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## **GCL-POLY ENERGY HOLDINGS LIMITED**

**保利協鑫能源控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 3800)**

### **ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **Financial Highlights**

	<b>Year ended 31 December</b>		<b>% of changes</b>
	<b>2021</b>	<b>2020</b>	
	<b><i>RMB'million</i></b>	<b><i>RMB'million</i></b>	
Revenue	<b>19,698.0</b>	14,671.3	34.3%
Gross profit	<b>7,347.6</b>	3,752.8	95.8%
Profit (loss) for the year	<b>4,701.0</b>	(6,271.3)	N/A
Profit (loss) for the year attributable to owners of the Company	<b>5,084.0</b>	(5,667.9)	N/A

The basic earnings per share and diluted earnings per share for 2021 amounted to RMB20.68 cents and RMB20.65 cents respectively (2020: basic loss per share of RMB28.06 cents and diluted loss per share of RMB28.06 cents).

## RESULTS

The board of directors (the “**Board**” or the “**Directors**”) of the Company announces the audited consolidated results of the Company and its subsidiaries (the “**Group**” or “**GCL-Poly Group**”) for the year ended 31 December 2021 together with the comparative figures for the corresponding period in the previous year as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

		2021	2020
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	<b>19,697,978</b>	14,671,267
Cost of sales		<b><u>(12,350,393)</u></b>	<u>(10,918,475)</u>
Gross profit		<b>7,347,585</b>	3,752,792
Other income	5	<b>766,871</b>	641,546
Distribution and selling expenses		<b>(98,058)</b>	(93,942)
Administrative expenses		<b>(2,034,262)</b>	(1,814,180)
Finance costs	4	<b>(1,903,142)</b>	(3,155,293)
Impairment losses under expected credit loss model, net of reversal	6	<b>(339,018)</b>	(649,147)
Other expenses, gains and losses, net	7	<b>(1,021,553)</b>	(5,010,542)
Share of profits of associates		<b>2,651,636</b>	271,564
Share of losses of joint ventures		<b><u>(78,016)</u></b>	<u>(103,553)</u>
Profit (loss) before tax		<b>5,292,043</b>	(6,160,755)
Income tax expense	8	<b><u>(591,036)</u></b>	<u>(110,496)</u>
Profit (loss) for the year	9	<b><u>4,701,007</u></b>	<u>(6,271,251)</u>

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Other comprehensive income (expense)</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value gain/(loss) on investments in equity instruments at fair value through other comprehensive income	<b>20,610</b>	(20,784)
Share of other comprehensive income of associates	<b>22,402</b>	—
	<b>43,012</b>	(20,784)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<b>5,098</b>	(69,855)
Other comprehensive income (expense) for the year	<b>48,110</b>	(90,639)
Total comprehensive income (expense) for the year	<b>4,749,117</b>	(6,361,890)

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Profit (loss) for the year attributable to:</b>		
Owners of the Company	<b>5,083,952</b>	(5,667,864)
Non-controlling interests	<b><u>(382,945)</u></b>	<u>(603,387)</u>
	<b><u>4,701,007</u></b>	<u>(6,271,251)</u>
<b>Total comprehensive income (expense) for the year attributable to:</b>		
Owners of the Company	<b>5,126,565</b>	(5,742,520)
Non-controlling interests	<b><u>(377,448)</u></b>	<u>(619,370)</u>
	<b><u>4,749,117</u></b>	<u>(6,361,890)</u>
	<b>2021</b>	2020
	<b><i>RMB cents</i></b>	<i>RMB cents</i>
<b>Earnings (loss) per share</b>		
— Basic	<b><u>20.68</u></b>	<u>(28.06)</u>
— Diluted	<b><u>20.65</u></b>	<u>(28.06)</u>

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2021**

	<i>NOTES</i>	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>18,292,536</b>	36,706,248
Right-of-use assets		<b>2,299,036</b>	3,432,600
Investment properties		<b>56,494</b>	61,149
Other intangible assets		<b>179,870</b>	213,338
Interests in associates		<b>9,605,159</b>	7,039,026
Interests in joint ventures		<b>693,944</b>	574,158
Other financial assets at fair value through profit or loss		<b>296,410</b>	321,267
Equity instruments at fair value through other comprehensive income		<b>41,683</b>	21,073
Deferred tax assets		<b>107,985</b>	289,814
Deposits, prepayments and other non-current assets		<b>2,179,398</b>	1,712,971
Contract assets		<b>40,941</b>	1,227,979
Amounts due from related companies — non-trade related		<b>24,481</b>	740,531
Pledged and restricted bank and other deposits		<b>464,640</b>	682,105
		<b>34,282,577</b>	53,022,259
<b>CURRENT ASSETS</b>			
Inventories		<b>950,575</b>	488,629
Trade and other receivables	<i>12</i>	<b>17,527,363</b>	16,487,802
Amounts due from related companies — trade related	<i>14</i>	<b>213,999</b>	210,750
Amounts due from related companies — non-trade related		<b>361,288</b>	386,565
Other financial assets at fair value through profit or loss		<b>421,790</b>	800,763
Held for trading investments		<b>1,473</b>	3,447
Tax recoverable		<b>88,027</b>	2,777
Pledged and restricted bank and other deposits		<b>2,765,122</b>	3,864,571
Bank balances and cash		<b>6,702,316</b>	1,709,585
		<b>29,031,953</b>	23,954,889
Assets classified as held for sale		<b>783,384</b>	3,525,749
		<b>29,815,337</b>	27,480,638

	<i>NOTES</i>	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>13</i>	<b>13,866,276</b>	12,530,712
Amounts due to related companies — trade related	<i>14</i>	<b>254,876</b>	214,298
Amounts due to related companies — non-trade related		<b>2,489,143</b>	1,873,859
Loans from related companies		<b>32,325</b>	788,668
Contract liabilities		<b>896,128</b>	357,461
Bank and other borrowings — due within one year		<b>5,022,964</b>	22,884,812
Lease liabilities — due within one year		<b>316,819</b>	531,258
Notes payables — due within one year		<b>467,305</b>	3,312,863
Derivative financial instruments		<b>112,759</b>	60,561
Deferred income		<b>40,159</b>	40,136
Tax payables		<b>155,774</b>	134,483
		<b>23,654,528</b>	42,729,111
Liabilities associated with assets classified as held for sale		<b>562,365</b>	1,919,568
		<b>24,216,893</b>	44,648,679
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>5,598,444</b>	(17,168,041)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>39,881,021</b>	35,854,218

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Contract liabilities	<b>36,000</b>	—
Loans from related companies	—	119,840
Bank and other borrowings — due after one year	<b>3,559,912</b>	13,351,853
Lease liabilities — due after one year	<b>468,301</b>	1,358,881
Notes payables — due after one year	<b>2,648,062</b>	—
Deferred income	<b>455,183</b>	518,448
Deferred tax liabilities	<b>411,958</b>	113,991
	<u><b>7,579,416</b></u>	<u>15,463,013</u>
<b>NET ASSETS</b>	<u><b>32,301,605</b></u>	<u>20,391,205</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>2,359,030</b>	1,862,725
Reserves	<b>26,666,983</b>	14,726,394
Equity attributable to owners of the Company	<b>29,026,013</b>	16,589,119
Non-controlling interests	<b>3,275,592</b>	3,802,086
<b>TOTAL EQUITY</b>	<u><b>32,301,605</b></u>	<u>20,391,205</u>

## NOTES:

### 1. BASIS OF PREPARATION

#### **Change in presentation of consolidated statement of profit or loss and other comprehensive income**

In prior periods, management services income from operation and management services for solar power plants of new energy business was included under Other income. From 2021 onwards, such income is presented under Revenue, to more appropriately reflect the nature of such income. The comparative figures have been reclassified to conform with the revised presentation.

#### **Statement of Compliance**

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The functional currency of the Company and the presentation currency of the Group’s consolidated financial statements are Renminbi (“**RMB**”).



## 2. APPLICATION OF NEW AND AMENDMENTS TO THE IFRS STANDARDS

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

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRS Standards issued by the International Accounting Standards Board (the “IASB”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, International Accounting Standard (“IAS”) 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2

Except as described below, the application of the amendments to IFRS Standards in the reporting period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

### Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform — Phase 2”

#### *Financial instruments*

#### *Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform*

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

## **Leases**

### *The Group as a lessee*

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform.

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In that case, the Group uses the revised discount rate that reflects change in the interest rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

If lease modifications are made in addition to those lease modifications required by interest rate benchmark reform, the Group applies the applicable requirements in IFRS 16 to account for all lease modifications made at the same time, including those required by interest rate benchmark reform.

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

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

IFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 <sup>4</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>2</sup>
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 — 2020 <sup>2</sup>
Amendments to IAS 12	Deferred tax related assets and liabilities arising from a single transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 April 2021.

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

### 3. SEGMENT INFORMATION

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

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

#### Segment revenue and results

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

#### Year ended 31 December 2021

	Solar material business <i>RMB'000</i>	Solar farm business <i>RMB'000</i>	New energy business <i>RMB'000</i> <i>(Note)</i>	Total <i>RMB'000</i>
Segment Revenue	16,653,431	214,947	2,844,899	19,713,277
Elimination of inter-segment revenue	—	—	(15,299)	(15,299)
Revenue from external customers	<u>16,653,431</u>	<u>214,947</u>	<u>2,829,600</u>	<u>19,697,978</u>
Segment profit (loss)	<u>5,533,824</u>	<u>45,995</u>	<u>(580,675)</u>	4,999,144
Elimination of inter-segment profit				(183,676)
Unallocated income				55,414
Unallocated expenses				(92,103)
Gain on fair value change of other financial assets at fair value through profit or loss ("FVTPL")				7,589
Loss on fair value change of held for trading investments				(1,873)
Impairment losses under expected credit loss model, net of reversal				(103,506)
Share of profit of joint ventures				<u>20,018</u>
Profit for the year				<u>4,701,007</u>

**Year ended 31 December 2020**

	<b>Solar material business RMB'000</b>	<b>Solar farm business RMB'000</b>	<b>New energy business RMB'000 (Note)</b>	<b>Total RMB'000</b>
Segment revenue	9,225,026	460,521	5,023,754	14,709,301
Elimination of inter-segment revenue	—	—	(38,034)	(38,034)
Revenue from external customers	<u>9,225,026</u>	<u>460,521</u>	<u>4,985,720</u>	<u>14,671,267</u>
Segment (loss) profit	<u>(4,866,776)</u>	<u>64,372</u>	<u>(1,262,882)</u>	(6,065,286)
Elimination of inter-segment profit				(166,822)
Unallocated income				75,563
Unallocated expenses				(141,761)
Loss on fair value change of convertible bonds receivable				(403)
Gain on fair value change of financial assets at fair value through profit or loss ("FVTPL")				26,650
Loss on fair value change of held for trading investments				(656)
Loss on disposal of an associate				(10,745)
Share of profit of an associate				13,317
Share of losses of joint ventures				<u>(1,108)</u>
Loss for the year				<u>(6,271,251)</u>

