GCL New Energy Holdings Limited
協鑫新能源控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 451)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the "**Board**") of directors (the "**Directors**") of GCL New Energy Holdings Limited (the "**Company**" or "**GCL New Energy**") presents the unaudited condensed interim consolidated financial information ("**Interim Financial Information**") of the Company and its subsidiaries (together, the "**Group**" or "**GCL New Energy**") for the six months ended 30 June 2023.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2023	2022
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Revenue	**423**	558
Loss attributable to owners of the Company	**(216)**	(514)
	RMB cents	*RMB cents*
	(Unaudited)	(Unaudited)
		(Restated)
Loss per share		
– Basic and diluted	**(18.51)**	(48.76)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*2*	**422,764**	558,036
Cost of sales and services rendered		**(227,288)**	(303,339)
Gross profit		**195,476**	254,697
Other income	*3*	**58,595**	80,136
Impairment loss under expected credit loss model, net	*4*	**–**	(53,720)
Impairment loss on property, plant and equipment	*4*	**–**	(700)
Administrative expenses			
– share-based payment expenses		**(4,587)**	(8,560)
– other administrative expenses		**(102,165)**	(252,753)
Other gains and losses, net	*4*	**(118,042)**	(162,057)
Share of profits of associates		**57,423**	67,962
Share of profit/(loss) of joint ventures		**26**	(288)
Finance costs	*5*	**(193,073)**	(319,322)
Loss before tax		**(106,347)**	(394,605)
Income tax expense	*6*	**(9,333)**	(15,796)
Loss for the period	*7*	**(115,680)**	(410,401)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**14,346**	28,555
Total comprehensive expense for the period		**(101,334)**	(381,846)
Loss for the period attributable to:			
Owners of the Company		**(216,111)**	(513,772)
Non-controlling interests			
– Owners of perpetual notes		**99,550**	99,550
– Other non-controlling interests		**881**	3,821
		(115,680)	(410,401)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(201,765)**	(485,217)
Non-controlling interests			
– Owners of perpetual notes		**99,550**	99,550
– Other non-controlling interests		**881**	3,821
		(101,334)	(381,846)
		RMB cents	*RMB cents*
		(Unaudited)	(Unaudited)
			(Restated)
Loss per share			
– Basic and diluted	*9*	**(18.51)**	(48.76)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	**30 June 2023** *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,120,577**	4,468,062
Right-of-use assets		**194,787**	219,290
Interests in associates		**1,488,864**	1,431,441
Interests in joint ventures		**3,202**	3,176
Amounts due from related companies		**17,443**	17,443
Other investments		**45,643**	45,643
Other non-current assets		**132,309**	107,265
Contract assets		**64,192**	54,957
Pledged bank and other deposits		**188,734**	200,785
Deferred tax assets		**22,086**	25,383
		5,277,837	6,573,445
CURRENT ASSETS			
Trade and other receivables	*10*	**2,394,828**	3,993,895
Amounts due from related companies		**227,105**	282,657
Tax recoverable		**106**	346
Pledged bank and other deposits		**67,422**	61,001
Bank balances and cash		**853,463**	797,125
		3,542,924	5,135,024
Assets classified as held for sale		**2,305,737**	455,087
		5,848,661	5,590,111
CURRENT LIABILITIES			
Other payables and deferred income		**905,573**	985,852
Amounts due to related companies		**170,072**	143,145
Tax payable		**6,532**	2,383
Loan from a related company	*11*	**4,811**	4,811
Bank and other borrowings	*12*	**378,827**	436,921
Senior notes	*13*	**1,030,726**	–
Lease liabilities		**11,610**	30,305
		2,508,151	1,603,417
Liabilities directly associated with assets classified as held for sale		**629,049**	192,385
		3,137,200	1,795,802

	Notes	**30 June 2023** ***RMB'000*** **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
NET CURRENT ASSETS		**2,711,461**	3,794,309
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,989,298**	10,367,754
NON-CURRENT LIABILITIES			
Bank and other borrowings	*12*	**1,543,550**	2,082,502
Senior notes	*13*	**–**	1,722,571
Lease liabilities		**250,089**	239,991
Deferred income		**349,460**	343,979
Deferred tax liabilities		**679**	679
		2,143,778	4,389,722
NET ASSETS		**5,845,520**	5,978,032
CAPITAL AND RESERVES			
Share capital		**81,773**	81,773
Reserves		**2,925,725**	3,122,903
Equity attributable to owners of the Company		**3,007,498**	3,204,676
Equity attributable to non-controlling interests			
– owners of perpetual notes		**2,838,022**	2,738,472
– other non-controlling interests		**–**	34,884
TOTAL EQUITY		**5,845,520**	5,978,032

1A. GENERAL INFORMATION

GCL New Energy Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business is at Unit 1707A, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

The Company is an investment holding company. Its subsidiaries (hereinafter together with the Company collectively referred to as the "Group") are principally engaged in the sale of electricity, development, construction, operation and management of solar power plants.

This Interim Financial Information is presented in Renminbi ("RMB"), unless otherwise stated. This Interim Financial Information has been approved for issuance by the Board on 29 August 2023.

This Interim Financial Information has not been audited.

1B. BASIS OF PREPARATION

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The unaudited condensed interim consolidated financial statements do not include all the information required for a complete set of financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

2. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from sales of electricity and tariff adjustments, and provision of operation and management services and solar related supporting services. Revenue arising from sales of electricity is derived substantially from sales of electricity to local grid companies in the People's Republic of China (the "PRC") for the six months ended 30 June 2023 and 2022.

Revenue recognised during the periods are as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Recognised at a point in time:		
– Sales of electricity	**151,293**	183,982
– Tariff adjustments	**166,500**	226,242
– Solar related supporting services income	**39,468**	73,817
Subtotal	**357,261**	484,041
Recognised over time:		
– Operation and management services income	**65,503**	73,995
Subtotal	**65,503**	73,995
	422,764	558,036

For sales of electricity and tariff adjustments, the Group generally entered into power purchase agreements with local grid companies with a term of one to five years which stipulate the price of electricity per watt hour. Revenue is recognised when control of the electricity has been transferred, being at the point when electricity has generated and transmitted to the customers and the amount included tariff adjustments of approximately RMB166,500,000 (six months ended 30 June 2022: RMB226,242,000) recognised during the period. Except for trade receivables and contract assets relating to tariff adjustments, the Group generally grants credit period of approximately one month from the date of invoice in accordance with the relevant power purchase agreements between the Group and the respective local grid companies or overseas customers. The Group will complete the remaining performance obligations in accordance with the relevant terms as stipulated in the power purchase agreements and the remaining aggregated transaction price will be equal to the quantity of electricity that can be generated and transmitted to the customers times the stipulated price per watt hour.

