal. When the production capacity of granular silicon is increased to 500,000 tonnes, carbon emissions will be reduced by approximately 22.40 million tonnes, representing an additional planting of 100 million trees per year, saving consumption of 8.32 million tonnes of standard coal.

Therefore, granular silicon products not only have an excellent cost-effective advantage in the affordable grid access era, but also meet the domestic and international policy requirements of carbon neutrality as well as low carbon emissions. Granular silicon products, with 10 years of scientific and technological research, will become the industry's major force leading China's PV industry to actively integrate into the carbon reduction matrix.

Optimising balance sheet structure to facilitate industry upgrade

In 2020, GNE, a subsidiary of the Group, took a big and stable leap on the road from scalable operation transformation to an asset-light management approach. As at 31 December 2020, GNE announced that the disposal of solar plants was close to 2 GW, with recoverable cash of approximately RMB6.8 billion, and has effectively reduced its debts by approximately RMB9.5 billion. And together with the net amount of approximately HK\$895 million from the completion of its placing in the beginning of 2021, the liquidity will be significantly improved. In order to achieve a new leap-forward development in the future, in 2021, the Company will continue to tackle problems through transformation, stick to lean and healthy operation and move towards an asset-light approach, and accelerate the disposal of solar plants assets and cooperation with strategic investors such as central enterprises and state-owned enterprises by closely focusing on the goal of “restructuring, reducing debts and maintaining balance”.

During the year, GNE not only moved towards an asset-light approach, but also achieved major breakthroughs in debt restructuring. The debt restructuring plan of US\$500 million was passed with legal effect, which effectively improved the short-term cash liquidity of GNE, and won more time for the company to reduce debt, implement mixed reform and strategic transformation. At the same time, GNE completed a top-up placing of 2,000,000,000 shares to various professional, institutional or other investors in February 2021 at HK\$0.455 per share. The net proceeds from the placing is approximately HK\$895,000,000, which will be used to repay existing borrowings, and for general corporate use.

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. According to statistics from the International Energy Agency, global electricity demand dropped by 2% in 2020. However, among the supply of global electricity, electricity generated by renewable energy increased by 7%, and electricity generated by PV increased by 20%. With the global economic recovery, global electricity demand is expected to increase by 3% (approximately 700TWh) in 2021. Renewable energy installed capacity is expected to increase by 10% over 2020, and new PV installed capacity will account for half, or approximately 54%, of the new energy installed capacity. At present, more and more countries and regions are adopting certain measures to deal with global climate change and jointly promote the “green recovery” of the world economy after the epidemic. Besides China, many other countries and economies, like Japan and South Korea, have also put forward their respective goals of achieving “carbon neutrality”. The EU members agreed to raise their reduction target of greenhouse gas emission to 55% by 2030. The sustainable policy support and the competitiveness from falling electricity prices have brought the development of renewable energy to an unprecedented strategic height, and the growth rate of the global PV market will continue to accelerate.

According to the forecasts of China Photovoltaic Industry Association, the scale of the global PV market will continue to expand in 2021, and the total installed capacity will reach 150–170 GW, a new record high. BNEF, IHS and other institutions predict that the global PV installed capacity will exceed 150 GW in 2021. At the same time, there will be a time gap between the release of new capacity in silicon materials and silicon wafers between 2020 to 2021, which will keep the silicon material market in a relatively tight situation, and prices are expected to continue to go up. The production capacity of low-cost silicon materials will continue to maintain its advantages as a result of both increasing market concentration and localization rate of silicon materials, while the granular silicon, which has a lower cost advantage than Siemens silicon materials, will be more effective and unique. GCL-Poly will fully grasp this historic opportunity and window period, focus on its principal business of PV materials, and optimize and solidify granular silicon products by relying on its existing advantages, so as to facilitate the PV industry to enter the era of low-cost grid access as soon as possible, and help China to achieve the goal of carbon neutrality.

Finally, we would like to express our sincere gratitude to the Board of Directors, management team and all staff members of the Company for their hard work and dedication during 2020. We also are deeply grateful to our shareholders and business partners for their strong support.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

2020 was a year full of challenges, the COVID-19 pandemic has affected the entire world. The tension in the China-US relation, have adversely influenced the global economic landscape. Although the Group's solar material business rebounded from the second half of the year and there is good recognition of the quality and application of granular silicon, the Group is still at the stage of business transformation, and the Group was not able to retrieve its overall performance.

Results of the Group

For the year ended 31 December 2020, the revenue and gross profit of the Group were approximately RMB14,621 million and RMB3,702 million, respectively, representing a decrease of 24.0% and 20.9% respectively as compared with approximately RMB19,250 million and RMB4,678 million in the corresponding period in 2019.

The Group recorded a loss for the year and a loss attributable to the owners of the Company of approximately RMB6,271 million and RMB5,668 million in 2020 respectively, as compared to the profit for the year and the loss attributable to owners of the Company of approximately RMB111 million and RMB197 million in 2019 respectively.

The change was mainly due to the absence of the disposal of 31.5% equity interest in Xinjiang GCL which resulted in a disposal gain of approximately RMB4.4 billion and an increase in impairment provisions on assets, which were partially offset by the increase in the exchange gain caused by the depreciation of USD against RMB for USD denominated indebtedness during the year.

Placing of new shares

During the year, 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, were approximately HK\$260 million (equivalent to approximately RMB239 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:

- Solar material business — mainly manufactures and sales of polysilicon and wafer to companies operating in the solar industry.
- Solar farm business — manages and operates solar farms located in the USA and the PRC. There solar farms were constructed or acquired by the Group prior to obtaining a controlling stake in GNE.
- New energy business — represents the business operations of GNE, which is principally engaged in the development, construction, operation and management of solar farms.

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

| | 2020 | | | 2019 | | |
|--|--------------------|-----------------------|------------------------------|--------------------|-----------------------|------------------------------|
| | Revenue | Segment (loss) profit | Adjusted EBITDA ³ | Revenue | Segment (loss) profit | Adjusted EBITDA ³ |
| | <i>RMB million</i> | <i>RMB million</i> | <i>RMB million</i> | <i>RMB million</i> | <i>RMB million</i> | <i>RMB million</i> |
| Solar material business | 9,225 | (4,867) | 1,063 | 12,708 | (419) | 1,460 |
| Solar farm business | 461 | 64 | 343 | 490 | 116 | 431 |
| Corporate/intersegment transactions ¹ | N/A | N/A | (19) | N/A | N/A | 24 |
| Sub-total | 9,686 | (4,803) | 1,387 | 13,198 | (303) | 1,915 |
| New energy business ² | 4,935 | (1,262) | 4,328 | 6,052 | 570 | 5,378 |
| Total | 14,621 | (6,065) | 5,715 | 19,250 | 267 | 7,293 |

1. The corporate items that are not a reportable segment primarily included unallocated income, unallocated expenses and intersegment transactions.
2. The segment profit of the new energy business includes reported net loss of the GNE Group of approximately RMB1,218 million (2019: Profit of RMB605 million) and allocated corporate expenses of approximately RMB44 million (2019: RMB35 million).
3. Calculation of the adjusted EBITDA is detailed in the "Business Review" section in this report.

Business Structure

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

GNE is a listed company in HK (Stock code: 0451). Except for 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 the 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 the GNE Group as at 31 December 2020 would be as follows:

| | The Group <i>RMB million</i> | The GNE Group <i>RMB million</i> | Deconsolidation adjustment <i>(note)</i> <i>RMB million</i> | The effect of de-consolidated the GNE Group <i>RMB million</i> |
|--|---------------------------------|-------------------------------------|---|---|
| Total assets | 80,503 | 45,036 | (4,641) | 40,108 |
| Total liabilities | <u>60,112</u> | <u>36,499</u> | <u>(93)</u> | <u>23,706</u> |
| Bank balances and cash, pledged and restricted bank and other deposits | 6,256 | 1,887 | — | 4,369 |
| Bank balance and cash, pledged bank deposits classified as held for sale | <u>92</u> | <u>92</u> | <u>—</u> | <u>—</u> |
| Subtotal | <u>6,348</u> | <u>1,979</u> | <u>—</u> | <u>4,369</u> |
| Indebtedness | | | | |
| Bank and other borrowings | 36,237 | 24,004 | — | 12,233 |
| Lease liabilities | 1,890 | 988 | — | 902 |
| Notes payables | 3,313 | 3,261 | — | 52 |
| Loans from related parties | 909 | 909 | — | — |
| Indebtedness for solar farm projects classified as held for sale | <u>1,768</u> | <u>1,768</u> | <u>—</u> | <u>—</u> |
| Subtotal | <u>44,117</u> | <u>30,930</u> | <u>—</u> | <u>13,187</u> |
| Net Indebtedness | <u><u>37,769</u></u> | <u><u>28,951</u></u> | <u><u>—</u></u> | <u><u>8,818</u></u> |

Note:

Deconsolidation adjustments mainly included:

- The Group's cost of investment in GNE amounted to be RMB2,193,017,000.
- 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 the 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 31 December 2020, part of the annual production capacity of rod silicon of the Group's Xuzhou base will be switched to granular silicon, resulting in a decrease in production capacity of rod silicon from 70,000 MT to 36,000 MT for the year. As of 31 December 2020, production capacity of granular silicon was 10,000 MT. During the year ended 31 December 2020, the Group produced approximately 42,189 MT of polysilicon, representing a decrease of 33.6% as compared to 63,513 MT for the corresponding year in 2019. The decrease in production was mainly due to the deconsolidation of Xinjiang GCL as a result of the disposal of 31.5% of equity interest in the third quarter last year.

