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 2012

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2012	2011	**Changes**
	HK$'million	*HK$'million*	%
	Unaudited	Unaudited	
Revenue	**11,782**	15,174	(22.4)%
Gross profit	**1,689**	5,857	(71.2)%
(Loss) profit attributable to owners of the Company	**(330)**	3,550	(109.3)%
Basic (loss) earnings per share	**HK cents (2.13)**	HK cents 22.94	(109.3)%

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 2012 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 2012

	Notes	Six months ended 30 June 2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)
Revenue	3	**11,781,906**	15,173,551
Cost of sales		**(10,092,712)**	(9,316,927)
Gross profit		**1,689,194**	5,856,624
Other income		**346,888**	318,008
Distribution and selling expenses		**(54,913)**	(26,676)
Administrative expenses		**(889,503)**	(750,653)
Finance costs	4	**(1,092,803)**	(443,982)
Other expenses	6	**(137,523)**	(66,698)
Share of profit of associates		**8,064**	7,978
Share of losses of jointly controlled entities		**(9,341)**	(8,751)
(Loss) profit before tax		**(139,937)**	4,885,850
Income tax expense	5	**(127,126)**	(1,131,988)
(Loss) profit for the period	6	**(267,063)**	3,753,862
Other comprehensive (expenses) income			
Exchange differences arising from translation to presentation currency		**(121,038)**	435,771
Total comprehensive (expense) income for the period		**(388,101)**	4,189,633
(Loss) profit for the period attributable to:			
Owners of the Company		**(330,211)**	3,550,114
Non-controlling interests		**63,148**	203,748
		(267,063)	3,753,862
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(443,151)**	3,956,314
Non-controlling interests		**55,050**	233,319
		(388,101)	4,189,633
		HK cents	*HK cents*
(Loss) earnings per share	7		
Basic		**(2.13)**	22.94
Diluted		**(2.13)**	22.84

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	As at 30 June 2012 HK$'000 (Unaudited)	As at 31 December 2011 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**43,408,882**	41,181,267
Prepaid lease payments		**1,705,572**	1,127,999
Goodwill		**989,716**	995,210
Other intangible assets		**265,575**	66,467
Interests in jointly controlled entities		**164,443**	167,869
Interests in associates		**275,046**	220,577
Pledged bank deposits		**204,447**	306,202
Deposits for acquisitions of property, plant and equipment and prepaid lease payments		**519,697**	1,361,994
Deferred tax assets		**26,219**	45,362
		47,559,597	45,472,947
CURRENT ASSETS			
Inventories		**5,376,379**	3,626,703
Trade and other receivables	*8*	**11,332,073**	7,064,744
Amounts due from related companies		**42,980**	70,550
Loan to a related company		**111,455**	46,206
Prepaid lease payments		**38,936**	26,781
Tax recoverable		**161,619**	225,946
Held for trading investment		**13,332**	21,964
Pledged and restricted bank deposits		**3,946,591**	4,049,733
Bank balances and cash		**8,835,587**	6,882,663
		29,858,952	22,015,290
CURRENT LIABILITIES			
Trade and other payables	*9*	**11,029,729**	8,207,049
Amounts due to related companies		**680,551**	51,050
Loan from a related party		**78,060**	—
Advances from customers		**1,086,607**	1,022,400
Bank borrowings — due within one year		**16,280,732**	11,582,443
Obligations under finance leases — due within one year		**498,936**	433,302
Deferred income		**94,757**	75,620
Tax payables		**63,245**	80,203
		29,812,617	21,452,067

	As at 30 June 2012 *HK$'000* (Unaudited)	As at 31 December 2011 *HK$'000* (Audited)
NET CURRENT ASSETS	**46,335**	563,223
TOTAL ASSETS LESS CURRENT LIABILITIES	**47,605,932**	46,036,170
NON-CURRENT LIABILITIES		
Advances from customers	**1,683,857**	2,091,594
Bank borrowings — due after one year	**19,996,443**	17,703,856
Obligations under finance leases — due after one year	**1,061,943**	1,264,617
Long-term notes	**3,045,517**	1,831,172
Deferred income	**512,254**	404,608
Deferred tax liabilities	**613,791**	606,191
	26,913,805	23,902,038
NET ASSETS	**20,692,127**	22,134,132
CAPITAL AND RESERVES		
Share capital	**1,547,430**	1,547,096
Reserves	**17,751,250**	19,020,014
Equity attributable to owners of the Company	**19,298,680**	20,567,110
Non-controlling interests	**1,393,447**	1,567,022
TOTAL EQUITY	**20,692,127**	22,134,132

NOTES:

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six month ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, amendments to International Financial Reporting Standards ("IFRSs") issued by IASB, that are mandatorily effective for the current interim period.

The application of these amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group's operating segments under IFRS 8 are as follows:

(a) Solar business — manufacture and sales of polysilicon and wafer to companies operating in the solar industry. It is also engaged in development, management and operation of overseas solar power plant business and solar system integration business.

(b) Power business — development, construction, management and operation of power plants and sales of coals in the People's Republic of China (the "PRC"). Power plants include coal fuelled cogeneration plants, resources comprehensive utilisation cogeneration plants, gas fuelled cogeneration plants, biomass fuelled cogeneration plants, incineration plants, a wind power plant, solar farms and a rooftop solar project.

Segment revenue and results

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

Six months ended 30 June 2012

	Solar business	**Power business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
SEGMENT REVENUE			
Revenue	**8,990,915**	**2,792,127**	**11,783,042**
Inter-segment sales	**—**	**(1,136)**	**(1,136)**
Revenue from external customers	**8,990,915**	**2,790,991**	**11,781,906**
Segment (loss) profit	**(265,014)**	**53,262**	**(211,752)**
Unallocated income			**9,604**
Unallocated expenses			**(6,207)**
Fair value adjustments *(Note)*			**(11,814)**
Share-based payment expenses			**(38,111)**
Impairment loss on goodwill			**(397)**
Discount on acquisition of subsidiaries			**151**
Loss on fair value changes of held for trading investment			**(8,537)**
Loss for the period			**(267,063)**