The financial resource for the tariff adjustment is the national renewable energy fund that accumulated through a special levy on the consumption of electricity of end users. The PRC government is responsible to collect and allocate the fund to the respective state-owned grid companies for the settlement to the solar power companies. Effective from March 2012, the application, approval and settlement of the tariff adjustment are subject to certain procedures as promulgated by Caijian [2012] No. 102 *Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy*（可再生能源電價附加補助資金管理暫行辦法）. Caijian [2013] No. 390 Notice issued in July 2013 further simplified the procedures of settlement of the tariff adjustment.

In January 2020, the Several Opinions on Promoting the Healthy Development of Non-Hydro Renewable Energy Power Generation (Caijian [2020]No. 4)*（《關於促進非水可再生能源發電健康發展的若干意見》）（財建[2020]4號）and the Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (Caijian [2020]No. 5)*（《財政部國家發展改革委國家能源局關於印發〈可再生能源電價附加資

金管理辦法)的通知》)(財建[2020]5號)(the "2020 Measures") were jointly announced by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration. In accordance with the new government policy as stipulated in the 2020 Measures, the PRC government has simplified the application and approval process regarding the registration of tariff adjustments for non-hydro renewable energy power plant projects into the Renewable Energy Tariff Subsidy List(可再生能源發電補助項目清單) (the "List"). The state-owned grid companies will regularly announce the List based on the project type, time of grid connection and technical level of the solar power projects. For those on-grid solar power projects which have already started operation but yet to register into the List, these on-grid solar power projects are entitled to enlist into the List once they have met the conditions as stipulated on the Administration of Subsidy Funds for Tariff Premium of Renewable Energy(可再生能源電價附加資金管理辦法)and completed the submission and application in the National Renewable Energy Information Management Platform (the "Platform").

Tariff adjustments are recognised as revenue and due from grid companies in the PRC in accordance with the relevant power purchase agreements.

For those tariff adjustments that are subject to approval for registration in the List by the PRC government at the end of the reporting period, the relevant revenue from these tariff adjustments are considered variable consideration, and are recognised only to the extent that it is highly probable that a significant reversal will not occur and are included in contract assets. The management of the Group assessed that all of the Group's operating power plants have qualified and met all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plants. The contract assets are transferred to trade receivables upon the relevant power plant obtained the approval for registration in the List or when the relevant power plant is enlisted in the List since the release of the 2020 Measures.

Since certain tariff adjustments were yet to obtain approval for registration in the List by the PRC government, the management considers that it contained a significant financing component over the relevant portion of the tariff adjustments until settlement of the trade receivables. For the six months ended 30 June 2023, the respective tariff adjustments were adjusted for this financing component based on an effective interest rate ranging from 2.18% to 2.57% per annum (six months ended 30 June 2022: 2.11% to 2.37% per annum) and adjustments were made in relation to the revision of expected timing of tariff collection. As such, the Group's revenue was adjusted by approximately RMB33 million (six months ended 30 June 2022: RMB28 million) and interest income amounting to approximately RMB11 million (six months ended 30 June 2022: RMB26 million) (note 3) was recognised.

Operation and management service income represents the service income from the provision of the solar power plants operation and management services. The Group generally grants credit period of approximately one month to customers from the date of invoice.

Solar related supporting services income represents the income from sales of solar modules with related supporting services. The Group generally requires customers to provide 10% to 20% of the agreed consideration of specified goods or services as upfront deposits and the remainder of the consideration is payable seven to ten days prior to the date when the solar modules are delivered. The Group acts as an agent for its solar related supporting services and will complete the performance obligations in accordance with the relevant terms as stipulated in the contracts.

The Group's chief operating decision maker ("CODM"), being the executive directors of the Company, regularly reviews revenue by countries, except for the operations in the PRC which are by provinces; however, no other discrete information was provided. In addition, the CODM reviews the consolidated results when making decisions about allocating resources and assessing performance. Hence, no further segment information other than entity wide information is presented.

Geographical information

The Group's operations are located in the PRC and the United States of America ("US").

Information about the Group's revenue from external customers is presented based on the location of the operations and customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		**Non-current assets**	
	Six months ended 30 June		**30 June**	31 December
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
PRC	**386,538**	518,896	**4,007,850**	5,327,923
Other countries	**36,226**	39,140	**996,081**	956,268
	422,764	558,036	**5,003,931**	6,284,191

Note: Non-current assets exclude those relating to financial instruments (including pledged bank and other deposits, other investments and amounts due from related companies) and deferred tax assets.

3. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Government grants:		
– Incentive subsidies *(Note)*	**729**	477
– Investment Tax Credit	**7,115**	6,879
– Others	**–**	275
Interest arising from contracts containing significant financing component	**11,043**	25,700
Interest income of financial assets at amortised cost:		
– Bank interest income	**6,381**	6,903
– Interest income from former subsidiaries	**27,706**	37,855
Others	**5,621**	2,047
	58,595	80,136

Note:

Incentive subsidies were received from the relevant PRC government for improvement of working capital and financial assistance to the operating activities. The subsidies were granted on a discretionary basis during the periods and the conditions attached thereto were fully complied with.

4. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Exchange loss, net	**(32,827)**	(144,492)
Loss on measurement of assets classified as held for sale to fair value less cost to sell	**(105,188)**	–
Gain/(loss) on disposal of solar power plant projects	**3,624**	(32,531)
Gain on redemption of senior notes	**14,620**	–
Gain on disposal of property, plant and equipment	**34**	1
Gain on deregistration of a subsidiary	**1,695**	–
Gain on early termination of a lease	**–**	14,965
	(118,042)	(162,057)
Impairment loss under expected credit loss model:		
– Trade receivables	**–**	131
– Contract assets	**–**	(72)
– Other receivables	**–**	(53,779)
	–	(53,720)
Impairment loss on property, plant and equipment:		
– Property, plant and equipment (excluding assets classified as held for sale)	**–**	(700)
	–	(700)

5. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on financial liabilities at amortised cost:		
Bank and other borrowings	**118,711**	188,416
Senior notes	**67,062**	120,659
Loan from a related company	**–**	139
Lease liabilities	**7,300**	10,108
	193,073	319,322

There was no borrowing costs capitalised for both reporting periods.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax ("EIT"):		
Current tax	**6,036**	13,924
Deferred tax	**3,297**	1,872
Total	**9,333**	15,796

The basic tax rate of the Company's PRC subsidiaries is 25%, under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT law.