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

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

## Segment assets and liabilities

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Segment assets</b>		
Solar material business	44,607,760	32,273,414
Solar farm business	1,903,182	2,015,984
New energy business	<u>15,888,176</u>	<u>44,990,518</u>
Total segment assets	62,399,118	79,279,916
Other financial assets at FVTPL	409,462	452,937
Equity instruments at fair value through other comprehensive income ("FVTOCI")	41,683	21,073
Held for trading investments	1,473	3,447
Interests in joint ventures	242,768	196,932
Unallocated bank balances and cash	632,082	91,916
Unallocated corporate assets	<u>371,328</u>	<u>456,676</u>
Consolidated assets	<u><u>64,097,914</u></u>	<u><u>80,502,897</u></u>
<b>Segment liabilities</b>		
Solar material business	22,123,122	22,719,454
Solar farm business	715,717	800,954
New energy business	<u>8,855,862</u>	<u>36,406,103</u>
Total segment liabilities	31,694,701	59,926,511
Unallocated corporate liabilities	<u>101,608</u>	<u>185,181</u>
Consolidated liabilities	<u><u>31,796,309</u></u>	<u><u>60,111,692</u></u>

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

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

**Disaggregation of revenue from contracts with external customers**

**For the year ended 31 December 2021**

<b>Segments</b>	<b>Solar material business RMB'000</b>	<b>Solar farm business RMB'000</b>	<b>New energy business RMB'000</b>	<b>Total RMB'000</b>
<b>Types of goods or services</b>				
Sales of wafer	8,456,880	—	—	8,456,880
Sales of electricity	—	214,947	2,694,979	2,909,926
Sales of polysilicon	5,964,921	—	—	5,964,921
Processing fees	1,665,103	—	—	1,665,103
Others (comprising the sales of ingots, management services income and engineering, procurement and construction (“EPC”) and technical service income)	566,527	—	134,621	701,148
<b>Total</b>	<b>16,653,431</b>	<b>214,947</b>	<b>2,829,600</b>	<b>19,697,978</b>

**For the year ended 31 December 2020**

<b>Segments</b>	<b>Solar material business RMB'000</b>	<b>Solar farm business RMB'000</b>	<b>New energy business RMB'000</b>	<b>Total RMB'000</b>
<b>Types of goods or services</b>				
Sales of wafer	5,692,391	—	—	5,692,391
Sales of electricity	—	460,521	4,935,189	5,395,710
Sales of polysilicon	2,205,836	—	—	2,205,836
Processing fees	830,495	—	—	830,495
Others (comprising the sales of ingots and management services income and engineering procurement and construction (“EPC”) and technical service income)	496,304	—	50,531	546,835
<b>Total</b>	<b>9,225,026</b>	<b>460,521</b>	<b>4,985,720</b>	<b>14,671,267</b>

**Geographical information**

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

	<b>2021 RMB'000</b>	<b>2020 RMB'000</b>
The PRC	18,858,883	13,833,755
Others	839,095	837,512
	<b>19,697,978</b>	<b>14,671,267</b>

## Information about major customers

For the year ended 31 December 2021, the revenue from grid companies under common control of the State Grid Corporation of China in total accounted for 14.2% (2020: 36.0%) of the Group's revenue.

## 4. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on financial liabilities at amortised cost		
— bank and other borrowings	1,471,931	2,598,909
— notes payables	323,731	313,494
— loans from related companies	41,923	150,920
Interest on lease liabilities	<u>71,070</u>	<u>111,747</u>
Total borrowing costs	1,908,655	3,175,070
Less: interest capitalised	<u>(5,513)</u>	<u>(19,777)</u>
	<u><u>1,903,142</u></u>	<u><u>3,155,293</u></u>

There was no borrowing cost capitalised during the years ended 31 December 2021 and 2020 arisen on the general borrowing pool.

## 5. OTHER INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Government grants	106,220	120,274
Interest income		
— bank and other interest income	80,947	148,771
Interest arising from contracts containing significant financing component	28,750	77,100
Sales of scrap materials	419,182	180,260
Management and consultancy fee income	7,762	13,122
Rental income	30,870	34,407
Forfeitures of deposits from customers	—	9,612
Write back of other payables	54,113	—
Compensation income ( <i>Note</i> )	29,713	50,325
Others	<u>9,314</u>	<u>7,675</u>
	<u><u>766,871</u></u>	<u><u>641,546</u></u>

*Note:* Amount in 2021 mainly represents the insurance claims received as compensation for damages to property, plant and equipment of the new energy business segment incidental to a typhoon. Amount in 2020 mainly represents the insurance claims received as compensation for the suspension of operation of a production plant in the solar material business segment resulting from a power outage and other damages to property, plant and equipment of the new energy business segment incidental to a typhoon. The relevant production plant had resumed its operation subsequent to the power outage.

**6. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Impairment losses recognised (reversed), net in respect of		
— trade receivables — goods and services	9,039	41,759
— other receivables	335,139	601,990
— contract assets	<u>(5,160)</u>	<u>5,398</u>
	<u><b>339,018</b></u>	<u><b>649,147</b></u>

**7. OTHER EXPENSES, GAINS AND LOSSES, NET**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Research and development costs	1,040,606	529,045
Exchange losses (gains), net	5,536	(373,446)
Loss on fair value change of convertible bonds receivable	—	403
Loss (gain) on fair value change of other financial assets at FVTPL	51,902	(39,677)
Loss on fair value change of held for trading investments	1,873	656
Loss (gain) on fair value change of derivative financial instruments	20,566	(111,400)
Change in fair value of convertible bonds to a non-controlling shareholder of a subsidiary	35,180	—
Impairment loss on property, plant and equipment ( <i>Note</i> )	331,404	4,248,251
Impairment loss on right-of-use assets	—	84,086
Written off of deposits for acquisition of property, plant and equipment	—	14,720
Loss on disposal of property, plant and equipment	41,557	56,900
(Gain) loss on disposal and deemed disposal of associates	(141,449)	117,258
Gain on disposal and deemed disposal of a joint venture	(257,026)	—
(Gain) loss on disposal of subsidiaries, net	(16,134)	81,477
(Gain) loss on disposal of solar power plant projects, net	(84,669)	218,004
Gain on disposal of right-of-use assets	(6,092)	—
Loss on measurement of assets classified as held for sale to fair value less costs to sell	—	207,836
Gain on early termination of leases	<u>(1,701)</u>	<u>(23,571)</u>
	<u><b>1,021,553</b></u>	<u><b>5,010,542</b></u>



*Note:* During the year ended 31 December 2021, impairment loss of approximately RMB270,101,000 and RMB61,303,000 have been recognised in profit or loss on property, plant and equipment of new energy business segment and solar material business segment, respectively.

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

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

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

## 8. INCOME TAX EXPENSE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
PRC Enterprise Income Tax (“EIT”)		
Current tax	186,077	172,886
Under-provision/(over-provision) in prior years	(702)	(2,214)
PRC dividend withholding tax	920	14,578
	<u>186,295</u>	<u>185,250</u>
USA Federal and State Income Tax		
Current tax	340	216
Underprovision in prior years	6	5
	<u>346</u>	<u>221</u>
Deferred tax	<u>404,395</u>	<u>(74,975)</u>
	<u><u>591,036</u></u>	<u><u>110,496</u></u>

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

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

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

Certain subsidiaries of the GNE Group, being enterprises engaged in solar photovoltaic projects, under the EIT Law and its relevant regulations, are entitled to tax holidays of the 3-year full exemption followed by the 3-year 50% exemption commencing from their respective years in which their first operating income were derived. For the years ended 31 December 2021 and 2020, certain subsidiaries of GNE engaged in solar photovoltaic projects had their first year of the 3-year 50% exemption period.

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

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

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

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

## 9. PROFIT (LOSS) FOR THE YEAR

	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>
Profit (loss) for the year has been arrived at after charging (crediting) the following items:		
Staff costs, including directors’ remuneration		
Salaries, wages and other benefits	1,290,685	1,148,237
Retirement benefits scheme contributions	121,750	39,137
Share-based payment expenses	20,718	—
	<u>1,433,153</u>	<u>1,187,374</u>
Total staff costs*		
	<u>1,433,153</u>	<u>1,187,374</u>
Depreciation of property, plant and equipment	2,059,008	3,237,172
Depreciation of right-of-use assets	261,083	390,487
Depreciation of investment properties	4,655	4,656
Amortisation of other intangible assets	33,474	32,986
	<u>2,358,220</u>	<u>3,665,301</u>
Total depreciation and amortisation		
(Less)/add amounts absorbed in opening and closing inventories, net	(768)	30,121
	<u>2,357,452</u>	<u>3,695,422</u>

\* Cost of inventories sold included staff costs of approximately RMB524,308,000 (2020: RMB487,070,000).

## 10. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

## 11. 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Earnings (loss)</b>		
Earnings (loss) for the purpose of basic and diluted earnings/(loss) per share (Profits (loss) for the year attributable to owners of the Company)	<u>5,083,952</u>	<u>(5,667,864)</u>
	2021 <i>'000</i>	2020 <i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	24,580,155	20,196,570
Effect of dilutive potential ordinary shares:		
— Share options issued by the Company	<u>37,606</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	<u>24,617,761</u>	<u>20,196,570</u>

For the years ended 31 December 2021 and 2020, the weighted average number of ordinary shares for the purpose of the calculation of basic earnings (loss) per share had been adjusted for the effect of the 322,998,888 ordinary shares purchased by the Computershare Hong Kong Trustees Limited (“Trustee”) from the market pursuant to the Share Award Scheme (the “Scheme”).

Diluted earnings per share for the year ended 31 December 2021 is calculated by adjusting the weighted average number of ordinary shares in issue during the period with the weighted average number of ordinary shares deemed to be issued assuming the dilutive impact on the share options.

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

Diluted earnings/(loss) per share for the year ended 31 December 2021 and 2020 did not assume the exercise of share options granted by GNE since the exercise would result in increase in earnings per share in 2021 and decrease in loss per share in 2020.

## 12. TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables ( <i>Note a</i> )	11,608,482	13,504,618
Other receivables:		
— Refundable value-added tax	311,583	621,048
— Consideration receivables	1,322,236	1,349,641
— Receivables for modules procurement	62,800	63,376
— Prepayments	686,458	252,671
— Amounts due from former subsidiaries ( <i>Note b</i> )	2,917,863	224,406
— Others	1,788,638	1,322,732
	<u>18,698,060</u>	<u>17,338,492</u>
Less: allowance for credit losses (Trade)	(94,804)	(109,936)
Less: allowance for credit losses (Non-Trade)	(1,075,893)	(740,754)
	<u>17,527,363</u>	<u>16,487,802</u>

*Note a:*

The Group allows a credit period of approximately one month from the invoice date for trade receivables (excluding those arising from sales of electricity) and may further extend 3 to 6 months for settlement through bills issued by banks and financial institutions obtained from trade customers.

The following is an aging analysis of trade receivables (excluding those arising from sales of electricity and bills held by the Group for future settlement), net of allowances for credit losses, presented based on the invoice date at the end of the reporting period:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	185,580	259,570
3 to 6 months	642	42,536
Over 6 months	78,420	129,557
	<u>264,642</u>	<u>431,663</u>

For sales of electricity, the Group generally grants credit period of approximately one month to power grid companies in the PRC from the date of invoice in accordance with the relevant electricity sales contracts between the Group and the respective grid companies.

