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 2013

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2013	2012	% of
	HK$'million	*HK$'million*	Changes
	(Unaudited)	(Unaudited)	
Revenue	**11,299.5**	11,781.9	(4%)
Gross profit	**745.0**	1,689.2	(56%)
Loss attributable to owners of the Company	**(917.3)**	(330.2)	178%
	HK cents	*HK cents*	
Basic loss per share	**(5.93)**	(2.13)	178%

The board of directors (the "Board" or the "Directors") of GCL-Poly Energy Holdings Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 together with the comparative figures for the corresponding period in the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

		Six months ended 30 June	
		2013	2012
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	3	**11,299,534**	11,781,906
Cost of sales		**(10,554,538)**	(10,092,712)
Gross profit		**744,996**	1,689,194
Other income		**340,747**	375,164
Distribution and selling expenses		**(20,070)**	(54,913)
Administrative expenses		**(822,112)**	(947,453)
Finance costs		**(1,091,119)**	(1,092,803)
Other expense, gain and losses	4	**(356,992)**	(107,849)
Gain on disposal of an associate		**424,498**	—
Share of profit of associates		**16,142**	8,064
Share of losses of joint ventures		**(708)**	(9,341)
Loss before tax		**(764,618)**	(139,937)
Income tax expense	5	**(71,471)**	(127,126)
Loss for the period	6	**(836,089)**	(267,063)
Other comprehensive income (expense):			
Item that will not be reclassified to profit or loss:			
Exchange differences arising from translation to presentation currency		**320,845**	(121,038)
Total comprehensive expense for the period		**(515,244)**	(388,101)
Loss for the period attributable to:			
Owners of the Company		**(917,316)**	(330,211)
Non-controlling interests		**81,227**	63,148
		(836,089)	(267,063)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(624,524)**	(443,151)
Non-controlling interests		**109,280**	55,050
		(515,244)	(388,101)
		HK cents	*HK cents*
Loss per share	7		
Basic		**(5.93)**	(2.13)
Diluted		**(5.93)**	(2.13)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2013

	NOTES	**As at 30 June 2013** ***HK$'000*** **(Unaudited)**	As at 31 December 2012 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**42,604,360**	42,232,520
Prepaid lease payments		**1,788,787**	1,727,257
Goodwill		**680,072**	675,650
Other intangible assets		**212,527**	222,967
Interests in associates		**216,564**	235,600
Interests in joint ventures		**270,105**	215,606
Available-for-sale investment		**224,623**	—
Convertible bonds		**236,550**	—
Pledged bank deposits		**201,433**	205,723
Deposits for acquisitions of property, plant and equipment and prepaid lease payments		**265,439**	134,184
		46,700,460	45,649,507
CURRENT ASSETS			
Inventories		**2,193,086**	2,247,825
Project assets		**836,562**	1,177,410
Trade and other receivables	8	**10,168,539**	8,681,408
Amounts due from related companies		**195,583**	176,777
Loan to a related company		**20,374**	79,916
Prepaid lease payments		**41,631**	39,809
Tax recoverable		**211,188**	208,870
Held for trading investment		**11,020**	15,453
Pledged and restricted bank deposits		**5,650,263**	5,014,867
Bank balances and cash		**4,862,399**	4,495,575
		24,190,645	22,137,910
Assets classified as held for sale		**21,965**	31,009
		24,212,610	22,168,919
CURRENT LIABILITIES			
Trade and other payables	9	**10,738,014**	9,127,716
Amounts due to related companies		**653,742**	130,304
Advances from customers		**760,589**	810,571
Bank borrowings — due within one year		**27,114,777**	19,705,114
Obligations under finance leases — due within one year		**511,455**	464,479
Deferred income		**122,099**	113,604
Tax payables		**119,498**	87,621
		40,020,174	30,439,409
NET CURRENT LIABILITIES		**(15,807,564)**	(8,270,490)
TOTAL ASSETS LESS CURRENT LIABILITIES		**30,892,896**	37,379,017

	As at 30 June 2013 *HK$'000* (Unaudited)	As at 31 December 2012 *HK$'000* (Audited)
NON-CURRENT LIABILITIES		
Advances from customers	**1,497,869**	1,736,398
Bank borrowings — due after one year	**6,755,895**	12,817,239
Obligations under finance leases — due after one year	**1,237,672**	865,391
Long-term notes	**3,116,628**	3,058,808
Deferred income	**614,077**	616,354
Deferred tax liabilities	**457,850**	514,367
	13,679,991	19,608,557
NET ASSETS	**17,212,905**	17,770,460
CAPITAL AND RESERVES		
Share capital	**1,547,913**	1,547,607
Reserves	**14,049,859**	14,662,420
Equity attributable to owners of the Company	**15,597,772**	16,210,027
Non-controlling interests	**1,615,133**	1,560,433
TOTAL EQUITY	**17,212,905**	17,770,460

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* as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. The realisation of assets and the satisfaction of liabilities in the normal course of business are dependent on, among other things, the Group's ability to operate profitably, to generate positive cash flows from operations, and to pursue financing arrangements to support its working capital requirements.

The Group suffered losses of HK$836 million from operations for the six months ended 30 June 2013 and as of 30 June 2013, the Group's current liabilities exceeded its current assets by HK$15,808 million. As of the same date, the Group had cash and cash equivalents of HK$4,862 million with bank borrowings due within one year of HK$27,115 million.

In addition to, the Group's existing undrawn banking facilities and renewable bank borrowings, which are originally due within one year. In order to improve liquidity, the Group has negotiated with certain banks, who have indicated that they do not foresee any reasons to withdraw the existing facilities in the foreseeable future, and will continue to negotiate with other banks to obtain revolving banking facilities to ensure the Group's bank borrowings can be renewed on an on-going basis. Subsequent to the end of the reporting period, the Group has renewed bank borrowings of approximately HK$502 million with banks and with corresponding maturity dates extended to 2014. In addition, subsequent to the end of the reporting period, the Group has issued short term notes in an aggregate principal amount of HK$756 million to financial institutions in the People's Republic of China (the "PRC") with maturity on 12 July 2014. The Group's management believe that the Group will be able to successfully renew the remaining banking facilities based on past experience and strong relationships with the banks.