Certain subsidiaries of the Group engaged in solar photovoltaic projects under the EIT Law and its relevant regulations are entitled to tax holidays of 3-year full exemption followed by 3-year 50% exemption commencing from their respective years in which their first operating incomes was derived. For the six months ended 30 June 2023 and 2022, certain subsidiaries of the Company engaged in the solar photovoltaic projects are in the 3-year 50% exemption period. Certain of such subsidiaries of the Group have completed the 3-year full exemption period or 3-year 50% exemption period in current period.

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 qualifying corporations is taxed at 8.25%, and profits above HK$2 million is taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group for both periods. No provision for taxation in Hong Kong Profits Tax was made as there is no assessable profits for both periods.

The Federal and State income tax rate in the US are calculated at 21% and 8.84% respectively for both periods. No provision for taxation in US Federal and State income tax were made as there is no assessable profits for both reporting periods.

7. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:		
Depreciation of:		
– Property, plant and equipment	**130,860**	153,107
– Right-of-use assets	**10,567**	20,732
Staff costs (including directors' remuneration but excluding share-based payments)		
– Salaries, wages and other benefits	**84,074**	97,922
– Retirement benefit scheme contributions	**13,863**	18,964
Share-based payment expenses (administrative expenses in nature)	**4,587**	8,560

8. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the six months ended 30 June 2023, nor has any dividend been proposed since the end of the reporting period (six months ended 30 June 2022: Nil).

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	**216,111**	513,772

	Six months ended 30 June	
	2023	2022
	’000	*’000*
	(Unaudited)	(Unaudited) (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,167,436**	1,053,686

On 31 October 2022, every twenty (20) issued and unissued ordinary shares of HK$0.004166666667 each in the share capital of the Company were consolidated into one (1) ordinary share of HK$0.083 each (each a “Consolidated Share”) in the share capital of the Company (the “Share Consolidation”) and resulted in the weighted average number of Consolidated Shares of 1,167,435,772 in issue during the current period. Comparative figures of the weighted average number of ordinary shares for calculating basic loss per share has been adjusted on the assumption that the Share Consolidation has been effective since the beginning of the prior period.

Diluted loss per share for the six months ended 30 June 2023 and 2022 does not assume the exercise of the share options granted by the Company, since the exercise would result in decrease in loss per share of the respective period.

10. TRADE AND OTHER RECEIVABLES

	30 June 2023	31 December 2022
	RMB’000	*RMB’000*
	(Unaudited)	(Audited)
Trade receivables *(Note a)*	**871,692**	1,592,950
Prepayment and deposits	**60,100**	161,383
Other receivables		
– Amounts due from former subsidiaries *(Note b)*	**1,733,665**	2,198,183
– Consideration receivable from disposal of subsidiaries	**240,072**	278,581
– Refundable value-added tax	**13,734**	62,008
– Dividend receivables	**141,174**	303,628
– Others	**100,632**	163,403
	3,161,069	4,760,136
Less: Allowance for credit loss		
– Trade	**(3,555)**	(3,555)
– Non-trade	**(762,686)**	(762,686)
	(766,241)	(766,241)
	2,394,828	3,993,895

Notes:

(a) As at 1 January 2022, trade receivables from contract with customers amounted to approximately RMB1,620,938,000 (net of loss allowance of approximately RMB2,892,000).

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

Trade receivables include bills received amounting to approximately RMB3,688,000 (31 December 2022: RMB19,878,000) held by the Group for future settlement of trade receivables, of which certain bills issued by third parties are further endorsed by the Group with recourse for settlement of payables for purchase of plant and machinery and payment for construction costs, or discounted to banks for cash. The Group continues to recognise their full carrying amount at the end of both reporting periods. All bills received by the Group are with a maturity period of less than one year.

The following is an aged analysis of trade receivables (excluded bills held by the Group for future settlement), which is presented based on the invoice date and net of loss allowance at the end of the reporting period:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unbilled *(Note)*	**777,927**	1,464,256
0–90 days	**62,105**	75,362
91–180 days	**10,938**	13,824
Over 180 days	**13,479**	16,075
	864,449	1,569,517

Note: The 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 List. The Directors expect the unbilled tariff adjustments would be generally billed and settled within one year from the end of the reporting period.

The aged analysis of the unbilled trade receivables, net of loss allowance, which is based on revenue recognition date, is as follows:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0–90 days	**95,790**	94,490
91–180 days	**52,899**	134,442
181–365 days	**136,531**	274,353
Over 365 days	**492,707**	960,971
	777,927	1,464,256

As at 30 June 2023, included in these trade receivables are debtors with aggregate carrying amount of approximately RMB68,842,000 (31 December 2022: RMB50,499,000) which are past due as at the end of the reporting period. These trade receivables relate to a number of customers represented the local grid companies in the PRC, for whom there is no recent history of default. The Group does not hold any collaterals over these balances.

Trade receivables of RMB888,659,000 as at 30 June 2023 have been classified as part of a disposal group held for sale.

(b) The amount represents amounts due from former subsidiaries for outstanding payments arising from its disposals of subsidiaries to independent third parties during the financial years ended 31 December 2018 to six months ended 30 June 2023 as part of the Group's transition to become an asset-light enterprise. When the Group and the purchasers discussed the terms of the share and purchase agreements in respect of the disposal of the Group's subsidiaries, the considerations were determined by taking into, among other things, receivables (i.e. the "Outstanding Payments") that were due from the former subsidiaries to the Group. The purchasers are obligated to procure the former subsidiaries to settle the Outstanding Payments in stages pursuant to the terms and conditions set out in the share and purchase agreements. The amounts are non-trade in nature, unsecured and interest-bearing ranging from 4.45% to 9.52% (31 December 2022: ranging from 4.45% to 9.52%) per annum and repayable on demand.

