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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2010	2009	Changes
	HK$'million	*HK$'million*	
	Unaudited	Unaudited	
		(Restated)	
Revenue	**5,794.3**	1,266.2	357.6%
Gross profit	**1,520.0**	526.5	188.7%
Profit attributable to owners of the Company	**787.6**	400.0	96.9%
Basic earnings per share	**HK5.09 cents**	HK4.21 cents	20.9%

The board of directors (the "Board" or the "Directors") of GCL-Poly Energy Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010 together with the comparative figures for the corresponding period in the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Notes	Six months ended 30 June **2010** *HK$'000* **(Unaudited)**	2009 *HK$'000* (Unaudited) (Restated)
Revenue	*3*	**5,794,270**	1,266,227
Cost of sales		**(4,274,295)**	(739,740)
Gross profit		**1,519,975**	526,487
Other income		**208,294**	32,428
Distribution and selling expenses		**(18,486)**	–
Administrative expenses		**(303,569)**	(87,800)
Finance costs	*5*	**(281,067)**	(11,092)
Share of results of associates		**9,894**	–
Other expenses		**(35,061)**	(2,935)
Change in fair value of convertible loan notes		**–**	(29,255)
Change in fair value of convertible redeemable preferred shares		**–**	(8,320)
Change in fair value of derivative instruments		**–**	3,787
Profit before tax		**1,099,980**	423,300
Income tax expense	*6*	**(228,465)**	(23,350)
Profit for the period	*7*	**871,515**	399,950
Other comprehensive income			
Exchange differences arising from translation of functional currency to presentation currency		**120,801**	(604)
Total comprehensive income for the period		**992,316**	399,346
Profit for the period attributable to:			
Owners of the Company		**787,635**	399,950
Non-controlling interests		**83,880**	–
		871,515	399,950
Total comprehensive income for the period attributable to:			
Owners of the Company		**900,879**	399,346
Non-controlling interests		**91,437**	–
		992,316	399,346
		HK	*HK*
Earnings per share	*8*		
Basic		**5.09 cents**	4.21 cents
Diluted		**5.08 cents**	4.02 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	As at 30 June 2010 HK$'000 (Unaudited)	As at 31 December 2009 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**19,318,434**	15,573,737
Prepaid lease payments		**876,417**	740,987
Goodwill		**1,083,720**	545,485
Other intangible assets		**40,738**	40,786
Interests in associates		**217,739**	231,645
Available-for-sale investment		**6,878**	6,814
Deferred tax assets		**–**	9,077
Deposits for acquisitions of property, plant and equipment		**639,685**	278,098
Pledged and restricted bank deposits		**118,996**	225,739
		22,302,607	17,652,368
CURRENT ASSETS			
Inventories		**1,183,326**	727,252
Trade and other receivables	*9*	**2,839,859**	1,569,473
Amounts due from related companies		**52,264**	14,858
Loans to related companies		**61,760**	79,116
Prepaid lease payments		**20,169**	18,924
Tax recoverable		**6,584**	1,767
Pledged and restricted bank deposits		**1,495,775**	803,712
Bank balances and cash		**4,333,775**	5,311,337
		9,993,512	8,526,439
CURRENT LIABILITIES			
Trade and other payables	*10*	**3,408,279**	2,395,549
Amounts due to related companies		**166,492**	139,386
Loans from related companies		**229,255**	56,787
Advances from customers		**482,410**	436,804
Deferred income		**26,034**	25,795
Tax payables		**152,389**	27,334
Bank borrowings – due within one year		**7,539,856**	5,032,745
Obligations under finance lease		**29,560**	–
		12,034,275	8,114,400
NET CURRENT (LIABILITIES) ASSETS		**(2,040,763)**	412,039
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,261,844**	18,064,407

	As at 30 June 2010 *HK$'000* (Unaudited)	As at 31 December 2009 *HK$'000* (Restated)
NON-CURRENT LIABILITIES		
Advances from customers	**1,901,451**	1,906,632
Deferred income	**164,538**	168,855
Bank borrowings – due after one year	**4,313,624**	3,539,711
Obligations under finance lease	**192,818**	–
Deferred tax liabilities	**291,305**	230,964
	6,863,736	5,846,162
NET ASSETS	**13,398,108**	12,218,245
CAPITAL AND RESERVES		
Share capital	**1,547,177**	1,547,155
Reserves	**10,975,621**	10,068,095
Equity attributable to owners of the Company	**12,522,798**	11,615,250
Non-controlling interests	**875,310**	602,995
TOTAL EQUITY	**13,398,108**	12,218,245

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with International Accounting Standard 34 (IAS 34), *Interim Financial Reporting*.

The Group had net current liabilities of approximately HK$2,041 million as at 30 June 2010. The Directors are of the opinion that, taking into account the unutilised banking facilities of HK$2,142 million as at 30 June 2010 and internal financial resources of the Group, the Group has sufficient working capital for its present requirements within one year from the end of the reporting period. Hence, the condensed consolidated financial statements have been prepared on a going concern basis.

On 31 July 2009, the Company completed the acquisition of 100% of the equity interest in 江蘇中能硅業科技發展有限公司 Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd. ("Jiangsu Zhongneng") through the acquisitions of 100% of the issued share capital and entire preference shares of GCL Solar Energy Technology Holdings Inc. ("GCL Solar") and 100% of the issued share capital of Sun Wave Group Limited and Greater Joy International Limited (collectively, the "Solar Group") (the "Acquisition"). Under International Financial Reporting Standard ("IFRS") 3, Business Combinations, as the Acquisition resulted in the selling shareholders of the Solar Group becoming, as a group, the controlling shareholders of the Company, the Acquisition is accounted for as a reverse acquisition. For accounting purpose, the Solar Group is the accounting acquirer and the Company (the accounting acquiree) is deemed to have been acquired by the Solar Group.