The Group's management is of the opinion that, taking into account the above undrawn banking facilities, additional banking facilities and the Group's cash flow projection for the coming year, the Group will have sufficient working capital to meet its liabilities as they fall due in the next twelve months from the end of the reporting period.

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new and revised International Financial Reporting Standards ("IFRSs").

Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011 Cycle
Amendments to IFRS 1	Government Loans
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IAS 19 (Revised 2011)	Employee Benefits
IAS 27 (Revised 2011)	Separate Financial Statements
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. IAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-Int 12 *Consolidation — Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

The directors of the Company reviewed and assessed whether they have control over all the existing subsidiaries in accordance with the requirements of IFRS 10. The directors concluded that there is no impact on the Group's control over the subsidiaries after the application of IFRS 10 and all the subsidiaries continue to be consolidated in the Group's consolidated financial statements.

Impact of the application of IFRS 11

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, SIC-Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*, has been incorporated in IAS 28 (as revised in 2011).IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements — joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 had three types of joint arrangements — jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of IFRS 11. The directors concluded that the Group's investments which were classified as jointly controlled entities under IAS 31 should be classified as joint ventures under IFRS 11 and continue to be accounted for using the equity method.

Amendments to IAS 34 *Interim Financial Reporting(as part of the Annual Improvements to HKFRSs 2009–2011 Cycle)*

The Group has applied the amendments to IAS 34 *Interim Financial Reporting* as part of the Annual Improvements to IFRSs 2009–2011 Cycle for the first time in the current interim period. The amendments to IAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Except as described above, the application of the other new or revised IFRSs in the current interim period has had no material effect on the amounts reported 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 — mainly manufacture and sale of polysilicon and wafer to companies operating in the solar industry. It is also engaged in system integration business.

(b) Power business — development, construction, management and operation of power plants and sales of coals in 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 and solar farms.

(c) Overseas solar power plants business — development, construction, management, operation and sales of overseas solar plant. Certain of these overseas solar plants are identified from inception of the project as developed for the purpose of sale are recognised as project assets. Remaining overseas solar plants will be funded through sales and leaseback arrangement and are recognised as property, plant and equipment.

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 2013

	Solar business	Power business	Overseas solar power plants business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
SEGMENT REVENUE				
Revenue	7,760,408	3,223,303	432,447	11,416,158
Inter-segment sales *(Note a)*	(113,509)	(3,115)	—	(116,624)
Revenue from external customers	7,646,899	3,220,188	432,447	11,299,534
Segment (loss) profit	(1,429,375)	239,981	(74,212)	(1,263,606)
Unallocated income				58,665
Unallocated expenses				(19,795)
Fair value adjustments *(Note b)*				(14,202)
Share-based payment expenses				(10,462)
Gain on disposal of an associate				424,498
Impairment loss on goodwill				(7,549)
Loss on fair value changes of held for trading investment				(3,638)
Loss for the period				(836,089)

Six months ended 30 June 2012

	Solar business *HK$'000* (Unaudited)	Power business *HK$'000* (Unaudited)	Overseas solar power plants business *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
SEGMENT REVENUE				
Revenue	8,953,490	2,792,127	37,425	11,783,042
Inter-segment sales *(Note a)*	—	(1,136)	—	(1,136)
Revenue from external customers	8,953,490	2,790,991	37,425	11,781,906
Segment (loss) profit	(222,017)	53,262	(42,997)	(211,752)
Unallocated income				9,604
Unallocated expenses				(6,207)
Fair value adjustments *(Note b)*				(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)

Note:

(a) Inter-segment sales made are based on prevailing market price.

(b) The effect arising from fair value adjustments is related to the assets of the group entities carrying out the power business in the PRC (the "Power Group") deemed acquired in 2009, Konca Solar Cell Co. Ltd ("Konca Solar") acquired in 2010 and acquisition of other subsidiaries in 2012 which are subject to the amortisation/depreciation over the estimated useful lives of the relevant assets.

Segment (loss) profit represents the (loss) profit of each segment excluding unallocated income, unallocated expenses, the fair value adjustments (see Note b above), gain on disposal of an associate, 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.

The accounting policies of the operating segments are the same as the Group's accounting policies.

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	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of wafer	**5,995,053**	6,676,640
Sales of electricity	**1,797,818**	1,670,752
Sales of polysilicon	**1,114,160**	1,624,061
Sales of steam	**935,205**	938,649
Sales of coal	**527,760**	219,014
Sales of project assets	**390,040**	—
Others (mainly comprise the sales of ingot, module and processing fees)	**539,498**	652,790
	11,299,534	11,781,906

4. OTHER EXPENSE, GAIN AND LOSSES

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Research and development costs	**68,211**	78,449
Exchange (gain) loss, net	**(23,349)**	20,617
Impairment loss on property, plant and equipment	**255,370**	—
Impairment loss on deposits for acquisitions of property, plant and equipment and prepaid lease payments	**45,573**	—
Loss on fair value changes of held for trading investment	**3,638**	8,537
Impairment losses on goodwill	**7,549**	397
Discount on acquisition of subsidiaries	**—**	(151)
	356,992	107,849

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax ("EIT")		
Current tax	**111,323**	131,112
Under/(over) provisions in prior periods	**7,439**	(43,278)
	118,762	87,834
USA Federal and State Income Tax		
Current tax	**332**	—
Overprovisions in prior periods	**(7,248)**	—
	(6,916)	—
Hong Kong Profits Tax — Current tax	**6,295**	2,713
PRC dividend withholding tax	**18,395**	52,046
Deferred tax	**(65,065)**	(15,467)
	71,471	127,126

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 2012 arose mainly as a result of completion of tax clearance procedures by certain PRC subsidiaries with the respective tax authorities.