The following is an aging analysis of trade receivables arising from sales of electricity (excluding bills held by the Group for future settlement), net of allowances for credit losses, presented based on the invoice date at the end of the reporting period:

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Unbilled ( <i>Note</i> )	<b>1,492,086</b>	6,717,763
Within 3 months	<b>108,200</b>	197,194
3 to 6 months	<b>72,706</b>	177,946
Over 6 months	<b>256,141</b>	282,419
	<b><u>1,929,133</u></b>	<b><u>7,375,322</u></b>

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

As at 31 December 2021, total bills received amounting to approximately RMB9,319,903,000 (2020: RMB5,587,697,000) are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

*Note b:*

The amount represents amounts due from former subsidiaries of which the Group disposed of the entire interests during the year ended 31 December 2021. The amounts are non-trade in nature, unsecured, non-interest bearing and have no fixed term of repayment.

### 13. TRADE AND OTHER PAYABLES

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

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Within 3 months	<b>2,664,015</b>	1,461,865
3 to 6 months	<b>3,226,551</b>	1,912,708
More than 6 months	<b>48,410</b>	229,736
	<b><u>5,938,976</u></b>	<b><u>3,604,309</u></b>

#### 14. BALANCES WITH RELATED COMPANIES

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

	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
Within 3 months	<b>190,472</b>	66,648
3 to 6 months	<b>5,130</b>	6,052
More than 6 months	<b>18,397</b>	138,050
	<b>213,999</b>	210,750

The following is an aged analysis of amounts due to related companies, associates and a joint venture (trade related) at the end of the reporting period, presented based on the invoice date:

	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
Within 3 months	<b>247,622</b>	137,517
3 to 6 months	<b>2,769</b>	37,976
More than 6 months	<b>4,485</b>	38,805
	<b>254,876</b>	214,298

*Note:* The amounts due from/to related companies are unsecured, non-interest bearing and the credit period for trade-related balances are normally within 30 days (2020: 30 days).

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

In 2021, the global economy continued to recover amid the spread of the pandemic. Coupled with more extreme weather conditions as compared with 2020, the global energy and power consumption rebounded rapidly. According to the statistics from International Energy Agency (IEA), the global power demand increased by more than 6% in 2021, marking the highest increase since the recovery from the financial crisis in 2010. The surging power demand has outstripped supply, which led to a sharp rise in power prices in many regions across the world. Shortages of natural gas and coal have been the key drivers of rising power prices. According to a report issued by IEA, despite continuous growth in renewable power installations, the global coal-fired power generation recorded a year-on-year increase of 9% in 2021. As a result, annual carbon dioxide emission from power sector reached the highest level in history. In addition, the escalation of the geopolitical conflict between Russia and Ukraine in early 2022 brought strong impact on the global traditional energy market. The price of commodities, particularly crude oil and natural gas, have further risen. Bottleneck in traditional energy supply, further energy shortages and excessive inflation spread around the world rapidly. The United Kingdom, the European Union (the “EU”) and the United States have banned or reduced the import of oil, natural gas and coal from Russia. Against this backdrop, the geopolitical tensions will accelerate the restructuring and transformation of global energy supply as various countries have sought ways to improve energy efficiency, reduce dependence upon fossil energy and achieve energy independence. In particular, promoting installed capacity of new energy such as photovoltaics and wind power has become a worldwide consensus.

According to the latest energy strategy of the European Commission, the EU has implemented policies for supporting the development of renewable energy so as to reduce the external energy dependence of European countries. The EU has also proposed a 45% renewable energy target by 2030. According to this latest proposal, SolarPowerEurope confidently expects that the EU will achieve a total of 1,000GW accumulated installed capacity target, far exceeding the planned total installed capacity of 565GW set in the previous year. Recently, the German parliament passed a resolution to expedite the original goal of achieving 100% renewable energy power supply by 2045 to 2035, reflecting that the annual average new installed capacity will exceed 10GW in Germany, doubling that of 2021. In addition, the French government has also announced an energy independence plan and formulated an energy system mainly based on renewable energy, stating that the installed capacity of photovoltaic power generation is required to increase tenfold to hit 100GW target by 2050. In China, the implementation of new energy power generation installed capacity projects is a key task in the “14th Five-Year Plan” and the “15th Five-Year Plan”. Leveraging the huge reserves of domestic new energy power generation projects and capitalizing fully on the carbon neutral policies, systems and technological cost reduction, the PV industry in China has continued to rank first in the global market in terms of business scale and manufacturing. The work report for 2022 of Premier Li Keqiang emphasized, for the first time, the construction of large-scale wind



and photovoltaic power generation bases, and proposed the improvement in the capacity of power grids for renewable energy power generation with an aim to boost the long-term development of new energy. Driven by both policy and economic factors, including the launch of new energy projects in the entire county, the guaranteed grid connection of wind and photovoltaic power and the introduction of tools for carbon emission reduction, China will have new installed capacity of 75 to 90GW in 2022, according to the estimation of China Photovoltaic Industry Association (CPIA), far exceeding the estimation of 60GW to 75GW made at the end of the previous year. According to the CPIA, the annual newly installed capacity will reach 90GW to 108GW. As such, the demand of photovoltaic power will show a steady and continuous growth and China will enter the era of photovoltaic development.

According to the European Consortium of Innovative Universities (ECIU), 143 major countries and economies around the world have participated in the promotion of the “carbon neutrality”, of which 13 countries and economies, including the EU, Japan and the United Kingdom, have enacted legislations on the “carbon neutrality”. The extensive launch of the new “carbon neutrality” policy in the world will usher in the “thirty years of golden development” of the PV industry. “Carbon neutrality” initiatives have been launched in various counties, accelerating the reform of energy system. As greater efforts have been made to develop new energy projects, which consist mostly of photovoltaic power generation, in order to alleviate the shortage of energy supply, photovoltaic installations have become increasingly popular around the world. According to the latest statistics from Bloomberg New Energy, in 2021, the global new installed capacity of photovoltaic power generation was approximately 184GW, representing a year-on-year increase of approximately 41%. The new installed capacity is expected to range from 220 to 268GW in 2022, marking a historic high.

“Carbon neutrality” facilitates a clean alternative revolution, in which “carbon-based energy” is replaced by “silicon-based energy”. This is the essential decarbonization path in the course of energy consumption where human production and daily activities shift from high to low carbon emission. Photovoltaic power is a major form of silicon-based energy. According to the research and estimation of the Chinese Academy of Sciences, silicon-based component products have accounted for 97.5% of the photovoltaic installation market. Therefore, silicon-based materials are essential to the development prospects of the PV industry. As a global leading supplier focusing on silicon-based materials, GCL-Poly has strategically focused on the low-carbon and low-consumption FBR based granular silicon technology by leveraging on technological innovation. GCL-Poly is committed to promote the carbon reduction in the PV industry with technological innovation and strives to achieve the goal of negative carbon emissions.

## **Business Review for 2021**

During 2021, GCL-Poly produced a total of 47,610 MT of polysilicon (Xinjiang GCL were no longer consolidated in reporting since 2019, so its 2021 polysilicon production of 56,896 MT is not included). GCL-Poly produced a total of 38,118 MW wafers. As at 31 December 2021, GCL-Poly recorded revenue of RMB19,698 million, representing an increase of 34.3% as compared with the corresponding period in 2020; gross profit was approximately RMB7,348 million, representing an increase of 95.8% as compared with the corresponding period in 2020. Profit attributable to shareholders of the Company amounted to approximately RMB5,084 million and basic earnings per share was approximately RMB20.68 cents. As at 31 December 2021, the total liabilities of GCL-Poly (including GNE, a holding subsidiary of GCL-Poly) amounted to RMB31,796 million and the debt ratio decreased to 49.6%, representing a decrease of 25.1% as compared with the corresponding period in 2020.

As at 31 December 2021, the total PV installed capacity of GNE, a holding subsidiary of GCL-Poly, was approximately 1,051GW, representing a decrease of 78.8% as compared with the corresponding period in 2020. Total revenue from PV power generation business amounted to approximately RMB2,695 million, representing a decrease of 45.4% as compared with the corresponding period in 2020. Loss attributable to shareholders of GNE Group amounted to approximately RMB790 million and basic loss per share was approximately RMB3.81 cents. During the year, the liabilities of GNE decreased by approximately RMB11.2 billion. It is expected that the debt will be further reduced by approximately RMB6 billion in 2022 as the proceeds from the sale of assets are received and used to repay debts. As at 31 December 2021, the debt ratio of GNE dropped to 56%, representing a decrease of 25% as compared with the same period of 2020.

### **GCL Technology: Leading the era of reform in PV materials driven by granular silicon technology**

Until today, the development of PV industry experienced many rounds of transformation. Each PV market transformation was accompanied by a revolutionary technological reform. As a leader in the domestic polysilicon industry, GCL-Poly launched the first large-scale Siemens process refrigeration and hydrogenation technology transformation project in China in 2009, which led to the technological reform in the upstream materials of the prevailing PV industry. The Company had subsequently focused on the development of fluidized bed reactor (FBR) technology for over a decade and achieved a breakthrough in 2019 and commenced the commercialization and mass-production of FBR-based granular silicon, a new silicon-based material. At present, the comprehensive electricity consumption of granular silicon in Xuzhou base has been stably controlled at 14.8kWh/kg, and the comprehensive steam consumption is 15.3kg/kg. This improvement has brought significant advantages in cost and carbon emission reduction. Granular silicon represents the most advanced technological product of the existing silicon materials. It also exemplifies the “GCL Technology” and will become an important technological transition process for PV materials.

In order to maintain the growth of GCL-Poly with the support of science and technology and continue to achieve success in scientific researches, the Company put great efforts to ensure scientific researches are carried out smoothly. In respect of investments in scientific and technological R&D, GCL-Poly has been continuously and steadily increasing its investments in the three aspects, namely capital, talent and governance system. The Company has been increasing its financial support for scientific research projects year by year. R&D expenses of the Company increased to RMB1.041 billion in 2021 and expected to account for 5% of the operating income for the year in 2022. In respect of talents, GCL-Poly cooperates with domestic and overseas leading chemical and polymer materials research institutes and universities to jointly cultivate high-caliber technical personnel. In addition to the existing R&D personnel, the Company has further retained talented scientists and technicians. The Company is achieving its goal of retaining high-caliber scientists and technicians through introducing experts, internal cultivation and open recruitment. It is expected that the number of technical and managerial employees with doctoral and master's degree will account for more than 70% of the total number of employees. In addition to expanding its human resources, the Company has retained scientific research personnel by sharing the achievement of R&D and highly aligned the interests of the Company with scientific research personnel. Under its incentive scheme, the Board resolved to grant a total of 214 million Award Shares to 152 qualified key R&D and production personnel of polysilicon and granular silicon technology at a grant price of HK\$0.86 per Award Share in early 2022. Moreover, the Company attaches great importance to the independence and diverse direction of scientific and technological R&D. Central Research Institute of GCL Group is endowed with a high level of independence in R&D and has a well-developed and sound independent management system. The institute consists of five modules, including (silicon industry) R&D center, design center, US R&D center, technology management and intellectual property management, which can maximize the independence and confidentiality of R&D and allow the great diversity of scientific and technological R&D. The institute currently focuses on two major aspects, including R&D in granular silicon and granular silicon-based technology and silicon-based materials, which is a part of strategic plan of the Group, covering key areas such as improvement in granular silicon product quality and process, optimization of equipment and upgrade of key materials. The Company is further seeking to expand its business to the upstream and downstream industrial chain and reaching a leading position in the exploration and research of silica, silicon carbide, silicon nitride, cathode and anode materials, perovskite and other products.