Wafer

As at 31 December 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 year ended 31 December 2020, the Group produced 31,449 MW of wafers in aggregate (including 16,588 MW of OEM wafers), representing a slight increase of approximately 1.1% from 31,094 MW (including 10,295 MW of OEM wafers) for the corresponding year in 2019, while the production volume of wafers (excluding OEM wafer) recorded a decrease of 28.5%, from 20,799 MW in corresponding year in 2019 to 14,861 MW for the year ended 31 December 2020.

Sales Volume and Revenue

During the year ended 31 December 2020, the Group sold 36,764 MT of polysilicon and 32,431 MW of wafers (including OEM wafer of 16,867 MW), representing a decrease of 7.7% and an increase of 1.4%, respectively, as compared with 39,846 MT of polysilicon and 31,969 MW of wafers (including OEM wafer of 11,151 MW) for the corresponding year in 2019, while sales volume of wafers (excluding OEM wafer) recorded a decrease of 25.2%.

The average selling prices (excluding tax) of rod silicon and wafer were approximately RMB60.7 (equivalent to US\$8.82) per kilogram and RMB0.366 (equivalent to US\$0.053) per W respectively for the year ended 31 December 2020. The corresponding average selling prices of rod silicon and wafer for the year ended 31 December 2019 were approximately RMB59.9 (equivalent to US\$8.7) per kilogram and RMB0.422 (equivalent to US\$0.061) per W respectively.

Revenue from external customers of the solar materials business amounted to approximately RMB9,225 million for the year ended 31 December 2020, representing a decrease of 27.4% from RMB12,708 million in 2019. It was mainly attributable to a decrease in sales volume of wafers (excluding OEM wafer).

Cost and Segment Gross Profit

The Group's polysilicon and wafer production costs mainly depend on its ability to control raw material costs, lower energy consumption, achieve economies of scale in its operations and streamline production processes. Benefited from the application of new technologies, the decrease in raw and auxiliary material costs and technological advancements, the overall manufacturing cost decreased. The Group will continue to push forward cost reduction and control measures.

During the year, gross profit margin for the solar material business was 3.3% for both years ended 31 December 2019 and 31 December 2020. As disclosed in the interim report as of 30 June 2020, a negative gross profit margin was recorded for the six months ended 30 June 2020. Due to the increase in the average selling price in polysilicon and wafer in the second half of the year and the overall reduction of production cost of rod silicon in 2020, a positive gross profit margin was recorded for the year ended 31 December 2020 as a whole.

Solar farm business

Overseas Solar Farms

As at 31 December 2020, the solar farm business includes 18 MW of solar farms in the USA. Besides, there were 150 MW solar farms in South Africa, which was partnered with CAD Fund and with the total effective ownership of 9.7% owned by the Group.

PRC Solar Farms

During the year, 5 out of 10 of the solar farms in the PRC were disposed, representing the total installed capacity and attributable installed capacity of approximately 220 MW and 156.3 MW respectively. As at 31 December 2020, there were 5 solar farms in the PRC, both installed capacity and attributable installed capacity of which were 133 MW. As at 31 December 2019, its installed capacity and attributable installed capacity were 353 MW and 289.3 MW, respectively.

Sales Volume and Revenue

For the year ended 31 December 2020, the electricity sales volume of the solar farm business overseas and in the PRC were 27,425 MWh and 464,578 MWh respectively (2019: 27,931 MWh and 488,869 MWh, respectively).

For the year ended 31 December 2020, revenue for the solar farm business was approximately RMB461 million (2019: RMB490 million).

New energy business

Reference is made to the Company's announcement dated 21 May 2021, 28 May 2021 and 25 October 2021 in relation to the exercise of security interests over the pledged shares in GNE. In May 2021, the Group was informed that the Pledged Shares for a loan agreement entered in 2019 were forfeited in 2020. Prior to this, the Group had not been notified of such purported forfeiture.

As a result of the purported forfeiture, as at 31 December 2020, approximately 57.75% of the total issued shares capital of GNE comprising 11,014,900,000 shares in GNE, were held by the Group.

On 5 January 2021, a sale of 638,298,000 GNE shares was completed as disclosed in the joint announcement of the Company and GNE dated 29 December 2020.

In February 2021, the placement of 2,000,000,000 new shares of the GNE Group was completed as disclosed in the joint announcement of the Company and GNE dated 10 February 2021.

As a result of the completion of the above, approximately 49.24% of the total issued share capital of GNE, comprising 10,376,602,000 shares in GNE were held by the Group.

The Company is of the view that it continues to control the operations of GNE. The GNE will continue to be accounted for and consolidated in the consolidated financial statements of the Company as a subsidiary.

As at 31 December 2020, the aggregated installed capacity of grid-connected solar farms of the GNE Group, including subsidiaries, joint ventures and associates decreased by 7.1% to 6,636 MW (31 December 2019: 7,145 MW). Details of capacity, electricity sales volume and revenue for the year ended 31 December 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 | 9 | 358 | 359 | 570 | 0.76 | 431 |
| Qinghai | 1 | 3 | 107 | 107 | 151 | 0.82 | 124 |
| Xinjiang | 1 | — | — | — | 68 | 0.73 | 50 |
| Ningxia | 1 | 3 | 113 | 113 | 258 | 0.66 | 170 |
| | | 15 | 578 | 579 | 1,047 | 0.74 | 775 |
| Qinghai | 2 | 6 | 179 | 179 | 237 | 0.66 | 156 |
| Xinjiang | 2 | 2 | 51 | 47 | 62 | 0.74 | 46 |
| Shaanxi | 2 | 17 | 1,017 | 1,017 | 1,468 | 0.69 | 1,014 |
| Yunnan | 2 | 8 | 282 | 279 | 390 | 0.62 | 243 |
| Jilin | 2 | 4 | 51 | 51 | 77 | 0.75 | 58 |
| Sichuan | 2 | 2 | 85 | 85 | 120 | 0.74 | 89 |
| Liaoning | 2 | 3 | 60 | 47 | 86 | 0.59 | 51 |
| Gansu | 2 | 2 | 40 | 39 | 47 | 0.72 | 34 |
| | | 44 | 1,765 | 1,744 | 2,487 | 0.68 | 1,691 |
| Jiangsu | 3 | 36 | 449 | 433 | 567 | 0.85 | 481 |
| Jiangxi | 3 | 3 | 101 | 101 | 172 | 0.96 | 164 |
| Shaanxi | 3 | 1 | 6 | 6 | 5 | 0.66 | 3 |
| Hebei | 3 | 1 | 30 | 21 | 29 | 0.45 | 13 |
| Hubei | 3 | 4 | 183 | 165 | 176 | 0.80 | 141 |
| Hainan | 3 | 2 | 55 | 55 | 100 | 0.84 | 83 |
| Zhejiang | 3 | 2 | 63 | 61 | 56 | 1.02 | 57 |
| Shandong | 3 | 6 | 181 | 169 | 209 | 0.82 | 171 |
| Anhui | 3 | 7 | 260 | 257 | 446 | 0.82 | 367 |
| Henan | 3 | 13 | 527 | 515 | 719 | 0.75 | 536 |
| Guizhou | 3 | 5 | 235 | 234 | 231 | 0.81 | 187 |
| Guangdong | 3 | 9 | 232 | 147 | 175 | 0.75 | 131 |
| Hunan | 3 | 5 | 102 | 101 | 89 | 0.84 | 75 |
| Guangxi | 3 | — | — | — | 167 | 0.78 | 131 |
| Fujian | 3 | 3 | 56 | 56 | 58 | 0.82 | 48 |
| Shanghai | 3 | 1 | 7 | 7 | 7 | 0.98 | 7 |
| | | 98 | 2,487 | 2,328 | 3,206 | 0.81 | 2,595 |
| Subtotal | | 157 | 4,830 | 4,651 | 6,740 | 0.75 | 5,061 |
| US | | 2 | 134 | 134 | 201 | 0.43 | 86 |
| Total of Subsidiaries | | 159 | 4,964 | 4,785 | 6,941 | 0.74 | 5,147 |
| Associates⁽²⁾ | | | | | | | |
| PRC | | 29 | 1,672 | 1,654 | 1,821 | 0.77 | 1,410 |
| Total | | 188 | 6,636 | 6,439 | 8,762 | 0.75 | 6,557 |

| | Revenue <i>(RMB million)</i> |
|---|--|
| Electricity sales | 2,030 |
| Tariff adjustment — government subsidies received and receivables | <u>3,117</u> |
| Total of subsidiaries | <u>5,147</u> |
| Less: effect of discounting tariff adjustment to present value ⁽³⁾ | <u>(212)</u> |
| Total revenue of the GNE Group | <u><u>4,935</u></u> |

- (1) Aggregate installed capacity represents the maximum capacity that were approved by the local government authorities while grid-connected capacity represents that the actual capacity connected to the State Grid.
- (2) Revenue from associates was accounted for under “Share of losses of associates” in the consolidated statement of profit or loss and other comprehensive income.
- (3) Certain portion of the tariff adjustment (government subsidies) will be recovered after twelve months from the reporting date. The tariff adjustment is discounted at an effective interest rate ranging from 1.99% to 2.36% 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 the GNE Group considered that the credit risk of trade receivables was minimal.

