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 2014

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2014	2013	% of
	HK$'million	*HK$'million*	Changes
	(Unaudited)	(Unaudited)	
Revenue	**17,222.0**	11,299.5	52.4%
Gross profit	**3,677.9**	745.0	393.7%
Profit/(loss) attributable to owners of the Company	**900.4**	(917.3)	198.2%
	HK cents	*HK cents*	
Basic earnings/(loss) per share	**5.81**	(5.93)	198.0%

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 2014 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 2014

		Six months ended 30 June	
		2014	2013
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	3	**17,222,037**	11,299,534
Cost of sales		**(13,544,162)**	(10,554,538)
Gross profit		**3,677,875**	744,996
Other income	4	**618,034**	340,747
Distribution and selling expenses		**(33,904)**	(20,070)
Administrative expenses		**(1,127,116)**	(822,112)
Finance costs	5	**(1,405,602)**	(1,091,119)
Other expense, gain and losses	6	**(428,373)**	(356,992)
Gain on disposal of an associate		**—**	424,498
Share of profit of associates		**1,605**	16,142
Share of losses of joint ventures		**(1,052)**	(708)
Profit (loss) before tax		**1,301,467**	(764,618)
Income tax expense	7	**(288,071)**	(71,471)
Profit (loss) for the period	8	**1,013,396**	(836,089)
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
Exchange differences arising from translation to presentation currency		**(170,112)**	320,845
Item that may be reclassified subsequently to profit or loss			
Change in fair value of available-for-sale investment		**(63,234)**	—
		(233,346)	320,845
Total comprehensive income (expense) for the period		**780,050**	(515,244)
Profit (loss) for the period attributable to:			
Owners of the Company		**900,353**	(917,316)
Non-controlling interests		**113,043**	81,227
		1,013,396	(836,089)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**684,892**	(624,524)
Non-controlling interests		**95,158**	109,280
		780,050	(515,244)
		HK cents	*HK cents*
Earnings (loss) per share	9		
Basic		**5.81**	(5.93)
Diluted		**5.81**	(5.93)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	NOTES	**As at 30 June 2014** *HK$'000* **(Unaudited)**	As at 31 December 2013 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**45,439,282**	43,995,130
Prepaid lease payments		**1,803,377**	1,811,084
Goodwill		**646,080**	652,326
Other intangible assets		**183,958**	200,683
Interests in joint ventures		**248,476**	341,362
Interests in associates		**172,719**	194,673
Available-for-sale investment		—	291,818
Convertible bonds receivable		**159,006**	246,426
Pledged bank deposits		**151,209**	162,509
Deferred tax assets		**45,079**	15,541
Deposits for acquisitions of property, plant and equipment		**518,182**	673,697
		49,367,368	48,585,249
CURRENT ASSETS			
Inventories		**2,627,595**	1,656,867
Project assets		**760,674**	804,720
Trade and other receivables	10	**10,984,890**	11,057,441
Amounts due from related companies		**99,746**	118,946
Loan to a related company		**22,807**	66,949
Prepaid lease payments		**42,055**	42,653
Tax recoverable		**18,162**	48,282
Held for trading investments		**31,036**	12,470
Available-for-sale investment		**97,204**	—
Pledged and restricted bank deposits		**9,368,500**	8,080,217
Bank balances and cash		**9,994,068**	6,168,814
		34,046,737	28,057,359
CURRENT LIABILITIES			
Trade and other payables	11	**15,788,071**	13,737,306
Amounts due to related companies		**677,272**	734,880
Advances from customers		**966,085**	955,402
Bank borrowings — due within one year		**25,989,044**	24,915,536
Obligations under finance leases — due within one year		**917,581**	654,197
Notes payables — due within one year		**2,514,907**	761,330
Deferred income		**122,104**	121,066
Tax payables		**197,036**	165,185
		47,172,100	42,044,902
NET CURRENT LIABILITIES		**(13,125,363)**	(13,987,543)
TOTAL ASSETS LESS CURRENT LIABILITIES		**36,242,005**	34,597,706

	As at 30 June 2014 *HK$'000* (Unaudited)	As at 31 December 2013 *HK$'000* (Audited)
NON-CURRENT LIABILITIES		
Advances from customers	**898,472**	1,093,415
Bank borrowings — due after one year	**9,828,255**	8,340,370
Obligations under finance leases — due after one year	**1,526,100**	1,416,322
Notes payables — due after one year	**1,877,244**	3,161,449
Convertible bonds payable	**1,602,425**	1,542,012
Deferred income	**570,924**	620,847
Deferred tax liabilities	**503,873**	418,205
	16,807,293	16,592,620
NET ASSETS	**19,434,712**	18,005,086
CAPITAL AND RESERVES		
Share capital	**1,548,610**	1,548,322
Reserves	**15,337,719**	14,597,738
Equity attributable to owners of the Company	**16,886,329**	16,146,060
Non-controlling interests	**2,548,383**	1,859,026
TOTAL EQUITY	**19,434,712**	18,005,086

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 International Accounting Standard 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").

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 recorded profit of HK$1,013 million from operations for the six months ended 30 June 2014 and, the Group's current liabilities exceeded its current assets by HK$13,125 million as of 30 June 2014. As of the same date, the Group had cash and cash equivalents of HK$9,994 million with bank borrowings due within one year of HK$25,989 million.

In addition to the Group's current undrawn banking facilities and renewable bank borrowings, 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. The Directors believe that the Group will be able to renew the banking facilities upon maturity dates.

The Directors are of the opinion that, taking into account the above undrawn banking facilities, renewal of existing banking facilities and the Group's cash flow projection for the coming year, the Group will have sufficient working capital to meet its cash flow requirements in the next twelve months.

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 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to International Financial Reporting Standards ("IFRSs") issued by ISAB that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC — Int 21	Levies

The Directors anticipate that the application of the new interpretation and amendments to 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 material business — mainly manufacture and sales of polysilicon and wafer to companies operating in the solar industry.

(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 and solar plants.

(c) Other businesses include:

(i) Overseas solar power plants business — development, construction, management, operation and sales of overseas solar plants. 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. Certain overseas solar plants were funded through sale and finance leaseback arrangements and are recognised as property, plant and equipment.