In order to effectively improve customers' experience and stickiness, the Company comprehensively communicates and cooperates with its customers. In respect of technical cooperation, the Company conducts on-site tests of granular silicon products to promote further development and improvement in crystal pulling process. In respect to open technology, the Company has fully opened the 5GW Czochralski monosilicon demonstration project, which is supported by CCZ technology R&D, to its customers, so as to cultivate upstream and downstream ecosystems of the industrial chain and promote

technological optimization and innovation to a certain extent. In the future, with the combination of resource investments, external joint cultivation and customer cooperation, GCL-Poly will continue to be the driving force for technological innovation for the PV industry.

### **Digital initiatives of GCL: Efficient operation of “Three Models and One Digital System” to facilitate digital and intelligent manufacturing**

Based on its development strategies, actual conditions and IT development, GCL-Poly adhered to the goal of digital and intelligent manufacturing during the production and optimization stage of the black technology FBR-based granular silicon project. Through closely cooperating with domestic leading digital technology companies in monitoring equipment, intelligent inspection and other projects and learning advanced concepts of domestic networks and technology manufacturing companies, the Company set up “manufacturing data center” and “operation data center”, and applied “rules for forecast and analysis” and “digital risk control”. Through the four initiatives of “database consolidation, data integration, enhanced business application and efficient decision-making”, it has achieved effective bottom-up data integration and created a digital twin system, which can be replicated under its multi-base and segmented management.

Digital factories not only create value for enterprises in a fast and effective manner, but also assist enterprises in opening up an information platform and integrating information, thereby laying a solid foundation for intelligent transition of enterprises. At the production base in Xuzhou, an automatic, intelligent and intensive centralized control system has been established for the production of granular silicon. Through intelligent analysis and application of cloud big data platform and massive data of the whole chain, operators fully comprehend the operating situation of granular silicon production and R&D bases in Xuzhou, Leshan and Baotou. With the support of a series of remote digital intelligent control technologies, such as robot inspection, early warning system, eagle-eye recognition and remote scheduling, which were jointly developed with various domestic technological leading enterprises, the production process in granular silicon production base has been designed through an accurate and intelligent digital cloud. The production efficiency has been improved and the production safety risks have been mitigated.

In 2021, the Company accelerated its digital transformation. Based on the reform of “Three Models and One Digital System”, the Company modernized its strategic objectives, business values, processes and systems and digitized its operations under an efficient and intelligent operating system to support its outstanding performance. “Three Models and One Digital System” strategy is an important management tool of “Digital GCL” and a management concept that can perfectly coordinate the modern and technological digital factory operation system in the era of digital economy. A comprehensive production and operation data system, an effective digital management and control system and advanced modern management concepts complement each other. Under GCL-Poly’s digital initiatives on production process, in the first quarter of 2022, the production capacity of silicon material per employee increased by 38.2% as compared with that of 2021 and the profit per employee increased by 100.6%, demonstrating efficiency per employee has been improved.

### **GCL Green initiatives: Double certification of carbon footprint at home and abroad, and supporting the low-carbon transformation of the energy structure with granular silicon**

Under the trend of “carbon neutrality”, the right to carbon emission represents the right to development. The basis for valuing carbon is determined by development capacity. In May 2021, Jiangsu Zhongneng, a wholly-owned subsidiary of GCL-Poly, obtained the “Product Carbon Footprint Certificate” issued by the China Quality Certification Center for its granular silicon products. At the end of October 2021, Jiangsu Zhongneng received the “GCL Granular Silicon Product Carbon Footprint Certificate” issued by the French Environment and Energy Control Agency, proving that its carbon footprint value of every kilogram of granular silicon produced is only 37 kilograms of CO<sub>2</sub> equivalent. This breaks the world’s previous lowest record of 57.56 kilograms of CO<sub>2</sub> equivalent per functional unit, and is also the first “carbon footprint certificate” of domestic granular silicon products issued by a foreign authority. This recognition has shown that the excellent performance of domestic granular silicon carbon emission has an absolute advantage in the global solar energy industry, paving the way for GCL-Poly to realize the goal of “peak emission and carbon neutrality” and the achievements in green energy development.

As global green trade has become a long-term trend, low-carbon footprint certification is deemed the “golden key” for global trade. The EU Environment Commission plans to vote on the Carbon Border Adjustment Mechanism (CBAM) legislative report in May 2022. Once the report is approved, the free quota of carbon emissions in certain regions will be gradually cancelled. In addition, importers are required to verify and pay for any carbon emissions generated during the production of their goods, and the rate will be gradually increased. The PRC government is establishing and improving comprehensive mechanisms for its carbon market and carbon pricing. With the steady increase in the market penetration of granular silicon, GCL-Poly’s carbon footprint will extend to the downstream wafers and components manufacturers. Under the global trend of carbon reduction, low carbon development is becoming the main strategies to increase overseas market shares for downstream wafers and components manufacturers. The improvement

of the carbon market shows that the carbon footprint advantage of products in the whole industry will be transformed into a carbon cost advantage in the near future, and the penetration cost and production cost of goods will be included in the form of carbon tariffs and carbon prices.

**The production capacity of granular silicon has been supported by the infrastructure of GCL-Poly and the supply margin has been secured with upstream extension**

With a decade of commitment and upon the commissioning of additional production capacity of 20,000 tonnes of granular silicon at the end of 2021, GCL-Poly has officially featured the mass production capacity for granular silicon under a replicable production and commercialized mass production model in 2022. The total planned capacity of granular silicon in three bases in Xuzhou, Jiangsu, Leshan, Sichuan and Baotou, Inner Mongolia was 500,000 tonnes, of which the planned capacity of granular silicon in Xuzhou and Leshan was 100,000 tonnes, respectively. In Baotou, Inner Mongolia, the Company entered into equity cooperation with downstream first-tier manufacturers to enhance strategic mutual cooperation and has planned a total production capacity of 300,000 tonnes of granular silicon, including the first phase of production capacity of 100,000 tonnes. Moreover, as a part of its development strategy of focusing on the development of silicon materials, the Company has extended its upstream supply chain to upstream manufacturers, so as to ensure the supply of high-purity nano-silicon powder, one of the raw materials for manufacturing granular silicon. As the government has strictly controlled energy consumption and intensity, the planning of high-purity nano-silicon powder production capacity will effectively improve the safety margin of silicon material production of the Company, ensure the stability of the supply chain, and increase the income of the industrial chain.

The perseverance and efforts of employees on the production and construction front line are essential to the above huge expansion of production capacity. As the first large-scale granular silicon production project in China and even in the world, the production base in Xuzhou with an additional production capacity of 20,000 tonnes of granular silicon independently and prudently developed by the Company has become a model for subsequent projects with its excellent performance in terms of on-site safety, quality and production speed management. For production bases in Leshan and Baotou, the construction team of GCL-Poly overcame unfavorable weather and construction conditions and completed the construction of high-quality infrastructure. Attaching great importance to “safety”, “standards”, “culture” and “benchmark” during the construction, these projects have become the leading and exemplary green projects in the industry.

**Having been recognized by downstream customers for its cost reduction potential, granular silicon has ushered in the N-type era**

In 2021, leveraging its black technology of FBR-based granular silicon, GCL-Poly maintained its leading position in the market. Its carbon-footprint has been endorsed by authoritative organizations and its potential for cost reduction and efficiency

enhancement has been widely recognized by downstream customers, who have placed long-term production orders totaling no less than 700,000 tonnes. Major downstream manufacturers across the world have already started using granular silicon commercially. The commercial use of granular silicon has passed empirical data test. The Company continued to put great efforts in R&D of continuous Czochralski monosilicon technology (CCZ) and achieved a breakthrough. The 5GW Czochralski monosilicon demonstration project in Xuzhou has been regarded as the “experiment field” for the adaptive application of granular silicon and CCZ. The successful experience of 5GW demonstration project will be fully opened to the market and promote the wide application of CCZ technique in pulling process during the technique transition from P-type to N-type in the PV industry, thereby increasing the market penetration of FBR-based granular silicon products, which perfectly match with the pulling process. Granular silicon and CCZ will help the PV industry usher in the N-type era of high efficiency and low cost.

### **Raising funds and optimizing shareholding structure through placing new shares**

The progress and market development prospect of granular silicon project of the Company have been supported and recognized by the capital market and financial institutions. In 2021, GCL-Poly and GNE successfully raised over HK\$10 billion through three tranches of placement. The placements enabled the Group to further optimize and adjust its financial structure, expand its production scale and talent teams and reinforce its technical advantages. The placements also built a “capital pool” for the healthy expansion and development of granular silicon project. In addition to expanding its shareholder base, the Company has also greatly improved the concentration and stability of its shareholder structure by introducing high-quality and long-term value-oriented shareholders, laying a solid foundation for the long-term robust development of its business operation and capital market performance.

### **GNE: Successfully achieving asset-light transformation and grasping opportunities brought by the trend of zero-carbon when developing hydrogen energy**

In 2021, GNE, a subsidiary of the Company, continued to pursue its goal of reducing debt and securing cash flow and put great efforts in achieving asset-light transformation. As at 31 December 2021, GNE announced that the total installed capacity of solar plants disposed exceeded 2.9 GW, which contributed more than RMB9.3 billion of cash flow. The cash flow has been sufficient to repay debts of all domestic and overseas holding platform companies under the Company and guaranteed the repayment of debts due in the next 12 months repayable by the solar plants of the GNE. “Asset-light approach” has laid a solid foundation for the development of new business of GNE.

Despite the fact that the asset-light operation model has reduced the scale of solar plants of GNE, the agency operation and maintenance business of the Company sustained rapid growth by capitalizing on its extensive solar plant operation and maintenance experience and massive data. Through providing value-added services such as equipment pre-testing,

equipment performance testing, secondary system maintenance, external line maintenance, power market transactions, asset evaluation, wind-solar hydrogen storage integrated energy services, GNE has created value for its customers of agency operation and maintenance business based on cooperation and mutual benefits, thereby fostering collaborative development.

Moreover, unlike conventional practice, GNE has endeavored to seek a unique development path with its excellent market insight into the future needs. Capitalizing on its cutting-edge technologies and extensive experience, GNE has proactively expanded its business into hydrogen energy and related business. GNE will adopt a diversified development strategy with blue hydrogen and green hydrogen based on the main application and market prospects of hydrogen energy. Focusing on the development of blue hydrogen and its by-products and green power hydrogen production, GNE aims to gain a unique competitive edge in the sustainable development of its hydrogen energy business.

## **Outlook**

As a manufacturer of silicon materials and driven by technological innovation, GCL-Poly has committed itself to energy technology innovation and energy conservation and emission reduction. Positioning itself as a global leading silicon materials supplier and a pioneer in the industry, GCL-Poly focuses on the research and development and manufacturing of PV materials. In 2021, nine companies under GCL-Poly, including Jiangsu Zhongneng, GCL Silicon Material, Ningxia GCL, Suzhou GCL and Henan GCL, were recognized as the National High-Tech Enterprises. With over ten-year efforts in research and development of FBR-based granular silicon technology, the Company achieved a breakthrough in this technology and completed its capacity expansion of 10,000 tonnes in February 2021. The production capacity of standard modules increased by 20,000 tonnes within nine months, indicating that a modular mass production has been realized. Three granule silicon production bases located in Jiangsu, Sichuan and Inner Mongolia strictly follow the new direction and policies of the Company, i.e. the “technological development of GCL, digital initiatives of GCL and green initiatives of GCL”, in respect of project planning and assumptions, intelligent operation and digital control. As such, it laid a solid foundation for the Company to achieve its strategic goal of becoming a silicon materials supplier with the most advanced technology, the largest production capacity, the lowest carbon emission and the best customer experience in the industry at the lowest cost.