Revenue

During the year ended 31 December 2020, the revenue of the GNE Group mainly comprised sales of electricity and related tariff adjustment (i.e. government subsidies) amounting to approximately RMB4,935 million (2019: RMB6,052 million), net of effect of discounting the tariff adjustment to its present value of approximately RMB212 million (2019: RMB151 million). The decrease in revenue was mainly attributable to the disposal of solar power plants during 2020. The average tariff (net of tax) for the PRC was approximately RMB0.75/kWh (2019: RMB0.78/kWh).

In terms of revenue generated by tariff zone from the PRC for the year ended 31 December 2020, approximately 15%, 34% and 51% of revenue were generated from zone 1, zone 2 and zone 3 respectively (2019: 15%, 31% and 54%, respectively). In line with our prevailing strategy, the GNE Group is more focused on developing solar power plants in well-developed areas with strong domestic power demand (i.e. zone 2 and zone 3) to minimize the grid curtailment risk in zone 1 area.

Gross Profit

The GNE Group's gross margin for the year ended 31 December 2020 was 63.5%, as compared to 65.3% for the year ended 31 December 2019. The cost of sales mainly consisted of depreciation, which accounted for 78.7% (2019: 80.6%) of the cost of sales, with the remaining costs being operation and maintenance costs of solar power plants.

Group's Outlook

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

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2020 amounted to approximately RMB14,621 million, representing a decrease of 24.0% as compared with approximately RMB19,250 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 of wafer and decrease in sales of the GNE Group due to disposal of solar power plants during 2020.

Gross Profit Margin

The Group's overall gross profit margin for the year ended 31 December 2020 was 25.3%, as compared with 24.3% for the corresponding period in 2019.

Gross profit margin for the solar material business was 3.3% for both years ended 31 December 2019 and 31 December 2020.

The gross profit margin for the solar farm business slightly decreased from 53.0% for the year ended 31 December 2019 to 51.1% for the year ended 31 December 2020.

The gross profit margin for the new energy business was 63.5% for the year ended 31 December 2020 and 65.3% for the corresponding period in 2019.

Distribution and Selling Expenses

Distribution and selling expenses decreased from approximately RMB126 million for the year ended 31 December 2019 to approximately RMB94 million for the year ended 31 December 2020.

Administrative Expenses

Administrative expenses amounted to approximately RMB1,814 million for the year ended 31 December 2020, representing a decrease of 11.6% from approximately RMB2,051 million for the corresponding period in 2019. The decrease was mainly due to the reduction of business scale of the GNE Group due to the disposal of subsidiaries in 2020 and other cost-cutting measures implemented by the Group during the year.

Finance Costs

Finance costs for the year ended 31 December 2020 were approximately RMB3,155 million, which decreased by 20.1% as compared to approximately RMB3,947 million for the corresponding period in 2019. The decrease was mainly related to the decrease of average bank and other borrowings balances from the Group and the GNE Group during the year.

Impairment losses under expected credit loss model, net of reversal

The Group recognized the amount of approximately RMB649 million of impairment loss under the expected credit loss model, net of reversal for the year ended 31 December 2020, which mainly included impairment of other receivables of approximately RMB461 million (including the impairment of proceeds from forfeiture of the Pledged Shares of approximately RMB57 million, impairment of other receivables of approximately RMB306 million of the GNE Group), impairment of consideration receivables of approximately RMB140 million, and impairment of trade receivables and contract assets of approximately RMB47 million.

Other Expenses, Gains and Losses, Net

For the year ended 31 December 2020, net losses of approximately RMB5,011 million in other expenses, gains and losses were recorded as compared to net gains of approximately RMB1,058 million for the year ended 31 December 2019.

The changes were mainly due to:

- Net losses on disposal and deemed disposal of subsidiaries, associates and solar farm projects amounted to approximately RMB417 million during the year ended 31 December 2020, as compared to net gains on disposal of subsidiaries, joint ventures and solar farm projects of approximately RMB4.47 billion for the year ended 31 December 2019. For the year ended 31 December 2019, a gain of approximately RMB4.4 billion was recorded on disposal of 31.5% equity interest in Xinjiang GCL.
- Increase in impairment loss on assets from approximately RMB2,610 million for the year ended 31 December 2019 to approximately RMB4,332 million for the year ended 31 December 2020. Please refer to note 6 for the details.

- Loss on remeasurement of assets classified as held for sale to fair value less costs to sell of approximately RMB208 million for the year ended 31 December 2020.
- There were partially offset by:
 - Exchange gains of approximately RMB373 million for the year ended 31 December 2020, as compared to exchange losses of approximately RMB127 million for the year ended 31 December 2019.
 - Decrease in research and development cost by RMB207 million.

Share of Profits of Associates

The Group's share of profits of associates for the year ended 31 December 2020 was approximately RMB272 million, mainly contributed by associates, Inner Mongolia Zhonghuan — GCL Solar Material Co., Ltd.* (內蒙古中環協鑫光伏材料有限公司) and associates of the GNE Group.

Share of Losses of Joint Ventures

The Group's share of losses of joint ventures for the year ended 31 December 2020 was approximately RMB104 million, mainly contributed by 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), partially offset by the contribution of joint venture in South Africa.

Income Tax Expense

Income tax expense for the year ended 31 December 2020 was approximately RMB110 million as compared with approximately RMB207 million of income tax expense for the corresponding period in 2019. There is decrease in income tax expenses mainly because of the disposal of solar power plants of the GNE Group during 2020, partially offset by the income tax credit from solar material business recorded during the year.

Loss attributable to Owners of the Company

As a result of the above factors, loss attributable to owners of the Company amounted to approximately RMB5,668 million for the year ended 31 December 2020 as compared with a loss of approximately RMB197 million for the corresponding period in 2019.

* *English name for identification only*

Adjusted EBITDA and Adjusted EBITDA Margin

| | 2020 <i>RMB million</i> | 2019 <i>RMB million</i> (Restated) |
|---|-----------------------------------|--|
| For the year ended 31 December: | | |
| (Loss) profit for the year | (6,271) | 111 |
| Adjust: non-operating or non-recurring items: | | |
| Impairment loss of property, plant and equipment, right-of-use assets and other intangible assets | 4,332 | 2,610 |
| Loss (gain) on fair value change of convertible bonds receivable and held for trading investments, net | 1 | (2) |
| Loss (gain) on disposal of subsidiaries, net | 81 | (4,406) |
| Loss on disposal and deemed disposal of associates | 117 | — |
| Loss (gain) on disposal of solar farm projects and joint ventures of the GNE Group, net | 218 | (62) |
| Gain on fair value change of other financial assets at fair value through profit or loss | (40) | (42) |
| (Gain) loss on fair value change of derivative financial instruments | (111) | 107 |
| Bargain purchase from business combination | — | (74) |
| Exchange (gains) losses, net | (373) | 127 |
| Loss on measurement of assets classified as held for sale to fair value less cost to sell | 208 | — |
| Impairment losses under expected credit loss model, net of reversal (non-trade related) | 602 | 140 |
| Written off of deposits for acquisition of property, plant and equipment | 15 | — |
| Gain on early termination of lease | (24) | — |
| | (1,245) | (1,491) |
| Add: | | |
| Finance costs | 3,155 | 3,947 |
| Income tax expense | 110 | 207 |
| Depreciation and amortisation | 3,695 | 4,630 |
| Adjusted EBITDA | 5,715 | 7,293 |
| Adjusted EBITDA Margin | 39.0% | 37.9% |

Property, Plant and Equipment

Property, plant and equipment decreased from approximately RMB52,413 million as at 31 December 2019 to approximately RMB36,706 million as at 31 December 2020. The decrease in property, plant and equipment was mainly attributable to disposal of subsidiaries, depreciation and impairment made during the year.