As described in the Company's annual consolidated financial statements for the year ended 31 December 2009, the consolidated financial statements have been prepared as a continuation of the Solar Group, with adjustments to the equity structure of the Company using the exchange ratio established in the acquisition agreements to reflect the number of shares of the Company issued under the acquisition agreements. As a result, comparative information presented in the condensed consolidated statements of comprehensive income, statement of change in equity and statement of cash flows for the six months ended 30 June 2009 have been restated to present those of the Solar Group but adjusted to reflect the legal capital of the Company.

Change of presentation currency

The functional currency of the Group are Renminbi ("RMB") as the principal operations of the Group are carried out in the People's Republic of China (the "PRC") in which those transactions are predominantly denominated in RMB. During the current interim period, the Directors considered it is more appropriate to use Hong Kong dollars ("HK$") as the presentation currency of the Company because the Company is listed on The Stock Exchange in Hong Kong. As a result, the comparative figures have been restated and resulted in accumulated translation loss of approximately HK$8,574,000 recognised in equity (translation reserve) as at 31 December 2009 and translation gain of HK$120,801,000 recognised in the other comprehensive income for the current interim period (six months ended 30 June 2009: translation loss of HK$604,000).

2. PRINCIPAL ACCOUNTING POLICIES

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

For the current period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations issued by the International Accounting Standard Board ("IASB") and the International Financial reporting Interpretations Committee ("IFRIC") which are effective for the financial year beginning on 1 January 2010. Except as described below, the accounting policies used in the interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

IFRS 3 (Revised 2008) "Business Combinations"

IFRS 3 (Revised 2008) has been applied prospectively from 1 January 2010. Its application has affected the accounting for the acquisition of 70.19% of the equity interest in Konca Solar Cell Co., Ltd. ("Konca Solar"), a joint stock limited liability company incorporated under the PRC during the current period. It requires acquisition-related costs to be accounted for separately from the business combination. As a result, the Group has recognised approximately HK$2,623,000 of such costs as an expense in profit or loss for current period and HK$6,000,000 for the year ended 31 December 2009 respectively, whereas previously they would have been accounted for as part of the cost of the acquisition.

Save as disclosed above, the adoption of the other new and revised standards, amendments and interpretations has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

3. REVENUE

An anlaysis of the Group's revenue is as follow:

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Sales of polysilicon	**2,091,023**	1,192,852
Sales of wafer	**1,409,945**	31,921
Sales of electricity	**1,290,202**	–
Sales of steam	**664,451**	–
Sales of coal	**191,157**	–
Sales of others	**147,492**	41,454
	5,794,270	1,266,227

Sales of others comprise the sales of ingot, cells and processing fees.

4. SEGMENT INFORMATION

The Solar Group carried out manufacturing and sales of polysilicon and related products in the PRC and this operation is considered as a single operating segment. Accordingly, no analysis by segment information for Solar Group was presented for the six months ended 30 June 2009.

Upon the completion of the Acquisition, the power business carried out by the Company and its subsidiaries immediately prior to the Acquisition (the "Power Group") is deemed to be acquired on 31 July 2009 which constitutes a new operating segment of the Group since then. For the purpose of resources allocation and performance assessment, the chief operating decision makers ("CODM") (the presidents of Power Group and Solar Group) review operating results and financial information of the two operating divisions, i.e. Power Group and Solar Group, separately. Each operating division represents an operating segment. Accordingly, as described in the Company's 2009 annual report, the Group's operating segments for the six months ended 30 June 2010 are as follows:

(a) Solar business – manufacture and sale of polysilicon and wafer to companies operating in the solar industry.

(b) Power business – development, construction, management and operations of power plants and sale of coals. The power plants include coal fuelled cogeneration plants, resources comprehensive utilisation cogeneration plants, gas fuelled cogeneration plants, biomass fuelled cogeneration plants, an incineration plant, a wind power plant and a solar farm.

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

Six months ended 30 June 2010

	Solar business	**Power business**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue from external customer	3,648,460	2,145,810	5,794,270
Segment profit	769,321	116,011	885,332
Unallocated expenses			(13,817)
Profit for the period			871,515

Segment profit represents profit earned by each segment excluding amortisation of fair value adjustments arising from acquisitions of subsidiaries and share option expenses incurred by the Group. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment starting from 1 January 2010.

The measurement basis for segment profit is consistent with 2009. Except that during the current interim period, the management has allocated the corporate expenses incurred and management fee income and consultancy fee income earned by the Group's management companies and investment holding companies to the two operating segments provided that such expenses and income are specifically incurred and earned by the respective operating segment.

5. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Interest on:		
Bank borrowings	**293,837**	127,145
Discounted bills	**9,814**	–
Loan from related companies	**3,957**	–
Other finance costs	**10,491**	–
Total borrowing costs	**318,099**	127,145
Less: Interest capitalised	**(37,032)**	(116,053)
	281,067	11,092

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
PRC Enterprise Income Tax		
Current tax	**175,117**	143
Overprovision in prior periods	**(1,887)**	–
	173,230	143
Dividend withholding tax	**449**	10,215
Deferred tax	**54,786**	12,992
	228,465	23,350

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

The subsidiaries in jurisdictions other than the PRC have no assessable profits for the period. No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profit arising in Hong Kong for the period.

The Group's subsidiaries that are tax resident in the PRC are subject to the PRC dividend withholding tax of 5% or 10% for those non-PRC resident immediate holding company registered in Hong Kong and the British Virgin Islands, respectively, when and if undistributed earnings are declared to be paid as dividends out of profits that arose on or after 1 January 2008. Accordingly, a provision for dividend withholding tax of HK$47,440,000 has been recognised for the six months ended 30 June 2010 (six months ended 30 June 2009: HK$24,896,000, restated).