(ii) Printed circuit boards business — manufacturing and sales of printed circuit boards business which is acquired during the current interim period.

Segment revenue and results

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

Six months ended 30 June 2014

	Solar material business *HK$'000* (Unaudited)	Power business *HK$'000* (Unaudited)	Other businesses *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
SEGMENT REVENUE				
Revenue	**11,888,321**	**5,033,590**	**316,025**	**17,237,936**
Inter-segment sales *(Note a)*	**—**	**(15,899)**	**—**	**(15,899)**
Revenue from external customers	**11,888,321**	**5,017,691**	**316,025**	**17,222,037**
Segment profit (loss)	**1,135,021**	**208,541**	**(70,338)**	**1,273,224**
Unallocated income				**8,527**
Unallocated expenses				**(80,587)**
Fair value adjustments *(Note b)*				**(14,976)**
Loss on disposal of available-for-sale investment				**(19,251)**
Impairment loss on available-for-sale investment				**(4,508)**
Loss on fair value change of convertible bonds receivable				**(85,308)**
Loss on fair value change of convertible bonds payable				**(67,045)**
Gain on fair value changes of held for trading investment				**3,320**
Profit for the period				**1,013,396**

Six months ended 30 June 2013

	Solar material business *HK$'000* (Unaudited)	Power business *HK$'000* (Unaudited)	Other businesses *HK$'000* (Unaudited)	Total *HK$'000* (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)

Notes:

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

(b) The effect arising from fair value adjustments is related to the assets and liabilities 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, GCL New Energy Holding Limited ("GCL New Energy") acquired in the current interim period and acquisition of other subsidiaries in previous financial years which are subject to the amortisation/depreciation over the estimated useful lives of the relevant assets.

Segment profit (loss) represents the profit (loss) of each respective segment excluding unallocated income, unallocated expenses (including depreciation of an aircraft and respective finance costs under the sale and lease back arrangement), the fair value adjustments (see Note b above), gain on disposal of an associate, fair value changes on convertible bonds receivable and payable, held for trading investment, loss on disposal of available-for-sale investment, impairment loss on available-for-sale investment, impairment loss on goodwill and unallocated 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	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of wafer	**10,049,129**	5,995,053
Sales of electricity	**2,325,384**	1,797,818
Sales of coal	**1,816,134**	527,760
Sales of polysilicon	**1,275,038**	1,114,160
Sales of steam	**918,789**	935,205
Sales of project assets	**—**	390,040
Sales of printed circuit boards	**270,457**	—
Others (mainly comprise the sales of ingot, module and processing fees)	**567,106**	539,498
	17,222,037	11,299,534

4. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Government grants	**187,483**	87,200
Sales of scrap materials	**160,996**	86,164
Bank interest income	**141,132**	88,001
Waste processing management fee	**43,061**	41,397
Rental income	**19,184**	866
Management and consultancy fee income	**13,634**	19,664
Others	**52,544**	17,455
	618,034	340,747

5. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on:		
Bank borrowings	**718,187**	825,188
Discounted bills receivable and letters of credit	**544,968**	133,259
Obligations under finance leases	**54,488**	46,123
Notes payables	**135,204**	107,912
Total borrowing costs	**1,452,847**	1,112,482
Less: Interest capitalised	**(47,245)**	(21,363)
	1,405,602	1,091,119

6. OTHER EXPENSE, GAIN AND LOSSES

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Research and development costs	**156,294**	68,211
Exchange loss (gain), net	**57,462**	(23,349)
Impairment loss on property, plant and equipment	**46,747**	255,370
Impairment loss on goodwill	**—**	7,549
(Reversal of) impairment loss on deposits for acquisitions of property, plant and equipment	**(62,564)**	45,573
Loss on fair value change of convertible bonds receivable	**85,308**	—
Loss on fair value change of convertible bonds payable	**67,045**	—
Loss on disposal of available-for-sale investment	**19,251**	—
Impairment loss on available-for-sale investment	**4,508**	—
(Gain) loss on fair value changes of held for trading investment	**(3,320)**	3,638
Gain on disposal of joint ventures	**(22,358)**	—
Provision for reinstallation charge	**80,000**	—
	428,373	356,992

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax ("EIT")		
Current tax	**221,340**	111,323
(Over) underprovisions in prior periods	**(11,418)**	7,439
	209,922	118,762
USA Federal and State Income Tax		
Current tax	**1,687**	332
Overprovisions in prior periods	**—**	(7,248)
	1,687	(6,916)
Hong Kong Profits Tax — Current tax	**18,690**	6,295
PRC dividend withholding tax	**11,413**	18,395
Deferred tax	**46,359**	(65,065)
	288,071	71,471

The PRC EIT 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.

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 2014. 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 (the "USA") are calculated at 35.0% and 8.8%, respectively for the six months ended 30 June 2014.

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 companies registered in Hong Kong and the British Virgin Islands, respectively, when and if undistributed earnings are declared to be paid as dividends out of profits that arose on or after 1 January 2008.

8. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit (loss) for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**1,818,128**	1,668,974
Amortisation of prepaid lease payments	**20,946**	24,174
Amortisation of other intangible assets (included in cost of sales and administrative expenses)	**14,574**	14,360
Total depreciation and amortisation	**1,853,648**	1,707,508
Less: Amounts included in inventories	**(92,271)**	(100,593)
Total depreciation and amortisation charged to profit or loss	**1,761,377**	1,606,915
Allowance for trade and other receivables, net (included in administrative expenses)	**185,512**	84,731
Cost of inventories recognised as cost of sales	**12,733,196**	9,645,966
Cost of project assets recognised as cost of sales	**—**	390,298
Impairment loss on inventories (included in cost of sales)	**14,996**	43,711
Impairment loss on project assets (included in cost of sales)	**53,001**	17,233
Loss on disposal of property, plant and equipment	**14,283**	970
Share-based payment expenses (included in administrative expenses)	**51,346**	10,462

9. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings (loss)		
Earnings (loss) for the purposes of calculation of basic and diluted earnings (loss) per share		
— Profit (loss) for the period attributable to owners of the Company	**900,353**	(917,316)

	Six months ended 30 June	
	2014	2013
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**15,485,432**	15,477,881
Effect of dilutive potential ordinary shares:		
Share options	**20,451**	—
Weighted average number of ordinary shares for the purpose of dilutive earnings (loss) per share	**15,505,883**	15,477,881

Diluted earnings per share for the six months ended 30 June 2014 did not assume the conversion of convertible bonds payable since the conversion would increase the earnings per share for the six months ended 30 June 2014.