Contract Assets

Contract assets primarily relate to the portion of tariff adjustments for the electricity sold to the local state grid companies in the PRC in which the relevant on-grid solar power plants are still pending for registration to the Subsidy 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 RMB1,228 million as at 31 December 2020, because some solar power plants entered into the eighth batches of Subsidy Catalogue in 2020.

Interests in Associates

Interests in associates decreased from RMB7.5 billion as at 31 December 2019 to RMB7.0 billion as at 31 December 2020. The decrease was mainly due to the disposal of associates, but partially offset by share of profit of associates during the year.

Interests in associates as at 31 December 2020 mainly consists of below:

- The Group 38.5% equity interest in Xinjiang GCL of amount RMB3.1 billion;
- The Group 40.27% equity interest in Xuzhou Zhongping GCL Industrial Upgrading Equity Investment Fund LLP* (徐州中平協鑫產業升級股權投資基金(有限合夥)) of amount RMB1.3 billion;
- The Group 16.04% equity interest in Inner Mongolia Zhonghuan — GCL Solar Material Co., Ltd of amount RMB1.4 billion; and
- The GNE Group equity interest in interests in associates of amount RMB1.2 billion.

* *English name for identification only*

Trade and Other Receivables

Trade and other receivables increased from approximately RMB13,857 million as at 31 December 2019 to approximately RMB16,488 million as at 31 December 2020. The increase was mainly due to the reclassification from contract assets at the point, which the respective on-grid solar farm projects are registered in the Subsidy Catalogue.

Trade and Other Payables

Trade and other payables decreased from approximately RMB15,019 million as at 31 December 2019 to approximately RMB12,531 million as at 31 December 2020. The decrease was mainly due to a decrease in trade and construction payables during the period.

Balances with related companies

The related companies included associates and joint ventures of the Group and companies controlled by Mr. Zhu Gongshan and his family members which hold in aggregate approximately 30.13% (2019: 32.11%) of the Company's share capital as at 31 December 2020 and exercise significant influence over the Company.

Amounts due from related companies decreased from approximately RMB2,533 million as at 31 December 2019 to approximately RMB1,338 million as at 31 December 2020. The decrease was mainly due to repayment from those related companies during the year.

Amounts due to related companies increased from approximately RMB1,816 million as at 31 December 2019 to approximately RMB2,088 million as at 31 December 2020. The increase was mainly due to advances of balances from those related companies during the year.

Loans from related companies

Loan from related companies decreased from approximately RMB1,776 million as at 31 December 2019 to approximately RMB909 million as at 31 December 2020. The decrease was mainly due to repayment of loans during the year.

Liquidity and Financial Resources

As at 31 December 2020, the total assets of the Group were about RMB80.5 billion, of which the aggregate restricted and unrestricted cash and bank balances and other deposits amounted to approximately RMB6.3 billion.

For the year ended 31 December 2020, the Group's main source of funding was cash generated from operating 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 RMB17,168 million as at 31 December 2020 and the Group had cash and cash equivalents of approximately RMB1,758 million (including bank balances and cash classified as assets held for sale of approximately RMB48 million) against the Group's total borrowings (comprising bank and other borrowings, lease liabilities, notes payables, loans from related companies) amounted to approximately RMB44,117 million. This 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 RMB1,768 million. For the remaining balance of the Group's total borrowings, approximately RMB27,518 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 2 "Basis of Preparation" to the consolidated financial statements, the Group will have sufficient working capital to meet its cashflow requirements in the next twelve months. The Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

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

Indebtedness

Details of the Group's indebtedness are as follows:

| | As at 31 December 2020 <i>RMB Million</i> | As at 31 December 2019 <i>RMB Million</i> |
|---|--|--|
| Current liabilities | | |
| Bank and other borrowings — due within one year | 22,885 | 26,977 |
| Lease liabilities — due within one year | 531 | 531 |
| Notes payables — due within one year | 3,313 | 422 |
| Loans from related parties — due within one year | 789 | 744 |
| | <u>27,518</u> | <u>28,674</u> |
| Non-current liabilities | | |
| Bank and other borrowings — due after one year | 13,352 | 20,286 |
| Lease liabilities — due after one year | 1,359 | 1,911 |
| Notes payables — due after one year | — | 3,470 |
| Loans from related parties — due after one year | 120 | 1,032 |
| | <u>14,831</u> | <u>26,699</u> |
| Indebtedness for solar power plants projects classified as held for sale | | |
| Loan from a related company — due within one year | 3 | — |
| Bank and other borrowings — due within one year | 330 | — |
| Bank and other borrowings — due after one year | 1,383 | — |
| Lease liabilities | 52 | — |
| | <u>1,768</u> | <u>—</u> |
| Total indebtedness | 44,117 | 55,373 |
| Less: Pledged and restricted bank and other deposits and bank balances and cash (including bank balances and cash and pledged bank deposits classified as assets held for sale) | <u>(6,348)</u> | <u>(8,515)</u> |
| Net indebtedness | <u>37,769</u> | <u>46,858</u> |

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

| | 2020 <i>RMB million</i> | 2019 <i>RMB million</i> |
|---|-----------------------------------|----------------------------|
| Secured | 33,356 | 40,668 |
| Unsecured | 2,881 | 6,595 |
| | <u>36,237</u> | <u>47,263</u> |
| Maturity profile of bank and other borrowings | | |
| On demand or within one year | 22,885 | 26,977 |
| After one year but within two years | 2,909 | 3,383 |
| After two years but within five years | 6,544 | 10,766 |
| After five years | 3,899 | 6,137 |
| | <u>36,237</u> | <u>47,263</u> |
| Group's total bank and other borrowings | <u>36,237</u> | <u>47,263</u> |

As at 31 December 2020, RMB bank and other borrowings carried floating interest rates with reference to the Benchmark Borrowing Rate of The People's Bank of China and the LPR (Loan Prime Rate). USD bank and other borrowings carried interest rates with reference to the London Interbank Offer Rate.

Key Financial Ratios of the Group

| | As at 31 December 2020 | As at 31 December 2019 |
|--|---|------------------------------|
| Current ratio | 0.62 | 0.53 |
| Quick ratio | 0.61 | 0.51 |
| Net debt to equity attributable to owners of the Company | <u>227.7%</u> | <u>210.6%</u> |

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

Policy risk

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

Credit Risk

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

In order to minimize the credit risk on sales of polysilicon and wafer products, the Group reviews the recoverable amount of each individual trade receivables periodically to ensure that adequate expected credit losses are made. Credit risk of sales of electricity is not significant as most of the revenue is recognised 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 increase the pace of technology development and implement cost control measures in order to lower development cost for new projects.

Risk related to high gearing ratio

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

Risk related to interest rate

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

Foreign currency risk

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

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

Risk related to disputes with joint venture partners

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

Pledge of or restrictions on assets

As at 31 December 2020, the following assets were pledged for certain bank and other borrowings, lease liabilities (2019: including loans from a related company) or restrictions on assets, issuance of bills, short-term letters of credit for trade and other payables granted to the Group and bank and other borrowings of an associate and a joint venture of the Group:

- Property, plant and equipment of RMB21.9 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 RMB10.6 billion (31 December 2019: RMB7.8 billion)

- Pledged and restricted bank and other deposits of approximately RMB4.6 billion (31 December 2019: RMB6.9 billion)
- Deposit paid to a related company of nil (31 December 2019: RMB0.04 billion)

In addition, lease liabilities of approximately RMB1.9 billion are recognised with related right-of-use assets of approximately RMB2.4 billion as at 31 December 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 and other Commitments

As at 31 December 2020, the Group's capital commitments in respect of purchase of property, plant and equipment contracted for but not provided amounted to approximately RMB501 million respectively (2019: RMB663 million) and other commitments to contribute share capital to investments of approximately RMB1,689 million (2019: RMB2,270 million).

Contingencies

Financial guarantees contracts

As at 31 December 2020 and 2019, the Company and certain of its subsidiaries guaranteed bank and other borrowings of certain subsidiaries of GNE which amounted to approximately RMB1,820 million and approximately RMB2,770 million, respectively.

As at 31 December 2020, the Group provided a total guarantee with maximum amount of approximately RMB4,064 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 31 December 2020, the GNE Group provided guarantee to its associates for certain of their bank and other borrowings with maximum amount of RMB3,050 million (31 December 2019: RMB5,369 million), out of which a joint guarantee of Nil (31 December 2019: RMB520 million) was provided by the Group with the GNE Group to two associates of the GNE Group for their bank borrowings.

In addition to those financial guarantees provided to related parties as above, the Group also provided financial guarantees to certain third parties, former wholly-owned subsidiaries, for certain of their bank and other borrowings amounting to approximately RMB2,005 million (2019: RMB540 million) as at 31 December 2020.