Six months ended 30 June 2011

	Solar business	Power business	Total
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	12,706,139	2,467,412	15,173,551
Segment profit	3,799,498	71,725	3,871,223
Unallocated income			53,275
Unallocated expenses			(49,628)
Fair value adjustments *(Note)*			(47,245)
Share-based payment expenses			(14,272)
Impairment loss on goodwill			(59,491)
Profit for the period			3,753,862

Segment (loss) profit represents the (loss) profit of each segment excluding unallocated income, unallocated expenses, the effect arising from the fair value adjustments in relation to the assets of the group entities carrying out the power business in the PRC (the "Power Group") and Konca Solar Cell Co. Ltd. ("Konca Solar"), fair value changes on held for trading investment, impairment loss on goodwill, discount on acquisition of subsidiaries and share-based payment expenses incurred by the Group. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Segment assets

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

	As at 30 June 2012 *HK$'000* **(Unaudited)**	**As at 31 December 2011** *HK$'000* (Audited)
Segment assets		
Solar business	**63,789,664**	55,108,278
Power business	**10,440,492**	8,894,334
Total segment assets	**74,230,156**	64,002,612
Fair value adjustments *(Note)*	**648,710**	428,867
Goodwill	**989,716**	995,210
Unallocated bank balances and cash	**1,260,037**	1,762,019
Unallocated corporate assets	**289,930**	299,529
Consolidated total assets	**77,418,549**	67,488,237

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than goodwill and corporate assets of the management companies and investment holdings companies.

Note: The effect arising from fair value adjustments is related to the assets of the Power Group deemed acquired in 2009, Konca Solar acquired in 2010 and acquisition of subsidiaries during the current interim period which are subject to the amortisation/depreciation over the estimated useful lives of the relevant assets.

Revenue from major products

The following is an analysis of the Group's revenue from its major products and services:

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of wafer	**6,676,640**	11,416,133
Sales of electricity	**1,670,752**	1,487,659
Sales of polysilicon	**1,624,061**	728,658
Sales of steam	**938,649**	805,203
Sales of coal	**219,014**	189,995
Others (comprise the sales of ingot, module and processing fees)	**652,790**	545,903
	11,781,906	15,173,551

4. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on:		
Bank borrowings	**914,462**	464,056
Discounted bills	**103,379**	45,480
Obligations under finance leases	**53,028**	24,722
Long-term notes	**87,299**	—
Loan from related companies	**78**	77
Total borrowing costs	**1,158,246**	534,335
Less: Interest capitalised	**(65,443)**	(90,353)
	1,092,803	443,982

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax ("EIT")		
Current tax	**131,112**	1,047,681
Overprovisions in prior periods	**(43,278)**	(1,811)
	87,834	1,045,870
Hong Kong Profits Tax — Current tax	**2,713**	—
PRC dividend withholding tax	**52,046**	33,715
Deferred tax	**(15,467)**	52,403
	127,126	1,131,988

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 overprovisions of EIT in prior periods mainly represent certain adjustments on annual tax return upon the agreement with the local tax authorities and issued tax clearance.

Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rates of PRC subsidiaries are 25%, except for those subsidiaries described below.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries are exempted from PRC EIT for two years starting from their first profit making year, followed by a 50% reduction on income tax for the next three years. The 50% exemption period will end on 31 December 2012.

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39) (the "New EIT Law"), certain group entities that previously enjoyed tax incentive rate of 15% would have their applicable tax rate progressively increased to 25% over a five-year transitional period commencing on 1 January 2008. The tax exemption and reduction from EIT for these entities are still applicable until the end of the five-year transitional period under the New EIT Law based on the revised income tax rate and expires in 2013.

Certain subsidiaries operating in the PRC have been accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Jiangsu Province and relevant authorities for a term of three years, and has been registered with the local tax authority to be eligible to the reduced 15% enterprise income tax rate from 2011 to 2013. Accordingly, these subsidiaries are subject to 15% enterprise income tax rate for the six months ended 30 June 2012. The qualification as a High and New Technology Enterprise will be subject to annual review by the relevant government authorities in the PRC.

In addition, certain PRC subsidiaries were granted income tax deduction in current period for procuring domestic plant and machinery manufactured in the PRC.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit 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 six months ended 30 June 2011.

Taxation arising in the United States of America ("USA") is calculated at a prevailing rate of 40.7% for both years. No provision for Federal Income Tax and State and Local Income Tax has been made as the Group did not have any assessable profit arising in the USA for the six months ended 30 June 2012 and 2011.

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 ("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. Accordingly, income tax credit for provision for deferred tax of HK$30,318,000 (2011: tax expenses HK$128,908,000) in respect of withholding tax on undistributed earnings has been recognised during the six months ended 30 June 2012.

6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**1,440,160**	881,688
Amortisation of prepaid lease payments	**17,161**	23,968
Amortisation of other intangible assets (included in cost of sales and administrative expenses)	**17,723**	37,641
Total depreciation and amortisation	**1,475,044**	943,297
Less: Amounts included in inventories	**(20,249)**	(21,449)
Total depreciation and amortisation charged to profit or loss	**1,454,795**	921,848
Cost of inventories recognised as expenses	**9,540,494**	8,942,108
Write-down of inventories (included in cost of sales)	**129,478**	—
Loss on disposal of property, plant and equipment	**10,498**	1,580
Share-based payment expenses (included in administrative expenses)	**38,111**	14,272
Other expenses:		
Research and development costs	**78,449**	12,943
Allowance for (reversal of allowance) for trade and other receivables, net	**57,950**	(8,116)
Bad debt recovered	**(7,659)**	—
Loss on fair value changes of held for trading investment	**8,537**	—
Impairment losses on goodwill	**397**	59,491
Impairment losses on other intangible assets	**—**	2,380
Discount on acquisition of subsidiaries	**(151)**	—
	137,523	66,698

7. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss) earnings		
(Loss) earnings for the purposes of calculation of basic and diluted earnings per share		
— (Loss) profit for the period attributable to owners of the Company	**(330,211)**	3,550,114

	Six months ended 30 June	
	2012	2011
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**15,478,919**	15,478,722
Effect of dilutive potential ordinary shares on share options	**—**	65,623
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**15,478,919**	15,544,345

8. 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 receivable. The following is an aged analysis of trade receivables (net of allowances for doubtful debts) and bills receivables presented based on the invoice date and the bills issue date, respectively, at the end of the reporting period:

	As at 30 June 2012 *HK$'000* **(Unaudited)**	As at 31 December 2011 *HK$'000* (Audited)
Trade receivables:		
0–90 days	**4,555,850**	2,533,761
91–180 days	**274,698**	204,886
Over 180 days	**369,070**	20,292
	5,199,618	2,758,939
Bills receivable (trade):		
0–90 days	**2,317,836**	910,231
91–180 days	**1,566,922**	370,419
	3,884,758	1,280,650

9. TRADE AND OTHER PAYABLES

The credit period for trade payables and bills and notes payable (trade) are normally within 90 days and 180 days, respectively. The following is an aged analysis of trade payables and bills and notes payables presented based on the invoice date and the issue date of bills and notes payable, respectively, at the end of the reporting period:

	As at 30 June 2012 *HK$'000* **(Unaudited)**	As at 31 December 2011 *HK$'000* (Audited)
Trade payables:		
0–90 days	**3,889,833**	2,101,725
91–180 days	**523,971**	228,711
Over 180 days	**471,783**	114,332
	4,885,587	2,444,768
Bills and notes payable (trade):		
0–90 days	**369,738**	485,164
91–180 days	**96,863**	239,814
	466,601	724,978

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to report that GCL-Poly achieved the following operating results in the first half of 2012. For the six months ended 30 June 2012, GCL-Poly recorded a total revenue of approximately HK$11.78 billion, representing a 22% decrease as compared with the same period in 2011. Gross profit was approximately HK$1.70 billion, a 71% decrease as compared with the same period in 2011. Losses attributable to shareholders amounted to approximately HK$330 million. Basic losses per share amounted to approximately 2.13 HK cents. Due to factors such as cyclical oversupply of the industry, the European debt crisis and the European subsidy policy changes, the Company's performance was affected and market prices of PV products continued to decline in the first half of this year. For instance, the selling prices of polysilicon and wafer fell by 63% and 61% respectively as compared with the same period in 2011. Although our production costs continued to lead the industry and have been further reduced, in particular, our production costs of polysilicon and processing cost for wafer lowered by 15% and 41% respectively as compared with the same period in 2011, our business performance was still heavily affected by the significant decline in market prices of PV products.

Outlook

As affected by the European debt crisis, the PV industry is facing unprecedented challenges and undergoing a consolidating process. During this period, the global PV industry is expected to speed up the exit of inefficient and uncompetitive capacities, as industry leaders will be able to strengthen their competitive positions through accelerating technological innovations and enhancing management practices. With declining PV system cost, conversion efficiencies improvement and introduction of new solar incentive policies in the emerging markets, PV industry is endowed with enormous business opportunities.

Over the past five years, solar power has been one of the fastest-growing source of power generation in the United States, with an annual compound growth rate of 77%. The US government has rolled out various incentive policies to advocate the use of solar power. For instance, the Federal Government introduced major policies including a 30% Investment Tax Credit (ITC) which lasts until the end of 2016 and a tax incentive policy of a 5-year Accelerated Depreciation Program. Meanwhile, a number of state governments have also introduced income tax breaks, property and sales tax incentive policies and the Renewable Portfolio Standard (RPS) across 29 states, requiring power companies to allocate a certain percentage of their power generation portfolio to renewable energy; in particular,16 states went further to carve out a certain portion of energy production for solar power generation. In addition, to speed up the development of solar farm projects in the United States with lower development and investment costs, local governments have also put in place various local property and sales tax concessions, low-interest loan programs and streamlined approval procedures for solar farms. To date, solar power still accounts for less than 1% of the power portfolio of the United States. The U.S. market is expected to record an additional installed capacity of 3.5 GW to 5 GW in this year and to reach 10 GW or above by 2016.

Last year, China introduced "Notice of Solar Feed-in-Tariff Policy" (《關於完善太陽能光伏發電上網電價政策的通知》) which finalized the national benchmark on-grid tariff for solar power. The "Twelfth Five-Year Plan of Solar Power Generation Development" (《太陽能發電發展「十二五」規劃》) promulgated in July 2012 further increased the installed capacity targets to 21 GW and 50 GW by 2015 and 2020 respectively, doubling the original targets. On 16 August 2012, we participated in the PV industry experts seminar (光伏產業專家座談會) held by the National Energy Administration, at which the officials of National Energy Administration emphasized that renewable energy development is a national strategy. China will learn from the experience of advanced and developed countries such as Germany and position the country to embrace renewable energy as one of the most important forms of energy source in the future. The targeted installed capacity set forth in the Twelfth Five-Year Plan is a minimum target rather as a cap such that upside remains with the installation figures. In China, priorities will be given to renewable energy for the electricity transmission from the West to the East. In addition, China's solar feed-in tariff will likely remain at current level for the next two years. The Chinese government is considering following suit of the solar policies in United States and Europe by asking every state/province to enforce renewable energy portfolio standards together with energy conservation and emission reduction. Meanwhile, with the onset of distributed-type energy policies, incentive programs and demonstration projects, China's PV market is poised for a kick-start in the near future. The above information indicates that the Chinese government is determined to develop solar power generation with tremendous efforts, which largely dependent on technological innovation, economy of scale of polysilicon production, as well as solar cell modules technology improvements in China. These advancements have resulted in lower costs of solar power generation, thus providing favorable position for China to develop domestic PV market in a meaningful scale. We believe that China is set to become one of the world's largest consumer of renewable energy.

As the rapid rise of emerging markets such as Japan, Latin America, South Africa, ASEAN countries and the Middle East could completely offset the negative impact from the slowdown in European solar markets, we have full confidence in the prospect of the solar industry.

GCL-Poly Continued to be a World Leader in Polysilicon Manufacturing with Its Scale, Technology and Cost Structure.

As one of the most influential and competitive polysilicon manufacturers/suppliers in the world, GCL-Poly continues to expand its polysilicon and wafer business. The 1H2012 figures strongly demonstrate our leading market position and competitive advantages: we sold 9,012 MT of polysilicon and 3.2 GW of wafer respectively during the six-month period, representing an increase of 498% and 50% as compared with the same period last year, respectively.