Diluted earnings per share for the six months ended 30 June 2013 did not assume the exercise of the share options since the exercise would decrease the loss per share for the six months ended 30 June 2013.

10. TRADE AND OTHER RECEIVABLES

The Group generally allows a credit period within 3 months from the invoice date for trade receivables and may further extend 3 to 6 months for settlement through bills issued by banks and financial institutions obtaining from trade customers.

The following is an aged analysis of trade receivables at the end of the reporting period, net of allowances for doubtful debts, presented based on the invoice date, which approximated the respective revenue recognition dates:

	As at 30 June 2014	As at 31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables:		
Within 3 months	**3,246,077**	2,342,828
3 to 6 months	**472,881**	517,292
Over 6 months	**193,438**	200,011
	3,912,396	3,060,131

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

	As at 30 June 2014	As at 31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bills receivable (trade):		
Within 3 months	**2,362,625**	3,349,504
3 to 6 months	**2,278,317**	2,527,925
	4,640,942	5,877,429

11. 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 2014 *HK$'000* **(Unaudited)**	As at 31 December 2013 *HK$'000* (Audited)
Trade payables:		
Within 3 months	**2,744,925**	2,590,741
3 to 6 months	**1,181,576**	965,104
Over 6 months	**284,751**	308,475
	4,211,252	3,864,320

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

	As at 30 June 2014 *HK$'000* **(Unaudited)**	As at 31 December 2013 *HK$'000* (Audited)
Bills payable (trade):		
Within 3 months	**3,466,327**	2,622,893
3 to 6 months	**2,846,991**	2,355,140
	6,313,318	4,978,033

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I hereby announce that GCL-Poly achieved the following operating results for the first half of 2014. For the six months ended 30 June 2014, GCL-Poly recorded a revenue of approximately HK$17.22 billion, representing a 52.4% increase as compared with the same period in 2013. Gross profit was approximately HK$3.68 billion, an approximately 400% increase as compared with the same period in 2013. Profit attributable to shareholders amounted to approximately HK$0.90 billion. Basic earnings per share amounted to approximately HK5.81 cents. The operating environment of the solar industry in the first half of 2014 has significantly improved as compared with the same period of last year; meanwhile, the installation of global solar photovoltaic market in 2014 is expected to increase by 22% to 45 GW over that in 2013. The outperforming results of GCL-Poly in the first half of 2014 were attributed to its strategy of consistently focusing on customers as well as the trend of market demand, and continuously improving its leading competitive edges at the up and downstream of the industry value chain, including technology innovation, developing and promoting higher efficiency products, refining manufacturing efficiency; and hence, achieving better cost control. Particularly, the significant amount of GCL's higher efficiency products were introduced to the market, which has opened and led to the higher efficiency era of the PV industry.

The PV Market Continued to Grow and the Industry has Developed Healthier

According to industry analysis and forecast, it is expected that the global PV market will continue to grow, and the estimated global solar installation demand could reach approximately 29 GW in the second half of 2014. In particular, PV demand in China market will continue to lead the global market. The China National Energy Administration has reinforced its expectation of 13 GW of PV installation connecting to the grid by the end of 2014 in China. Furthermore, those emerging markets (including Japan, U.S., India, South Africa and Southeast Asia) have been increasingly growing, and the rise of United Kingdom market also has become a major highlight in the European market.

After almost two-year intensified industry consolidation, most of those excessive capacities in the solar industry were phased out, and industry concentration has been significantly improved, comparing to that in 2011. Hence, the solar industry has entered into a rational and mature developing stage. Meanwhile, the Government has introduced industry regulating policies, which has helped to increase entry barriers and operational standards of the solar PV industry. With more disciplined practices are advocated by leading companies in the industry, more positive incentives have brought to the market. Particularly, industry leaders' advantages, such as brand influence, financial strength and technological innovation, could be fully presented, creating a favorable internal and external developing environment.

Leading by higher efficiency products, higher efficiency installation system, and hence, lower cost of solar energy per watt, the solar industry has entered into the higher efficiency era. As a result, continuous improving investment return on PV installation projects has become the primary approach to achieve grid parity for the solar energy power.

It is notable that the recovery of the PV industry has encountered the challenges of trading disputes. Although the second round of "anti-dumping and anti-countervailing" investigation initiated by the U.S. government, and imposed to the Chinese and Taiwanese solar companies, does not have any direct impacts to the polysilicon and wafer segments, it has brought up a new topic of expanding to overseas markets for silicon and wafer material producers.

The Ministry of Commerce and the General Administration of Customs of China announced that they will no longer permit processing trade-based polysilicon imports from the U.S., Europe and South Korea, effective from 1 September 2014, which will close the loopholes of overseas silicon materials entering Chinese market, providing a fair and better developing environment for domestic polysilicon producers.

Looking forward to the full year of 2014, despite of the global trade war barriers, slower-than-expected distributed power generation installation in China, and decreasing solar energy subsidies in countries like Japan, the global PV market should continue to grow, mainly due to the continuously decreasing cost of solar power energy, more newly introduced favorable policies, as well as those rapidly emerged new markets.

Technology Innovation has Brought Competitive Differentiation; Higher Efficiency Products have Attributed to Better Operational Results

GCL-Poly's solar business operation has consistently driven by technology innovation, and the focus of operational philosophy, including "simplicity, cost-efficiency, speed, coordination and talents". These core competitive differentiations have helped the Company to achieve satisfied operational results. For the first half of the year, our solar business produced 32,341 MT of polysilicon and sold 7,463 MT. The production and sales of wafers were 5,903 MW and 5,776 MW, respectively, all of which were sold.

Regarding technology research and development, the Company has continuously increased its R&D investment in the first half of 2014 through prioritizing key projects. As at the end of June 2014, the Company had 92 ongoing R&D projects, and its 14 subsidiaries have applied 394 patents, and received 230 licensed patents. The Company had 4 research papers published in global journals (included in SCI). It also participated in the preparation of 3 international standards, 12 national standards and 6 industry standards. In addition, it obtained 8 high-tech product certifications in Jiangsu Province.