Contingent liability

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

Material Disposals

GCL-Poly Group

In December 2020, the Group has entered into share transfer agreements with Zhejiang Qixin Technology Limited* (浙江齊芯科技有限責任公司), for the disposal of approximately 6% equity interest in Sino IC Leasing Co., Ltd.* (芯鑫融資租賃有限責任公司), for an aggregate consideration of approximately RMB727.9 million. The disposals were completed in 2020.

During 2020, the Group has entered into some share transfer agreements with certain third parties to dispose solar power plants. The disposals are summarised as below:

| Agreements date in 2020 | Name of buyers | Percentage of disposed equity interest | Capacity (MW) | Consideration (RMB million) | Disposal status |
|----------------------------|---|--|------------------|--------------------------------|-------------------|
| November | Hunan Xinhua Water Conservancy and Electric Power Co., Ltd.* (湖南新華水利電力有限公司) and Jia Wei (Shanghai) Photovoltaic Power Co., Ltd.* (珈偉(上海)光伏電力有限公司) | 51% | 100 | 179 | Completed in 2020 |
| December | Hunan Xinhua Water Conservancy and Electric Power Co., Ltd.* (湖南新華水利電力有限公司) | 80% | 90 | 115 | Completed in 2020 |
| December | Hunan Xinhua Water Conservancy and Electric Power Co., Ltd.* (湖南新華水利電力有限公司) | 51% | 30 | 40 | Completed in 2020 |
| | | | <u>220</u> | <u>334</u> | |

The GNE Group

During 2020, the GNE Group has entered into some share transfer agreements with certain third parties to dispose solar power plants. The disposals are summarised as below:

| Agreements date in 2020 | Name of buyers | Percentage of disposed equity interest | Capacity (MW) | Consideration (RMB million) | Disposal status |
|-------------------------|--|--|---------------|-----------------------------|-------------------------|
| January | CNI (Nanjing) Energy Development Company Limited* (中核(南京)能源發展有限公司) | 100% | 40 | 77 | Completed in 2020 |
| January | 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)) (collectively, the “Huaneng Funds”) (i.e. Huaneng First Phase Disposals) | 100% | 294 | 851 | Completed in 2020 |
| June | China Development Bank New Energy Technology Co., Ltd.* (國開新能源科技有限公司) | 75% | 100 | 137 | Completed in 2020 |
| September | Huaneng Funds (i.e. Huaneng Second Phase Disposals) | 100% | 403 | 576 | 70MW completed in 2020 |
| November | Xuzhou State Investment & Environmental Protection Energy Co., Ltd.* (徐州國投環保能源有限公司) (“Xuzhou First Phase Disposals”) | 67%–100% | 174 | 276 | 130MW completed in 2020 |
| November | Huaneng Funds (i.e. Huaneng Third Phase Disposals) | 51%–100% | 430 | 667 | To be completed in 2021 |
| November | Xuzhou State Investment & Environmental Protection Energy Co., Ltd.* (徐州國投環保能源有限公司) (“Xuzhou Second Phase Disposals”) | 50%–100% | 217 | 313 | To be completed in 2021 |
| December | Beijing United Rongbang* (北京聯合榮邦新能源科技有限公司(京能)) | 100% | 50 | 211 | To be completed in 2021 |
| December | State Power Investment Corporation Guizhou Jinyuan Weining Energy Co., Ltd.* (國家電投集團貴州金元威寧能源股份有限公司) | 68%–100% | 185 | 291 | To be completed in 2021 |
| Total | | | 1,893 | 3,399 | |

Save as disclosed above, there were no other significant investments during the year ended 31 December 2020, or plans for material investments as at the date of this report, nor were there other material acquisitions and disposals of subsidiaries during the year ended 31 December 2020.

EVENTS AFTER REPORTING PERIOD

- (a) On 29 December 2020, Elite Time Global Limited (“**Elite Time**”), a wholly-owned subsidiary of the Company, entered into a placing agreement with joint placing agents pursuant to which Elite Time agreed to sell and the joint placing agents agreed, as its agents, to procure on a best effort basis, subject to the terms and conditions of the placing agreement, placees to purchase up to 638,298,000 placing shares, which represent approximately 3.34% of the issued share capital of GNE held by the Group, at the placing price of HK\$0.235 per placing share. On 5 January 2021, the placing was completed with net proceeds of approximately HK\$145 million (equivalent to approximately RMB122 million), after taking into account all related costs, fees, expenses and commission. The Group retains 58.94% equity interest in GNE accordingly.
- (b) On 14 January 2021, the Company entered into a share placing agreement with placing agents pursuant to which the Company conditionally agreed to place up to 3,900,000,000 new shares of the Company at a price of HK\$1.08 per placing share to no less than six independent placees. The placing was completed on 21 January 2021 with net proceeds of approximately HK\$4,148 million (equivalent to approximately RMB3,491 million), after taking into account all related costs, fees, expenses and commission.
- (c) On 1 February 2021, GNE Group announced that the failure of repayment of the senior notes with a total principal amount of US\$500 million (equivalent to RMB3,262 million) constituted an event of default under the terms of indenture.

On 9 February 2021, GNE announced that holders of the senior notes of approximately US\$459 million, representing 91.85% of the outstanding aggregate principal amount of the senior notes, had validly submitted their respective executed accession deeds for exchanging the senior notes for new notes with an extended maturity and terms as stipulated in the RSA. Under the RSA, 5% of the original principal amount of US\$25 million (the “**Upfront Consideration**”) will be repaid to the holders of the senior notes upon the date of approval of RSA. The original principal amount and all accrued and unpaid interest on the senior notes less the Upfront Consideration will be settled through the issuance of new senior notes, which are interest-bearing at 10% par annum and the whole principal will mature on 30 January 2024. The RSA became effective on 16 June 2021.

- (d) On 10 February 2021, GNE Group announced that a placing agreement has been entered into among Elite Time, GNE Group and the placing agents under which up to a total of 2,000 million of new shares of GNE Group are to be issued (the “**Transaction**”). The Transaction was completed on 17 and 19 February 2021 and net proceeds of the Transaction, after taking into account all related costs, fees, expenses and commission of the Transaction, was approximately HK\$895 million (equivalent to approximately RMB753 million).

- (e) On 16 November 2020, the GNE Group entered into five share transfer agreements with Xuzhou State Investment to dispose of its 90% equity interest in each of Suzhou GCL Solar Power, Huaibei Xinneng, Hefei Jiannan Power Company Limited (“**Hefei Jiannan**”) and Hefei Jiuyang and 67% equity interest in Dangshan Xinneng, at an aggregate consideration of RMB276,437,000 and the repayment of interest in shareholder’s loan as at the date of completion of disposals. Subsequently, the GNE Group and Xuzhou State Investment mutually agreed to reduce the consideration from RMB276,437,000 to RMB269,267,000 during the year ended 31 December 2020. The disposals of Suzhou GCL Solar Power, Huaibei Xinneng and Dangshan Xinneng were completed during the year ended 31 December 2020. The disposals of Hefei Jiannan and Hefei Jiuyang with an aggregate consideration of RMB102,791,000 were completed during the period from 1 January 2021 to the date of approval of these financial statements (the “**Subsequent Reporting Period**”).
- (f) On 29 September 2020, the GNE Group entered into six share transfer agreements with Hua Neng No.1 Fund and Hua Neng No.2 Fund to dispose of its 100% equity interest in six wholly-owned subsidiaries, namely Hubei Macheng Photovoltaic Power Company Limited (“**Hubei Macheng**”), Huixian City GCL Photovoltaic Power Company Limited (“**Huixian City GCL**”), Qixian GCL New Energy Limited (“**Qixian GCL**”), Ruyang GCL New Energy Limited (“**Ruyang GCL**”), Baotou Zhonglitenghui Photovoltaic Power Company Limited (“**Baotou Zhonglitenghui**”), Ningxia Zhongwei Photovoltaic Power Company Limited (“**Ningxia Zhongwei**”) at an aggregate consideration of RMB576,001,000 and the repayment of interest in shareholder’s loan as at the date of disposals. The disposals of Huixian City GCL and Qixian GCL were completed during the year ended 31 December 2020. The disposals of Hubei Macheng, Ruyang GCL, Baotou Zhonglitenghui and Ningxia Zhongwei with an aggregate consideration of RMB480,210,000 were completed during the Subsequent Reporting Period.
- (g) On 22 November 2020, the GNE Group entered into five share transfer agreements with Xuzhou State Investment to dispose of its 90% equity interest in each of Dangshan GCL Solar Power Co., Ltd., Funan GCL Photovoltaic Power Co., Ltd., Hefei Xinren Solar Power Co., Ltd. and Tianchang GCL Solar Energy Limited and its 50% equity interest in Taihu Xinneng Solar Power Co., Ltd., at an aggregate consideration of RMB312,728,000 and the repayment of interest in shareholder’s loan as at the date of completion of disposals. Subsequently, the GNE Group and Xuzhou State Investment mutually agreed to reduce the consideration from RMB312,728,000 to RMB307,898,000. The disposals were completed during the Subsequent Reporting Period.