At the ninth meeting of the CPC Central Financial and Economic Affairs Commission held in March 2021, photovoltaics was officially defined as the main energy source in the future, reflecting a historic leap of the PV industry. During the National People’s Congress and the Chinese People’s Political Consultative Conference, the Chinese government promulgated policies to promote the construction of PV projects with an aim to lead the industry transition from old energy sources to new energy sources in an orderly manner. As the economic and social system has undergone a major



transformation with a focus on carbon reduction, decarbonization, and zero carbon, the development of photovoltaics will achieve a historic breakthrough with unprecedented innovation in new technologies, new models, and new application.

The marketization and the introduction of global carbon neutrality policies offer a long-term promising prospect for the PV industry. In order to grasp these historic opportunities, GCL-Poly will strictly follow the strategies of the government to establish a zero-carbon ecological alliance through market-oriented means and the integration of production, education, research and application in order to overcome the difficulties in developing key generic technology. The Company strives to foster the innovation and development of GCL with green energy technology. With the support of technology and digitalization and focusing on green development, the Company aims to achieve a high-quality green development with advanced technology and digital empowerment. The blueprint of “technological development of GCL, digital initiatives of GCL and green initiatives of GCL” has been formulated and GCL-Poly is determined to realize its goal of making everything impossible possible by overcoming any difficulties it may face.

Finally, we would like to express our sincere gratitude to the Board of Directors, management team and all staff members of the Company for their hard work and dedication during 2021. We also are deeply grateful to our shareholders and business partners for their strong support.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Overview**

The Group went through the downturn in previous years and demonstrated its ability to overcome challenges. In 2021, the Group achieved a remarkable financial performance as a result our solar material business seized on the rebound of the solar industry in China and recorded impressive growth of revenue.

### **Results of the Group**

For the year ended 31 December 2021, the revenue and gross profit of the Group were approximately RMB19,698 million and RMB7,348 million, respectively, representing an increase of 34.3% and 95.8% respectively as compared with approximately RMB14,671 million and RMB3,753 million in the corresponding period in 2020.

The Group recorded a profit for the year and a profit attributable to the owners of the Company of approximately RMB4,701 million and RMB5,084 million in 2021 respectively, as compared to the loss for the year and the loss attributable to owners of the Company of approximately RMB6,271 million and RMB5,668 million in 2020 respectively.

## **Fund raising activities**

In January 2021, a placement of 3.9 billion new shares of the Company at a price of HK\$1.08 per share with net proceeds of approximately HK\$4.148 billion (equivalent to approximately RMB3.491 billion) was completed. Most of the net proceeds have been used for repayment of borrowings and development of the Company's FBR based granular silicon production business and production capacity.

In February 2021, the GNE Group completed a top-up placing and subscriptions of 2 billion shares at HK\$0.455 per share, raising a net proceeds of approximately HK\$895 million (equivalent to RMB747 million) after deducting placing commission and related expenses. The net proceeds have been used for repayment of borrowings.

In December 2021, a placement of 2.0 billion new shares of the Company at a price of HK\$2.49 per share with net proceeds of approximately HK\$4.9 billion (equivalent to approximately RMB4.08 billion) was completed. Part of the net proceeds have been used for development of the Company's FBR based granular silicon production business and production capacity and general working capital purpose.

## **Segment Information**

The Group are reported on the three operating segments as follows:

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

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

	2021		2020	
	Revenue <i>RMB million</i>	Segment (loss) profit <i>RMB million</i>	Revenue <i>RMB million</i>	Segment (loss) profit <i>RMB million</i>
Solar material business	16,653	5,534	9,225	(4,867)
Solar farm business	215	46	460	64
<b>Sub-total</b>	<b>16,868</b>	<b>5,580</b>	9,685	(4,803)
New energy business <sup>1</sup>	2,830	(581)	4,986	(1,262)
<b>Total</b>	<b>19,698</b>	<b>4,999</b>	14,671	(6,065)

1. The segment profit of the new energy business includes reported net loss of the GNE Group of approximately RMB562 million (2020: Loss of RMB1,218 million) and allocated corporate expenses of approximately RMB19 million (2020: RMB44 million).

### **Business Structure**

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

GNE is a listed company in HK (Stock code: 0451). Except for solar farm that were constructed or acquired by the Group prior to obtaining a controlling stake in GNE, the Group primarily develops, constructs, operates and manages downstream solar farms through the platform of GNE.

For illustrative purpose, if excluding the GNE Group and recognising the costs of investment in GNE and the perpetual notes receivable from GNE as non-current assets, the effect of de-consolidated the GNE Group as at 31 December 2021 would be as follows:

	The Group <i>RMB million</i>	The GNE Group <i>RMB million</i>	Deconsolidation adjustment <i>(note)</i> <i>RMB million</i>	The effect of de-consolidated the GNE Group <i>RMB million</i>
Total assets	64,098	15,917	(4,741)	52,922
Total liabilities	<u>31,796</u>	<u>8,963</u>	<u>(135)</u>	<u>22,968</u>
Bank balances and cash, pledged and restricted bank and other deposits	9,932	1,016	—	8,916
Bank balance and cash, pledged bank deposits classified as held for sale	<u>23</u>	<u>23</u>	<u>—</u>	<u>—</u>
<b>Subtotal</b>	<u>9,955</u>	<u>1,039</u>	<u>—</u>	<u>8,916</u>
Indebtedness				
Bank and other borrowings	8,583	3,093	—	5,490
Lease liabilities	785	371	—	414
Notes payables	3,115	3,115	—	—
Loans from related parties	32	32	—	—
Indebtedness for solar farm projects classified as held for sale	<u>465</u>	<u>465</u>	<u>—</u>	<u>—</u>
<b>Subtotal</b>	<u>12,980</u>	<u>7,076</u>	<u>—</u>	<u>5,904</u>

*Note:*

Deconsolidation adjustments mainly included:

- The Group's cost of investment in GNE amounted to RMB2,065,898,000.
- The GNE's perpetual notes of RMB1,800,000,000 subscribed by the subsidiaries of the Group and its relevant interest accrual.
- The transaction balances with the GNE Group and other eliminations.

## **BUSINESS REVIEW**

### **Solar material business**

#### ***Production***

The Group's solar material business belongs to the upstream of the solar supply chain, which supplies polysilicon and wafer to companies operating in the solar industry. Polysilicon is the primary raw material used in the solar wafer production. In the solar industry supply chain, wafers are further processed by downstream manufacturers to produce solar cells and modules.

#### ***Polysilicon***

As at 31 December 2021, annual production capacity of rod silicon and granular silicon of the Group was 45,000 MT and 30,000 MT respectively. During the year ended 31 December 2021, the Group produced approximately 47,610 MT of polysilicon, representing an increase of 12.8% as compared to 42,189 MT for the corresponding year in 2020.

#### ***Wafer***

As at 31 December 2021, the Group's annual wafer production capacity increased from 40 GW to 50 GW through technical transformation. During the year ended 31 December 2021, the Group produced 38,118 MW of wafers in aggregate (including 24,056 MW of OEM wafers), representing an increase of approximately 21.2% from 31,449 MW of wafers in aggregate (including 16,588 MW of OEM wafers) for the corresponding year in 2020, while the production volume of wafers (excluding OEM wafer) recorded a slight decrease of 5.4%, from 14,861 MW in corresponding year in 2020 to 14,062 MW for the year ended 31 December 2021.

#### ***Sales Volume and Revenue***

During the year ended 31 December 2021, the Group sold 40,342 MT of polysilicon and 38,049 MW of wafers (including OEM wafer of 23,965 MW), representing an increase of 9.7% and an increase of 17.3%, respectively, as compared with 36,764 MT of polysilicon and 32,431 MW of wafers (including OEM wafer of 16,867 MW) for the corresponding year in 2020, while sales volume of wafers (excluding OEM wafer) recorded a decrease of 9.5%.

The average selling prices (excluding tax) of rod silicon and wafer were approximately RMB147.3 (equivalent to US\$22.90) per kilogram and RMB0.600 (equivalent to US\$0.093) per W respectively for the year ended 31 December 2021. The corresponding average selling prices of rod silicon and wafer for the year ended 31 December 2020 were approximately RMB60.7 (equivalent to US\$8.82) per kilogram and RMB0.366 (equivalent to US\$0.053) per W respectively.

Revenue from external customers of the solar materials business amounted to approximately RMB16,653 million for the year ended 31 December 2021, representing an increase of 80.5% from RMB9,225 million in 2020. It was mainly attributable to an increase in sales price of polysilicon and wafers (excluding OEM wafer).

### ***Cost and Segment Gross Profit***

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

Due to the rebound of price of solar products, gross profit margin for the Solar Material business increased from 3.3% to 32.9% due to the sharp increase in selling prices of photovoltaic products during the year. As the impacts of the global pandemic gradually subside, prices along the full industry chain surged, as demonstrated by the rebound in selling prices of photovoltaic products in 2021, while production in the industry has recovered to pre-pandemic levels.

### **Solar farm business**

#### ***Overseas Solar Farms***

As at 31 December 2021, the solar farm business includes 18 MW of solar farms in the USA. Besides, there were 150 MW solar farms in South Africa, which was partnered with CAD Fund and with the total effective ownership of 9.7% owned by the Group.

#### ***PRC Solar Farms***

As at 31 December 2021, the Solar Farm business also includes 5 solar farms in the PRC, with both installed capacity and attributable installed capacity at 133.0 MW.

### ***Sales Volume and Revenue***

For the year ended 31 December 2021, the electricity sales volume of the solar farm business overseas and in the PRC were 26,371 MWh and 191,209 MWh respectively (2020: 27,425 MWh and 464,578 MWh, respectively).

For the year ended 31 December 2021, revenue for the solar farm business was approximately RMB215 million (2020: RMB461 million).

## **New energy business**

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

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

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

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

As at 31 December 2021, the aggregated installed capacity of grid-connected solar farms of the GNE Group, including subsidiaries, joint ventures and associates decreased by 84.2% to 1,051 MW (31 December 2020: 6,636 MW). Details of capacity, electricity sales volume and revenue for the year ended 31 December 2021 are set out below.