In respect of polysilicon production, the construction process of our self-developed Fluidized Bed Reactor (FBR) based polysilicon production is progressing as scheduled. As for crystal growing and wafer slicing process, the ingoting process of higher efficiency GCL Multi-Wafer products has continuously improved; and hence, progresses were made in respect of developing new products. As at the end of June 2014, S3 products' production capacity was increased to 110 million pieces per month. The project of full-size GCL mono crystal ingot is progressing well, and the next generation of higher efficiency wafer products will be introduced in the second half of the year.

Regarding production and operation, the Company has further promoted GPW, established, improved and refined production systems, as well as increased operation efficiency, resulting in a significant decrease in production cost. For the first half of 2014, the average polysilicon production cost was decreased by approximately 9.2% as compared with that for the same period of 2013, while that for average non-silicon wafer processing cost was decreased by approximately 16% year-over-year.

By consistently expanding to global markets and focusing on customers, GCL-Poly has enhanced industry cooperation and achieved higher customers satisfaction. While remaining demand driven orientation, the Company proactively communicated with customers, establishing a quick customer response system through its CRM on-line customer service system, with a goal to promote and materialise the grid parity goal of solar power energy as soon as possible through industry cooperation.

Promoting the Application of Higher Efficiency Product; Forming Strategic Synergies at the Up and Downstream of the Value Chain

The Company will continue to maintain its leading position of branding and low cost advantage in polysilicon, crystal growing and wafer slicing segments in the world. We will fully dedicate to the development, promotion and application of higher efficiency wafer products by leveraging on our advantages of raw materials manufacturing capabilities at the upstream of the value chain, persistently pursuing technology innovation to develop differentiated higher efficiency products, as well as promoting the construction and operational maintenance of high-performance power systems; thus, forming strategic synergies at the up and downstream of the industry chain, and maximising profitability outlook.

Successfully Acquiring Same Time (0451.HK); Forming the Operation Platform of "GCL New Energy" to Develop, Invest and Operate Solar Power Projects

On 9 May 2014, the Company completed the acquisition of Same Time (0451.HK), which was renamed to GCL New Energy Holdings Limited and has been officially opened for operation at the same time, representing the successful listing of GCL solar power plants business in Hong Kong. In the first half of 2014, GCL New Energy proactively engaged with major domestic solar power plant developers in relation to development cooperation. On 21 May 2014, GCL New Energy announced to enter into cooperation framework agreements with several well-known enterprises including GD Solar, Huanghe Solar and CSR, forming a goal of more than 4GW jointly developing and operating solar power plant capacity.

Stable Power Business Development Outperformed Peers

In the first half of 2014, the power business continued to record stable performance. The Company has continued to maximise the efficiencies of existing resources with centralized management and cost control, assuring the healthy development of its power and steam businesses. As at the end of June 2014, the Company sold 3,254 GWh of electricity, with a year-on-year increase of 16.7%, and 4,218,838 tonnes of steam, with a year-on-year decrease of 3.3%. 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 results in terms of the overall operational and financial indicators in the first half of 2014 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 supports.

MANAGEMENT DISCUSSION AND ANALYSIS

HALF YEAR RESULTS

Benefited from the supportive national policies from the People's Republic of China ("PRC"), demand for solar products improved and over-supply situation being improved, the photovoltaic industry showed sign of modest recovery from the second half in 2013 till the first half of 2014. The Group is able to capture the favourable market condition and its results showed a significant improvement as compared to the same period of last year. For the six months ended 30 June 2014, the Group recorded growth of 52.4% in revenue to approximately HK$17,222 million as compared to the corresponding period in last year. The Group turned around from loss of approximately HK$836 million in the six month ended 30 June 2013 to profit of approximately HK$1,013 million during the same six month period in 2014.

ACQUISITION

On 9 May 2014, the Group has completed the acquisition of GCL New Energy Holdings Limited ("GCL New Energy") (Formerly known as Same Time Holdings Limited, stock code: 451) by subscription of 360,000,000 new shares for a cash consideration of HK$1,440,000,000, which was mainly financed by the proceeds from the issuance of convertible bond in 2013. After completion, the Group owns approximately 67.99% of the issued share capital of GCL New Energy. GCL New Energy is principally engaged in the manufacturing and selling of printed circuit boards.

The Group considers that it is a good opportunity to focus on the new renewable energy sector and in particular, solar plants on a separate listing platform. GCL New Energy will become the Group's extended arm on the development of solar power plant business as well as investment in the new solar farms and solar roof application projects. This helps GCL Poly Energy Holdings Limited and its subsidiaries ("GCL") to manage businesses in a more organized manner and bring the Group's business to new dimension.

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 2014, our annual polysilicon production capacity was maintained at 65,000 MT. During the six months ended 30 June 2014, GCL produced approximately 32,341 MT of polysilicon, representing an increase of 47.1% as compared to 21,980 MT for the same period in 2013. We plan to increase our capacity through production of high-purity polysilicon using FBR technology when its commercial production commences.

In order to meet the increasing demand, GCL's annual wafer production capacity increased to 12 GW as at 30 June 2014, we mainly increased production equipment and continued to increase wafer production capacity through various technological improvements measures such as by using upgraded ingot furnace facility, and improving crystal growing process, etc. In addition, GCL further expanded production capacity and sales volume of high-efficiency multi-crystalline silicon wafer "GCL Multi-Wafer S3" and our second generation high-efficiency mono-crystalline silicon wafer "GCL

Monocrystalline G2" during this period. During the six month ended 30 June 2014, approximately 5,903 MW of wafers were produced, representing an increase of 71.0% from 3,452 MW last year same period.

Production Costs

GCL's polysilicon and wafer production costs mainly depend on its distinctive core competitiveness from technology innovation, which cause continuous cost reduction in all aspects of raw material costs control, lower energy consumption, achieving economies of scale in its operations and streamlined production processes.

Jiangsu Zhongneng continues to deploy all its efforts to reduce the electricity and steam consumption and other fixed costs incurred during the polysilicon production. Together with a high capacity utilisation rate in the first half of 2014, our average polysilicon production costs decreased by 9.2% from HK$134.1 (US$17.3) per kilogram for the six months ended 30 June 2013 to HK$122.07 (US$15.7) per kilogram for the same period this year.