GCL-Poly will continue to enhance its technology roadmap with the development and application of new techniques in polysilicon manufacturing. Through ramping and commissioning of new manufacturing equipment, GCL-Poly will remain in a leading position in terms of technology, quality and costs. GCL-Poly will continue to optimize its existing manufacturing lines, further improve "The GCL Method" polysilicon manufacturing process with the characteristics of short turnaround time, high materials utilization and low energy consumption. In the mean time, GCL-Poly has successfully developed the production technologies of TCS and silane for polysilicon manufacturing, which laid a foundation for the Company to further reduce costs in the coming year and beyond, providing low-cost and high quality materials for high performance solar cells as well as lowering the electricity generation cost of PV. As the saying goes, "scale new heights and make new improvements", we are optimistic that GCL-Poly will achieve breakthroughs in both production technology, production cost, product quality and product mix of polysilicon in the next one to two years. GCL-Poly will also establish a stronger presence in the high-end polysilicon materials market. We firmly believe current challenges are only temporary, the bright prospects of PV industry remain unchanged and GCL-Poly will maintain its current leading position in the global PV industry.

GCL-Poly has developed new products continuously. In October 2011, we successfully launched "GCL Quasi-Mono Wafer (鑫單晶)", an innovative move to produce high performance mono wafers through low-cost casting methods. In March 2012, we launched our high-efficiency product "GCL Multi-Wafer S1+ (鑫多晶)" which notably increased the conversion efficiency of PV cells. GCL-Poly will launch more new wafer products according to plan and further increase the conversion efficiency of cells and components for the downstream industry, with a view to enhance the price-performance and value-adding nature of products to our customers. At the press conference of launching "GCL Multi-Wafer S1+"in March 2012, GCL-Poly aims to raise the power output of solar module by an additional 20W per panel (60 pieces, 156mm x 156mm) in the next two years by improving the performance of our wafers. Leveraging GCL-Poly's position in technological innovation, we expect the continued cost reduction and performance improvement in our polysilicon will drive down the cost of solar PV power generation rapidly and achieve "grid parity" in the coming two years. GCL-Poly will play an important role in leading the PV industry to weather the challenges as we transition from a "policy-driven market" into an "economics-driven, unsubsidized market".

Outstanding Results of System Integration and Solar Farms

To strengthen our leadership in the PV industry, we continue to execute our dual-core strategy in both the upstream and downstream businesses. We also have achieved modest progress on solar PV system and solar farm project businesses this year.

In the first quarter of 2012, GCL-Poly and NRG Solar, a leading PV utility project developer in the United States, have formed a joint venture Sunora Energy Solutions I LLC, through their wholly-owned subsidiaries. Through the JV, GCL-Poly will supply solar PV system to the solar projects that are developed by NRG Solar. To date, GCL-Poly provided PV system equipment of 70 MW to NRG Solar.

For the solar farm development and investment business, we successfully developed and sold 92MW of solar farm project to Consolidated Edison Development Inc., a major power company in the US on 25 July 2012 with an expected US$16 million profit before tax. The successful disposal of the project proves our execution capability in developing, constructing and financing large scale solar farms.

In China, subsequent to our cooperation framework agreement with large state-owned enterprises such as China Guangdong Nuclear Power Group ("CGN") last year, GCL-Poly signed a letter of intent with China Merchants New Energy this year to develop solar farm projects, pursuant to which both parties will jointly develop solar farms with an installed capacity of approximately 1 GW within the next three years. At the same time, the Company has established successful cooperation with several well-known international banks and financial institutions including Wells Fargo, Bank of America Merrill Lynch, Standard Chartered Bank and China Development Bank etc.. All of them will provide strong financing support to GCL-Poly on its overseas solar farm projects, which lays a solid foundation for GCL-Poly to expand its investment in solar farms in the United States and the other region.

Stable Power Business Development Outperforms Peers

In the first half of 2012, the power business continued to record stable development. The Company has continued to maximize the efficiencies of existing resources by means of centralised management, cost cutting measures and exploring new opportunities to ensure the sound and stable development of its power and steam businesses. During the six months ended 30 June 2012, the Company sold 2,634,473 MWh of electricity, with a year-on-year increase of 8%, and 4,048,002 tonnes of steam, with a year-on-year rise of 10%. While ensuring stable growth of the business, the Company also adopted various measures including coal purchasing cost controls, bulk purchasing of resources, extension of steam supply, and vigorous efforts in steam-price adjustment. These combined measures have helped us to achieve encouraging financial results in the first half of 2012 when compared with the industry average.

Finally, I would like to express my heartfelt gratitude to our Directors, management team and all the staff of GCL-Poly for their efforts and hard work over the past six months. I also wish to extend my gratitude to our shareholders and business partners for their continuing support.

Zhu Gong Shan
Chairman

Hong Kong, 23 August 2012

MANAGEMENT DISCUSSION AND ANALYSIS

Half Year Results of the Group

Despite the significant decline in the selling prices of solar products as a result of negative solar market sentiment due to economic downturn in Europe and the anti-dumping case in the United States, the Group is still able to maintain a strong sales momentum and increase its sale volume so as to mitigate the decline in revenue from faster-than-expected decline in polysilicon and wafer selling prices. For the six months ended 30 June 2012, revenue amounted to HK$11,782 million as compared to revenue of HK$15,174 million for the six months ended 30 June 2011. Net loss attributable to Owners of the Company was HK$330 million, as compared with net profit of HK$3,550 million for the same period of last year.

BUSINESS REVIEW

Solar Business

Solar Material Business

Production

The Group supplies polysilicon and wafer to companies operating in the solar industry. Polysilicon is the primary raw material for wafer 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.

We successfully ramped up our new 40,000 MT polysilicon production capacity during the second half of 2011 and our polysilicon production volume rose significantly. During the six months ended 30 June 2012, the Group produced approximately 25,233 MT of polysilicon, representing an increase of 109.8% as compared to 12,026 MT for the six months ended 30 June 2011.

During the six months ended 30 June 2012, we produced 3,042 MW of wafers, a significant increase of 46.5% as compared with 2,076 MW for the six months ended 30 June 2011. This growth was supported by the expansion of our in-house wafer manufacturing capacities, which was completed in the second half of 2011.

Production Costs

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.