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 rate of PRC subsidiaries is 25%, except for those subsidiaries described below.

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period.

Federal and State tax rates in the United States of America ("USA") are calculated at 35% and 8%, respectively for the six months ended 30 June 2013. No provision for Federal Income Tax and State Income Tax had been made during for the six months ended 30 June 2012 as the Group did not have any assessable profit arising in the USA during that 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 ("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.

6. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**1,668,974**	1,440,160
Amortisation of prepaid lease payments	**24,174**	17,161
Amortisation of other intangible assets (included in cost of sales and administrative expenses)	**14,360**	17,723
Total depreciation and amortisation	**1,707,508**	1,475,044
Less: Amounts included in inventories	**(100,593)**	(20,249)
Total depreciation and amortisation charged to profit or loss	**1,606,915**	1,454,795
Cost of inventories recognised as cost of sales	**9,645,966**	9,540,494
Cost of project assets recognised as cost of sales	**390,298**	—
Write-down of inventories (included in cost of sales)	**43,711**	129,478
Write-down of project assets (included in cost of sales)	**17,233**	—
Allowance for trade and other receivables, net (included in administrative expenses)	**84,731**	57,950
Loss on disposal of property, plant and equipment	**970**	10,498
Share-based payment expenses (included in administrative expenses)	**10,462**	38,111

7. LOSS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss		
Loss for the purposes of calculation of basic and diluted loss per share — Loss for the period attributable to owners of the Company	**(917,316)**	(330,211)

	Six months ended 30 June	
	2013	2012
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**15,477,881**	15,473,077

Diluted loss per share for the six months ended 30 June 2013 and 2012 did not assume the exercise of the share options since their exercise would decrease the loss per share for the interim periods presented.

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, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	As at 30 June 2013 ***HK$'000*** **(Unaudited)**	As at 31 December 2012 *HK$'000* (Audited)
Trade receivables:		
0–90 days	**3,673,020**	3,267,646
91–180 days	**863,690**	1,281,303
Over 180 days	**976,464**	347,568
	5,513,174	4,896,517

The following is an aged analysis of bills receivable (trade-related) presented based on the bills issue date at the end of the reporting period:

	As at 30 June 2013 ***HK$'000*** **(Unaudited)**	As at 31 December 2012 *HK$'000* (Audited)
Bills receivable (trade):		
0–90 days	**1,377,163**	721,421
91–180 days	**1,485,304**	1,022,350
	2,862,467	1,743,771

9. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables, presented based on the invoice date at the end of the reporting period:

	As at 30 June 2013 ***HK$'000*** **(Unaudited)**	As at 31 December 2012 *HK$'000* (Audited)
Trade payables:		
0–90 days	**2,585,668**	1,807,379
91–180 days	**757,640**	675,730
Over 180 days	**476,162**	356,512
	3,819,470	2,839,621

The following is an aged analysis of bills and notes payable (trade), presented based on issue date of bills payable (trade) at the end of the reporting period:

	As at 30 June 2013 HK$'000 (Unaudited)	As at 31 December 2012 HK$'000 (Audited)
Bills payable (trade):		
0–90 days	**770,119**	1,439,444
91–180 days	**1,614,346**	581,323
	2,384,465	2,020,767

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I hereby report that GCL-Poly achieved the following operating results for the first half of 2013. For the six months ended 30 June 2013, GCL-Poly recorded a revenue of approximately HK$11.3 billion, representing a 4.1% decrease as compared with the same period in 2012. Gross profit was approximately HK$0.75 billion, a 55.9% decrease as compared with the same period in 2012. Loss attributable to shareholders amounted to approximately HK$0.917 billion. Basic loss per share amounted to approximately HK5.93 cents. In early 2013, market prices of PV products began to show signs of stabilization and demand has picked up, with wafer shipments increased over 40% as compared with the second half of 2012. However, as the consolidation of the industry has not yet fully completed and imported polysilicon were dumped into the Chinese domestic market at a price below cost, therefore our business performance was materially impacted by the disorder in the polysilicon manufacturing sector.

Outlook

In 2012, the United States and EU launched "anti-dumping and countervailing" investigation on China's PV products. Amidst the overcapacity of downstream segment of supply-chain, dumping of polysilicon into China from overseas manufacturers, as well as other negative factors, the PV industry has gone through an unprecedented long period of price decline. In the first half of 2013, with the recovery of emerging markets such as China and Japan, market price showed signs of recovery as demand picked up steadily. With the declining cost of PV systems, improvement in conversion efficiency and introduction of incentive policies in numerous emerging markets, the PV industry presents tremendous market potentials and development prospect.

The Chinese government was highly concerned with EU's "anti-dumping and countervailing" investigation on PV products. Upon arduous and painstaking negotiations between the two parties, the representatives of China's PV industry and the European Commission reached a minimum price undertaking on PV products exported by China to EU so that China shall maintain around 70% shares in EU PV market. In the afternoon of 18 July, the Ministry of Commerce of China issued the Circular No. 48, officially announcing the preliminary ruling on the anti-dumping investigation against solar grade polysilicon imported from the United States and South Korea. The preliminary ruling finds that during the period of investigation, solar grade polysilicon products imported from the United States and South Korea constituted dumping and imposed material damage to China's domestic polysilicon industry. The Circular claims that from 24 July, China will levy an import deposit of up to 57% for solar grade polysilicon products originated in the United States and South Korea. This means that the United States and South Korea will have to significantly cut polysilicon export to China, thereby driving the recovery of market price of polysilicon products from lower than the production cost of world-class polysilicon enterprises to a reasonable level. The newly elected administration of the Chinese government has been promoting the development of the PV industry with balancing industry disciplines and stable growth. As the "anti-dumping and countervailing" investigation by EU coming to a conclusion, demand of the PV industry should be bottoming out. Supported by the "Six industry statements" issued by the State Council at a meeting to promote the healthy development of the PV industry, it is expected that the PV industry will start to recover from the current slump. In July, in order to regulate and stimulate the healthy development of the PV industry, the State Council promulgated "the Several Opinions of the State Council on Promoting the Healthy Development of Photovoltaic Industry". The Opinions proposed to intensify the development of the distributed PV power generation market, inhibiting the excessive expansion of PV production capacity, strengthening the construction of supporting electricity grids, improving tariff and subsidy policies, as well as expanding fiscal policy supports, etc. With these supporting measures, we believe that China will transform from a powerful PV manufacturing hub to a large powerful market of solar application and achieve the installation target of about 10 GW in 2013 proposed at the beginning of this year.