- (h) On 29 January 2021, the GNE Group entered into a share transfer agreement with Beijing United Rongbang to dispose of its 100% equity interest in Wulate Houqi Yuanhai, at a consideration of RMB52,550,000 and the repayment of interest in shareholder's loan as at the date of completion of disposal. Subsequently, the GNE Group and Beijing United Rongbang mutually agreed to reduce the consideration from RMB52,550,000 to RMB38,050,000. The disposal was completed during the Subsequent Reporting Period.
- (i) On 4 December 2020, the GNE Group entered into a share transfer agreement with Beijing United Rongbang to disposal of all of its 99.2% equity interests in Zhenglanqi at an aggregate consideration of RMB211,100,000 and the repayment of interest in shareholder's loan as at the date of disposal. During the year ended 31 December 2020, RMB79,000,000 had been received and recognised as other payables as at 31 December 2020. Subsequently, the GNE Group and Beijing United Rongbang mutually agreed to reduce the consideration from RMB211,100,000 to RMB209,600,000. The disposal was completed during the Subsequent Reporting Period.
- (j) The GNE Group entered into an agreement with Shanghai Lujing and Shenmu Guoxiang. Pursant to the agreement, Shanghai Lujing and Shenmu Guoxiang agreed to transfer their equity interests (i.e. 20%) in Shenmu Jingdeng to the GNE Group and the GNE Group agreed transfer its controlling right (i.e. 80% equity interest) in Shenmu Guotai to Shanghai Lujing. The transaction was completed during the six months ended 30 June 2021. After the completion of the transaction, the GNE Group holds 100% of equity interests in Shenmu Jingdeng and has no equity interests in Shenmu Guotai.
- (k) On 19 November 2020, the GNE Group entered into fourteen share transfer agreements with Gongrong No.1 (Tianjin) Equity Investment Fund Partnership (Limited Partner) Hua Neng No.1 Fund and Hua Neng No.2 Fund to dispose of its 100% equity interest in twelve wholly-owned subsidiaries, namely Baoying Xinyuan Photovoltaic Power Co., Ltd. ("**Baoying Xinyuan**"), Lianshui Xinyuan Photovoltaic Power Co., Ltd. ("**Lianshui Xinyuan**"), Lanxi Jinrui Photovoltaic Power Co., Ltd. ("**Lanxi Jinrui**"), Zhongli Tenghui Hainan Electric Power Co., Ltd. ("**Zhongli Tenghui**"), Delingha Energy Power Co., Ltd. ("**Delingha Energy**"), Gaotang County GCL Jinghui Photovoltaic Co., Ltd. ("**Gaotang County GCL**"), Hetian GCL Photovoltaic Power Co., Ltd. ("**Hetian GCL**"), Liaocheng Xiechang Photovoltaic Power Co., Ltd. ("**Liaocheng Xiechang**"), Yanbian Xinneng Photovoltaic Power Co., Ltd. ("**Yanbian Xinneng**"), Delingha Century Concord Photovoltaic Power Co., Ltd. ("**Delingha Century Concord**"), Delingha Shidai New Energy Power Co., Ltd. ("**Delingha Shidai**"), Hainanzhou Shineng Photovoltaic Power Co., Ltd. ("**Hainanzhou Shineng**"), its 51% equity interest in Yuncheng Xinhua Energy Development Co., Ltd. ("**Yuncheng Xinhua**") and its 56.5131% equity interest in Yili GCL Energy Limited ("**Yili GCL**") at an aggregate consideration of RMB666,654,000 and the repayment of interest in shareholder's loan as at the date of disposals. Subsequently, the GNE

Group and Hua Neng No. 1 Fund and Hua Neng No. 2 Fund mutually agreed to reduce the consideration from RMB666,654,000 to RMB644,399,000. During the Subsequent Reporting Period, the disposals of Baoying Xinyuan, Lianshui Xinyuan, Lanxi Jinrui, Zhongli Tenghui, Delingha Energy, Hetian GCL, Liaocheng Xiechang, Yanbian Xinneng, Yili GCL, Delingha Century Concord, Delingha Shidai, Hainanzhou Shineng with an aggregate consideration of RMB572,003,000 were completed. The disposals of Gaotang County GCL and Yuncheng Xinhua have not yet been completed at the date of approval of these consolidated financial statements.

- (l) On 31 March 2021, the GNE Group entered into six share transfer agreements with Three Gorges Asset Management Co., Ltd. (“**Three Gorges**”) to dispose of its 100% equity interest in four wholly-owned subsidiaries, namely Sanmenxia Xie Li Solar Power Co., Ltd. (“**Sanmenxia Xie Li**”), Kaifeng Huaxin New Energy Development Co., Ltd. (“**Kaifeng Huaxin**”), Shangshui GCL Photovoltaic Electric Power Co, Ltd. (“**Shangshui GCL**”) and Queshan Zhuiqi New Energy Power Company Limited (“**Queshan Zhuiqi**”) and its 50% equity interest in each of Taiqian GCL Photovoltaic Power Company Limited (“**Taiqian GCL**”) and Nanzhao Xin Li Photovoltaic Electric Power Co, Ltd. (“**Nanzhao Xin Li**”), at an aggregate consideration of RMB364,650,000 and the repayment of interest in shareholder’s loan as at the date of completion of disposals. Subsequently, the GNE Group and Three Gorges mutually agreed to reduce the consideration from RMB364,650,000 to RMB342,796,000. The disposals were completed during the Subsequent Reporting Period.
- (m) On 1 April 2021, the GNE Group entered into a share transfer agreement with Three Gorges to dispose of its 99.6353% equity interest in Jingbian County Shunfeng New Energy Limited, at a consideration of RMB72,036,000 and the repayment of interest in shareholder’s loan as at the date of completion of disposal. Subsequently, the GNE Group and Three Gorges Asset Management Co., Ltd. mutually agreed to reduce the consideration from RMB72,036,000 to RMB67,648,000. The disposal was completed during the Subsequent Reporting Period.
- (n) On 5 May 2021, the GNE Group entered into a share transfer agreement with CPI Xinjiang Energy Chemical Group Longxi New Energy Co. Ltd. to dispose of its 100% equity interest in a wholly-owned subsidiary, namely Zhenyuan County Xuyang New Energy Technologies Co., Ltd., at a consideration of RMB22,500,000 and the repayment of interest in shareholder’s loan as at the date of completion of disposal. The disposal was completed during the Subsequent Reporting Period.

- (o) On 26 April 2021, the GNE Group entered into two share transfer agreements with State Power Investment Corporation Guizhou Jinyuan Weining Energy Co., Ltd. (“**State Power Investment Corporation Guizhou Jinyuan Weining**”) to dispose of its 99% equity interest in Ceheng Jingzhun Solar Power Co., Ltd. and its 100% equity interest in a wholly-owned subsidiary, namely Luodian GCL Photovoltaic Power Company Limited, at an aggregate consideration of RMB35,228,000 and the repayment of interest in shareholder’s loan as at the date of completion of disposals. The disposals were completed during the Subsequent Reporting Period.
- (p) On 26 April 2021, the GNE Group entered into two share transfer agreements with Jinyuan New Energy Co., Ltd. to dispose of its 100% equity in two wholly-owned subsidiaries namely, Dingan GCL Solar Power Co., Ltd. and Suixi GCL Photovoltaic Power Co., Ltd., at an aggregate consideration of RMB111,722,000 and the repayment of interest in shareholder’s loan as at the date of completion of disposals. The disposals were completed during the Subsequent Reporting Period.
- (q) On 30 April 2021, the GNE Group entered into two share transfer agreements with State Power Investment Corporation Guizhou Jinyuan Weining to dispose of its 100% equity in two wholly-owned subsidiaries namely, Ceheng Solar Power Co., Ltd. and Liuzhi GCL Photovoltaic Power Co., Ltd., at an aggregate consideration of RMB219,160,000 and the repayment of interest in shareholder’s loan as at the date of completion of disposals. The disposals were completed during the Subsequent Reporting Period.
- (r) On 30 April 2021, the GNE Group entered into two share transfer agreements with Jinyuan New Energy to dispose of its 88.373% equity in Hai Nan Yi Cheng New Energy Company Limited* (“**Hai Nan Yi Cheng**”) and its 90.1% equity in Yingde GCL Photovoltaic Power Co., Ltd.* (“**Yingde GCL**”), at an aggregate consideration of RMB91,051,000 and the repayment of interest in shareholder’s loan as at the date of completion of disposals. The disposals were completed during the Subsequent Reporting Period.
- (s) On 24 June 2021, the GNE Group entered into six share transfer agreements with Chongqing Lvxin Energy Development Co., Ltd. (“**Chongqing Lvxin**”) to dispose of its 100% equity interest in four wholly-owned subsidiaries namely, Shiyan Yunneng Photovoltaic Development Co., Ltd. (“**Shiyan Yunneng**”), Jingshan GCL Photovoltaic Power Co. Ltd. (“**Jingshan GCL**”), Jingshan Xinhui Solar Power Ltd. (“**Jingshan Xinhui**”) and Shanggao County Lifeng GCL New Energy Co., Ltd. (“**Shanggao County Lifeng**”), its 70% equity interest in Shicheng GCL Solar Power Co., Ltd. (“**Shicheng GCL**”) and its 51% equity interest in Anfu GCL New Energy Co., Ltd. (“**Anfu GCL**”), at an aggregate consideration of RMB275,264,000 and the repayment of interest in shareholder’s loan as at the date of completion of disposals. Subsequently, the GNE Group and Chongqing Lvxin mutually agreed to reduce the consideration from RMB275,264,000 to RMB272,864,000. The disposals were completed during the Subsequent Reporting Period.