Attributed to the effective raw material recycling method together with other measures resulting in increase in production yield and cost reduction, GCL was able to reduce its wafer production cost to an extremely competitive level. The average non-silicon wafer processing cost was decreased by approximately 16.0% from HK$0.752 (US$0.0970) per W for the six months ended 30 June 2013 to HK$0.632 (US$0.0815) per W for the six months ended 30 June 2014.

Sales Volume and Revenue

Revenue of our solar material business for the six months ended 30 June 2014 amounted to approximately HK$11,888 million, representing an increase of 55.5% from HK$7,647 million for the six months ended 30 June 2013.

For the six months ended 30 June 2014, GCL sold 7,463 MT of polysilicon and 5,776 MW of wafer, a decrease of 11.9% and an increase of 49.7% respectively, as compared with 8,472 MT of polysilicon and 3,858 MW of wafer for the corresponding period in 2013.

The average selling prices of polysilicon and wafer were approximately HK$171.0 (US$22.1) per kilogram and HK$1.75 (US$0.23) per W respectively for the six months ended 30 June 2014. The corresponding average selling prices of polysilicon and wafer for the same period one year earlier were HK$131.7 (US$17.0) per kilogram and HK$1.55 (US$0.20) per W respectively.

Power Business

The Group's power business consists of cogeneration plants (including incineration plants), wind power plant and solar power plants in the PRC. They are under the category of environmentally friendly power plants that are encouraged by the PRC government. As at 30 June 2014, the Group operates 30 power plants in the PRC (including subsidiaries and associates) as follows:

		30.06.2014			31.12.2013	
		Capacity (MW)			Capacity (MW)	
	Quantity	**Installed**	**Attributable installed**	Quantity	Installed	Attributable installed
Cogeneration plants						
Coal-fired cogeneration plants and resources comprehensive utilization cogeneration plants	**13**	**444.0**	**352.2**	14	474.0	374.7
Gas-fired cogeneration plants	**3**	**870.0**	**391.1**	3	870.0	391.1
Biomass cogeneration plants	**2**	**60.0**	**60.0**	2	60.0	60.0
Solid-waste incineration plants	**2**	**36.0**	**36.0**	2	36.0	36.0
	20	**1,410.0**	**839.3**	21	1,440.0	861.8
Solar power plants						
Solar plants	**8**	**320.0**	**256.3**	7	300.0	236.3
Rooftop solar plant	**1**	**3.0**	**3.0**	1	3.0	3.0
	9	**323.0**	**259.3**	8	303.0	239.3
Wind power plant	**1**	**49.5**	**49.5**	1	49.5	49.5
Total	**30**	**1,782.5**	**1,148.1**	30	1,792.5	1,150.6

The installed capacity and attributable installed capacity decreased from 1,792.5 MW and 1,150.6 MW in December 2013 to 1,782.5 MW and 1,148.1 MW in June 2014, respectively. The change was mainly due to:

1. a 20 MW ground-mounted solar power plant in Shanxi province has commenced operation during the period,

2. as Xuzhou Cogeneration Plant continued to face operating difficulty, GCL took advantage of the opportunity to discontinue such plant in June 2014 when the local government implemented the policy to compensate enterprises closed, so as to avoid its operation loss in the future.

As at 30 June 2014, the total steam extraction and attributable steam extraction were decreased by 100 tonne/h and 75 tonne/h to 2,339.0 tonne/h and 1,755.9 tonne/h respectively for the period ended 30 June 2014. The decrease was entirely due to the discontinuous operation of Xuzhou Cogeneration power plant.

Sales Volume

For the six months ended 30 June 2014, total electricity and steam sales volume were 3,254,413 MWh and 4,218,838 tonnes respectively representing an increase of 16.7% and a decrease of 3.3% as compared to 2,788,692 MWh and 4,364,505 tonnes as at 30 June 2013. The increase of electricity sales volume was mainly due to commencement of operation of solar power plants and Suzhou Cogeneration Plant (Northern) in the second half of 2013.

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

Plants	**Electricity Sales** *MWh* **30.06.2014**	Electricity Sales *MWh* 30.06.2013	**Steam Sales** ***tonne*** **30.06.2014**	Steam Sales *tonne* 30.06.2013
Cogeneration plants				
Kunshan Cogeneration Plant	**197,812**	204,581	**307,550**	308,051
Haimen Cogeneration Plant	**75,620**	79,940	**139,280**	149,846
Rudong Cogeneration Plant	**81,082**	90,557	**374,160**	387,464
Huzhou Cogeneration Plant	**59,451**	62,335	**183,762**	194,490
Taicang Poly Cogeneration Plant	**106,762**	111,730	**173,810**	201,569
Jiaxing Cogeneration Plant	**112,239**	103,784	**378,564**	411,454
Lianyungang Xinneng Cogeneration Plant	**52,009**	52,468	**214,635**	206,562
Puyuan Cogeneration Plant	**90,438**	100,841	**328,564**	368,353
Fengxian Cogeneration Plant *(note 1)*	**50,881**	81,821	**908,542**	936,807
Yangzhou Cogeneration Plant	**212,335**	212,138	**132,514**	133,844
Dongtai Cogeneration Plant	**47,545**	59,783	**245,480**	264,436
Peixian Cogeneration Plant	**75,987**	92,675	**114,986**	116,642
Xuzhou Cogeneration Plant *(note 2)*	**56,480**	83,640	**113,180**	131,826
Suzhou Cogeneration Plant — Blue Sky	**1,001,300**	918,652	**409,803**	368,936
Suzhou Cogeneration Plant — Northern	**506,441**	250,705	**N/A**	N/A
Baoying Cogeneration Plant	**66,509**	55,456	**115,065**	106,448
Lianyungang Xiexin Cogeneration Plant	**80,079**	70,792	**78,943**	60,867
Taicang Incineration Plant	**39,855**	38,838	**N/A**	N/A
Xuzhou Incineration Plant	**65,562**	43,747	**N/A**	16,910
Sub-total	**2,978,387**	2,714,483	**4,218,838**	4,364,505
Solar power plants				
Xuzhou Solar Power Plant	**10,524**	10,578	**N/A**	N/A
DaTongXian GCL Solar Power Plant	**70,082**	6,493	**N/A**	N/A
Sangri Solar Power Plant	**9,282**	8,978	**N/A**	N/A
Funing Xinneng Solar Power Plant	**19,719**	N/A	**N/A**	N/A
Baoying Xingneng Solar Power Plant	**21,728**	N/A	**N/A**	N/A
Huocheng Solar Power Plant	**23,405**	N/A	**N/A**	N/A
Jiangsu Guoneng Rooftop Solar Power Plant	**1,787**	1,719	**N/A**	N/A
DaTongXian Xinneng Solar Power Plant *(note 3)*	**2,968**	N/A	**N/A**	N/A
Ningxia Qingyang Solar Power Plant	**75,750**	N/A	**N/A**	N/A
Sub-total	**235,245**	27,768	**N/A**	N/A
Wind power plants				
Guotai Wind Power Plant	**40,781**	46,841	**N/A**	N/A
Total of subsidiaries	**3,254,413**	2,789,092	**4,218,838**	4,364,505
Associated cogeneration plants				
Funing Cogeneration Plant	**86,028**	93,944	**34,565**	36,794
China Resources Beijing Cogeneration Plant	**342,630**	389,817	**177,239**	213,508
Grand total	**3,683,071**	3,272,853	**4,430,642**	4,614,807