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**479,757**	112,727
Amortisation of prepaid lease payments	**7,728**	712
Amortisation of other intangible assets (included in administrative expenses)	**423**	–
Total depreciation and amortisation	**487,908**	113,439
Add/(less): Change in amounts included in inventories	**6,969**	(9,264)
Amounts charged to profit or loss	**494,877**	104,175
Cost of inventories recognised as expenses	**3,937,396**	739,740
Loss on disposal of property, plant and equipment	**374**	–
Exchange loss (gain), net	**29,799**	(1,926)
Research and development cost recognised as expenses (included in other expenses)	**2,265**	2,935

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Earnings		
Earnings for the purpose of calculation of basic earnings per share for the period attributable to owners of the Company	**787,635**	399,950
Effect of dilutive potential ordinary shares:		
Change in fair value of convertible redeemable preferred shares	**–**	8,320
Earnings for the purpose of calculation of diluted earnings per share	**787,635**	408,270

	Six months ended 30 June	
	2010	2009
	'000	*'000*
	(Unaudited)	(Unaudited)
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**15,471,655**	9,505,177
Effect of dilutive potential ordinary shares on:		
Convertible redeemable preferred shares	**–**	161,931
Share options	**27,310**	485,785
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	**15,498,965**	10,152,893

	Six months ended 30 June	
	2010	2009
	HK	*HK*
	(Unaudited)	(Unaudited)
		(Restated)
Basic earnings per share	**5.09 cents**	4.21 cents
Diluted earnings per share	**5.08 cents**	4.02 cents

The weighted average number of shares used for the purpose of calculating earnings per share for the six months ended 30 June 2009 reflected the Solar Group's weighted average number of ordinary shares during the period multiplied by the exchange ratio established in the Acquisition.

The computation of diluted earnings per share for the period ended 30 June 2009 based on the assumption that there is no conversion of the convertible loan notes since the number of shares to be converted cannot be estimated reliably by management of GCL Solar as the conversion could take place only upon occurrence of a qualifying initial public offering of GCL Solar's shares.

9. TRADE AND OTHER RECEIVABLES

The Group generally allows a credit period ranging from 0 to 90 days for trade receivables and 0 to 180 days for bills receivables. The following is an aged analysis of trade receivables and bills receivables (trade), net of allowances for doubtful debts, presented based on the invoice date:

	As at 30 June 2010 *HK$'000* **(Unaudited)**	As at 31 December 2009 *HK$'000* (Restated)
Trade receivables:		
0 – 90 days	**1,197,031**	802,431
91 – 180 days	**41,436**	169,982
Over 180 days	**69,729**	428
	1,308,196	972,841
Bills receivables – trade:		
0 – 90 days	**240,351**	105,006
91 – 180 days	**449,080**	159,467
	689,431	264,473

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables and bills and notes payables (trade) presented based on the invoice date:

	As at 30 June 2010 *HK$'000* **(Unaudited)**	As at 31 December 2009 *HK$'000* (Restated)
Trade payables:		
0 – 90 days	**597,079**	283,449
91 – 180 days	**33,924**	13,050
Over 180 days	**52,589**	21,116
	683,592	317,615
Bills and notes payables (trade):		
0 – 90 days	**12,263**	–
91-180 days	**13,474**	22,715
	25,737	22,715

Other payables mainly represent construction payables, dividend payables to non-controlling interests' shareholders of subsidiaries, other tax payables, interest payables and accruals.

The increase in other payable was mainly due to the increase in construction payables as a result of the expansion in polysilicon's capacities and in-house wafer manufacturing plants.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to report that GCL-Poly achieved satisfactory operating results for the first half of 2010. For the six months ended 30 June 2010, the Group recorded total revenue of approximately HK$5,794 million, representing an increase of 357.6% as compared with the same period in 2009. EBITDA was approximately HK$1,876 million, a rise of 248.3% compared with the previous corresponding period. Profit attributable to shareholders was approximately HK$788 million, an increase of 96.9% from that of the same period in 2009. Earnings per share was approximately HK5.1 cents.

Business Review

During the first half of 2010, global solar demand was stronger than expected and led to an excellent operating environment for solar companies. The Company was able to capitalize on the business opportunities arising from the rapid development of the solar industry and ramp up wafer production in full force. In less than a year's time, the Company became a leading global wafer supplier. As of the end of June 2010, annual wafer production capacity reached 1.2GW. The Company continues to devote substantial efforts to expand its wafer production capacity and expects wafer production capacity to reach 3GW by the end of 2010. The Company will then emerge as the largest wafer supplier in the world.

Through the successful acquisition of Konca Solar, which is a leading wafer producer, and the effective implementation of predetermined business development strategies, the Company was able to further enhance its competitiveness and has assumed a leading position in terms of product quality, production cost and customer services, in addition to the rapid expansion of wafer production capacity. During the first half of 2010, the Company produced 272MW of wafers (including the volume produced by Konca Solar in the first quarter of 2010). Not only did the Company manage to fulfill its commitment to its long-term customers for the reliable supply of wafers, the Company also ramped up its wafer business to make it an important source of revenue and earnings for the Company.

At the same time, the Company focused on technology innovation and cost-down measures to further enhance polysilicon production and achieved remarkable results. The current monthly polysilicon production volume has exceeded 1,500MT, and product quality also improved significantly with a substantial portion of the products reaching electronic grade quality. Production cost continues to improve with unit production cost now below US$28 per kg, and the Company managed to reduce production cost to below US$30 per kg ahead of the original schedule set for the end of 2010.