During the first half of 2012, Jiangsu Zhongneng continued to deploy all its efforts into reducing raw material costs, the energy consumption and other overhead costs. As a result, our average polysilicon production costs decreased 14.5% from approximately HK$171.3 (US$22.1) per kilogram for the six months ended 30 June 2011 to approximately HK$146.5 (US$18.9) per kilogram for the same period this year.

Attributed to our technical improvements, in-house sourcing of supplies, slurry recovery and other measures all helped to increase our production yield and reduce costs, the Group continued reducing the wafer production cost to an extremely competitive level. Our wafer production costs (before eliminating the internal profit of polysilicon) were approximately HK$2.02 (US$0.26) per W, a decrease of 48.1%, as compared with approximately HK$3.89 (US$0.51) per W for the six months ended 30 June 2011. Wafer processing cost was approximately HK$1.01 (US$0.13) per W for the six months ended 30 June 2012.

Sales Volume and Revenue

Revenue of our solar material business for the six months ended 30 June 2012 amounted to HK$8,351 million, representing a decrease of 34.2% from HK$12,691 million for the six months ended 30 June 2011.

For the six months ended 30 June 2012, the Group sold 9,012 MT of polysilicon and 3,186 MW of wafer, an increase of 5.0 times and 50.4% respectively, as compared with the 1,508 MT of polysilicon and 2,119 MW of wafer for the corresponding period in 2011.

The average selling price of polysilicon and wafer was approximately HK$179.8 (US$23.2) per kilogram and HK$2.09 (US$0.27) per W respectively for the six months ended 30 June 2012. The corresponding average selling price of polysilicon and wafer for the same period last year was approximately HK$483.1 (US$62.0) per kilogram and HK$5.39 (US$0.69) per W respectively.

Solar Power Plant and Solar System Integration Business

Solar Power Plant Business

As of 30 June 2012, the Group had over 469 MW projects, of which approximately 95 MW is currently under construction, and approximately 374 MW of projects located in the United States and Puerto Rico will commence construction by end of 2012. The 95 MW of solar power plants on stream are all located in the United States. 1.8 MW project located in San Diego, California is under the sales and leaseback transaction with Wells Fargo Finance LLC ("Wells Fargo"). 1 MW project located in Palmdale School district, California with sales and leaseback transaction completed with Bank of America Merrill Lynch on 24 July 2012. Two projects with total capacities of 92 MW which are located in central California were sold on 25 July 2012 to Consolidated Edison Development, Inc., a company incorporated in New York whose principal business is to develop, own and operate renewable and other energy assets.

The Group's total solar farm projects in operation in the United States reached 16 MW as at 30 June 2012. For the first half of 2012, the total revenue from sales of electricity generated by the photovoltaic ("PV") projects in United States was approximately HK$37 million (US$4.8 million).

Joint Program with Wells Fargo

The Group signed a joint program with Wells Fargo through which Wells Fargo would provide over US$100 million to facilitate the Group's development of solar power plant projects in the United States. To date, we have already completed approximately 11 MW of solar power plant projects with Wells Fargo under the sales and leaseback arrangement. We expect an additional 1.8 MW to be completed for San Diego School district project during the second half of this year.

Partnership with Bank of America Merrill Lynch

In December 2011, Bank of America Merrill Lynch formed a long-term tax equity financing partnership with the Group to provide funding for over 1 GW solar power plant projects under development in the United States. The first transaction under this financing arrangement was the 4.9 MW Palmdale School district solar power plants which was completed in 2011. An additional 1 MW for Palmdale School district project was completed on 24 July 2012.

Joint Venture with Solar Reserve

In 2012, we continue to develop the projects in the portfolio of the joint venture with Solar Reserve. The pipeline projects are mainly located in California, Nevada, Utah and Colorado in the United States with capacities over 1 GW.

As of 30 June 2012, the joint venture has approximately 150 MW of projects that are in late power purchase agreement negotiation stage with the objective to begin construction in the near future.

Solar System Integration Business

In the fourth quarter of 2011, the GCL Solar System Integration Business Unit was established and the objective of this new unit is to provide performance optimised turnkey system solutions to solar utility, commercial rooftop and residential rooftop projects.

The Group has signed memorandum of understandings with several engineering, procurement and construction companies and project developers for the provision of over 2GW of PV equipment in regions such as North America, Europe and South Africa. For the six months ended 30 June 2012, revenue from trading of modules was approximately HK$603 million.

Power Business

The Group's power plants are environmentally friendly and are encouraged by the PRC government.

As at 30 June 2012, the Group operates 24 power plants which includes its subsidiary and associated power plants in the PRC. These comprises 14 coal-fired cogeneration plants and comprehensive resource utilisation cogeneration plants, 2 gas-fired cogeneration plants, 2 biomass cogeneration plants, 2 solid-waste incineration plants, 1 wind power plant, 2 solar farms and 1 rooftop solar project. During the period, the Group acquired 1 solid-waste incineration plant with installed capacity of 12 MW and 1 rooftop solar farm with installed capacity of 3 MW. As of 30 June 2012, the total installed capacity and attributable installed capacity were 1,150.5 MW and 798.3 MW, respectively. The total steam extraction capacity and attributable steam extraction capacity were 2,239.0 tonne/h and 1,756.4 tonne/h, respectively.

We obtained approval from the PRC government for construction of cogeneration plant project with capacity of 360MW in Suzhou Industrial Park. The attributable capacity is 134MW and expected to be completed in 2013.

Sales Volume and Revenue

For the six months ended 30 June 2012, total electricity and steam sales volume were 2,634,473 MWh and 4,048,002 tonnes respectively, compared to 2,425,849 MWh and 3,692,299 tonnes for the same period last year.