Note 1: It included the steam sales of its subsidiary, Fengxian Xincheng Environmental Cogeneration Co., Ltd.
Note 2: Xuzhou Cogeneration Plant has ceased operation from June 2014.
Note 3: DaTongXian Xinneng Solar Power Plant has commenced operation during the period.

Revenue

For the six months ended 30 June 2014, the revenue for the power business was HK$5,018 million, an increase of 55.8% as compared to HK$3,220 million as at 30 June 2013. The increase was mainly due to an increase in the sales volume of electricity and coal during the year.

Average Utilisation Hour

Average utilisation hour for the Group's power plants is defined as the amount of electricity produced during a specified period (in MWh) divided by the average installed capacity of the Group's power plants during the same period (in MW).

For the six months ended 30 June 2014, the average utilization hour of cogeneration plants (excluding Suzhou Cogeneration Plant — Northern) was 2,989 hours, representing a decrease of 1.9% as compared to 3,047 hours for the first six months of 2013. For the six months ended 30 June 2014, the average utilization hour of solar power plants was 793 hours, representing an increase of 38.9% as compared to the 571 hours for the first six months of 2013, which is due to the newly operated solar power plants are located in a western district where there is strong sunshine.

Fuel Costs

The major cost of sales for the Group's cogeneration plants was the cost of fuels which include coal, natural gas, coal sludge, sludge and biomass materials.

For the group's coal-fired cogeneration plants, resource comprehensive utilisation plants and biomass cogeneration plants, the average unit fuel costs for electricity sales and steam sales were HK$360.8/MWh and HK$109.9/tonne respectively for the six months ended 30 June 2014. The corresponding average unit fuel costs for electricity sales and steam sales were HK$384.3/MWh and HK$120.6/tonne respectively for the same period in 2013. The decrease was mainly due to the decrease in coal price during the period.

For the Group's two Suzhou cogeneration plants, natural gas was the major component of the cost of sales. The average unit fuel costs for electricity sales and steam sales were HK$651.6/MWh and HK$203.2/tonne respectively for the six months ended 30 June 2014. The corresponding average unit fuel costs for electricity sales and steam sales for the same period in 2013 were HK$515.0/MWh and HK$188.8/tonne respectively. The increase was mainly due to the increase in natural gas price in the second half of 2013.

The major components in the cost of sales for the Group's renewable energy plants are depreciation and labour costs.

Other Businesses

During the current interim period, other businesses comprise of overseas solar power plant business and GCL New Energy.

For overseas solar power plant operation, the Group has an approximately 18MW in operation in the United States as at 30 June 2014. Meanwhile there are approximately 100MW PV projects under construction in the United States.

For the first half of 30 June 2014, revenue from sales of electricity generated by the PV projects in the United States was approximately HK$43 million (US$6 million) (2013: HK$41 million).

The Group has completed the acquisition of GCL New Energy on 9 May 2014. GCL New Energy and its subsidiaries were principally located in Hong Kong and PRC and engaged in the manufacturing and selling of printed circuit boards. GCL is currently planning to deploy GCL New Energy as the platform to expand Group's arm into the renewable energy sector, including development, construction, operation and management of solar power, as well as solutions in the energy storage, efficiency, intelligent micro-grid and distributed energy.

From the acquisition date to the period ended 30 June 2014, GCL New Energy attributed to GCL revenue amounting to HK$270 million.

Outlook

The solar industry has started to recover during the second half of 2013 and robust demand continued through the first half of 2014. As a result, we experienced high utilisation of our manufacturing facilities in the first half and we expect strong momentum to continue in 2014. Despite the solar components sales of the PRC and Taiwanese manufacturers were affected by anti-dumping and countervailing ruling by the United States, we expect global demand for new installations of PV should continue to grow from the basis of 39 GW in 2013 with rising demand from China and Japan. In addition, supply-demand dynamics along the PV value chain appears to remain healthy and balanced in 2014 and as a result solar products selling prices remains stable. Higher capacity utilisation has also contributed to our manufacturing cost reduction.

We anticipate that 2014 global PV solar demand to grow modestly to approximately 40-45 GW, with slower European demand while demand in emerging markets such as China, the United States, Japan, India, Korea, Australia and Brazil will continue to increase. These emerging markets will play a more important role in the solar industry development, leading to a more balanced geographical diversification. Recently, the National Energy Bureau of China has indicated a total of 13 GW of installations in China in 2014, alleviating concerns of slower-than-expected roof-top/distributed solar energy progress. As such, we believe the initial 35 GW cumulative installation target by 2015 set by the National Development and Reform Commission ("NDRC") will have to be revised up. In addition, we also expect no major downward revision in ground-mounted Feed-In-Tariff ("FiT") in China this year which will continue to support the growth of the PV industry. A significant amount of installations in 2014 will be supported by the roof-top/Distributed generation subsidy announced in August 2013. In Japan, the government only reduced the solar FiT slightly from 36Yen/kWh to 32Yen/kWh for systems larger than 10kW, and we believe that the economics of solar projects in Japan will remain attractive in solidifying Japan to be the second largest PV market in the next few years. With rich 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 of the PV industry. We also see tremendous growing opportunities in emerging markets such as South Africa, South America and Southeast Asia. As one of the market leaders of solar industry, we are in the good position to seize the opportunity.