In 2012, the Japanese government launched an extensive solar power subsidy policy, including a relatively high feed-in tariff and provides subsidy for solar power generated by domestic rooftops. As a result, Japan's solar power market ushered in a period of rapid development. According to our own market intelligence, Japan's PV market is projected to double in 2013, with new installed capacity exceeding 5 GW. Together with the rapid rise of emerging markets such as the United States, Latin America, South Africa, ASEAN, and Middle East, the global PV market will continue its fast-paced growth and it is expected, by 2015, the annual installation could reach 50 GW and even more. As such, we remain highly confident in the prospect of the solar industry.

By Increasing Investment in R&D, the Company Achieved Remarkable Technological Progress and Formed Differentiated Product Competitiveness

Due to industry structural oversupply, PV product price decline has outpaced our improvement in cost reduction. However, with over six years' continuous commitment into R&D, the Company recorded remarkable technical progress and achieved differentiated competitive advantage, and therefore our market leadership position in the industry maintained. During the first half of 2013, the Company produced 21,980 MT of polysilicon and sold 8,472 MT. The production and sales of wafers were 3,452 MW and 3,858 MW respectively.

As in the polysilicon materials market, we have made advances in the technological R&D of square silicon core application, silane fluidized bed, and FZ-Si projects. Jiangsu Zhongneng kicked off the manufacturing optimization project, which reduced the changeover time by 23.4%; enhancing the processing facilities and the productivity of all production processes has been significantly improved. In the future, we will strengthen our process technology and R&D, and further improve the quality of management level to ensure products are of high quality and low manufacturing cost.

On SNEC 2013 Exhibition held in Shanghai, GCL-Poly successfully launched a new product: "GCL Multi-Wafer S3 (鑫多晶)", which has an average conversion efficiency and efficiency concentration 0.3–0.4% and 15% respectively compared to previous generation S2. As a result, performance again significantly improved to better meet the demand of high-end customers. The launch of S3 products can further solidify GCL-Poly's market leadership in the high performance polysilicon arena.

The diversified high-performance polysilicon product mix has forged differentiated competitive advantage for GCL-Poly such that we can satisfy the differentiated demands of customers, thereby mitigating risks of single product strategy.

Enhancing Efforts in Market Development, with Industry-leading Market Shares

Following a market slump that lasted more than a year, industry consolidation and concentration have taken off significantly. Currently, there are only 3–5 polysilicon enterprises are still in production in China. As market has improved recently, we are very active in both production and sales activities, and supply appeared to begin falling short of demand. GCL-Poly will continue to leverage its core advantages in upstream and downstream of the PV value chain and cooperate with our mid-stream in a diversified fashion. While focusing on the domestic market, the Company will actively explore the international markets and actively nurture and forge a stable overseas customer base by leveraging Taiwan market as an outlet role. In addition, the Company will further strengthen the cooperation with emerging markets such as Japan and South Korea. We will continue to lead the market and meet the new phase the PV industry development with our forward-looking, competitive products, stable quality and performance, accurate market positioning, and reasonable industry specialization.

Domestic and Foreign Solar Farm Business Continued to Develop, with Huge Potentials

As at June 30 2013, GCL-Poly had a total of 1 GW of pipeline projects. In China, GCL-Poly accelerated the pace of investment in solar farm projects, and developed a total of 270 MW of solar farm projects in the first half of 2013. In terms of financing, China Development Bank (CDB) has granted us a credit line of RMB5 billion in April for the development of domestic solar farm projects, a clear evidence of support towards the solar power industry by CDB as well as its support for the future development of GCL-Poly.

Stable Power Business Development Outperforms Peers

In the first half of 2013, the power business continued to record stable performance. The Company has continued to maximize the efficiencies of existing resources with centralized management, cost cutting measures for stable development of its power and steam businesses. As of the end of June 2013, the Company sold 2,789 GWh of electricity, with a year-on-year increase of 5.9%, and 4,365,000 tonnes of steam, with a year-on-year rise of 7.8%. 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 2013 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Half Year Results of the Group

The anti-dumping investigation launched by the European Union and the poor solar market sentiment continue to hurt the China solar manufacturers. However, despite the selling price squeeze, the PV market showed a sign of recovery and the demand improved significantly since the first quarter of 2013. The Group maintains a high utilisation rate and high sales volume so as to mitigate the decline of revenue from the decrease in polysilicon and wafer selling prices. For the six months ended 30 June 2013, revenue amounted to HK$11,300 million as compared to revenue of HK$11,782 million for the six months ended 30 June 2012. Net loss attributable to owners of the Company was HK$917 million, as compared with HK$330 million for the same period of last year.

BUSINESS REVIEW

Solar Material Business

Production

GCL 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.

As at 30 June 2013, our annual polysilicon production capacity maintained at 65,000 MT. During the six months ended 30 June 2013, GCL produced approximately 21,980 MT of polysilicon, representing a decrease of 12.9% as compared to 25,233 MT for the six months ended 30 June 2012.