The enhancement of the polysilicon operations in terms of output, quality and costs provided a solid foundation for the Company to fully expand into wafer production and enhanced competitiveness; and as a result, the Company has also enabled our key Chinese partners to achieve higher conversion efficiency of solar products in China and also increased competitiveness of China's solar industry.

The Company completed construction and commenced operation of the 20MW solar farm in Xuzhou, Jiangsu by the end of 2009. This is the largest solar farm in China to date. The Company also entered into two acquisition agreements in June 2010 to invest in two roof-top solar projects in the United States with a total installed capacity of 9.7MW. This represented the first step for the Company to expand into overseas solar farm projects.

2010 is a crucial year for GCL-Poly to expand its business scope and further enhance its competitiveness. During the first half of the year, we achieved satisfactory results, which were attributable, in my opinion, to the following four factors:

Firstly, focus on developing the solar business. The Company decided to focus on developing the solar business and vertically integrating polysilicon and wafer production. By fully leveraging on the synergies in integrating polysilicon and wafer operations, the Company can further enhance the competitiveness of the silicon raw materials business. During the first half of this year, synergies in integrating polysilicon and wafer production were significant. The Company is becoming a top global wafer supplier in terms of price-value performance and competitiveness.

Secondly, strong execution capabilities. GCL-Poly has always been proud of its execution capabilities. This was again realized in the expansion of the wafer operations. The Company started construction of the 500MW ingot and slicing facilities in Xuzhou in September 2009. Production in Xuzhou officially commenced in January 2010 and the facility was fully ramped up by May 2010. The 300MW slicing facility in Changzhou began construction in March 2010, commenced production by the end of May 2010 and became fully ramped up by end of June 2010. Our strong execution capabilities not only helped to save considerable capital expenditure and finance costs, but also allowed the Company to fully capitalize on the opportunities arising from the development of the global solar industry.

Thirdly, emphasis on technology innovation, innovative business model and scientific management. Technology improvement and innovation led to higher production volume, better product quality and lower production cost for polysilicon. The 200,000 MT hydrochlorination facility commenced operations in July 2010, which signifies the Company's commitment to continuously enhance the competitiveness of the polysilicon operations. The new facility allows for full recycling of by-products and ensures the steady production of polysilicon as well as significant enhancement in product quality. This provides a solid foundation for the Company to further reduce polysilicon production cost to US$25 per kg in the future.

Since the Company began to expand into wafer production, enormous efforts were devoted to lay a solid foundation for its sustainability. The Company entered into close cooperation with certain equipment manufacturers with the intention of improving overall production efficiency in an ongoing manner.

The Company is proactively ramping up production of raw materials such as crucibles, slurry and slicing wires in order to achieve production scale and economies of scale. At present, the production line of 52,000 units of square crucibles has successfully commenced production. Construction work for the slurry recovery facility is under preparations. The Company has also been in discussions with certain business partners for the production of slicing wires. If the above projects are successively implemented, wafer production cost will decline substantially.

The Company, based on the close-to-client principle, allocates its wafer slicing facilities. By developing seamless supply chain management with clients, the Company has built up a unique competitive edge in customer services.

Due to the fact that the power generation business is of a more diversified nature, management has been proactively implementing centralized management systems. Insurance, purchasing, tendering and funding are now centrally managed, which saves significant costs.

Fourthly, solid financial position and strong financing capabilities. Considerable amount of funding is required for the rapid expansion of the Company's wafer business. A solid financial position coupled with good corporate reputation and a leading position in the industry, has ensured the Company's strong financing capabilities as well as smooth execution of the Company's wafer ramp-up plans. In May 2010, the Company entered into a comprehensive cooperation agreement with the Bank of China Limited, Jiangsu Branch ("Jiangsu BOC"), for which Jiangsu BOC will provide a loan facility of RMB10 billion to the Company (subject to the satisfaction of requirements of each party).

Social Responsibilities

While devoting efforts in developing our various businesses, GCL-Poly does not forget about social responsibilities. After the earthquake at Yushu, Qinghai on 14 April, the Company donated money and necessary supplies to the victims.

The Company also plans to build solar farms in the Yushu disaster area on a voluntary basis. The Company is committed to "bringing green power to life" by providing clean energy to the disaster area.

The Company sponsored the Sixth Provincial Game for Incubation Projects by University Students in Jiangsu and the Second International Youth Summit on Energy and Climate Change, so as to encourage young people to pay attention to climate change.

GCL-Poly's efforts in promoting green energy are increasingly being recognized by the public. The Company was awarded the Best PV Enterprise in China for 2010, the Best Low Carbon Enterprise in China for 2009-2010, one of the Top 100 Enterprises for Promoting Low Carbon Environment (China) in the world and the Most Innovative Enterprises in China 2010. The Company was also successfully included into the Hang Seng Composite Index and the Hang Seng Mainland 100 Index.

Outlook and Prospects

The Company's management team is optimistic about the prospects of the global solar industry. Every country is focused on developing renewable energies. Continuous decline in the cost of solar power generation is attracting governments from all over the world to encourage the adoption of solar power. The Company believes that the global solar industry is entering into a new phase of continuous and rapid growth.

In view of the above, the Company's Board of Directors decided in July 2010 to further invest and expand wafer production capabilities and plans to ramp up annual wafer production capacity to 3GW by end of 2010. This will allow the Company to capitalize on the business opportunities arising from the development of the solar industry in the future and to further enhance competitiveness of the wafer's business. By the end of 2010, the Company will become the largest wafer manufacturer in terms of production capacity, and will also rank foremost in the world in terms of quality and costs. The Company expects to produce 1.3GW of wafer for the full year of 2010. The wafer business is expected to become the most important source of revenue and earnings for the Company.