The following table indicates total electricity sales and steam sales for each of the Group's power plants:

Plant	**Electricity Sales** *MWh* **30.6.2012**	Electricity Sales *MWh* 30.6.2011	**Steam Sales** *tonne* **30.6.2012**	Steam Sales *tonne* 30.6.2011
Subsidiary power plants				
Kunshan Cogeneration Plant	**201,033**	186,642	**337,347**	359,688
Haimen Cogeneration Plant	**76,870**	62,350	**142,475**	162,037
Rudong Cogeneration Plant	**88,689**	80,593	**395,890**	387,482
Huzhou Cogeneration Plant	**63,727**	76,560	**176,303**	170,465
Taicang Poly Cogeneration Plant	**99,430**	101,075	**201,613**	205,227
Jiaxing Cogeneration Plant	**89,636**	103,782	**379,897**	416,584
Lianyungang Xinneng Cogeneration Plant	**41,884**	38,934	**194,796**	244,550
Puyuan Cogeneration Plant	**91,788**	101,359	**385,188**	376,951
Fengxian Cogeneration Plant	**41,625**	49,366	**648,334**	195,573
Yangzhou Cogeneration Plant	**148,514**	148,416	**124,797**	146,604
Dongtai Cogeneration Plant	**45,520**	50,621	**246,879**	234,450
Peixian Cogeneration Plant	**52,425**	44,041	**113,354**	108,471
Xuzhou Cogeneration Plant	**79,056**	57,450	**147,319**	146,406
Suzhou Cogeneration Plant	**1,292,359**	1,074,825	**378,770**	373,795
Baoying Cogeneration Plant	**64,112**	78,698	**107,836**	91,868
Lianyungang Xiexin Cogeneration Plant	**57,408**	73,288	**61,405**	72,148
Taicang Incineration Plant	**35,431**	38,623	**N/A**	N/A
Guotai Wind Power Plant	**45,336**	46,680	**N/A**	N/A
Xuzhou Solar Farm	**11,175**	12,546	**N/A**	N/A
Xuzhou Incineration Plant *(Note 1)*	**6,931**	—	**5,799**	—
Jiangsu Guoneng *(Note 1)*	**1,524**	—	**N/A**	N/A
Total subsidiary power plants	**2,634,473**	2,425,849	**4,048,002**	3,692,299
Associated power plants				
Funing Cogeneration Plant	**44,846**	50,556	**43,019**	45,268
China Resources Beijing Cogeneration Plant	**320,212**	355,397	**240,565**	229,696
Total subsidiary and associated power plants	**2,999,531**	2,831,802	**4,331,586**	3,967,263

Note 1: Xuzhou Incineration Plant and Jiangsu Guoneng have become our subsidiary power plants since 23 May 2012 and 29 February 2012, respectively. The steam sales of Xuzhou Incineration Plant was made to a fellow subsidiary of the Group for internal consumption purpose.

Revenue for the power business for the six months ended 30 June 2012 was HK$2,791 million, an increase of 13.1% compared to HK$2,468 million for the same period last year. The increase was mainly due to increase in sales of electricity and steam during this period.

Average Utilisation Hours

Average utilisation hours for the Group's subsidiary power plants, defined as 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), was 2,982 hours for the first six months of 2012, representing an increase of 6.1% compared with 2,810 hours for the same period last year. The increase was due to the increase in electricity generation during the period.

Production Costs

The major costs of sales in the power-plant business were fuel costs including coal, natural gas, coal sludge, sludge, gangue and biomass materials.

For the Group's coal-fired cogeneration plants, comprehensive resource utilisation plants and biomass cogeneration plants, average unit fuel costs for electricity sales and steam sales were HK$471.7/MWh and HK$154.7/tonne respectively for the six month ended 30 June 2012. The corresponding average unit fuel costs for electricity sales and steam sales were HK$454.3/MWh and HK$148.1/tonne respectively for the same period last year.

In the case of the Group's gas-fired cogeneration plants, Suzhou Cogeneration Plant, natural gas was the major component of the cost of sales. Average unit fuel costs for electricity sales and steam sales were HK$509.8/MWh and HK$199.6/tonne respectively for the six month ended 30 June 2012. The corresponding average unit fuel costs for electricity sales and steam sales for the six months ended 30 June 2011 were HK$498.6/MWh and HK$192.6/tonne respectively.

Outlook

Uncertainties in global economy continue to affect the liquidity of the capital markets and commercial lending in Europe and the United States. As a result, it remains challenging for the solar project developers to obtain the necessary funding and resulting in declining growth of the global solar markets. In addition, overcapacity along the PV value chain also leads to an oversupply situation resulting in sharp decline in solar products selling prices. Global demand for new installations of PV systems grew to 27 GW in 2011 with resilient demand from Germany and Italy despite falling subsidies from their governments. We anticipate that 2012 global PV solar demand to grow modestly to approximately 30 GW, with European demand remains steady while emerging markets such as China, the United States, Japan, India, Korea, Australia and Brazil continue to grow. We are encouraged by the fact that the emerging markets are playing a more important role in the solar industry, leading to a more balanced geographical diversification.

The average selling prices of polysilicon, wafer, cell and module have been stabilizing since the second quarter of 2012 and we expect they remain stable in the second half of this year. We are optimistic that our manufacturing cost will continue to decrease. We also expect a new wave of consolidation in the market and at the same time many small polysilicon producers have halted their production while many United States/European PV cell/module manufacturers have exited the market recently. We believe our Company will remain competitive with our superior cost structure, co-location strategy and in-house wafer production capability. We expect solar module shipment will be steady in second half of 2012.

Recently, the National Development and Reform Commission ("NDRC") has raised the 2015 cumulative solar PV target to 21 GW from 15 GW under China's Five-Year Plan and 50 GW by end of 2020. In addition, we also observed an increase in ground-mounted installation following the launch of Feed-In-Tariff (FiT) scheme in July 2011 by the NDRC. For solar projects of which construction can be completed and connected to the state grid in 2012 and afterwards can enjoy the tariff of RMB1/kWh. In China, according to the industry sources, the Chinese government has been planning to push the demand of domestic solar energy to 6GW in 2012 to help local solar cell and module manufacturers, whose exports have been affected by anti-dumping and countervailing investigations that were initiated by United States and the European Union. In Japan, the government also introduced a solar FiT of 42Yen/kWh, and we believe that the incentives in Japan are attractive enough to promote Japan to be a major PV market in a few years. With the abundance of sunlight resources and the availability of government incentives such as the National Solar Mission and State Programs, India also attracted substantial foreign capital to invest in the country and has become one of the fastest growing markets for the PV industry.