- (t) On 7 May 2021, the GNE Group entered into a share transfer agreement with State Power Investment Corporation Chongqing Electric Power Co., Ltd. (“**State Power Investment Corporation Chongqing**”) to dispose of its 100% equity interest in a wholly-owned subsidiary namely, Yongcheng Xin Neng Photovoltaic Electric Power Co, Ltd. (“**Yongcheng Xin Neng**”), at a consideration of RMB193,000,000 and the repayment of interest in shareholder’s loan as at the date of completion of disposal. Subsequently, the GNE Group and State Power Investment Corporation Chongqing mutually agreed to reduce the consideration from RMB193,000,000 to RMB166,584,000. The disposal was completed during the Subsequent Reporting Period.
- (u) On 25 January 2021, the GNE Group entered into a share transfer agreement with an independent third party and agreed to sell 100% equity interest of Nanjing GCL New Energy Technology Co., Ltd at a consideration of RMB13,000,000. The disposal was completed during the Subsequent Reporting Period.
- (v) On 21 May 2021, the GNE Group entered into two share transfer agreements with Guizhou West Power Construction Co., Ltd to dispose of its 100% equity interest in two wholly-owned subsidiaries, namely Haifeng County GCL Solar Power Co., Ltd and Anlong Maoan New Energy Development Company Limited, at an aggregate consideration of RMB82,264,000 and the repayment of interest in shareholder’s loan as at the date of completion of disposals. The disposals were completed during the Subsequent Reporting Period.
- (w) On 1 April 2021, the GNE Group entered into four share transfer agreements with Three Gorges to dispose of its 98.4% equity interest in Jingbian GCL Solar Power Co., Ltd., its 80.3514% equity interest in Hengshan Jinghe Solar Energy Co., Ltd. and its 100% equity interest in two wholly-owned subsidiaries, namely Yulin Longyuan Solar Energy Limited and Yulin Yushen Industrial Area Energy Co., Ltd., at an aggregate consideration of RMB1,250,000,000 and the repayment of interest in shareholder’s loan as at the date of completion of disposals. The disposals were completed during the Subsequent Reporting Period.
- (x) On 25 June 2021, the GNE Group entered into seven share transfer agreements with Three Gorges to dispose of its 100% equity interest in six wholly-owned subsidiaries, namely Hong He Xian Rui Xin Photovoltaic Power Generation Company Limited, Kun Ming Xu Feng Photovoltaic Power Generation Company Limited, Luquan GCL Solar Power Generation Company Limited, Heqing Xinhua Photovoltaic Power Co., Ltd., Menghai GCL Solar Agricultural Power Co., Ltd. and Yuxi Zhongtai New Energy Technology Co., Ltd. and its 80% equity interest in Yuanmou Green Power New Energy Development Limited, at an aggregate consideration of RMB218,960,000 and the repayment of interest in shareholder’s loan as at the date of completion of disposals. The disposals were completed during the Subsequent Reporting Period.

- (y) Subsequent to the end of the reporting period, the Group agreed to sell 3.848% equity interest in Inner Mongolia Zhonghuan-GCL to 樂山市仲平多晶硅光電信息產業基金合夥企業(有限合夥) Leshan Zhongping Polysilicon Photovoltaic Information Industry Investment Fund Partnership (Limited Partnership)* (“Leshan Fund”), a non-controlling shareholder of a subsidiary, at a consideration of RMB600 million and agreed to grant a put option to Leshan Fund upon the occurrence of certain specific events. The Directors are still assessing the financial impact of the disposal. Details are set out in the Company’s announcement dated 28 February 2020.
- (z) Subsequent to the end of the reporting period, 140,994,462 share options (the “**Existing Share Options**”) under New Share Option Scheme have been cancelled after obtaining the consent of the grantees of the Existing Share Options.

On 26 February 2021, GNE has granted to certain eligible persons (the “**New Grantees**”), being certain employees of GNE and its subsidiaries, subject to acceptance by the New Grantees, a total of 381,318,750 share options (the “**New Share Options**”) to subscribe for 381,318,750 ordinary shares of HK\$0.00416 each in the share capital of GNE (upon exercise in full and subject to adjustment in accordance with the New Share Option Scheme and Rule 17.03(13) of the Listing Rules) under the New Share Option Scheme, part of which shall be in exchange for the cancellation of the Existing Share Options. The directors of GNE are still assessing the financial impact of the grant of the New Share Options.

- (aa) On 22 January 2021, Jiangsu Xinhua, the Group’s joint venture entity, entered into a capital contribution agreement with new investors (the “**Investors**”) pursuant to which the Investors agreed to acquire 31.0345% equity interest in Jiangsu Xinhua by capital contribution at consideration of RMB900 million. Upon the completion of capital contribution, the Group’s equity interest in Jiangsu Xinhua will be diluted from 50.98% to 35.1589%. At the date of approval of these consolidated financial statements, the capital contribution of RMB900 million was fully paid up to Jiangsu Xinhua, but the change in industrial and commercial registration has not yet been completed.
- (ab) On 13 September 2021, the GNE Group entered into two share transfer agreements with Ningxia Hanguang New Energy Co., Ltd. (寧夏含光新能源有限公司) to dispose of its 100% equity interest in two wholly-owned subsidiaries, namely Shenmu Jingfu Power Co., Ltd. (神木市晶富電力有限公司) (“**Shenmu Jingfu**”) and Shenmu Jingpu Power Co., Ltd. (神木市晶普電力有限公司) (“**Shenmu Jingpu**”) at an aggregate consideration of RMB239,529,000, minus the rectification cost of RMB2,670,000. The disposals have not been completed at the date of approval of these consolidated financial statements.

- (ac) On 5 July 2021, the GNE Group entered into an agreement with Guizhou West Power Construction Co., Ltd.* (貴州西能電力建設有限公司) to dispose of its equity interests in Eshan GCL Solar Power Generation Company Limited* (峨山永鑫光伏發電有限公司) at a consideration of RMB43,100,000 and repayment of corresponding interest in shareholder's loan as at the date of disposal. The disposals were completed during the Subsequent Reporting Period.
- (ad) On 6 July 2021, the GNE Group entered into an agreement with Sumin Ruineng Wuxi Equity Investment Partnership (Limited Partnership)* (蘇民睿能無錫股權投資合夥企業 (有限合夥)) to acquire approximately 5.835% equity interest in Suzhou GCL New Energy at a consideration of RMB1,219,000,000.
- (ae) Deloitte has resigned as auditor of the Company with effect from 14 May 2021. The Board has passed the resolution in relation to the appointment of Crowe as the new auditor of the Company with effect from 29 June 2021 to fill the casual vacancy following the resignation of and to hold office until the conclusion of the next annual general meeting of the Company.
- (af) On 21 July 2021, the GNE Group entered in a series of sixteen share transfer agreements with Yixing Hechuang New Energy Co., Ltd.* (宜興和創新能源有限公司) to dispose of its equity interests in Funing Xinyuan Photovoltaic Power Co., Ltd.* (阜寧縣鑫源光伏電力有限公司), Guanyun GCL Photovoltaic Power Co., Ltd.* (灌雲縣協鑫光伏電力有限公司), Donghai GCL Photovoltaic Power Co., Ltd.* (東海縣協鑫光伏電力有限公司), Peixian Xinri Photovoltaic Power Co., Ltd.* (沛縣鑫日光伏電力有限公司), Xuzhou Xinhui Photovoltaic Power Co., Ltd.* (徐州鑫輝光伏電力有限公司), Huaian Xinyuan Photovoltaic Power Co., Ltd.* (淮安鑫源光伏電力有限公司), Huaian Ronggao Photovoltaic Power Generation Co., Ltd.* (淮安融高光伏發電有限公司), Zhenjiang Xinli Photovoltaic Power Co., Ltd.* (鎮江鑫利光伏電力有限公司), Zhenjiang Xinlong Photovoltaic Power Co., Ltd.* (鎮江鑫龍光伏電力有限公司), Zhangjiagang GCL Photovoltaic Power Co., Ltd.* (張家港協鑫光伏電力有限公司), Nantong GCL New Energy Co., Ltd.* (南通協鑫新能源有限公司), Lianyungang Xinzhong Photovoltaic Power Co., Ltd.* (連雲港鑫眾光伏電力有限公司), Xinyi Xinri Photovoltaic Power Co., Ltd.* (新沂鑫日光伏電力有限公司), Jurong Xinda Photovoltaic Power Generation Co., Ltd.* (句容信達光伏發電有限公司), Nanjing Xinri Photovoltaic Power Generation Co., Ltd.* (南京鑫日光伏發電有限公司) and Baoying GCL Photovoltaic Power Co., Ltd.* (寶應協鑫光伏電力有限公司) at consideration an aggregate of RMB481,313,800 and repayment of corresponding interest in shareholder's loan as at the date of disposal. During the Subsequent Reporting Period, the disposals of Zhenjiang Xinlong Photovoltaic Power Co., Ltd., Zhangjiagang GCL Photovoltaic Power Co., Ltd., Jurong Xinda Photovoltaic Power Generation Co., Ltd. and Nanjing Xinri Photovoltaic Power Generation Co., Ltd. with a consideration in aggregate of RMB162,643,000 were completed. The disposals of remaining subsidiaries have not yet been completed at the date of approval of these consolidated financial statements.