Subsidiaries by provinces	Tariff Zones	Number of solar power plant	Aggregate Installed Capacity <sup>(1)</sup> (MW)	Grid-connected Capacity <sup>(1)</sup> (MW)	Electricity Sales Volume (million kWh)	Average Tariff (Net of Tax) (RMB/kWh)	Revenue (RMB million)
Inner Mongolia	1	4	189	189	365	0.73	267
Ningxia	1	2	60	60	92	0.64	59
		<b>6</b>	<b>249</b>	<b>249</b>	<b>457</b>	<b>0.71</b>	<b>326</b>
Qinghai	2	4	98	98	167	0.62	103
Jilin	2	4	51	51	75	0.75	57
Liaoning	2	3	60	60	67	0.64	43
Gansu	2	1	20	20	36	0.74	26
Xichuan	2	—	—	—	50	0.98	49
Shaanxi	2	—	—	—	990	0.77	767
Xinjiang	2	—	—	—	14	0.93	13
Yunan	2	—	—	—	204	0.72	146
		<b>12</b>	<b>229</b>	<b>229</b>	<b>1,603</b>	<b>0.75</b>	<b>1,204</b>
Jiangsu	3	9	114	108	404	0.84	340
Hebei	3	1	30	21	26	0.37	10
Zhejiang	3	1	23	21	33	0.97	32
Shandong	3	5	161	149	188	0.81	152
Henan	3	3	9	9	303	0.73	221
Guangdong	3	4	39	13	106	0.71	76
Fujian	3	3	56	56	61	0.81	50
Shanghai	3	1	7	7	7	0.97	7
Jiangxi	3	—	—	—	43	0.96	41
Hubei	3	—	—	—	29	0.79	23
Hainan	3	—	—	—	28	0.93	26
Anhui	3	—	—	—	21	0.95	20
Guizhou	3	—	—	—	77	0.90	69
Hunan	3	—	—	—	55	0.93	51
		<b>27</b>	<b>439</b>	<b>384</b>	<b>1,381</b>	<b>0.81</b>	<b>1,118</b>
<b>Subtotal</b>		<b>45</b>	<b>917</b>	<b>862</b>	<b>3,441</b>	<b>0.77</b>	<b>2,648</b>
US		2	134	134	203	0.38	78
<b>Total of Subsidiaries</b>		<b>47</b>	<b>1,051</b>	<b>996</b>	<b>3,644</b>	<b>0.75</b>	<b>2,726</b>



	<b>Revenue</b> <i>(RMB million)</i>
Electricity sales	1,135
Tariff adjustment — government subsidies received and receivables	<u>1,591</u>
Total revenue of subsidiaries for electricity sales	<u>2,726</u>
Less: effect of discounting tariff adjustment to present value <sup>(3)</sup>	<u>(31)</u>
Total revenue of solar power plants, after discounting	2,695
Solar power plants operation and management service income	80
EPC consultancy and Technical service income	<u>70</u>
<b>Total revenue of the GNE Group</b>	<b><u><u>2,845</u></u></b>

(1) Aggregate installed capacity represents the maximum capacity that were approved by the local government authorities while grid-connected capacity represents that the actual capacity connected to the State Grid.

(2) Certain portion of the tariff adjustment (government subsidies) is discounted.

Most of the solar farms of the GNE Group are located in China and almost all of the revenue is contributed by the subsidiaries of State Grid. The State Grid is a State-owned enterprise in China, which possesses low default risk. Therefore, the directors of the GNE Group considered that the credit risk of trade receivables was minimal.

### **Revenue and Gross Profit of the GNE Group**

During the year ended 31 December 2021, the Group's revenue was mainly derived from (i) solar power electricity generation; (ii) service fee income from the provision of the solar power plants operation and management services; and (iii) income from provision of engineering, procurement and construction consultancy and technical service. The table below sets forth an analysis of the Group's revenue:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Revenue		
— Sales of electricity and tariff adjustments	<b>2,694,979</b>	4,935,189
— Solar power plants operation and management service income	<b>79,637</b>	64,849
— Engineering, procurement and construction (“EPC”) and technical service income	<b>70,283</b>	23,716
	<b><u>2,844,899</u></b>	<u>5,023,754</u>

The decrease in revenue was mainly attributable to the disposal of solar power plants during 2021. The grid connected capacity decreased from 4.8GW as at 31 December 2020 to 1.0GW as at 31 December 2021. The average tariff (net of tax) for the PRC was approximately RMB0.77/kWh (2020: RMB0.74/kWh).

During the year ended 31 December 2021, the Group provided operation and maintenance services for some of the disposed solar power plant projects and generate management service income. As at 31 December 2021, the Group had entered into contract to provide operation and maintenance services for solar power plants with total installed capacity of approximately 2,963 MW.

The gross profit margin was 62.5% for the year ended 31 December 2021, as compared to 64.1% for the year ended 31 December 2020. The cost of sales mainly consisted of depreciation, which accounted for 78.5% (2020: 78.7%) of the cost of sales, with the remaining costs being operation and maintenance costs of solar power plants.

### **Group’s Outlook**

The Group’s outlook and likely future developments of the Group’s business, is set out in the “Chairman’s Statement and CEO’s Review of Operations and Outlook” section of this announcement.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue for the year ended 31 December 2021 amounted to approximately RMB19,698 million, representing an increase of 34.3% as compared with approximately RMB14,671 million for the corresponding period in 2020. The increase was mainly due to the increase in revenue in solar material business as a result of the increase in selling prices of solar products and partially offset by decrease in sales of the GNE Group due to disposal of solar power plants during 2020 and 2021.

### **Gross Profit Margin**

The Group's overall gross profit margin for the year ended 31 December 2021 was 37.3%, as compared with 25.6% for the corresponding period in 2020.

Gross profit margin for the solar material business increased significantly from 3.3% for the year ended 31 December 2020 to 32.9% for the year ended 31 December 2021.

The gross profit margin for the solar farm business decreased from 51.1% for the year ended 31 December 2020 to 43.7% for the year ended 31 December 2021.

The gross profit margin for the new energy business was 62.5% for the year ended 31 December 2021 and 64.1% for the corresponding period in 2020.

### **Distribution and Selling Expenses**

Distribution and selling expenses increased from approximately RMB94 million for the year ended 31 December 2020 to approximately RMB98 million for the year ended 31 December 2021.

### **Administrative Expenses**

Administrative expenses amounted to approximately RMB2,034 million for the year ended 31 December 2021, representing an increase of 12.1% from approximately RMB1,814 million for the corresponding period in 2020. The increase was mainly due to the increase of professional fee of solar material business and GNE Group.

### **Finance Costs**

Finance costs for the year ended 31 December 2021 were approximately RMB1,903 million, which decreased by 39.7% as compared to approximately RMB3,155 million for the corresponding period in 2020. The decrease was mainly related to the decrease of average bank and other borrowings balances from the Group and the GNE Group during the year.

### **Impairment losses under expected credit loss model, net of reversal**

The Group recognised approximately RMB339 million impairment losses under expected credit loss model, net of reversal, for the year ended 31 December 2021. (year ended 31 December 2020: impairment losses of RMB649 million).

The impairment losses under expected credit loss model, net of reversal for the year ended 31 December 2021 comprised of impairment losses of trade related receivables of approximately RMB4 million (2020: impairment losses of approximately RMB47 million) and non-trade related receivables of approximately RMB335 million (2020: impairment losses of approximately RMB602 million).

### **Other Expenses, Gains and Losses, Net**

For the year ended 31 December 2021, net losses of approximately RMB1,022 million in other expenses, gains and losses were recorded as compared to net losses of approximately RMB5,011 million for the year ended 31 December 2020. The decrease of net losses was mainly due to decrease of impairment loss on property, plant and equipment. The net losses mainly comprises of:

- (i) research and development costs of approximately RMB1,041 million (2020: RMB529 million)
- (ii) impairment loss on property, plant and equipment approximately RMB331 million (2020: RMB4,248 million)
- (iii) net profit on disposal of subsidiaries and solar power plant projects of approximately RMB101 million (2020: net loss of RMB299 million)
- (iv) gain on disposal of an associate of approximately RMB141 million (2020: loss on disposal and deemed disposal of associates of RMB117 million)
- (v) gain on disposal and deemed disposal of joint ventures approximately RMB257 million (2020: nil)
- (vi) loss on fair value change of derivative financial instruments and convertible bonds to a non-controlling shareholder of a subsidiary approximately RMB56 million (2020: gain on fair value change of approximately RMB111 million)
- (vii) loss on fair value change of other financial assets at FVTPL approximately RMB52 million (2020: gain on fair value change of approximately RMB40 million)
- (viii) loss on measurement of assets classified as held for sale to fair value less cost to sell of nil (2020: RMB208 million)

## Share of Profits of Associates

The Group's share of profits of associates for the year ended 31 December 2021 was approximately RMB2,652 million, mainly contributed by following associates:

- Share of profit of approximately RMB1.7 billion from Xinjiang GCL New Energy Materials Technology Co., Ltd.\* (“**Xinjiang GCL**”) (新疆協鑫新能源材料科技有限公司);
- Share of profit of approximately RMB618 million from Xuzhou Zhongping GCL Industrial Upgrading Equity Investment Fund LLP\* (“**Zhongping GCL**”) 徐州中平協鑫產業升級股權投資基金(有限合夥);
- Share of profit of approximately RMB210 million from Inner Mongolia Zhonghuan — GCL Solar Material Co., Ltd.\* (“**Mongolia Zhonghuan GCL**”) (內蒙古中環協鑫光伏材料有限公司), and;
- share of profits of approximately RMB99 million from associates of GNE Group as a result of the disposal of majority of equity interests in several partly-held solar power plants in 2020 and 2021.

## Share of Losses of Joint Ventures

The Group's share of losses of joint ventures for the year ended 31 December 2021 was approximately RMB78 million, mainly due to the share of loss from Jiangsu Xinhua Semiconductor Material Technology Co., Ltd.\* (“**Jiangsu Xinhua**”) (江蘇鑫華半導體材料科技有限公司).

## Income Tax Expense

Income tax expense for the year ended 31 December 2021 was approximately RMB591 million as compared with approximately RMB110 million of income tax expense for the corresponding period in 2020. There is an increase in income tax expenses mainly because of the income tax expenses from Solar Material Business recorded during the year, partially offset by decrease in income tax expenses due to disposal of solar power plants during 2021 of GNE Group.

## Profit attributable to Owners of the Company

As a result of the above factors, profit attributable to owners of the Company amounted to approximately RMB5,084 million for the year ended 31 December 2021 as compared with a loss of approximately RMB5,668 million for the corresponding period in 2020.

\* *English name for identification only*

## Adjusted EBITDA

	2021	2020
	<i>RMB'million</i>	<i>RMB'million</i>
<b>For the year ended 31 December:</b>		
Profit (loss) for the year	4,701	(6,271)
Adjust: non-operating or non-recurring items:		
— Impairment loss of property, plant and equipment and right-of-use assets	331	4,332
— Loss (gain) on fair value change of derivative financial instruments, held for trading investments and convertible bonds receivable, net	22	(110)
— (Gain) loss on disposal of subsidiaries, net	(16)	81
— (Gain) loss on disposal of solar power plant projects, net	(85)	218
— Change in fair value of convertible bonds to a non-controlling shareholder of a subsidiary	35	—
— (Gain) loss on disposal and deemed disposal of associates	(141)	117
— Gain on disposal and deemed disposal of a joint venture	(257)	—
— Loss (gain) on fair value change of other financial assets at FVTPL	52	(40)
— Exchange losses (gains), net	6	(373)
— Loss on measurement of assets classified as held for sale to fair value less cost to sell	—	208
— Impairment losses under expected credit loss model, net of reversal (non-trade related)	335	602
— Written off of deposits for acquisition of property, plant and equipment	—	15
— Gain on early termination of lease	(2)	(24)
	<u>4,981</u>	<u>(1,245)</u>
Add:		
Finance costs	1,903	3,155
Income tax expense	591	110
Depreciation and amortisation	<u>2,357</u>	<u>3,695</u>
Adjusted EBITDA	<u><u>9,832</u></u>	<u><u>5,715</u></u>

## **Property, Plant and Equipment**

Property, plant and equipment decreased from approximately RMB36,706 million as at 31 December 2020 to approximately RMB18,293 million as at 31 December 2021. The decrease in property, plant and equipment was mainly due to the disposal of solar power plants in GNE Group, depreciation and impairment made during the year partially offset by increase in expansion production capacity of granular silicon.