As at 30 June 2013, our annual wafer production capacity maintained at 8 GW. During the six months ended 30 June 2013, we produced 3,452 MW of wafers, representing an increase of 13.5% as compared with 3,042 MW for the six months ended 30 June 2012. During the first half of 2013, GCL successfully launched the third generation, high-efficiency multi-crystalline silicon wafer "GCL Multi-Wafer S3", which demonstrated a significant performance improvement with notably increment in the conversion efficiency of solar cells.

Production Costs

GCL'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 2013, Jiangsu Zhongneng continued to deploy all its efforts into reducing the electricity and steam consumption and other fixed costs. As a result, our average polysilicon production costs decreased 8.5% from approximately HK$146.5 (US$18.9) per kilogram for the six months ended 30 June 2012 to approximately HK$134.1 (US$17.3) per kilogram for the same period this year.

Attributed to our technical improvements, in-house sourcing of supplies and other measures all helped to increase our production yield and reduce cost, GCL continued reducing the wafer production cost to an extremely competitive level. Our wafer production costs were approximately HK$1.47 (US$0.19) per W for the six months ended 30 June 2013, a decrease of 27.2%, as compared with approximately HK$2.02 (US$0.26) per W for the six months ended 30 June 2012. Wafer processing cost was approximately HK$0.78 (US$0.10) per W for the six months ended 30 June 2013.

Sales Volume and Revenue

Revenue of our solar business for the six months ended 30 June 2013 amounted to HK$7,647 million, representing a decrease of 14.6% from HK$8,953 million for the six months ended 30 June 2012.

For the six months ended 30 June 2013, GCL sold 8,472 MT of polysilicon and 3,858 MW of wafer, a decrease of 6.0% and an increase of 21.1% respectively, as compared with 9,012 MT of polysilicon and 3,186 MW of wafer for the corresponding period in 2012.

The average selling price of polysilicon and wafer was approximately HK$131.7 (US$17.0) per kilogram and HK$1.55 (US$0.20) per W respectively for the six months ended 30 June 2013. The corresponding average selling price of polysilicon and wafer for the same period one year earlier was approximately HK$179.8 (US$23.2) per kilogram and HK$2.09 (US$0.27) per W respectively.

Overseas Solar Power Plants Business

As of 30 June 2013, the Group had 96 MW projects are currently under construction, and approximately 23 MW of projects located in California will commence construction in the second half of 2013. The Group's total solar farm projects in operation in the United States reached 18 MW as at 30 June 2013 and over 1 GW projects in the United States and Puerto Rico are currently in the planning stage. For the first half of 2013, the total revenue from sales of electricity generated by the photovoltaic ("PV") projects in the United States and sales of modules was approximately HK$41 million and HK$2 million, respectively.

During the first half of 2013, the Group sold 100% equity interest in a company which owned a solar farm project located in California, the U.S., with a planned capacity of up to approximately 209 MW for a revenue of approximately HK$390 million (US$50 million). The project was in the preliminary construction stage and only limited notices to proceed were given to the contractor.

In November 2012, GCL invested into two 75 MW solar farm projects as a minority shareholder of 19% in South Africa. The projects are currently under construction and expected to achieve commercial operation in August 2014. In addition, GCL is arranging procurement of the modules for the above two 75 MW solar farm projects.

Power Business

The Group's power plants are one of the categories of environmental friendly power plants that are encouraged by the PRC government.

As at 30 June 2013, the Group operates 26 power plants which includes its subsidiary and associated power plants in PRC. These comprised 14 coal-fired cogeneration plants and resources comprehensive utilization cogeneration plants, 3 gas-fired cogeneration plants, 2 biomass cogeneration plants, 2 solid-waste incineration plants, 1 wind power plant, 3 solar farms and 1 roof-top solar project. During the period, 1 solar farm with total capacity and attributable installed capacity of 20MW in DaTongXian and 1 gas-fired cogeneration plant with total installed capacity of 360 MW and attributable installed capacity of 134 MW in Suzhou began operating. As a result, the total installed capacity and attributable installed capacity were increased to 1,530.5 MW and 952.3 MW as at 30 June 2013 from 1,150.5 MW and 798.3 MW as at 31 December 2012, respectively. As at 30 June 2013, the total steam extraction capacity and attributable steam extraction capacity were increased by 200 tonne/h and 74.5 tonne/h to 2,439.0 tonne/h and 1,830.9 tonne/h, respectively. The increases were mainly due to the commencement operation of a gas-fired cogeneration plant in Suzhou.

Sales Volume and Revenue

For the six months ended 30 June 2013, total electricity and steam sales volume were 2,788,692 MWh and 4,364,505 tonnes representing an increase of 5.9% and 7.8% respectively as compared to 2,634,473 MWh and 4,048,002 tonnes for the same period last year. The increase in electricity and steam sales volume were mainly due to commencement operation of a gas-fired cogeneration plant in Suzhou and two boilers in the subsidiary of Fengxian cogeneration plant respectively.