The Group performs impairment assessment under expected credit loss on these receivables, which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. The ECL are assessed individually for debtors by reference to past repayment history, credit rating or financial position of the debtors, forward-looking information that is available without undue cost or effort, and also taking into account of the prevailing government policies that support the solar power industry which the Group's debtors operate. As at 30 June 2023, except for the accumulated impairment loss of approximately RMB570,000,000 (31 December 2022: RMB570,000,000) recognised on these receivables, for the remaining balances, the management considers credit risk has not increased significantly since the date of initial recognition, Accordingly, no loss allowance for expected credit loss is further provided.

11. LOAN FROM A RELATED COMPANY

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Loan from:		
– company controlled by Mr. Zhu Yufeng and his family repayable within 1 year *(Note)*	**4,811**	4,811
	4,811	4,811

Note:

As at 30 June 2023 and 31 December 2022, loan from 協鑫光伏系統有公司 GCL Solar System Limited ("GCL Solar System") is unsecured, interest-free and repayable from 2022 through 2023.

12. BANK AND OTHER BORROWINGS

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank loans	**612,415**	736,701
Other loans	**1,309,962**	1,782,722
	1,922,377	2,519,423
Secured	**1,199,187**	2,139,035
Unsecured	**723,190**	380,388
	1,922,377	2,519,423
The carrying amount of borrowings that are repayable on demand due to breach of loan covenants#		
– Other loans	**–**	59,034
The carrying amount of the remaining bank loans and other loans	**1,922,377**	2,460,389
	1,922,377	2,519,423
Less: Amount due within one year or repayable on demand due to breach of loan covenants (shown under current liabilities)	**(378,827)**	(436,921)
Amount due after one year	**1,543,550**	2,082,502

Certain Group's facilities from banks and other financial institutions are subject to the fulfillment of covenants relating to certain financial ratios. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants.

In respect of certain bank and other borrowings with carrying amount of RMBNil at 30 June 2023 (31 December 2022: RMB61 million), the Group is required to comply with the following financial covenants as long as the borrowings are outstanding:

(a) the debt ratio of a PRC subsidiary, the borrower, shall not be exceeding 70%; and

(b) the litigation involvement of a PRC subsidiary, the borrower, shall not be exceeding RMB5 million.

The Group has complied with these covenants throughout the current interim period.

As at 31 December 2022, the Group's involvement in certain litigation cases relating to claims by relevant claimants exceeded the limit of litigation amounts stipulated in the financial covenants of certain other bank borrowings and had triggered the cross default clauses of certain of the Group's other borrowings as set out in the respective loan agreements between the Company and several financial institutions. Accordingly, other borrowings of the Group amounting to approximately RMB42 million were reclassified from non-current liabilities to current liabilities as at 31 December 2022. The management of the Group considered that the claims arising from the litigation did not have material impact to the Group. There were no such events as at 30 June 2023.

Scheduled repayment terms for the other borrowings that are repayable on demand due to breach of loan covenants are as follows:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	–	17,470
More than one year, but not exceeding two years	–	17,900
More than two years, but not exceeding five years	–	23,664
	–	59,034

Bank and other borrowings of RMB568,647,000 as at 30 June 2023 have been classified as part of a disposal group held for sale.

13. SENIOR NOTES

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Senior notes	**1,030,726**	1,722,571
Analysed as:		
Current	**1,030,726**	–
Non-current	**–**	1,722,571
	1,030,726	1,722,571

On 23 January 2018, the Group issued senior notes of US$500 million (equivalent to RMB3,167 million) (the "2018 Senior Notes"), which bore interest at 7.1% and matured on 30 January 2021. The net proceeds of the notes issuance, after deduction of underwriting discounts and commissions and other expenses, amounted to approximately US$493 million (equivalent to RMB3,119 million). During the year ended 31 December 2021, the restructuring of the 2018 Senior Notes (the "Restructuring") was implemented and completed under the Bermuda Scheme (i.e. the scheme of arrangement under Part VII of the Bermuda Companies Act 1981). On 16 June 2021, the Restructuring has become effective, i.e. the 2018 Senior Notes was replaced by the New Senior Notes (defined below). Under the restructuring support agreement ("RSA"), 5% of the original principal amount of US$25 million (the "Upfront Consideration") was repaid to the holders of the 2018 Senior Notes. The original principal amount and all accrued and unpaid interest on the senior notes less the Upfront Consideration was settled through issuance of new senior note (the "New Senior Notes").

The principal amount of the New Senior Notes amounted to US$511,638,814, which the Company completed the redemption of New Senior Notes of approximately US$76.9 million (equivalent to approximately RMB490 million) on 25 January 2022, approximately US$45.1 million (equivalent to RMB286 million) on 18 March 2022, approximately US$11.8 million (equivalent to RMB84 million) on 9 September 2022 and approximately US$122.6 million (equivalent to RMB870 million) on 28 October 2022.

During the current interim period, the Company completed the redemption of New Senior Notes of approximately US$31 million (equivalent to approximately RMB216 million) on 23 March 2023, approximately US$11 million (equivalent to approximately RMB76 million) on 31 March 2023, and the repurchase of approximately US$26 million (equivalent to RMB177 million) on 16 May 2023 and approximately US$42 million (equivalent to RMB287 million) on 30 May 2023.

The New Senior Notes are unsecured, bear interest at 10% per annum and are payable on 30 January 2024.

14. EVENTS AFTER REPORTING PERIOD

Save as disclosed elsewhere in the unaudited condensed interim consolidated financial statements, the following significant event took place after the end of the reporting period:

Since 4 August 2023, the Company has repurchased the 10.00% Senior Notes Due 2024 (the "Notes") in the open market in an aggregate carrying amount of US$55,321,000 (equivalent to RMB394,466,000), being US$69,000,000 (equivalent to approximately RMB492,005,000) outstanding principal amount at face value of the Notes. Please refer to the Company's announcement dated 14 August 2023 and published on Singapore Stock Exchange for further details.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current interim period's presentation.