The cost and quality of PV products will continue to be the critical factors to the global demand in the solar industry. Continuous cost reduction enables affordable solar at grid parity in not only the developed countries but also the emerging markets. In addition, consumers demand higher system efficiency. The launch of "GCL Quasi-Mono Wafer" and high efficiency multi wafer meet the requirements of our customers as the average conversion efficiency has already attained 18.5% and 17.6% respectively. It helps our customers to reduce their manufacturing costs, further lower the overall capital expenditure of solar power plants, and increase the competitiveness and return on investment of PV system installation.

The co-location strategy of establishing our polysilicon and wafer manufacturing plants near our customers proves successful as we can build close ties with them in nearby regions. This strategy will continue as it gives us a competitive edge in cost and quality control.

The system integration business launched in October 2011 continues to be the additional growth driver for our company. Our objective is to provide solar farm investors with a one-stop solar system solution: from project development, engineering, procurement, construction, financing to operation and management. We will focus not only on the domestic market but also the overseas markets. We expect that the United States will continue to offer excellent investment opportunities in PV systems, with attractive government support programs such as the Federal Business Energy Investment Tax Credit (ITC). With over 1GW of pipeline projects on hand, coupled with the tax equity investment partnership with Wells Fargo, Bank of America Merrill Lynch and other tax equity investors, we are well positioned to benefit from PV system investment and system integration business opportunities in the United States.

We are pleased to close a 92 MW project sale in California in July for a pre-tax gain of approximately US$16 million. The net asset of the project was approximately US$105 million. The successful completion of the sale of the 92 MW project demonstrates our ability in large-scale solar farm development, construction and financing. This reinforces our dual core strategy where we produce high quality polysilicon and wafer in the upstream and develop solar farm projects and provide system integration services in the downstream. We have also formed a joint venture (Sunora Energy Solutions I LLC) with NRG Solar, a utility project developer in the United States, to provide approximately 200MW of solar equipment each year until end of 2014.

The Group proactively participates in solar farm construction in China. We have signed a letter of intent with China Merchants New Energy Group to develop no less than 973 MW of rooftop projects in China. In the meantime, we will continue to identify, develop and invest in projects in India, South Africa, Australia, as well as other emerging high-growth markets.

For the power business, average coal prices in the first half of 2012 decreased compared with the second half of 2011. In view of this, we expect to recognize lower fuel cost in the second half of 2012. We will continue to focus on steam sales as contract prices of steam can be negotiated with our customers directly, making it easier to maintain profit margins. The Group will try every possible ways to further enhance operation efficiency. In the long run, we will continue to emphasize on the development of renewable-energy power plants with an objective to expand capacity internally.

Employees

We consider our employees to be our most important resource. As at 30 June 2012, the Group had approximately 16,435 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 the statutory retirement benefit scheme, employee benefits include discretionary bonuses, with share options granted to eligible employees.

FINANCIAL REVIEW

Segment Information

The Group reported its financial information in two segments — the solar business and power business — during the period. The following table sets forth the Group's profit/loss from operations by business segment:

	Solar Business *HK$' million*	Power Business *HK$' million*	Corporate *HK$' million*	Consolidated *HK$' million*
Revenue	8,991	2,791	—	11,782
Segment profit (loss)	(265)	53	—	(212)
EBITDA	2,028	421	(41)	2,408

Revenue

Revenue for the six months ended 30 June 2012 amounted to HK$11,782 million, representing a decrease of 22.4% from HK$15,174 million for six months ended 30 June 2011. The decrease was mainly attributable to the decrease in revenue derived from our solar business as a result of the significant decline in polysilicon and wafer average selling prices.

Gross Profit Margin

The Group's gross profit margin for the six months ended 30 June 2012 was 14.3%, as compared with 38.6% for the six months ended 30 June 2011. Gross profit margin for the solar business decreased from 44.2% for the six months ended 30 June 2011 to 15.5% for the six months ended 30 June 2012. The decrease in gross profit margin was mainly due to decline in profit margin from the sales of polysilicon and wafer as a result of the significant decline in polysilicon and wafer average selling prices. For the power business, the gross profit margin for the six months ended 30 June 2012 was 10.7%, which was similar to 10.0% for the six months ended 30 June 2011.

Other Income

Other income amounted to HK$347 million for the six months ended 30 June 2012, an increase of 9.1% as compared with HK$318 million for the six months ended 30 June 2011. The increase was mainly attributable to increase in government grants, which was partly offset by the fall in sales of scrap materials, and a foreign exchange loss was recorded for the six months ended 30 June 2012 (a foreign exchange gain was recorded in the same period of last year).

Distribution and Selling Expenses

Distribution and selling expenses amounted to HK$55 million for the six months ended 30 June 2012, representing an increase of 103.7% from HK$27 million for the six months ended 30 June 2011. More sales and marketing activities were carried out during the first half of 2012 which led to an increase in distribution and selling expenses.

Administrative Expenses

Other administrative expenses amounted to HK$890 million for the six months ended 30 June 2012, representing an increase of 18.5% from HK$751 million for the six months ended 30 June 2011. The increase was due to expansion of our solar material business as well as our solar power plant and solar system integration business.

Finance Costs

Finance costs of the Group for the six months ended 30 June 2012 was HK$1,093 million, an increase of 146.2% as compared with HK$444 million for the six months ended 30 June 2011. The increase was attributed to more interests on bank loans as a result of higher average bank loan balance, and additional interest expenses paid for the newly issued long-term notes.

Income Tax Expense

Income tax expense for the six months ended 30 June 2012 was HK$127 million, as compared with HK$1,132 million for the six months ended 30 June 2011. A significant decrease in profits generated from the solar business in the PRC led to a smaller income tax expense during the period.

Loss Attributable to Owners of the Company

The Group recorded a loss of HK$330 million for the six months ended 30 June 2012 as compared with a profit of HK$3,550 million for the six months ended 30 June 2011.

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (Six months ended 30 June 2011: nil).

Liquidity and Financial Resources

For the six months ended 30 June 2012, the Group's main sources of funding were cash generated from financing activities. The net cash from financing activities for the period was HK$7,335 million. Net cash outflow from operating activities was HK$1,969 million. More credit sales and longer inventory cycle attributed to net cash outflow from our operating activities during the first half of 2012. The main financing activities of the Group for the six months ended 30 June 2012 included newly raised bank borrowings of HK$14,966 million, repayment of bank borrowings amounting to HK$7,908 million and proceeds from issuance of long-term notes HK$1,222 million. The net cash used in investing activities were mainly payments for the purchase of property, plant and equipment due to the expansion of our polysilicon and wafer production facilities last year.