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

Plant	**Electricity Sales** *MWh* **30.6.2013**	Electricity Sales *MWh* 30.6.2012	**Steam Sales** *tonne* **30.6.2013**	Steam Sales *tonne* 30.6.2012
Subsidiary power plants				
Kunshan Cogeneration Plant	**204,581**	201,033	**308,051**	337,347
Haimen Cogeneration Plant	**79,940**	76,870	**149,846**	142,475
Rudong Cogeneration Plant	**90,557**	88,689	**387,464**	395,890
Huzhou Cogeneration Plant	**62,335**	63,727	**194,490**	176,303
Taicang Poly Cogeneration Plant	**111,730**	99,430	**201,569**	201,613
Jiaxing Cogeneration Plant	**103,784**	89,636	**411,454**	379,897
Lianyungang Xinneng Cogeneration Plant	**52,468**	41,884	**206,562**	194,796
Puyuan Cogeneration Plant	**100,841**	91,788	**368,353**	385,188
Fengxian Cogeneration Plant *(note 1)*	**81,421**	41,625	**936,807**	648,334
Yangzhou Cogeneration Plant	**212,138**	148,514	**133,844**	124,797
Dongtai Cogeneration Plant	**59,783**	45,520	**264,436**	246,879
Peixian Cogeneration Plant	**92,675**	52,425	**116,642**	113,354
Xuzhou Cogeneration Plant	**83,640**	79,056	**131,826**	147,319
Suzhou Cogeneration Plant — Blue Sky	**918,652**	1,292,359	**368,936**	378,770
Suzhou Cogeneration Plant — Northern	**250,705**	N/A	**N/A**	N/A
Baoying Cogeneration Plant	**55,456**	64,112	**106,448**	107,836
Lianyungang Xiexin Cogeneration Plant	**70,792**	57,408	**60,867**	61,405
Taicang Incineration Plant	**38,838**	35,431	**N/A**	N/A
Xuzhou Incineration Plant *(note 2)*	**43,747**	6,931	**16,910**	5,799
Guotai Wind Power Plant	**46,841**	45,336	**N/A**	N/A
Xuzhou Solar Farm	**10,578**	11,175	**N/A**	N/A
DaTongXian GCL Solar Farm	**6,493**	N/A	**N/A**	N/A
Sangri Solar Farm	**8,978**	N/A	**N/A**	N/A
Jiangsu Guoneng Roof-top Solar Project	**1,719**	1,524	**N/A**	N/A
Total subsidiary power plants	**2,788,692**	2,634,473	**4,364,505**	4,048,002
Associated power plants				
Funing Cogeneration Plant	**93,944**	44,846	**36,794**	43,019
China Resources Beijing Cogeneration Plant	**389,817**	320,212	**213,508**	240,565
Total subsidiary and associated power plants	**3,272,453**	2,999,531	**4,614,807**	4,331,586

Note 1: It included steam sales of its subsidiary, Fengxian Xincheng Environmental Cogeneration Co.,Ltd, two boilers of which commenced operation during the period.

Note 2: The steam sales of Xuzhou Incineration Plant was for internal consumption purpose.

For the six months ended 30 June 2013, revenue for the power business was HK$3,220 million, an increase of 15.4% compared to HK$2,791 million for the same period last year. The increase was mainly due to increase in sales of electricity during the 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 2,843 hours for the first six months of 2013, representing a decrease of 4.7% compared with 2,982 hours for the same period last year. The decrease was due to the increased number of solar farms that have a lower-than-average utilization hours compared to the traditional power plants.

Fuel 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, resource comprehensive utilisation plants and biomass cogeneration plants, average unit fuel costs for electricity sales and steam sales were HK$384.3/MWh and HK$120.6/tonne respectively for the six month ended 30 June 2013. The corresponding average unit fuel costs for electricity sales and steam sales were HK$471.7/MWh and HK$154.7/tonne respectively for the same period last year.

In the case of the Group's gas-fired cogeneration plants and 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$515.0/MWh and HK$188.8/tonne respectively for the same period last year. The corresponding average unit fuel costs for electricity sales and steam sales for the six months ended 30 June 2012 were HK$509.8/MWh and HK$199.6/tonne respectively.

Outlook

In 2013, uncertainties in global economy continue to affect the liquidity of the capital markets and commercial lending. As a result, it remains challenging for the solar project developers to obtain the necessary funding and resulting in slowing growth of the global solar markets. Global demand for new installations of PV systems grew to about 32 GW in 2012 with resilient demand from Germany and Italy despite falling subsidies from respective governments. The module sales of our customers in China were affected by anti-dumping and countervailing investigations that were initiated by the United States and the European Union. These issues continued to affect solar products demand in the first half of 2013. However, we have noticed a tremendous growth in emerging solar market such as Japan and inventory normalization of the PV value chain, which lead to a stabilization of solar products selling prices beginning in the second quarter of 2013. Besides, Higher factory utilisation has also helped reducing our manufacturing cost.

We anticipate that 2013 global PV solar demand to grow modestly to approximately 35 GW, with European demand slowing while emerging markets such as China, the United States, Japan, India, Korea, Australia and Brazil continue to have higher growth. These emerging markets will play a more important role in the solar industry, leading to a more balanced geographical diversification.

Recently, a statement issued by the Chinese State Council, backed up targets announced by the State Grid and National Development and Reform Commission ("NDRC") that 10 GW would be added each year until 2015 to a cumulative installation target of 35 GW under China's Five-Year Plan. 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 2013, they can enjoy a tariff of RMB1/kWh afterwards. We do not anticipate any sharp decline of FiT support from the Chinese government in 2014.

In China, according to the press and industry sources, the Chinese government is planning to roll out a FiT scheme for rooftop installation in China that will provide the support of 10 GW installation target for 2013. In Japan, the government also maintained a solar FiT of 37 Yen/kWh, and we believe that the incentives in Japan are attractive enough to promote Japan to be a major PV market in the next 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. As many small solar producers have halted their production or exited the market recently, the average selling prices of polysilicon, wafer, cell and module have rebounded slightly in the first half of 2013 and we expect they remain stable or slightly higher in the second half of this year as our customers continue to restock their inventory. We are optimistic that our manufacturing cost will continue to decrease as capacity utilization maintains at a high level. 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 2013.