BUSINESS REVIEW

Unlimited medium-long-term development potentials for natural gas amid the world's energy transition critical point

Under the influence of the geopolitical conflicts that have lingered since 2022, the conflict between global energy supply and demand has deteriorated sharply, and the frequent fluctuations in international energy prices have not only forced the relevant countries to adjust their energy policies but have also further pushed forward profound changes in the international energy landscape. Although the growth in energy consumption is likely to slow down in 2023 due to the fluctuation and uncertainty of the global economic environment, according to the International Energy Agency's ("**IEA**") forecast in July 2023, global demand for electricity is likely to rebound in 2024 as the economic outlook improves, with the growth rate of global energy consumption expected to rise to 3.3%. The power generation of renewable energy will account for more than one-third of the world's total electricity supply for the first time. This means that countries around the globe will need to develop more renewable energy sources if the demand for continued growth in electricity in the future is to be met. As countries in European Union have not yet fully overcome the energy dilemma, the global demand for clean alternative energy will continue to be robust before renewable energy dominates the energy sector. At present, natural gas, by virtue of its clean, efficient and low-carbon characteristics, as well as the advantages of abundant resources, diversified utilization and significant environmental benefits, plays an important role in optimizing the energy structure and reducing carbon emission, and is widely regarded as one of the important alternative energy resources domestically and internationally, with an increasingly prominent status and role in the process of the global energy transition.

2023 was the beginning of the full implementation of the spirit of the 20th National Congress of the Communist Party of China (the "**20th NCCPC**") in the PRC and is the key year that follows the past and heralds the future for the implementation of the 14th Five-Year Plan. The " Guidance Opinion on 2023 Energy Work (《二零二三年能源工作指導意見》)" ("**Opinion**") issued by the National Energy Administration ("**NEA**") in April 2023 clearly stated that the country insists on putting energy supply and price stability first, actively and steadily promoting green and low-carbon transformation, adhering to innovation-driven upgrading in the level of industrial modernization, and maintaining the development momentum for high-quality reform and opening-up. In addition, there are many suggestions on natural gas development in the "Opinion", and it refers to the study and revision of the "Natural Gas Utilization Policy (《天然氣利用政策》)" issued by the National Development and Reform Commission ("**NDRC**") of the PRC in 2010, reflecting that in order to promote the green and low-carbon transformation and high-quality development of energy, the national policy is very optimistic and favourable on the development prospects of natural gas, which vigorously promotes the high-quality development of the natural gas industry, adhering to the in-depth promotion of the energy revolution, increasing the exploration and development of oil and gas resources and increasing reserves and production, coupled with supply and demand synergistic efforts, to accelerate the planning and construction of a new energy system. In light of the new situation and new requirements of energy development, it was proposed in the report of the 20th NCCPC convened in October 2022 that the natural gas industry should thoroughly implement important instructions and comments proposed, continue to accelerate the construction of the production, supply, storage and sales system, improve supply guarantee capabilities, improve the construction of the market system, stimulate the vitality of scientific and technological innovation, promote international exchanges and cooperation, enhance the resilience of the industrial chain and supply chain, achieve high-quality development of the industry, and promote natural gas to play a greater role in the construction of the new energy system.

In the "China Natural Gas Development Report (2023)(《中國天然氣發展報告(二零二三)》)" issued by the NEA in July 2023, it was preliminarily estimated that driven by urban gas consumption and gas use for electricity generation, the national natural gas consumption in 2023 was approximately 385 billion to 390 billion cubic meters, representing a year-on-year increase of 5.5% to 7%. The development pace of the domestic natural gas industry continues to accelerate, driven by the factors of "the needs of high-quality economic development, the needs of safeguarding energy security, and the needs of achieving carbon emissions peak and carbon neutrality". It is believed in the market that in the next few years, driven by gas consumption of urban daily life, industrial use, and power generation, the annual demand for natural gas will increase to 20 billion to 30 billion cubic meters, showcasing the strong domestic demand for natural gas.

Set sail with the wind to make concentrated efforts to commence a new chapter of the natural gas business

GCL New Energy has been actively seeking innovation and changes. To fully grasp the priorities for the future development of clean energy, GCL New Energy has made a comprehensive, clear and objective understanding and judgment of the natural gas development at home and abroad and timely seize the new opportunities arising from the overall adjustment of development landscape in the natural gas industry. GCL New Energy has maintained sound communication with POLY-GCL Petroleum Group Holdings Limited ("**POLY-GCL Petroleum Group**") and actively explored the cooperation opportunities of initiating liquefied natural gas ("**LNG**") business in the future.

POLY-GCL Petroleum Group possesses a period of 45 years for the upstream exploration and development of 5 trillion cubic meters of natural gas reserves and approximately 4 billion tons of crude oil that meet the conditions for large-scale commercial development in Ogaden Basin, Ethiopia, Africa.

In order to accelerate the implementation of the Ethiopian natural gas project and to accelerate the broadening of revenue streams in the energy sector, on 17 March 2023, GCL New Energy Africa Limited ("**GNE Africa**"), an indirect wholly-owned subsidiary of GCL New Energy, entered into the engineering, procurement and construction ("**EPC**") agreement with Hangzhou Fortune Cryogenic Group Co., Ltd.(杭州福斯達深冷裝備股份有限公司)("**Hangzhou Fortune**") and Zhejiang Engineering Design Co., Ltd.(浙江工程設計有限公司)("**Zhejiang Engineering**"). Pursuant to the agreement, Hangzhou Fortune and Zhejiang Engineering, engaged by GNE Africa as the joint contractors, will provide EPC services to GNE Africa, for the construction, development, and maintenance of its LNG project at a consideration of approximately US$15.03 million (tax inclusive).

To further promote high-quality sustainable development, during the process of planning for long-term development in the future, GCL New Energy actively implemented the strategic asset-light transformation, strived to implement the sustainable development concept into the long-term corporate development strategy, and comprehensively incorporated it into the daily operations of various fields. On 19 May 2023, the Group announced that its indirect subsidiary, Suzhou GCL New Energy Development Co., Ltd.（蘇州協鑫新能源發展有限公司）(“**Suzhou GCL New Energy**”), disposed of 4 operational solar power plants with a total grid-connected capacity of approximately 191 MW located in the PRC to Hunan Xinhua Water Conservancy and Electric Power Co., Ltd.（湖南新華水利電力有限公司）(“**Hunan Xinhua**”) and intended to use the net cash proceeds from this transaction, which were estimated to be approximately RMB1,425 million, for debt repayment. The ratio of total liabilities to total assets of the Group for the first half of 2023 (the “**Period**”) decreased to 47.5%, and the overall liabilities had improved to a level more favourable to the layout of long-term development, which provided stronger support for exploring new opportunities in the clean energy business.

In the context of a continuing positive financial situation, the Group proactively and prudently handled debt clause requirements concerning the existing notes. During the period, the Group completed three repurchases of existing notes totalling over US$110 million and the Group's remaining outstanding notes amounted to approximately US$146 million in aggregate principal amount. The Group will continue to fulfil its obligations to the holders of existing notes by its liquidity position, repurchase and repay its debts on time in strict compliance with debt clauses to further reduce its overall liabilities and financing expenses.