As many small solar producers have halted their production or exited the market recently, we expect the average selling price of solar products will remain stable or slightly higher in 2014. We are optimistic that our manufacturing cost will remain low as capacity utilization remains high. We believe our Company will remain competitive with our superior cost structure and effective execution to manage our production facilities.

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 Monocrystalline G2" wafer in December 2013 and "GCL Multi-Wafer S3" wafer in May 2013 are able to meet the ever-rising requirements of our customers for high efficiency products. Average conversion efficiencies of these products have already attained over 19% and 18% respectively. It helps our customers to reduce their manufacturing costs, further lower the overall capital expenditure of solar power plants, and to increase the competitiveness and return on investment of PV system installation.

For the power business, coal price is an important factor to profitability. We recorded a small increase in coal price in the second half of 2013 after a significant decrease in 2012. We expect the average coal price in 2014 will remain stable. In the meantime, 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 focus on the development of renewable-energy power plants.

Employees

We consider our employees to be our most important resource. As at 30 June 2014, the Group had approximately 17,886 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 organized its financial information in three segments — the solar material business, power business and other businesses (including overseas solar power plant operation and printed board circuit business) — during the period. The following table sets forth the Group's operating results by business segments:

	Solar Material Business	**Power Business**	**Other Businesses**	**Corporate**	**Consolidated**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Revenue from external customers	11,888	5,018	316	—	17,222
Segment profit (loss)	1,135	208	(70)	—	1,273
EBITDA*	3,780	905	(8)	(70)	4,607

* The following items were excluded in the calculation of Earnings before interest, tax, depreciation and amortization ("EBITDA"): i) Impairment loss on property, plant and equipment; ii) Impairment loss on available-for-sale investment; iii) Reversal of impairment loss on deposits for acquisitions of property, plant and equipment; iv) Loss on fair value change of convertible bonds receivable; and v) Loss on fair value change of convertible bonds payable vi) Gain on fair value changes of held for trading investment

Revenue

Revenue increased by 52.4% to HK$17,222 million for the six months ended 30 June 2014. The increase was mainly attributable to the increase in both the sales volume and the average selling price of polysilicon and wafer.

Gross Profit Margin

The gross profit of the Group amounted to approximately HK$3,678 million for the six months ended 30 June 2014, representing an increase of approximately 4 times to that of last period of approximately HK$745 million. Gross profit margin improved to 21.4% from 6.6%. The improvement was mainly due to the increase in gross profit margin for the solar material business.

Gross profit margin for the solar material business increased from 2.3% for the six months ended 30 June 2013 to 24.7% for the six months ended 30 June 2014. The increase was mainly attributed to the increase in selling price and decrease in production cost as a result of high utilization of manufacturing facilities.

For the power business, the gross profit margin slightly decreased from 17.5% for the six months ended 30 June 2013 to 15.0% for the six months ended 30 June 2014.

Other Income

Other income mainly comprises government grants, sales of scrap materials, bank interest income and waste processing fee income. It increased by 81.2% as compared to HK$618 million for the six months ended 30 June 2014 from HK$341 million for the six months ended 30 June 2013. The increase was mainly due to the increase in government grants, scrap materials sales and higher bank interest income.

Distribution and Selling Expenses

Distribution and selling expenses amounted to HK$34 million for the six months ended 30 June 2014, representing an increase of 70.0% from HK$20 million for the six months ended 30 June 2013. The increase was the result of higher sales and more marketing activities during the period.

Administrative Expenses

Administrative expenses amounted to HK$1,127 million for six months ended 30 June 2014, representing an increase of 37.1% from HK$822 million for the six months ended 30 June 2013. The rise was mainly attributable to the increase in provision for bad debt expense, acquisition of GCL New Energy and increase in share-based payment expenses as a result of new share options granted during the period.

Other Expense, Gain and Losses

Other expenses primarily comprises research and development costs of HK$156 million, loss on fair value change of convertible bonds receivable of HK$85 million, loss on fair value change of convertible bonds payable of HK$67 million, exchange loss of HK$57 million, impairment loss on property, plant and equipment of HK$47 million, reversal of impairment loss on deposits for acquisitions of property, plant and equipment of HK$63 million and provision for reinstallation charge of HK$80 million for the six months ended 30 June 2014.

Finance Costs

Finance costs of the Group in 2014 were HK$1,406 million with an increase of 28.9% as compared to HK$1,091 million in 2013. Increase mainly related to more discounted bills during the period.

Share of Profit of Associates

The Group's share of profits of associates for the six months ended 30 June 2014 was HK$2 million, which was mostly derived from the power business.

Share of Loss of Joint Ventures

The amount represented the Group's share of loss of our joint ventures, which are located in the US and South Africa.

Income Tax Expense

Income tax expense for the six months ended 30 June 2014 was HK$288 million, as compared to HK$71 million for the six months ended 30 June 2013, mainly due to higher operating profit.

Profit attributable to Owners of the Company

Profit attributable to Owners of the Company amounted to HK$900 million for the six months ended 30 June 2014 as compared with a loss of HK$917 million for the six months ended 30 June 2013.

Dividend

The Board does not recommend any payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: nil)

Liquidity and Financial Resources

As at 30 June 2014, the total assets of the Group were approximately HK$83,414 million, of which the restricted and unrestricted cash and bank balances amounted to HK$19,514 million. The bank interest income generated for the first six months of 2014 was HK$141 million.

For the six months ended 30 June 2014, the Group's main source of funding was cash generated from operating and financing activities. The net cash from operating activities for the period was HK$5,046 million, significantly increased from HK$2,202 million in the corresponding period in 2013. Increase in net cash from operating activities was mainly due to higher operating profit as a result of the recovery in the solar industry during the period.