The cost and quality of PV products will continue to be the critical factors to the global demand in the solar industry. The launch of "GCL Multi-Wafer S3" has gained over 0.3–0.4% of conversion efficiency over the previous generation product and is capable to archive a power output of 255-260 MW on 60-cell panels or 305-310 MW on 72-cell panels. 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 solar power plant business will be the growth driver for our company. The Group proactively participates in solar farm construction 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, the coal price is an important factor to the profitability. The coal price recorded a considerable extent of decrease in 2012 and the first half of 2013. As a result, the power business had satisfactory performance during the period. We expect the coal price will remain stable in the second half of 2013 and believe that the power business will be a stable profit contributor for the Company. We will continue to focus on steam sales as contract prices of steam can be negotiated with our customers directly based on local government pricing guidelines, 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.

Employees

We consider our employees to be our most important resource. As at 30 June 2013, the Group had approximately 13,207 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 three segments — the solar material business, power business and overseas solar power plants business — during the period. The following table sets forth the Group's profit/loss from operations by business segment:

	Solar Material Business	Power Business	Overseas Solar Power Plants Business	Corporate	Consolidated
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Revenue from external customers	7,647	3,220	433	—	11,300
Segment (loss) profit	(1,430)	240	(74)	—	(1,264)
EBITDA*	1,068	739	(34)	48	1,821

* The impairment losses on property, plant and equipment, deposits for acquisitions of property, plant and equipment and prepaid lease payments and goodwill, gain on disposal of an associate, and loss on fair value changes of held for trading investment were excluded in the calculation of EBITDA

Revenue

Revenue for the six months ended 30 June 2013 amounted to HK$11,300 million, representing a slight decline of 4.1% from HK$11,782 million for six months ended 30 June 2012. The decrease was mainly attributable to the decrease in revenue derived from our solar business as a result of the decline in polysilicon and wafer average selling prices.

Gross Profit Margin

The Group's gross profit margin for the six months ended 30 June 2013 was 6.6%, as compared with 14.3% for the six months ended 30 June 2012. Gross profit margin for the solar business decreased from 15.3% for the six months ended 30 June 2012 to 2.3% for the six months ended 30 June 2013. The decrease in gross profit margin was mainly due to significant decline in polysilicon and wafer average selling prices. For the power business, the gross profit margin for the six months ended 30 June 2013 rose to 17.5% from 10.7% for the six months ended 30 June 2012 as a result of decline in fuel costs. Gross profit margin for overseas solar power plants business was 2.0% for the six months ended 30 June 2013.

Other Income

Other income amounted to HK$341 million for the six months ended 30 June 2013, a decrease of 9.1% as compared with HK$375 million for the six months ended 30 June 2012. The decrease was mainly attributable to decrease in government grants, which was partly offset by increase in sales of scrap materials and bank interest income.

Distribution and Selling Expenses

Distribution and selling expenses amounted to HK$20 million for the six months ended 30 June 2013, representing a decrease of 63.6% from HK$55 million for the six months ended 30 June 2012. Lower sales and less marketing activities were carried out during the first half of 2013, leading to smaller distribution and selling expenses.

Administrative Expenses

Other administrative expenses amounted to HK$822 million for the six months ended 30 June 2013, representing a decrease of 13.2% from HK$947 million for the six months ended 30 June 2012. The decrease was due to stringent cost control measurements on administrative expenses during the first half of 2013.

Finance Costs

Finance costs of the Group for the six months ended 30 June 2013 was HK$1,091 million, which was similar to HK$1,093 million for the six months ended 30 June 2012.

Other Expense, Gain and Losses

Other losses of the Group for the six months ended 30 June 2013 were HK$357 million as compared with HK$108 million for the six months ended 30 June 2012. The increase was mainly due to the impairment loss on property, plant and equipment.

Gain on Disposal of an Associate

During the period, the Group completed the disposal of 17.39% equity interest in China Merchant New Energy Holdings Limited for a combination of consideration shares and convertible bonds issued by a listed company in Hong Kong. The gain on disposal was approximately HK$424 million.

Income Tax Expense

Income tax expense for the six months ended 30 June 2013 was HK$71 million, as compared with HK$127 million for the six months ended 30 June 2012. 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$917 million for the six months ended 30 June 2013 as compared with a loss of HK$330 million for the six months ended 30 June 2012.

Dividends

The Board does not recommend any payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

Liquidity and Financial Resources

For the six months ended 30 June 2013, the Group's main sources of funding were cash generated from operating activities. The net cash from operating activities for the period was HK$2,202 million. The net cash used in investing activities were HK$1,578 million, mainly attributed to payments for the purchase of property, plant and equipment and increase in pledged and restricted bank deposits. Net cash outflow from financing activities was HK$348 million. The main financing activities of the Group for the six months ended 30 June 2013 included newly raised bank borrowings of HK$12,232 million, repayment of bank borrowings amounting to HK$11,471 million and interest payment of HK$1,089 million.

As at 30 June 2013, the aggregate of restricted and unrestricted cash and bank balances amounted to approximately HK$10,714 million (31 December 2012: HK$9,716 million). The Group's total assets as at 30 June 2013 were HK$70,913 million (31 December 2012: HK$67,818 million).

Indebtedness

The indebtedness of the Group mainly comprises bank borrowings, obligations under finance lease and long-term notes. For the six months ended 30 June 2013, the Group's total bank borrowings amounted to HK$33,871 million (31 December 2012: HK$32,522 million), obligations under finance lease amounted to HK$1,749 million (31 December 2012: HK$1,330 million) and long-term notes amounted to HK$3,117 million (31 December 2012: HK$3,059 million). Below is a table showing the structure and maturity profile of the Group's total bank borrowings:

	30 June 2013	31 December 2012
	HK$ million	*HK$ million*
Secured	**13,456**	10,120
Unsecured	**20,415**	22,402
	33,871	32,522
Maturity profile of bank borrowings on demand or within one year	**27,115**	19,705
After one year but within two years	**2,804**	8,726
After two years but within five years	**3,031**	3,353
After five years	**921**	738
Group's total bank borrowings	**33,871**	32,522

As at 30 June 2013, the Group's bank borrowings were 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).

The long-term notes bear interest at a rate of 5.77%–7.05%.