## **Contract Assets**

Contract assets primarily relate to the portion of tariff adjustments for the electricity sold to the local state grid companies in the PRC in which the relevant on-grid solar power plants are still pending for registration to the Subsidy Catalogue. Any amount previously recognized as contract assets is reclassified to trade receivables at the point at which it is registered in the Subsidy Catalogue.

Contract assets decreased from approximately RMB1,228 million as at 31 December 2020 to approximately RMB41 million as at 31 December 2021, because some solar power plants entered into the project list of subsidy for renewable energy power plants in 2021 and transferred to trade receivables.

## **Interests in Associates**

Interests in associates increased from RMB7.0 billion as at 31 December 2020 to RMB9.6 billion as at 31 December 2021. The increase was mainly due to share of profits of associates during the year.

Interests in associates as at 31 December 2021 mainly consists of below:

- The Group 38.5% equity interest in Xinjiang GCL of approximately of RMB4.8 billion;
- The Group 40.27% equity interest in Zhongping GCL of approximately of RMB2.0 billion, Zhongping GCL directly holds 34.5% equity interest in Xinjiang GCL;
- The Group 12.19% equity interest in Mongolia Zhonghuan GCL, which its carrying amount was approximately of RMB1.3 billion;
- The GNE Group equity interest in interests in associates approximately of RMB1.4 billion.

\* *English name for identification only*

### **Trade and Other Receivables**

Trade and other receivables increased from approximately RMB16,488 million as at 31 December 2020 to approximately RMB17,527 million as at 31 December 2021. The increase was mainly due to transfer from Contract Assets as a result of decrease in unbilled trade receivables of GNE Group and increase of bill receivables balances of Solar Material Business.

### **Trade and Other Payables**

Trade and other payables increased from approximately RMB12,531 million as at 31 December 2020 to approximately RMB13,866 million as at 31 December 2021. The increase was mainly due to an increase in trade and construction payables during the year.

### **Balances with related companies**

The related companies included associates, joint ventures and shareholder of non-controlling interest of the Group and companies controlled by Mr. Zhu Gongshan and his family members which hold in aggregate approximately 23.51% (2020: 30.13%) of the Company's share capital as at 31 December 2021 and exercise significant influence over the Company.

Amounts due from related companies decreased from approximately RMB1,338 million as at 31 December 2020 to approximately RMB600 million as at 31 December 2021. The decrease was mainly due to repayment from those related companies during the year.

Amounts due to related companies increased from approximately RMB2,088 million as at 31 December 2020 to approximately RMB2,744 million as at 31 December 2021. The increase was mainly due to advances of balances from those related companies during the year.



### **Loans from related companies**

Loan from related companies decreased from approximately RMB909 million as at 31 December 2020 to approximately RMB32 million as at 31 December 2021. The decrease was mainly due to repayment of loans during the year.

### **Liquidity and Financial Resources**

As at 31 December 2021, the total assets of the Group were about RMB64.1 billion, of which the aggregate restricted and unrestricted cash and bank balances and other deposits amounted to approximately RMB9.9 billion.

For the year ended 31 December 2021, the Group's main source of funding was cash generated from operating and financing activities.

In order to improve liquidity, the Group continues to pay close attention in managing the Group's cash position and conducts on-going negotiations with banks to ensure that the existing facilities will be successfully renewed and additional banking facilities are obtained when necessary. The Directors are of the opinion that, taking into account undrawn banking, renewal of existing banking facilities, the Group's cash flow projection for the coming year. The Group will have sufficient working capital to meet its cash flow requirements in the next twelve months. The Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

## Indebtedness

Details of the Group's indebtedness are as follows:

	As at 31 December 2021 <i>RMB Million</i>	As at 31 December 2020 <i>RMB Million</i>
<b>Current liabilities</b>		
Bank and other borrowings — due within one year	5,023	22,885
Lease liabilities — due within one year	317	531
Notes payables — due within one year	467	3,313
Loans from related parties — due within one year	32	789
	<u>5,839</u>	<u>27,518</u>
<b>Non-current liabilities</b>		
Bank and other borrowings — due after one year	3,560	13,352
Lease liabilities — due after one year	468	1,359
Notes payables — due after one year	2,648	—
Loans from related parties — due after one year	—	120
	<u>6,676</u>	<u>14,831</u>
<b>Indebtedness for solar power plants projects classified as held for sale</b>		
Loan from a related company — due within one year	—	3
Bank and other borrowings — due within one year	128	330
Bank and other borrowings — due after one year	327	1,383
Lease liabilities	10	52
	<u>465</u>	<u>1,768</u>
<b>Total indebtedness</b>	<b>12,980</b>	<b>44,117</b>
Less: Bank balances and cash and pledged and restricted bank and other deposits	<b>(9,932)</b>	<b>(6,256)</b>
Bank balances and cash and pledged bank deposits and other deposits classified as assets held for sale	<b>(23)</b>	<b>(92)</b>
<b>Net debt</b>	<b><u>3,025</u></b>	<b><u>37,769</u></b>

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

	<b>2021</b> <i>RMB million</i>	2020 <i>RMB million</i>
Secured	<b>7,828</b>	33,356
Unsecured	<b>755</b>	2,881
	<b>8,583</b>	36,237
Maturity profile of bank and other borrowings		
On demand or within one year	<b>5,023</b>	22,885
After one year but within two years	<b>1,496</b>	2,909
After two years but within five years	<b>1,345</b>	6,544
After five years	<b>719</b>	3,899
Group's total bank and other borrowings	<b>8,583</b>	36,237

As at 31 December 2021, RMB bank and other borrowings carried floating interest rates with reference to the Benchmark Borrowing Rate of The People's Bank of China and the LPR (Loan Prime Rate). USD bank and other borrowings carried interest rates with reference to the London Interbank Offer Rate.

#### Key Financial Ratios of the Group

	<b>As at</b> <b>31 December</b> <b>2021</b>	As at 31 December 2020
Current ratio	<b>1.23</b>	0.62
Quick ratio	<b>1.19</b>	0.61
Net debt to equity attributable to owners of the Company	<b>10.4%</b>	227.7%

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

### **Policy risk**

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

### **Credit Risk**

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

In order to minimize the credit risk on sales of polysilicon and wafer products, the Group reviews the recoverable amount of each individual trade receivables periodically to ensure that adequate expected credit losses are made. Credit risk of sales of electricity is not significant as most of the revenue is recognised from the subsidiaries of State Grid Corporation of China (the “**State Grid**”). The State Grid is a state-owned enterprise in China, which possesses low default risk.

### **Risk associated with tariff**

Power tariff is one of the key earning drivers for GNE. Any adjustment in tariff might have an impact on the profitability of new solar power projects. Given China's National Development and Reform Commission (NDRC) targets to accelerate the technology development for solar power industry in order to bring down development costs, solar power tariff may be lowered to the level of coal-fired power by near future, the government subsidy for solar power industry will finally be faded out. To minimize this risk, GNE will continue to increase the pace of technology development and implement cost control measures in order to lower development cost for new projects.

### **Risk related to interest rate**

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

### **Foreign currency risk**

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

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

### **Risk related to disputes with joint venture partners**

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

## **Pledge of or restrictions on assets**

As at 31 December 2021, the following assets were pledged for certain bank and other borrowings, lease liabilities, or restrictions on assets, issuance of bills, short-term letters of credit for trade and other payables granted to the Group and bank and other borrowings of a joint venture of the Group:

- Property, plant and equipment of RMB7.7 billion (31 December 2020: RMB21.9 billion)
- Right-of-use assets of approximately RMB0.7 billion (31 December 2020: RMB0.8 billion)
- Investment properties of approximately RMB0.06 billion (31 December 2020: RMB0.06 billion)
- Trade receivables and contract assets of approximately RMB3.2 billion (31 December 2020: RMB10.6 billion)
- Pledged and restricted bank and other deposits of approximately RMB3.2 billion (31 December 2020: RMB4.6 billion)
- Deposit paid to a related company of nil (31 December 2020: nil)

In addition, lease liabilities of approximately RMB0.8 billion are recognised with related right-of-use assets of approximately RMB1.4 billion as at 31 December 2021 (31 December 2020: lease liabilities of approximately RMB1.9 billion are recognised with related right-of-use assets of approximately RMB2.4 billion).

## **Capital and other Commitments**

As at 31 December 2021, the Group's capital commitments in respect of purchase of property, plant and equipment contracted for but not provided amounted to approximately RMB8,847 million respectively (2020: RMB501 million) and other commitments to contribute share capital to investments of approximately RMB960 million (2020: RMB1,689 million).

## **Contingencies**

### ***Financial guarantees contracts***

As at 31 December 2021 and 2020, the Company and certain of its subsidiaries guaranteed bank and other borrowings of GNE and certain of its subsidiaries which amounted to approximately RMB996 million and approximately RMB1,820 million, respectively.

As at 31 December 2021, the Group provided a total guarantee with maximum amount of approximately RMB3,319 million and RMB900 million (31 December 2020: RMB4,064 million and RMB900 million) to several banks and financial institutions in respect of banking and other facilities of Xinjiang GCL, an associate of the Group and Jiangsu Xinhua, a joint venture of the Group respectively.

As at 31 December 2021, the GNE Group provided guarantee to its associates for certain of their bank and other borrowings with maximum amount of RMB1,541 million (31 December 2020: RMB3,050 million).

In addition to those financial guarantees provided to related parties as above, the GNE Group also provided financial guarantees to certain third parties, former wholly-owned subsidiaries, for certain of their bank and other borrowings amounting to approximately RMB477 million (2020: The Group and GNE Group provided RMB2,005 million financial guarantees to certain third parties) as at 31 December 2021.

### ***Contingent liability***

As at 31 December 2021 and 31 December 2020, the Group and the Company did not have any significant contingent liabilities.

### **Material Disposals**

#### ***GCL-Poly Group***

On 5 January 2021, a sale of 638,298,000 GNE shares at price of HK\$0.235 per share with net proceeds of approximately HK\$145 million (equivalent to approximately RMB122 million) was completed.

## ***GNE Group***

During the year ended 31 December 2021, the GNE Group has entered into various share transfer agreements with different third parties to dispose of equity interests in companies which hold various solar power plants. Material disposals are summarised as below:

<b>Agreements signed in 2021</b>	<b>Name of buyers</b>	<b>Percentage of disposed equity interest</b>	<b>Capacity of solar power plants (MW)</b>	<b>Consideration (RMB million)</b>
March–April	Three Gorges Asset Management Co., Ltd.* (三峽資產管理有限公司)	50%–100%	832	1,687
April	State Power Investment Corporation Guizhou Jinyuan Weining Energy Co., Ltd.* (國家電投集團貴州金元威寧能源股份有限公司) and Guangdong Jinyuan New Energy Co., Ltd.* (廣東金元新能源有限公司)	88%–100%	310	457
May	State Power Investment Corporation Chongqing Electric Power Co., Ltd.* (國家電投集團重慶電力有限公司)	100%	86	193
June	Chongqing Lvxin Energy Development Co., Ltd.* (重慶綠欣能源發展有限公司)	51%–100%	149	275
May–July	Guizhou West Power Construction Co., Ltd.* (貴州西能電力建設有限公司)	80%–100%	392	344
July	Yixing Hechuang New Energy Co., Ltd.* (宜興和創新能源有限公司)	100%	301	481
August	Ningxia Hanguang New Energy Co., Ltd.* (寧夏含光新能源有限公司)	100%	271	301
Others			<u>520</u>	<u>471</u>
Total			<u><u>2,861</u></u>	<u><u>4,209</u></u>

*Note:* For details, please refer to the respective announcements published by the GNE Group.