Adherence to longtermism, pursuing “dual-core businesses” and sustainable green operations development

GCL New Energy is actively exploring the new business model of “solar plus natural gas” dual-core businesses, while holding fast to the development of its core business and endeavouring to lay a more solid foundation for entering the next stage of development. Leveraging on its extensive experience in operational and maintenance (“**O&M**”) of solar power plants, scale advantage and massive data accumulation, the Group expedites the O&M outsourcing business of various clean energy projects. As a national high-tech enterprise, GCL New Energy accelerates technological advancement through continuous investment in R&D, constantly improves the intelligent O&M level and the efficiency of the power station system, and strives to provide value-added services for the O&M outsourcing clients including equipment commission, equipment function testing, secondary system maintenance, external cable maintenance, electricity market transaction, asset evaluation, and wind and solar power to hydrogen storage integrated energy services, so as to create value for the clients, achieve a win-win situation and promote mutual development. Currently, the Group provides O&M outsourcing services for energy projects with a total installed capacity of approximately 4 GW. The Group serves clients across the nation and has established a leading market presence.

Looking forward, in view of the domestic and international challenges, GCL New Energy as a green company that prioritizes the development of clean energy businesses, will firmly focus on the "solar plus natural gas" dual-core businesses development strategy, seize the great opportunities of developing natural gas business, and continuously promote integrated development on both domestic and overseas fronts. In line with development needs, adaptive adjustments will be made and by following the lead of technological innovation, GCL New Energy will give full play to "green advantage, industrial advantage, and first-mover advantage", reinforce "scientific and technological strength, human resources strength, and economic strength", make efforts to nurture core capabilities based on the precise industrial positioning, make clear setup and planning to meet the broad development prospects of natural gas, stick to the high-quality development path relying on the technological and management innovation, and contribute to the national energy transformation development.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the six months ended 30 June 2023, loss attributable to owners of the Company for the reporting period was RMB216 million, as compared to loss attributable to owners of the Company of RMB514 million in the last reporting period. The loss for the reporting period was mainly attributable to the combined effect of the following:

1. the grid-connected capacity of subsidiaries decreased from 830MW as at 30 June 2022 to 816MW as at 30 June 2023, representing a slight decrease of 2% in business scale. The sales volume of electricity and the revenue from electricity generation of the Group decreased by 16% and 20%, respectively. The drop in our business scale led to a decrease in gross profit by RMB60 million, from RMB255 million to RMB195 million in the current reporting period;

2. the decrease in administrative expenses by 59%, from RMB261 million to RMB107 million, mainly due to decrease in legal and professional fees associated with the substantial disposal of solar power plant projects which took place in the last reporting period;

3. the exchange loss of RMB33 million during the six months ended 30 June 2023, as compared to the exchange loss of RMB144 million for the six months ended 30 June 2022. The exchange loss is mainly caused by the appreciation of USD against RMB for USD denominated indebtedness; and

4. the decrease of finance costs from RMB319 million to RMB193 million as compared with the last reporting period, mainly due to the decrease in business scale and repayment of debts.

BUSINESS REVIEW

Capacity and Electricity Generation

As at 30 June 2023, the grid-connected capacity of the Group's subsidiary power plants was approximately 816MW (31 December 2022: 840MW). Details of capacity, electricity sales volume and revenue for the six months ended 30 June 2023 are set out below.

Subsidiaries by provinces	Tariff Zones	Number of solar power plant	Grid-connected Capacity[1] *(MW)*	Electricity Sales Volume *(million kWh)*	Average Tariff (Net of Tax) *(RMB/kWh)*	Revenue *(RMB million)*
Inner Mongolia	1	4	189	135	0.72	97
		4	**189**	**135**	**0.72**	**97**
Qinghai	2	4	98	65	0.62	40
Jilin	2	4	51	40	0.73	29
Liaoning	2	3	60	49	0.51	25
Gansu	2	1	20	13	0.77	10
		12	**229**	**167**	**0.63**	**104**
Jiangsu	3	2	23	14	0.86	12
Hebei	3	1	21	14	0.36	5
Shandong	3	8	129	90	0.77	69
Henan	3	4	15	7	0.57	4
Guangdong	3	4	13	7	0.71	5
Fujian	3	3	56	27	0.63	17
Shanghai	3	1	7	4	0.75	3
		23	**264**	**163**	**0.71**	**115**
Subtotal		**39**	**682**	**465**	**0.68**	**316**
US		2	134	72	0.49	35
Total of Subsidiaries		**41**	**816**	**537**	**0.65**	**351**

	Revenue *(RMB million)*
Representing:	
Electricity sales	151
Tariff adjustment – government subsidies received and receivable	200
Total revenue of subsidiaries for electricity sales	351
Less: effect of discounting tariff adjustment to present value[(2)]	(33)
Total revenue of solar power plants, after discounting	318
Solar power plants operation and management income	66
Solar related supporting service income	39
Total revenue of the Group	423

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

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

Most of the solar power plants of the Group are located in China and almost all of the revenue of solar power plants is contributed by the subsidiaries of State Grid Corporation of China ("**State Grid**"). The State Grid is a State-owned enterprise in China, which possesses low default risk. Therefore, the Directors considered that the credit risk of trade receivables was minimal.

FINANCIAL REVIEW

Revenue and Gross Profit

For the six months ended 30 June 2023, the Group's revenue was mainly derived from (i) solar power electricity generation; (ii) service income from the provision of the solar power plants operation and management services; and (iii) income from solar related supporting services. The table below sets forth an analysis of the Group's revenue:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
– Sales of electricity and tariff adjustments	**317,793**	410,224
– Solar power plants operation and management service	**65,503**	73,995
– Solar related supporting service income	**39,468**	73,817
	422,764	558,036

The decrease in revenue was mainly attributable to the disposal of solar power plants during 2022. The grid-connected capacity decreased from 830MW as at 30 June 2022 to 816MW as at 30 June 2023. The average tariff (net of tax) for the PRC was approximately RMB0.65/kWh (2022: RMB0.68/kWh).

During the six months ended 30 June 2023, the Group provided operation and maintenance services for some of the disposed solar power plant projects and generated management service income. Also, the Group provided other supporting services such as procurement service to widen our business coverage in order to generate additional income stream to the Group. As at 30 June 2023, the Group had entered into contracts to provide operation and maintenance services for solar power plants with total installed capacity of approximately 4,695MW.