Key Financial Ratios of the Group

	30 June 2013	31 December 2012
Current ratio	**0.61**	0.73
Quick ratio	**0.53**	0.62
Net debt to equity attributable to owners of the Company	**179.7%**	167.8%

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 and project assets 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 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

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 and US dollars. 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 2013, the Group did not purchase any material foreign currency or interest rate derivatives or related hedging instruments.

Pledge of Assets

As at 30 June 2013, property, plant and equipment and prepaid lease payments with a carrying value of approximately HK$12,781 million and HK$498 million respectively (31 December 2012: HK$10,703 million and HK$477 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$480 million (31 December 2012: HK$1,591 million) were pledged to the banks for borrowings granted to the Group and obligations under finance leases.

Capital Commitments

As at 30 June 2013, the Group's capital commitments in respect of the acquisition of property, plant and equipment and constructions costs of project assets contracted for but not provided in financial statements amounted to approximately HK$1,533 million and HK$1,023 million (31 December 2012: HK$2,693 million and HK$2,951 million). In addition, the Group has capital commitments in respect of the acquisition of property, plant and equipment authorised but not contracted for amounted to HK$2,667 million (31 December 2012: HK$5,418 million).

Contingent Liabilities

Contingent liability

On 9 July 2013, the Group was informed by one of its equipment suppliers (the "Claimant") that the Claimant had filed a notice of arbitration (the "Notice") with the Hong Kong International Arbitration Centre ("HKIAC") against Taicang GCL Photovoltaic Technology Co., Ltd. ("GCL Taicang"), a wholly-owned subsidiary of the Group. The Notice was received by GCL Taicang on 9 July 2013.

Pursuant to the Notice, an arbitration has been initiated by the Claimant against GCL Taicang as respondent under the HKIAC Administered Arbitration Rules in respect of a dispute (the "Dispute") arising from an equipment purchase and sale agreement (the "Agreement") entered into between it and GCL Taicang in 2011 with a total contractual value of approximately HK$1,800,000,000 for the purchase of certain wafer production equipment (the "Equipment") by GCL Taicang from the Claimant.

The Claimant alleges, among other things, that GCL Taicang breached the Agreement by failing to fulfil its obligations to purchase a certain number of units of the Equipment under the Agreement and to pay all relevant sums under the Agreement. The Claimant seeks, among other things, damages and/or relief for the alleged breach of the Agreement, together with interests and costs. The Notice does not specify the actual amount of the claims. The arbitral tribunal has not yet been constituted.

GCL Taicang has sought legal advice in respect of the Dispute and will vigorously contest the claim and take all appropriate steps to defend its position against the Claimant's allegations. As the dispute is currently under arbitration process and the Group did not recognise any provision in relation to the Dispute as at 30 June 2013.

Financial guarantees contracts

As at 30 June 2013, the Group provided guarantees of HK$138 million (31 December 2012: HK$136 million) to a bank in respect of the banking facilities granted to an associate company. The associate had utilized HK$126 million (31 December 2012: HK$101 million) of such banking facilities at the end of the reporting period.

Events After the End of the Interim Period

On 5 July 2013, the Company granted 44,600,000 share options to the employees of the Group under the share option scheme adopted by the Company on 22 October 2007, at an exercise price of HK$1.642 per share. The share options are subject to a vesting scale in tranches of one-fifth of the shares on 16 September 2013 and the first, second, third and fourth anniversary dates of the date of grant, respectively. The share options shall be valid during the period of 10 years from the date of grant. The management of the Group is in the process of estimating the fair value assessment of these options at the grant date and has not yet finalised.

On 12 July 2013, GCL-Poly Limited, a wholly-owned subsidiary of the Group, issued first tranche notes in an aggregate principal amount of RMB600 million (approximately HK$756 million) (the "First Tranche Notes") to financial institutions in the PRC. The First Tranche Notes bear interest at a fixed rate of 5.8% per annum and the maturity date will be 12 July 2014.

The estimated net proceeds from the issue of First Tranche Notes, after deduction of underwriting commissions and other estimated expenses, amount to approximately RMB597 million (approximately HK$752 million). The net proceeds from the issue of First Tranche Notes is to repay the Group's existing loans and for its working capital requirements.

CODE ON CORPORATE GOVERNANCE PRACTICES

The corporate governance report of the Board has been set out in the Company's 2012 Annual Report. During the six months ended 30 June 2013, the Company has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules 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 Gongshan (the Chairman and a Director of the Company) was appointed as the Chief Executive Officer with effect from 1 September 2009. In view of Mr. Zhu as the founder of the Company and our Xuzhou polysilicon production base, his in-depth knowledge and expertise, his extensive business network and connections, the scope of operations and the business development of the Company, the Board considered that it was appropriate to elect Mr. Zhu as the Chief Executive Officer. The Board is of the view that an experienced and dedicated management team and executives will give continuous support and assistance to Mr. Zhu and that he discharges his responsibilities to manage the Board as well as the Group's businesses effectively. The Board and the Nomination Committee will review the board structure regularly to ensure it meets the needs of the Company's development and objectives.

(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 the independent non-executive directors had attended the annual general meeting of the Company held on 30 May 2013 except that the 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 2013.

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

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities of the Company 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 2013 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 Zhixin. 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 Gongshan
Chairman

Hong Kong, 29 August 2013

As at the date of this announcement, the Board comprises Mr. Zhu Gongshan (Chairman), Mr. Ji Jun, Mr. Shu Hua, Mr. Yu Baodong, Ms. Sun Wei and Mr. Zhu Yufeng as executive directors; Mr. Zhou Yuan and Mr. Zhang Qing as non-executive directors; Mr. Qian Zhixin, Ir. Dr. Raymond Ho Chung Tai, Mr. Xue Zhongsu and Mr. Yip Tai Him as independent non-executive directors.