- (ag) GNE has established a hydrogen energy business unit to actively conduct the research and development of hydrogen energy (“**Hydrogen Energy**”) and related businesses. Details are as shown in the announcement of GNE dated 28 July 2021.
- (ah) On 30 August 2021, the GNE Group entered into share transfer agreements with Ningxia Hanguang New Energy Co., Ltd.* (寧夏含光新能源有限公司), to dispose of its equity interests in Shenmu Pingyuan Power Co., Ltd.* (神木市平元電力有限公司), Shenmu Pingxi Power Co., Ltd.* (神木市平西電力有限公司), Shenmu County Jingdeng Power Co., Ltd.* (神木縣晶登電力有限公司) and Xixian New District GCL Photovoltaic Power Co., Ltd.* (西咸新區協鑫光伏電力有限公司) at consideration in aggregate of RMB301,037,700 and repayment of corresponding interest in shareholder’s loan as at the date of disposal. The disposals have not yet been completed at the date of approval of these consolidated financial statements.
- (ai) During the period from July 2021 to September 2021, the GNE Group entered in a series of six share transfer agreement with State Power Investment Corporation Guizhou Jinyuan Weining to dispose of its equity interests in six subsidiaries at consideration in aggregate of RMB288,548,000. During the Subsequent Reporting Period, the disposal of one subsidiary with a consideration of RMB170,387,000 were completed. The disposals of remaining subsidiaries have not been completed at the date of approval of these consolidated financial statements.

EMPLOYEES

We consider our employees to be our most important resource. As at 31 December 2020, the Group had approximately 7,657 employees (31 December 2019: 10,730 employees), excluding the employee of the GNE Group, in Hong Kong, the PRC and USA. Employees are remunerated with reference to individual performance, working experience, qualification and the prevailing industry practice. Apart from basic remuneration and the statutory retirement benefit scheme, employee benefits include but are not limited to discretionary bonuses, with share options granted to eligible employee.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: nil).

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions as stipulated in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2020 save for the deviation from the following code provision of the CG Code:

CG 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, due to other business engagements, was unable to attend the annual general meeting of the Company held on 17 June 2020. 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.

CG Code C.2 sets out responsibilities of the Board in the aspect of risk management and internal controls and in particular, CG Code C.2.3 states that, inter alia, the Board's annual review should consider significant control failings or weaknesses that have been identified during the period. In this regard, the Company has published announcements on 14 July 2021 and 25 October 2021 (the "**Forensic Investigation Announcement**") in relation to key findings of the Independent Forensic Investigation and a supplemental forensic investigation, which has identified concerns in the Company's internal controls system in certain areas for the year ended 31 December 2020.

Further, the Company has published an announcement on 25 October 2021 (the "**Internal Controls Review Announcement**") has disclosed, inter alia, key findings of a review of the Company's relevant internal controls and procedures conducted by Crowe (HK) Risk Advisory Limited (the "**Internal Controls Consultant**"), an independent controls consultant appointed by the Company (the "**Internal Controls Review**"). Moreover, in relation to the section of "Material Difference between 2020 Audited Financial information in this announcement and 2020 Unaudited Financial Information in the previous Unaudited Results announcement" in this announcement (the "**Material Audit Difference**") has also set out the Auditors' audit findings in relation to, inter alia, the Forensic Investigation as well as certain deficiencies in internal controls identified during the audit. For further details, please refer to the Forensic Investigation Announcements, the Internal Controls Review Announcement and the Material Audit Difference.

As disclosed in the Internal Controls Review Announcement, the Internal Controls Consultant is satisfied that the Company (a) has addressed its recommendations in respect of all the key internal controls deficiencies identified in the Internal Controls Review; and (b) currently has sufficient and reliable corporate governance, internal controls and financial reporting systems to fulfil its obligations under the Listing Rules.

AUDIT COMMITTEE AND FINANCIAL INFORMATION

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

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Group's Auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this preliminary announcement.

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

The independent auditor has issued an unmodified audit opinion with a "Material Uncertainty Related to Going Concern" section in the auditor's report on the Group's consolidated financial statements for the year ended 31 December 2020. The following is an extract of the auditor's report on the Group's consolidated financial statements for the year ended 31 December 2020.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the IFRS Standards issued by the IASB and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB6,271 million during the year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB17,168 million, a portion of which is contributed by its non-wholly-owned subsidiary, GNE and its subsidiaries, and whose current liabilities exceeded its current assets by approximately RMB9,230 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, as at 31 December 2020, the Company and the GNE Group defaulted the repayment of certain of its borrowings, and the GNE Group was involved in several litigation cases, either as a defendant or a guarantor relating to claims by relevant claimants, which exceeded the

limit of litigation amounts stipulated in the financial covenants of certain bank borrowings, triggering the cross default clauses in the relevant loan of the Group's agreements for certain bank and other borrowings totalling approximately RMB6,512 million. In light of this, reclassification of long-term borrowings of approximately RMB4,541 million as current liabilities is required at 31 December 2020 under applicable accounting standard. Subsequent to the end of the reporting period, the Company and the GNE Group had fully settled its defaulted borrowings. However, the above-mentioned litigations had not yet been subsequently settled and accordingly, the cross default clauses on the relevant borrowings were still not remediated.

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

The aforesaid "note 2 to the consolidated financial statements" in the extract from the Auditor's Report is disclosed as note 1 to this 2020 Results Announcement.

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 with net proceeds of approximately HK\$260 million (equivalent to approximately RMB239 million) to no fewer than six independent placees. 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 year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has established its model code (the “**Code**”) in terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Listing Rules. Having made specific inquiries of all Directors, the Company has received from all Directors confirmations of compliance with the required standard as set out in the Code throughout the year ended 31 December 2020.

PUBLICATION OF INFORMATION ON HKEXNEWS WEBSITE

This announcement is published on the websites of the Company (www.gcl-poly.com.hk) and HKEXnews (www.hkexnews.hk). The Annual 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.

CONTINUED SUSPENSION OF TRADING

Trading in shares in the Company was suspended from 9:00 a.m. on 1 April 2021 and will remain suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise caution when dealing the security of the Company.

GLOSSARY OF TERMS

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|---------------------------------|---|
| “Board” or “Board of Directors” | our board of Directors |
| “China” or “PRC” | the People’s Republic of China, for the purposes of this announcement, excludes Hong Kong and Macau Special Administrative Region of the PRC |
| “Company” or “GCL-Poly” | GCL-Poly Energy Holdings Limited |
| “Director(s)” | director(s) of the Company or any one of them |
| “GNE” | GCL New Energy Holdings Limited, a limited liability company incorporated in Bermuda with its shares listed on the Stock Exchange (Stock Code: 451) |
| “GNE Group” or “GCL-Poly Group” | GNE and its subsidiaries |
| “Group” | the Company and its subsidiaries |

| | |
|------------------|---|
| “GW” | gigawatts |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange |
| “MT” | metric tonnes |
| “MW” | megawatts |
| “MWh” | megawatt hour |
| “PV” | photovoltaic |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “USA” | the United States of America |
| “W” | watts |

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, 25 October 2021

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 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.