The Group's gross margin for the six months ended 30 June 2023 was 46.2%, as compared to 45.6% for the six months ended 30 June 2022. The cost of sales mainly consisted of depreciation, which accounted for 57.5% (2022: 51.2%) of the cost of sales, with the remaining costs being operation and maintenance costs of solar power plants.

Other Income

During the six months ended 30 June 2023, other income mainly included imputed interest on discounting effect on tariff adjustment receivables (i.e. interest arising from contracts containing significant financing component) of RMB11 million (2021: RMB26 million) and bank interest income of RMB6 million (2021: RMB7 million).

Administrative Expenses

The administrative expenses mainly included staff costs, rental expenses and legal and professional fees. Administrative expenses decreased by 59% to RMB107 million (2022: RMB261 million) for the six months ended 30 June 2023. The decrease in administrative expenses was mainly due to a decrease in legal and professional fees associated with the substantial disposal of solar power plant projects which took place in the last reporting period.

Other gains and losses, net

During the six months ended 30 June 2023, the net loss decreased by 45% to RMB118 million (2022: RMB216 million). The net loss for 2023 was mainly due to exchange loss caused by the appreciation of USD against RMB for USD denominated indebtedness of RMB33 million (2022: RMB144 million).

Share of profits of associates

Share of profits of associates amounted to RMB57 million (2022: RMB68 million), mainly representing the share of profits from several partly held solar power plants.

Finance Costs

Total borrowing costs decreased by 40% from RMB319 million to RMB193 million as compared with the last reporting period. The decrease was mainly due to the decrease in average borrowing balance as a result of the disposal of solar power plants. The interest-bearing debts decreased from RMB5,540 million as at 30 June 2022 to RMB3,803 million as at 30 June 2023. The average borrowing rate decreased from approximately 8.5% in 2022 to approximately 7.5% in 2023.

Income Tax Expense

Income tax expense for the six months ended 30 June 2023 was RMB9 million (2022: RMB16 million). There is a decrease in income tax expense because of the disposal of solar power plants during 2022, leading to decrease in taxable income.

Profit attributable to other non-controlling interests

Profit attributable to other non-controlling interests amounted to RMB1 million for the six months ended 30 June 2023 (2022: RMB4 million).

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: Nil).

Property, Plant and Equipment

Property, plant and equipment was RMB3,121 million and RMB4,468 million as at 30 June 2023 and 31 December 2022, respectively. The decrease was mainly due to the disposal of solar power plants in 2022.

Other Non-current Assets

As at 30 June 2023, other non-current assets was RMB132 million (31 December 2022: RMB107 million), which mainly included refundable value-added tax of approximately RMB61 million (31 December 2022: RMB35 million).

Contract assets

Contract assets primarily relate to the portion of tariff adjustments for electricity sold to 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 recognised as contract assets is reclassified to trade receivables at the point at which it is registered in the subsidy catalogue.

Contract assets increased from RMB55 million as at 31 December 2022 to RMB64 million as at 30 June 2023, as some power plants entered into the project list of subsidy for renewable energy power plants (the "**Subsidy List**").

Trade and Other Receivables

As at 30 June 2023, trade and other receivables of RMB2,395 million (31 December 2022: RMB3,994 million) mainly included trade and bills receivables of RMB868 million (31 December 2022: RMB1,589 million), refundable value-added tax of RMB14 million (31 December 2022: RMB62 million) and consideration receivables from disposal of subsidiaries of RMB240 million (31 December 2022: RMB279 million).

As at 30 June 2023, tariff adjustments receivables of RMB764 million (31 December 2022: RMB1,452 million), represents subsidy receivable from the government authorities in respect of the Group's solar power generation business and contract assets of RMB64 million (31 December 2022: RMB55 million), primarily relate to the portion of tariff adjustments for the electricity sold to the grid companies in the PRC in which the relevant on-grid solar power plants are still pending for registration to the Subsidy List at the end of the reporting period. As at 30 June 2023, there was 47 MW installed capacity of solar power plants projects to be registered (31 December 2022: 47MW).

As at 30 June 2023, amounts due from former subsidiaries of RMB1,733 million (31 December 2022: RMB2,198 million), represents outstanding payments arising from its disposals of subsidiaries to independent third parties during the financial years ended 31 December 2018 to six months ended 30 June 2023 as part of the Group's transition to become an asset-light enterprise. When the Group and the purchasers discuss the terms of the share and purchase agreements in respect of the disposal of the Group's subsidiaries, the consideration was determined by taking into, among other things, receivables (i.e. the "**Outstanding Payments**") that were due from the former subsidiaries to the Group. The purchasers are obligated to procure the former subsidiaries to settle the Outstanding Payments in stages pursuant to the terms and conditions set out in the share and purchase agreements. Except for the accumulated impairment loss of approximately RMB570 million recognised on these receivables as at 30 June 2023 and as at 31 December 2022, for the remaining balances, the management considers credit risk has not been increased significantly since the date of initial recognition, Accordingly, no loss allowance for credit risk is further provided.

Other Payables and Deferred Income

Other payables and deferred income decreased from RMB1,330 million as at 31 December 2022 to RMB1,255 million as at 30 June 2023. Other payables and deferred income mainly consisted of payables for purchase of plant and machinery and construction cost of RMB82 million (31 December 2022: RMB145 million).

Liquidity and Financial Resources

The Group adopts a prudent treasury management policy to maintain sufficient working capital to cope with daily operations. The funding for all its operations has been centrally reviewed and monitored at the Group level. The indebtedness of the Group mainly comprises bank and other borrowings, senior notes payable, lease liabilities and loans from related companies.

As at 30 June 2023, bank balances and cash of the Group were approximately RMB894 million (31 December 2022: RMB850 million), including bank balances and cash of RMB41 million, for projects classified as held for sale (31 December 2022: RMB53 million). For the six months ended 30 June 2023, the Group's primary source of funding included cash generated from its operating activities and proceeds from disposal of power plants.

Indebtedness and gearing ratio

Solar energy business is a capital intensive industry. The business requires substantial capital investments for developing and constructing solar power plants. However, starting from 2019 onwards, the Group had adopted assets-light business strategy. The average gearing ratio of the Group become more stable and in an acceptable level.