After fully ramping up the new hydrochlorination facility and successfully completing other technology improvement initiatives, the Company expects polysilicon production volume to exceed 16,000MT for the full year of 2010. The Company also expects to be able to produce a significant amount of electronic grade polysilicon and polysilicon production cost is expected to further decline.

In view of the rapid development of the polysilicon and wafer production businesses, the Company is actively seeking to expand its overseas customer base while at the same time consolidating the market in China.

Management believes that the continuous increase in the competitiveness of the polysilicon operations, the multi-dimensional business model for the wafer business and the synergies between the polysilicon and wafer operations will enable the Company to assume a leading position in the production of silicon raw materials and to become a leading enterprise in terms of technology, energy savings and environmental protection. The Company will become the leader not only in terms of scale but also in terms of profitability.

Fuel price continued to rise in the first half of 2010. This has brought about enormous pressure on the Company's power business. High fuel price will still be the major challenge in the second half of 2010. Apart from continuing to adopt measures in controlling fuel costs and raising steam price, the Company is also dedicated to enhance the composition of the power business. Through the development of waste incineration power projects and solar power projects, the weighting of renewable energy in the Company's power plants portfolio will further increase.

Finally, I would like to express my heartfelt gratitude to our Directors, management team and all the staff of the Group for their hardwork and dedication. I also wish to extend my gratitude to our shareholders and business partners for their continuous support and guidance.

MANAGEMENT DISCUSSION AND ANALYSIS

HALF YEAR RESULTS

For the six months ended 30 June 2010, the Group recorded significant growth with revenue and net profit attributable to owners of the Company amounted to approximately HK$5,794 million and HK$788 million respectively, representing an increase of 3.58 times and 96.93% as compared to revenue of approximately HK$1,266 million and net profit attributable to owners of the Company of HK$400 million for the six months ended 30 June 2009. The increase was mainly due to consolidation of revenue from the power business and the newly acquired Konca Solar, as well as the significant growth in both polysilicon and wafer sales volume as a result of our expansion of polysilicon production facilities and the commencement of in-house wafer manufacturing.

MAJOR ACQUISITION

On 30 March 2010, the Group completed the acquisition of 70.19% of equity interest in Konca Solar with a total cash consideration of approximately HK$971 million. Konca Solar principally engages in the research and development, production and sale of monocrystalline and multicrystalline ingots and wafers. Since its establishment, Konca Solar has enjoyed stable growth and is a highly-regarded industry-leader in terms of technology, quality and cost control measures. The acquisition enhanced the Group's in-house wafer production capabilities and strengthened its vertical integration processes by making use of its self-produced polysilicon.

USE OF PROCEEDS

The Company raised approximately HK$9,320 million in gross proceeds by placing/subscription of new shares on 14 May 2009, 4 August 2009 and 17 November 2009, out of which HK$7,455 million was mainly utilised as follows:

1. approximately HK$2,732 million for the redemption of the secured notes;
2. approximately HK$2,340 million for the repayment of bank borrowings;
3. approximately HK$971 million for the acquisition of Konca Solar;
4. approximately HK$864 million for the capital expenditure as a result of expanding our polysilicon and wafer production capacities and developing our solar farm business;
5. approximately HK$341 million for repaying transaction costs related to the placements/subscription of new shares and the acquisition of the solar business (including commission, legal and other professional fees); and
6. approximately HK$207 million for the repayment of loans and general working capital purposes.

BUSINESS REVIEW

Solar Business

Production

The Group supplies polysilicon and wafers to companies operating in the solar industry. Polysilicon is the primary raw material for wafers used in the solar and the electronics industries. During the six months ended 30 June 2010, we produced 7,032 MT of polysilicon, representing a significant increase of 209% as compared to 2,274MT for the six months ended 30 June 2009.

We commenced in-house wafer manufacturing in December 2009 and all wafers sold before that was through tolling arrangements with third party manufacturers. On 30 March 2010, the Group completed the acquisition of Konca Solar, one of the leading suppliers of solar wafers in the PRC. During the six months ended 30 June 2010, we produced 192MW of wafer, of which 112MW was produced by Konca Solar since end of March 2010. We are expanding our own in-house wafer and ingot manufacturing facilities and targets to ramp up wafer production capacity to 3GW by end of 2010.

Production Costs

Our production costs in respect of polysilicon and wafer are affected primarily by our ability to control raw material costs, achieve economies of scale in our operations and efficiently manage our supply chain.

Our polysilicon production cost decreased 23.5% from HK$336.4 (US$43.4) per kilogram for the six months ended 30 June 2009 to HK$257.3 (US$33.1) per kilogram for the six months ended 30 June 2010. Decrease in polysilicon production cost was mainly attributable to the decrease in TCS cost and other raw material costs as a result of the increase in in-house TCS sufficiency rate and the achievement of economies of scale. For the six months ended 30 June 2009 and 2010, approximately 57.4% and 70.3% of the TCS that we consumed, respectively, was produced in-house.

Our wafer production cost, before eliminating the internal profit of polysilicon, was approximately HK$4.41 (US$0.57) per watt for the six months ended 30 June 2010.

Sales Volume and Revenue

For the six months ended 30 June 2010, we sold 5,394 MT of polysilicon and 229MW of wafer, an increase of 1.81 times and 24.44 times, respectively, as compared to 1,917MT of polysilicon and 9MW of wafer for the six months ended 30 June 2009. Revenue of our solar business for the six months ended 30 June 2010 amounted to HK$3,648 million, representing an increase of 1.88 times from HK$1,266 million for six months ended 30 June 2009.