Save as disclosed above, there were no other significant investments during the year ended 31 December 2021, or plans for material investments as at the date of this report, nor were there other material acquisitions and disposals of subsidiaries during the year ended 31 December 2021.



## EVENTS AFTER REPORTING PERIOD

- (a) On 25 January 2022, with reference to (i) joint announcement of GCL-Poly and the GNE Group dated 30 August 2021 in relation to the Previous De Minimis Disposal and the First Phase Disposals and (ii) the announcement of the GNE Group dated 13 September 2021 and the circular of the GNE Group dated 29 October 2021 in relation to the Second Phase Disposals, an indirect subsidiary of the GNE Group entered into the Third Phase Share Purchase Agreement with Hunan Xinhua Water Conservancy and Electric Power Co., Ltd. to sell its entire equity interest of subsidiary at consideration in aggregate of RMB8,800,000

On 21 March 2022, an indirect subsidiary of the GNE Group (“Fourth Phase Seller”) entered into the Fourth Phase Share Purchase Agreement with Hunan Xinhua Water Conservancy and Electric Power Co., Ltd. (“Fourth Phase Purchaser”) to sell its 90.1% equity interest of the subsidiary. The Fourth Phase Seller shall further sell 9.9% equity interest of the subsidiary to the Fourth Phase Purchaser after acquiring the 9.9% equity interest from Qingdao Changsheng Ridian Solar Technology Co., Ltd., an independent third party to the GNE Group. The consideration under the Fourth Phase Share Purchase Agreement was RMB153,910,000 and shall be paid by the Fourth Phase Purchaser to the Fourth Phase Seller by instalment.

- (b) On 16 February 2022, the Board of directors of the Company has resolved to award an aggregate of 214,300,000 Award Shares at a grant price of HK\$0.86 per Award Share to 152 Eligible Persons pursuant to the terms and conditions of the Scheme. The 2022 Award Shares represent approximately 0.791% of the Company’s total number of issued Shares as at the date of this announcement.
- (c) On 21 February 2022, the Board announced that it proposed to change: (a) its English name from “GCL-Poly Energy Holdings Limited” to “GCL Technology Holdings Limited”; and (b) its dual foreign name in Chinese from “保利協鑫能源控股有限公司” to “協鑫科技控股有限公司”, subject to the conditions set out in the circular being fulfilled.

- (d) On 9 March 2022, the Board proposed an adoption of new share option scheme, since the expiry of the share option scheme on 21 October 2017, no new share option scheme has been adopted by the Company. In order to provide the Company with the flexibility of granting share options to the directors and employees of the Group as incentives or rewards for their contribution or potential contribution to the Group, the Board proposes to adopt the new share option scheme, which will be valid for 10 years from the adoption date, pursuant to Chapter 17 of the Listing Rules and a resolution will be proposed at the EGM for the adoption of the new share option scheme. The purpose of the new share option scheme is to replace the expired share option scheme and to is to motivate personnel to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such personnel who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of directors (including independent non-executive directors) and executive of the Company, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.
- (e) On 16 March 2022, with reference to the announcement made by the GNE Group dated 8 March 2022 in relation to the launch of the offer to purchase (the “Offer”) cash of up to a total of US\$53,400,000 of the outstanding principal amount at face value of the Outstanding 10.00% Senior Notes Due 2024 at the Purchase Price, the GNE Group announced the results of offer to purchase for cash of up to a total of US\$53,400,000 of outstanding principal amount at face value of the 10.00% Senior Notes Due 2024 (ISIN: XS2350477308; Common Code: 235047730). At the Expiration Deadline, the valid Tender Instructions received by the GNE Group was significantly greater than the Maximum Tender Amount. In light of the positive response to the Offer, the GNE Group has determined to accept for purchase validly tendered Notes in an aggregate principal amount outstanding at face value of US\$53,398,267 with proration scaling mechanism.

On 18 March 2022, the GNE Group announced the successful settlement of the Offer.

- (f) On 16 March 2022, two indirect subsidiaries of the Company entered into the Share Purchase Agreements with Jiangsu Hesheng New Energy Co., Ltd. (江蘇和盛新能源有限公司) to sell (i) the entire equity interest in Gaoyou GCL Photovoltaic Power Company Limited (高郵協鑫光伏電力有限公司), Nantong Haide New Energy Co., Ltd\* (南通海德新能源有限公司), Pizhou GCL Photovoltaic Power Co., Ltd (邳州協鑫光伏電力有限公司), Suqian Green Energy Power Co., Ltd (宿遷綠能電力有限公司) and Suzhou Industrial Park Dingyu Solar Power Co., Ltd (蘇州工業園區鼎裕光伏電力有限公司) and (ii) 60% equity interest in Jiangsu GCL Haibin New Energy Technology Development Co., Ltd (江蘇協鑫海濱新能源科技發展有限公司) at consideration in aggregate of RMB90,379,800.

\* *English name for identification only.*

## EMPLOYEES

We consider our employees to be our most important resource. As at 31 December 2021, the Group had approximately 8,863 employees (31 December 2020: 7,657 employees), excluding the employee of the GNE Group, in the PRC and overseas. As at 31 December 2021, the GNE Group had approximately 896 employees (31 December 2020: 1,122 employees) in 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 but are not limited to discretionary bonuses, with share options granted to eligible employee.

## DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: nil).

## CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2021, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules with the exception of the following area:

Pursuant to Rules 13.49(1), 13.46(1), 13.49(6) and 13.48(1) of the Listing Rules, the Company was required to:

- (a) publish the annual results of the Group for the financial year ended 31 December 2020 (the “**2020 Annual Results**”) on or before 31 March 2021, and to despatch the annual report for the financial year ended 31 December 2020 (the “**2020 Annual Report**”) to the Shareholders on or before 30 April 2021; and
- (b) publish the interim results of the Group for the six months ended 30 June 2021 (the “**2021 Interim Results**”) on or before 31 August 2021, and to despatch the interim report for the six months ended 30 June 2021 on or before 30 September 2021.

As disclosed in the Company’s announcements dated 31 March 2021, 6 April 2021, 11 April 2021, 19 April 2021, 28 April 2021, 4 May 2021, 7 May 2021, 17 May 2021, 29 June 2021, 30 June 2021, 14 July 2021, 29 July 2021, 31 August 2021, 30 September 2021, 3 October 2021, 25 October 2021 and 29 October 2021, amongst others, the Company required additional time to address issues raised by the Company’s former auditor, Deloitte Touche Tohmatsu, in its auditor letter dated 9 April 2021 (the “**Audit Issues**”), including but not limited to the engagement of an independent forensic accountant to conduct a forensic investigation on the Audit Issues, in order to complete the audit for the Company’s consolidated financial statements for the year ended 31 December 2020 and to finalise the 2020 Annual Results and the 2020 Annual Report.

The 2020 Annual Results and the 2021 Interim Results were published on 25 October 2021 and the 2020 Annual Report and 2021 Interim Report were despatched to the Shareholders on 3 November 2021.

The Board acknowledges that the delay in publication of the 2020 Annual Results and the 2021 Interim Results and despatch of the 2020 Annual Report and the 2021 Interim Report constituted non-compliance of Rules 13.49(1), Rule 13.49(6), Rule 13.46(1) and Rule 13.48(1) of the Listing Rule, respectively.

Further, the Company has failed to convene an annual general meeting (“AGM”) and lay the 2020 Annual Results before the Shareholders at the AGM within the period of 6 months after the financial year ended on 31 December 2020 in accordance with the requirement under Rule 13.46(2)(b) of the Listing Rules.

## **AUDIT COMMITTEE AND FINANCIAL INFORMATION**

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

## **AUDITOR**

Following the resignation of Deloitte Touche Tohmatsu as the auditor of the Company with effect from 14 May 2021, Crowe (HK) CPA Limited was appointed as the auditor of the Company with effect from 29 June 2021 to fill the casual vacancy and to hold office until the conclusion of the next annual general meeting of the Company. For details, please refer to the announcement of the Company on 29 June 2021.

## **SCOPE OF WORK OF THE AUDITOR**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group’s auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by the Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Crowe (HK) CPA Limited on this preliminary announcement.

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

On 14 January 2021, the Company and the placing agent entered into the placing agreement to place out 3,900,000,000 placing shares at a placing price of HK\$1.08 per placing share with net proceeds of approximately HK\$4.148 billion to no fewer than six independent placees. The placing was completed on 21 January 2021. Upon completion, the placing shares represent approximately 15.57% of the Company's issued share capital as enlarged by the placing.

On 15 December 2021, the Company and the placing agent entered into the placing agreement to place out 2,036,588,000 placing shares at a placing price of HK\$2.49 per placing share with net proceeds of approximately HK\$4,994 million to no fewer than six independent placees. The placing was completed on 22 December 2021. Upon completion, the placing shares represent approximately 7.52% of the Company's issued share capital as enlarged by the placing.

Other than disclosed above, during the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **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, they confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2021.

## **PUBLICATION OF INFORMATION ON HKEXNEWS WEBSITE**

This announcement is published on the websites of the Company ([www.gcl-poly.com.hk](http://www.gcl-poly.com.hk)) and HKEXnews ([www.hkexnews.hk](http://www.hkexnews.hk)). The Annual Report containing all the information as required by the Listing Rules will be despatched to the Shareholders and made available for review on the same websites in due course.

## **GLOSSARY OF TERMS**

"Board" or "Board of Directors"	our board of Directors
"China" or "PRC"	the People's Republic of China, for the purposes of this announcement, excludes Hong Kong and Macau Special Administrative Region of the PRC
"Company" or "GCL-Poly"	GCL-Poly Energy Holdings Limited

“Director(s)”	director(s) of the Company or any one of them
“GNE”	GCL New Energy Holdings Limited, a limited liability company incorporated in Bermuda with its shares listed on the Stock Exchange (Stock Code: 451)
“GNE Group” or “GCL-Poly Group”	GNE and its subsidiaries
“Group”	the Company and its subsidiaries
“GW”	gigawatts
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“MT”	metric tonnes
“MW”	megawatts
“MWh”	megawatt hour
“PV”	photovoltaic
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USA”	the United States of America
“W”	watts

By order of the Board  
**GCL-Poly Energy Holdings Limited**  
 保利協鑫能源控股有限公司  
**Zhu Gongshan**  
*Chairman*

Hong Kong, 28 March 2022

*As at the date of this announcement, the Board comprises Mr. Zhu Gongshan (Chairman), Mr. Zhu Zhanjun, Mr. Lan Tianshi, Mr. Zhu Yufeng, Ms. Sun Wei, Mr. Yeung Man Chung, Charles and Mr. Zheng Xiongjiu as executive Directors; Ir. Dr. Ho Chung Tai, Raymond, Mr. Yip Tai Him, Dr. Shen Wenzhong and Mr. Wong Man Chung, Francis as independent non-executive Directors.*