The net cash used in investing activities was HK$3,198 million, primarily from the payments for the purchase of property, plant and equipment and net outflow from placement of pledged and restricted bank deposits.

In the first half of 2014, the financing activities of the Group were principally debt financing. During the period, the amount of HK$20,856 million was raised from new bank borrowings and repayment of bank borrowings announced to HK$18,253 million. On 25 June 2014, a long term note of RMB400 million (equivalent to approximately HK$505 million) was issued and its net proceed (net of fee, commissions and expenses) of approximately HK$503 million was received. In addition, the net proceeds from sales and finance leaseback arrangement was HK$613 million.

The Group made profit of HK$1,013 million from operations for the six months ended 30 June 2014 and, the Group's current liabilities exceeded its current assets by HK$13,125 million. As of the same date, the Group had cash and cash equivalents of HK$9,994 million with bank borrowings due within one year amounted to HK$25,989 million.

In addition to the Group's current undrawn banking facilities and renewable bank borrowings, 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. The Directors believe that the Group will be able to renew the banking facilities upon maturity dates.

The Directors are of the opinion that, taking into account the above undrawn banking facilities, renewal of banking facilities and the Group's cash flow projection for the coming year, the Group will have sufficient working capital to meet its cashflow requirements in the next twelve months.

Indebtedness

The indebtedness of the Group mainly comprises bank borrowings, obligations under finance leases, notes payables and convertible bonds payable. As at 30 June 2014, the Group's total bank borrowings amounted to HK$35,817 million (31 December 2013: HK$33,256 million), obligations under finance leases amounted to HK$2,444 million (31 December 2013: HK$2,071 million), notes payables amounted to HK$4,392 million (31 December 2013: HK$3,923 million) and convertible bonds payable amounted to HK$1,602 million (31 December 2013: HK$1,542 million). Below is a table showing the bank borrowing structure and maturity profile of the Group's bank borrowings:

	As at 30 June 2014	As at 31 December 2013
	HK$ million	*HK$ million*
Secured	**12,796**	16,513
Unsecured	**23,021**	16,743
	35,817	33,256
Maturity profile of bank borrowings		
On demand or within one year	**25,989**	24,916
After one year but within two years	**2,398**	2,447
After two years but within five years	**5,277**	4,858
After five years	**2,153**	1,035
Group's total bank borrowings	**35,817**	33,256

As at 30 June 2014, 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. USD 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 2014	As at 31 December 2013
Current ratio	**0.72**	0.67
Quick ratio	**0.65**	0.61
Net debt to equity attributable to the owners of the Company	**146.5%**	163.4%

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 total 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. Majority of our assets and liabilities are denominated in RMB, while the rest are mainly denominated in US dollars and Hong Kong 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 2014, the Group did not purchase any material foreign currency or interest rate derivatives or related hedging instruments.

Pledge of Assets

As at 30 June 2014, property, plant and equipment and prepaid lease payments with a carrying value of approximately HK$16,241 million and HK$214 million respectively, were pledged as security for certain banking facilities and borrowings granted to the Group (31 December 2013: HK$15,281 million and HK$498 million respectively). Apart from these, bank deposits and bill receivables with a carrying value of approximately HK$626 million (31 December 2013: HK$987 million) and HK$451 million (31 December 2013: HK$776 million) were pledged to the banks to secure borrowings and finance leases granted to the Group.

In addition, property, plant and equipment with a carrying value of approximately of HK$3,491 million (31 December 2013: HK3,012 million) was pledged as security for finance leases granted to the Group.

Capital Commitments

As at 30 June 2014, the Group had capital commitments in respect of purchase of property, plant and equipment and constructions costs in respect of projects contracted for but not provided in the financial statements amounting to HK$1,313 million and HK$350 million, respectively (31 December

2013: HK$1,188 million and HK$915 million). In addition, the Group had capital commitments in respect of purchase of property, plant and equipment which were authorised internally but not contracted for amounted to HK$1,459 million (31 December 2013: HK$5,803 million).

Contingencies

Contingent liability

Same as disclosed in the Company's 2013 annual report, there is no material change for the six months ended 30 June 2014, except for the follows.

During the current interim period, the Group has fulfilled their obligations under the amendment agreement signed on 16 December 2013 in relation to the arbitration disclosed in the Company's 2013 annual report, and purchased certain equipment from the claimant of the arbitration. The Directors consider that their liability in relation to the arbitration has been discharged by fulfilling the obligation under the amendment agreement. As a result, no provision is recognised for the arbitration as at 30 June 2014.

Financial guarantees contracts

At 30 June 2014, the Group provided guarantees of HK$126 million (31 December 2013: HK$127 million) to a bank in respect of banking facilities of an associate. The associate had utilised HK$126 million (31 December 2013: HK$64 million) of such banking facilities at the end of the reporting period. The Directors consider that the fair value of the financial guarantees at date of inception and at the end of the reporting period is insignificant.

Events After the End of The Interim Period

On 25 August 2014, the Company entered new banking facility agreements with a bank with total facility amount of US$490 million with a term of three years. The purposes of the facilities are for funding a subsidiary of the Group, repayment of the outstanding amounts of existing banking facilities and for working capital.

Details of the banking facilities were set out in the announcement of the Company dated 25 August 2014.

CODE ON CORPORATE GOVERNANCE PRACTICES

The corporate governance report of the Board has been set out in the Company's 2013 Annual Report. During the six months ended 30 June 2014, 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. Two independent non-executive directors had attended while one independent non-executive director who was unable to attend due to overseas commitment the annual general meeting of the Company held on 30 May 2014.

(iii) Code Provision A.5.1

Code provision A.5.1 stipulates that a Nomination Committee should comprise a majority of independent non-executive directors. As a result of the resignation of an independent non-executive director ("INED") on 8 January 2014, the nomination committee currently comprises one executive director and one INED. The Board will appoint another INED as additional committee member in due course.

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 2014.

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

During the six months ended 30 June 2014, 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 2014 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 Ir. Dr. Raymond Ho Chung Tai, Mr. Xue Zhongsu and Mr. Yip Tai Him. 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, 28 August 2014

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; Ir. Dr. Raymond Ho Chung Tai, Mr. Xue Zhongsu and Mr. Yip Tai Him as independent non-executive directors.