Realised average selling price for the six months ended 30 June 2010 was HK$387.7 (US$50.0) per kilogram for polysilicon and HK$6.16 (US$0.80) per watt for wafer. Realised average selling price for the six months ended 30 June 2009 was HK$622.1 (US$80.3) per kilogram for polysilicon and HK$7.91 (US$1.02) per watt for wafer.

Power Business

As at 30 June 2010, the Group (including its subsidiary and associated power plants) operated 21 power plants. These comprised 14 coal-fired cogeneration plants and comprehensive resource utilisation cogeneration plants, 2 gas-fired cogeneration plants, 2 biomass cogeneration plants, 1 solid waste incineration plant, 1 wind power plant and 1 solar farm with total installed capacity of 1,125.5 MW and steam extraction capacity of 2,239 tonne/h. Attributable installed capacity and attributable steam extraction capacity were 773.3 MW and 1,756.4 tonne/h, respectively.

Sales Volume and Revenue

For the six months ended 30 June 2010, total electricity and steam sales volume were 2,318,930 MWh and 3,442,951 tonnes respectively, compared to 2,588,702 MWh and 2,656,208 tonnes for the same period last year.

The following table indicates total electricity sales and steam sales of each power plant.

	Electricity Sales MWh 30.06.2010	Electricity Sales MWh 30.06.2009	**Steam Sales tonne 30.06.2010**	Steam Sales tonne 30.06.2009
Subsidiary power plants				
Kunshan Cogeneration Plant	**181,364**	190,046	**346,696**	217,568
Haimen Cogeneration Plant	**64,550**	73,060	**248,914**	165,167
Rudong Cogeneration Plant	**82,313**	89,790	**317,947**	221,276
Huzhou Cogeneration Plant	**59,344**	88,187	**183,234**	162,328
Taicang Poly Cogeneration Plant	**96,949**	112,187	**211,440**	196,013
Jiaxing Cogeneration Plant	**108,853**	112,904	**414,691**	339,528
Lianyungang Xinneng Cogeneration Plant	**42,464**	60,387	**92,826**	70,214
Puyuan Cogeneration Plant	**95,155**	110,396	**364,398**	317,894
Fengxian Cogeneration Plant	**86,142**	101,154	**172,965**	128,367
Yangzhou Cogeneration Plant	**118,277**	134,220	**128,065**	99,193
Dongtai Cogeneration Plant	**68,315**	86,570	**218,442**	172,641
Peixian Cogeneration Plant	**94,646**	95,873	**88,418**	85,780
Xuzhou Cogeneration Plant	**83,758**	97,392	**168,753**	102,906
Suzhou Cogeneration Plant	**913,694**	1,013,481	**329,591**	261,215
Baoying Cogeneration Plant	**68,896**	104,560	**92,647**	61,966
Lianyungang Xiexin Cogeneration Plant	**72,121**	96,631	**63,924**	54,152
Taicang incineration Plant	**34,562**	21,864	**N/A**	N/A
Guotai Wind Power Plant	**36,597**	N/A	**N/A**	N/A
Xuzhou Solar Farm	**10,930**	N/A	**N/A**	N/A
Total subsidiary power plants	**2,318,930**	2,588,702	**3,442,951**	2,656,208
Associated power plants				
Funing Cogeneration Plant	**56,560**	94,980	**45,827**	40,493
China Resources Beijing Cogeneration Plant	**312,048**	336,732	**215,173**	162,482
Total subsidiary and associated power plants	**2,687,538**	3,020,414	**3,703,951**	2,859,183

Revenue of the power business for the six month ended 30 June 2010 was HK$2,146 million, representing a 3.1% decrease from HK$2,215 million recorded for the six month period in 2009.

Average Utilization Hours

The average utilization hours of a power plant refers to the amount of electricity produced during a specified period (in MWh) divided by the average installed capacity of the plant during the same period (in MW). The average utilization hours of the Group's subsidiary power plants was 2,689 hours for the first six months of 2010, a decrease of 17.1% compared with 3,243 hours for the same period last year. The decrease was due to the decrease in electricity generation during the period.

Production costs

The major cost of sales in power business is fuel costs which included coal, natural gas, coal sludge, sludge, gangue and biomass materials.

For the coal-fired cogeneration plants and comprehensive resource utilization plants and biomass cogeneration plants, the average unit fuel costs (equivalent to 5,000 kcal) for electricity sales and steam sales were HK$412/MWh and HK$128/tonne respectively.

For the gas-fired cogeneration plant, Suzhou Cogeneration Plant, the natural gas is its major cost of sales and its average unit fuel cost for electricity sales and steam sales was HK$411/MWh and HK$162/tonne respectively.

The major cost of sales for the wind power plant, solar farm and incineration plant are labor costs and depreciation.

EMPLOYEES

The Group values quality employees as the most important resources. As at 30 June 2010, the Group had approximately 8,000 employees in Hong Kong, the PRC and overseas. Employees are remunerated with reference to individual performance, working experience, qualification and the prevailing industry practice. Apart from basic remuneration and statutory retirement benefit scheme, employee benefits include discretionary bonus and share options are granted to the eligible employees.

OUTLOOK

For the solar business, the technical upgrade program for the polysilicon production facilities is on schedule and we are confident that the annual polysilicon production capacity will reach 21,000 MT by end of 2010. Our cost-down initiatives are progressing well and our average production cost reached US$33.1 per kilogram for the first half of 2010. We expect our polysilicon production cost to reach to the level that are very competitive against that of international incumbents by end of 2010.