As at 30 June 2012, the aggregate of restricted and unrestricted cash and bank balances amounted to approximately HK$12,987 million (31 December 2011: HK$11,239 million). The Group's total assets as at 30 June 2012 were HK$77,419 million (31 December 2011: HK$67,488 million).

Indebtedness

The indebtedness of the Group mainly comprises bank borrowings, obligations under finance leases and long-term notes. For the six months ended 30 June 2012, the Group's total bank borrowings amounted to HK$36,277 million (31 December 2011: HK$29,286 million), obligations under finance lease amounted to HK$1,561 million (31 December 2011: HK$1,698 million) and long-term notes amounted to HK$3,046 million (31 December 2011: HK$1,831 million). Below is a table showing the structure and maturity profile of the Group's total bank borrowings:

	As at 30 June 2012	As at 31 December 2011
	HK$ million	*HK$ million*
Secured	**8,420**	4,134
Unsecured	**27,857**	25,152
	36,277	29,286
Maturity profile of bank borrowings		
On demand or within one year	**16,281**	11,582
After one year but within two years	**9,632**	7,376
After two years but within five years	**9,519**	9,873
After five years	**845**	455
Group's total bank borrowings	**36,277**	29,286

As at 30 June 2012, the Group's bank borrowings are mainly denominated in RMB and US-dollar. RMB bank borrowings carried both fixed and floating interest rates at rates with reference to the Benchmark Borrowing Rate of The People's Bank of China or Shanghai Interbank Offer Rate (SIBOR). US-dollar bank borrowings carried interest rates at rates with reference to the London Interbank Offer Rate (LIBOR).

Key Financial Ratios of the Group

	As at 30 June 2012	As at 31 December 2011
Current ratio	**1.00**	1.03
Quick ratio	**0.82**	0.86
Net debt to equity attributable to owners of the Company	**144.6%**	104.9%

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 equity attributable to owners of the Company	=	(Balance of total indebtedness at the end of the period — balance of bank balances, cash and pledged 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

Most of our revenue, cost of sales and operating expenses are denominated in RMB, US dollars and Hong Kong dollars. Some of the bank deposits 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 is mostly confined to assets denominated in Hong Kong and US dollars.

For the six months ended 30 June 2012, the Group did not purchase any material foreign currency or interest rate derivatives or related hedging instruments.

Pledge of Assets

As at 30 June 2012, property, plant and equipment and prepaid lease payments with a carrying value of approximately HK$11,339 million and HK$685 million respectively (31 December 2011: HK$10,353 million and HK$425 million, respectively), were pledged as security for certain banking facilities and borrowings granted to the Group. Apart from these, bank deposits of an aggregate amount of HK$1,033 million (31 December 2011: HK$1,551 million) were pledged to the banks for borrowings granted to the Group and obligations under finance leases.

Capital and other Commitments

As at 30 June 2012, the Group's capital and other commitments in respect of the acquisition of property, plant and equipment and project assets included in inventories contracted for but not provided in financial statements amounted to approximately HK$4,106 million. (31 December 2011: HK$3,812 million). As of 30 June 2012, the Group has no authorised but not contracted for capital commitments (31 December 2011: HK$7 million).

Contingent Liabilities

As at 30 June 2012, the Group provided guarantees of HK$110 million (31 December 2011: HK$111 million) to a bank in respect of the banking facilities granted to an associate. The associate company had utilized HK$34 million (31 December 2011: HK$96 million) of such banking facilities at the end of the reporting period.

Events After the End of the Interim Period

On 25 July 2012, the Group entered into a sale and purchase agreement (the "Agreement") with Consolidated Edison Development, Inc. (the "Buyer"), a company incorporated in New York, the USA whose principal business is to develop, own and operate renewable and other energy assets, to sell 100% equity interests in GCL Alpaugh Equity Holdco, LLC (the "Target Company"), which in turn owns 100% equity interests in GCL Alpaugh Project Holdco, LLC (the "Project Holdco"), which in turn owns 100% equity interests in SPS Alpaugh 50, LLC and SPS Alpaugh North LLC (the "Project Companies"), the Project Companies which are currently developing and constructing two photovoltaic solar farms with total planned capacity of 92 MW(DC) in California, USA. (the "Transaction").

The consideration of the Transaction was approximately US$266 million (equivalent to approximately HK$2,075 million) and an additional US$20 million for EPC costs to be incurred after 24 July 2012, totalling US$286 million (equivalent to approximately HK$2,231 million).

Pursuant to the Agreement, the net proceeds generated from the Transaction will be approximately US$101 million, after deducting direct payments by the Buyer on behalf of the Target Company to (i) its respective suppliers on outstanding construction cost and (ii) repayment of the bank loan outstanding, totalling US$165 million; and excluding Special Indemnity Escrow Account of US$20 million. The net assets of the Target Company as at 24 July 2012 per unaudited management accounts were approximately US$105 million. The estimated gain before tax of the Transaction is approximately US$16 million (equivalent to approximately HK$124.8 million) subject to the finalisation of the completion audit and tax.

Details of the disposal of the Project Companies were set out in the announcement of the Company dated 26 July 2012.

CORPORATE GOVERNANCE PRACTICES

The corporate governance report of the Board has been set out in the Company's 2011 Annual Report. During the period from 1 January to 31 March 2012 and the period from 1 April to 30 June 2012, the Company has complied with the code provisions of the Code on Corporate Governance Practices and the new Corporate Governance Code as set out in Appendix 14 of the Listing Rules, respectively, with the exception of the following areas:

(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 twenty 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 A.6.7

Code provision A.6.7 stipulates that the independent non-executive directors and other non-executive directors should attend general meetings. All non-executive directors (including independent non-executive directors) had attended the annual general meeting of the Company held on 28 May 2012 other than two non-executive directors who were not able to attend due to overseas commitment.

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 2012.

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

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the interim period.

AUDITOR'S AND AUDIT COMMITTEE'S REVIEW

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2012 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, 23 August 2012

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 and Mr. Zhu Yu Feng as executive directors; Mr. Chau Kwok Man, Cliff and Mr. Zhang 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.