We are in the progress of constructing and ramping up our 2GW in-house wafer manufacturing capabilities. Our Board has just approved our wafer expansion plan and an additional US$300 million will be invested in the wafer business with an additional capacity of approximately 1GW. Under the Group's latest plan, a total of 3GW of wafer production facility will be constructed in Jiangsu Province, the PRC and is expected to be fully ramped up by end of this year. Through the investment in wafer facilities, the Group is able to achieve vertical integration of both polysilicon and wafer production, which in turn enhances wafer quality and reduces polysilicon consumption, therefore achieving cost competitiveness. New technology is also adopted by the Group to improve conversion efficiency, which will enable us to become one of the best and lowest cost wafer suppliers in terms of both quality and price and also take advantage of the business opportunities arising from the development of the global solar industry.

As for our power business, the higher coal price has a negative impact on our Group's results for the first half of 2010. The current rising natural gas prices and higher coal prices are expected to put pressure on fuel costs in power plants operation in the PRC which will also apply significant pressure on tariffs. The State will continue its efforts in electricity tariff reforms to improve the pricing mechanism of on-grid electricity tariffs, thus easing the operating pressure on the Group's power business sector. In addition, we will focus on the development of renewable energy power plants in the future.

In June 2010, we entered into agreements to develop two roof-top solar projects with a total installed capacity of 9.7MW in the United States, which are expected to be completed by end of this year. We will continue to explore further opportunities in the global renewable energy sector to maximize shareholders' return and help to promote a low-carbon and green environment.

FINANCIAL REVIEW

Segment Information

The Group reported its financial information in two segments, namely, solar business and power business during the six months ended 30 June 2010. The following table sets forth the Group's profit from operations by business segments:

	Solar business	**Power business**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue	3,648,460	2,145,810	5,794,270
Segment profit	769,321	116,011	885,332

For the six months ended 30 June 2009, the Group has only one segment, the solar business. All the comparative figures have been restated to present Solar Group as comparative figures as a result of the reverse acquisition accounting treatment under International Financial Reporting Standards for the acquisition of the solar business in July 2009.

Revenue

Revenue for the six months ended 30 June 2010 amounted to approximately HK$5,794 million, representing an increase of 3.58 times from approximately HK$1,266 million for six months ended 30 June 2009. The significant increase was mainly due to consolidation of revenue from the power business and the newly acquired Konca Solar, as well as an increase in revenue derived from our solar business as a result of the significant growth in both polysilicon and wafer sales volume.

Gross Profit Margin

Solar business's gross profit margin decreased from 41.6% for the six months ended 30 June 2009 to 34.6% or the six months ended 30 June 2010. The decrease in gross profit margin was mainly due to a decrease in polysilicon's average selling price and a lower gross profit margin contributed by the wafer business, which was partly offset by the decrease in polysilicon's average production cost. For the power business, the gross profit margin for the six months ended 30 June 2010 was 12.0%.

The Group's gross profit margin for the six months ended 30 June 2010 was 26.2%.

Other Income

Other income amounted to approximately HK$208 million for the six months ended 30 June 2010, an increase of 5.42 times as compared to HK$32 million for the six months ended 30 June 2009. The increase was mainly attributable to consolidation of other income of approximately HK$105 million from the power business, as well as an increase in government grants received by the solar business.

Distribution and Selling Expenses

Distribution and selling expenses was approximately HK$18 million for the six months ended 30 June 2010, representing salaries and other expenses incurred by GCL Solar's sales office and power business's coal trading company. No material distribution and selling expenses was incurred before GCL Solar's sales office commenced its operation in July 2009.

Administrative Expenses

Administrative expenses amounted to approximately HK$304 million for the six months ended 30 June 2010, an increase of 246% as compared to approximately HK$88 million for the six months ended 30 June 2009. The increase was mainly attributable to consolidation of administrative expenses from the power business and an increase in salaries and other office expenses incurred by the solar business due to an increase in headcount and operation scale.

Finance Costs

Finance costs of the Group for the six months ended 30 June 2010 was approximately HK$281 million, increased by 24.34 times compared with HK$11 million for the six months ended 30 June 2009. The increase was mainly due to consolidation of the finance costs from the power business of approximately HK$122 million, and an increase in finance costs incurred by the solar business since the Xuzhou Phase III polysilicon production facility was completed in the fourth quarter of 2009.

Share of Results of Associates

The Group's share of profits of associates for the six months ended 30 June 2010 was approximately HK$10 million, which was derived solely from the power business.

Income Tax Expenses

Income tax expenses for the six months ended 30 June 2010 was approximately HK$228 million, representing an increase of 8.78 times as compared with approximately HK$23 million for the six months ended 30 June 2009. The reason for the increase was mainly due to increase in deferred tax provided for the undistributed profit of the solar business, coupled with the increase in PRC income tax expenses from the solar business as the two-year 100% tax exemption of Jiangsu Zhongneng was expired on 31 December 2009.

Profit attributable to Owners of the Company

The Group recorded a profit of approximately HK$788 million for the six months ended 30 June 2010 as compared with the profit of HK$400 million for the six months ended 30 June 2009.

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: nil).

Liquidity and Financial Resources

For the six months ended 30 June 2010, the Group's main sources of funding was cash generated from operating and financing activities. The net cash provided by operating activities for the six months ended 30 June 2010 amounted to approximately HK$759 million. Net cash used in investing activities was mainly used in purchase of property, plant and equipment and acquisition of Konca Solar. The main financing activities of the Group for the six months ended 30 June 2010 were new bank loans of approximately HK$5,572 million and repayment of bank loans of approximately HK$3,046 million.

The capital structure of the Group consists of short-term and long-term bank borrowings and shareholders' equity. It has net current liabilities of approximately HK$2,041 million as at 30 June 2010 with short-term bank borrowings of approximately HK$7,540 million. As at 30 June 2010, the Group has available banking facilities of approximately HK$2,142 million from banks for operating use. The Directors are of the opinion that, taking into account the presently available banking facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements within one year from the balance sheet date. Hence, the consolidated financial statements have been prepared on a going concern basis.

As at the end of 30 June 2010, aggregate restricted and unrestricted cash and bank balances amounted to approximately HK$5,949 million (31 December 2009: HK$6,341 million). The Group's total assets at the end of 30 June 2010 was approximately HK$32,296 million (31 December 2009: HK$26,179 million).

Bank Borrowings

As at 30 June 2010, the Group's total borrowings amounted to approximately HK$11,853 million (31 December 2009: HK$8,572 million). Below is a table showing the borrowing structure and maturity profile of the Group's total borrowings:

	30 June 2010 *HK$ million*	31 December 2009 *HK$ million*
Secured borrowings	**4,305**	4,684
Unsecured borrowings	**7,548**	3,888
	11,853	8,572
Maturity profile of borrowings		
On demand or within one year	**7,540**	5,033
After one year but within two years	**1,631**	1,837
After two years but within five years	**1,896**	1,051
After five years	**786**	651
Group's total borrowings	**11,853**	8,572

Key Financial Ratios of the Group

	30 June 2010	31 December 2009
Current ratio	**0.83**	1.05
Quick ratio	**0.73**	0.96
Net debt to shareholders' equity	**47.2%**	19.2%

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

Foreign Currency Risk

All of our revenue, cost of sales and most of the administrative expenses are denominated in RMB. Besides some of the bank deposits which are denominated in Hong Kong Dollars and US Dollars, most of our assets and liabilities are denominated in RMB. Since RMB is our functional currency, our foreign currency risk exposure therefore is mostly confined to assets denominated in Hong Kong and US Dollars.

For the six months ended 30 June 2010, the Group did not purchase any foreign currency and interest rate derivatives or relating hedging instruments.

Pledge of Assets

As at 30 June 2010, property, plant and equipment and prepaid lease payments with a carrying value of approximately HK$3,497 million and HK$233 million respectively, were pledged as security for certain banking facilities granted to the Group. Apart from these, bank deposits in an aggregate amount of HK$137 million was pledged to banks to secure bills and notes payable and borrowings granted to the Group.

Capital Commitments

As at 30 June 2010, the Group had capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements amounting to approximately HK$3,637 million (31 December 2009: HK$1,995 million) and authorized but not contracted for capital commitments amounting to HK$394 million (31 December 2009: HK$4,136 million).

Contingent Liabilities

As at 30 June 2010, the Group provided guarantees of HK$37 million to bank in respect of banking facilities granted to an associate.

Events After The End Of Reporting Period

The Board has approved to invest an additional US$300 million in the silicon wafer business with an additional capacity of approximately 1GW in the PRC. The new investment allows the Company to expand further in its silicon wafer business in producing monocrystalline wafers and multicrystalline wafers, which will be sold as semi-finished materials to cells and modules manufacturers. The scope of production will include the pulling of monocrystalline silicon ingots and molding of multicrystalline silicon ingots, as well as the slicing and grinding of the monocrystalline and multicrystalline silicon wafers. The new production facility with approximately 1 GW of capacity will be constructed in Jiangsu Province, the PRC and is expected to be fully ramped up by end of this year. The new US$300 million investment will be funded by the Group's or internal resources or new banking facilities.

In August 2010, the Company has entered into a facility agreement with a Bank in relation to a facility in an aggregate amount of US$300 million for a term of three years to the Company for the purpose of general corporate funding requirements of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

The corporate governance report of the Board has been set out in the Company's 2009 Annual Report. During the six months ended 30 June 2010, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except with the following deviations:

(i) Code Provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhu Gong Shan (the Chairman and a Director of the Company) was appointed as the Chief Executive Officer with effect from 1 September, 2009. As Mr. Zhu has more than ten years' experience in power business and is the founder of our Xuzhou polysilicon and wafer production base, the Board considers that it is appropriate to elect Mr. Zhu as the Chief Executive Officer. In view of the strong support and assistance given to Mr. Zhu by the Company's experienced and dedicated management team and executives, the Board is of the opinion that Mr. Zhu is able to discharge his responsibilities to manage the Board as well as the Group's businesses. The Board will continuously monitor and make new appointments when appropriate.

(ii) Code Provision E.1.2

Code Provision E.1.2 states that the chairman of the board should attend the annual general meeting. As Mr. Zhu Gong Shan, Chairman of the Board, was out of town and unable to attend the annual general meeting of the Company held on 17 May, 2010, Mr. Tong Yee Ming (an executive Director and Chief Financial Officer of the Company) represented Mr. Zhu to chair the annual general meeting accordingly.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the model code for securities transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2010.

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

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDITOR'S AND AUDIT COMMITTEE'S REVIEW

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2010 have been reviewed by Deloitte Touche Tohmatsu (the auditor of the Company) and the audit committee of the Company, which consists of three independent non-executive Directors, namely Mr. Yip Tai Him, Ir. Dr. Raymond Ho Chung Tai and Mr. Qian Zhi Xin. The audit committee expressed no disagreement with the accounting policies and principles adopted by the Group.

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

Hong Kong, 25 August 2010

As at the date of this announcement, the Board comprises Mr. Zhu Gong Shan (Chairman), Mr. Sha Hong Qiu, Mr. Ji Jun, Mr. Shu Hua, Mr. Yu Bao Dong, Ms. Sun Wei, Mr. Tong Yee Ming and Mr. Zhu Yu Feng as executive directors; Mr. Chau Kwok Man, Cliff and Ms. Bai Xiao Qing as non-executive directors; Mr. Qian Zhi Xin, Ir. Dr. Raymond Ho Chung Tai, Mr. Xue Zhong Su and Mr. Yip Tai Him as independent non-executive directors.