The Group was in net current assets position of approximately RMB2,711 million as at 30 June 2023 (31 December 2022: RMB3,794 million).

The Group monitors capital based on two gearing ratios. The first ratio is calculated as net debts divided by total equity and the second ratio is calculated as total liabilities divided by total assets. The gearing ratios as at 30 June 2023 and 31 December 2022 were calculated as follows:

	30 June 2023 *RMB million*	31 December 2022 *RMB million*
Non-current indebtedness		
Bank and other borrowings	**1,543**	2,082
Senior notes	**–**	1,723
Lease liabilities	**250**	240
	1,793	4,045
Current indebtedness		
Loan from a related company	**5**	5
Bank and other borrowings	**379**	437
Senior notes	**1,031**	–
Lease liabilities	**12**	30
	1,427	472
Indebtedness for solar power plants projects classified as held for sale		
Bank and other borrowings – due within one year	**46**	4
Bank and other borrowings – due after one year	**523**	145
Lease liabilities	**14**	23
	583	172
Total indebtedness	**3,803**	4,689
Less: Cash and cash equivalents		
– continuing operations	**(853)**	(797)
– projects classified as held for sale	**(41)**	(53)
Pledged bank and other deposits		
– continuing operations	**(256)**	(262)
– projects classified as held for sale	**–**	(5)
Net debts	**2,653**	3,572
Total equity	**5,846**	5,978
Net debts to total equity	**45.4%**	59.8%
Total liabilities	**5,281**	6,186
Total assets	**11,126**	12,164
Total liabilities to total assets	**47.5%**	50.9%

The Group's indebtedness was denominated in the following currencies:

	30 June 2023 *RMB million*	31 December 2022 *RMB million*
Renminbi ("RMB")	**2,555**	2,559
United States dollars ("US$")	**1,248**	2,130
	3,803	4,689

Pledge of Assets

As at 30 June 2023, the following assets (other than those have been classified as part of a disposal group held for sale) were pledged for bank and other facilities granted to the Group:

– property, plant and equipment of RMB1,495 million (31 December 2022: RMB2,957 million);

– bank and other deposits of RMB256 million (31 December 2022: RMB262 million); and

– rights to collect the sales of electricity for certain subsidiaries. As at 30 June 2023, the trade receivables and contract assets of those subsidiaries amounted to RMB448 million (31 December 2022: RMB1,385 million).

Besides, lease liabilities (other than those that have been classified as part of a disposal group held for sale) of RMB262 million (31 December 2022: RMB270 million) were recognised in respect of right-of-use assets amounting to RMB195 million (31 December 2022: RMB219 million) as at 30 June 2023.

Guarantees provided to Third Parties

As at 30 June 2023, the Group provided back-to-back guarantees to third parties for certain bank and other borrowings taken out by certain third parties for project companies whereby the third parties held a substantial interest and the Group held a minority interest. The back-to-back guarantees held a maximum amount of RMB1,610 million (31 December 2022: RMB1,610 million). Besides, the Group also provided financial guarantees to certain disposed subsidiaries during transitional period for their bank and other borrowings amounting to RMB712 million (31 December 2022: RMB712 million).

Capital and Other Commitments

As at 30 June 2023, the Group's capital commitments in respect of construction commitments relating to natural gas liquefaction plant contracted but not provided amounted to approximately RMB107 million (2022: nil) and commitment of share capital of joint venture of approximately RMB25 million (2022: RMB25 million).

Material disposal

During the six months ended 30 June 2023, the Group has entered into various share transfer agreements with different third parties to dispose equity interests in companies which hold various solar power plants. In particular, the material disposal which constituted a very substantial disposal of our Group during the six months ended 30 June 2023 is summarised hereinbelow:

Date of the agreement signed in 2023	Name of buyer	Percentage of disposed equity interest	Capacity of solar power plants *(MW)*	Consideration *(RMB million)*
May 2023	Hunan Xinhua Water Conservancy and Electric Power., Ltd.* (湖南新華水利電力有限公司)	100%	191	308
		Total	**191**	**308**

Note: For details, please refer to the announcement(s) published by the Company (if applicable).

EVENTS AFTER THE REPORTING PERIOD

Please refer to note 14 to the unaudited condensed consolidated financial information.

RISK FACTORS AND RISK MANAGEMENT

The Group's business and financial results of operations are subject to various business risks and uncertainties. The factors set out below are those that the management believes could affect the Group's financial results of operations differing materially from expected or historical results. However, there can be other risks which are immaterial now but could turn out to be material in the future.

1. 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, issuance of green electricity certificates, laws and regulations would cause substantial impact on the solar power industry. Although the PRC 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 Company will follow rules set out by the government strictly, and will pay close attention to policy makers in order to foresee any disadvantageous movements.

2. Risk associated with tariff

Power tariff is one of the key earning drivers for the Company. Any adjustment in tariff might have an impact on the profitability of new solar power projects. Given the NDRC targets to accelerate the technology development for solar energy industry in order to bring down development costs, therefore solar power tariff has been lowered to the level of coal-fired power and government subsidy for solar energy industry will finally be faded out. To minimize this risk, the Company will continue to increase the pace of technology development and implement cost control measures in order to lower development cost for new projects.

3. Risk related to interest rate

Interest risk may result from fluctuations in bank loan rates. Given our Company highly relies on external financing in order to obtain capital for new solar power project development, any interest rate changes will have an impact on the Company's capital expenditure and finance expenses, which in turn affect our operating results. Transformation into asset-light model is an effective way to reduce debts and interest rate exposure.

4. Foreign currency risk

As most of our solar power plants are located in the PRC, substantial amount of our revenues, capital expenditures, assets and liabilities are denominated in RMB. Apart from using RMB denominated loans to finance project development in the PRC, the Company also uses foreign currencies such as US dollars to inject into projects in the form of equity. As the Company has not purchased any foreign currency derivatives or related hedging instruments to hedge for foreign currencies loans, any changes in the exchange rate of foreign currency to RMB will have an impact on the Company's operating results.

5. Risk related to disputes with joint venture partners

Our joint ventures may involve us into risks associated with the possibility that our joint venture partners having financial difficulties or having 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.

EMPLOYEE AND REMUNERATION POLICIES

We consider our employees to be our most important resource. As at 30 June 2023, the Group had approximately 859 employees (31 December 2022: 792 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 discretionary bonuses, with share options granted to eligible employees. Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and share option expenses) for the six months ended 30 June 2023 was approximately RMB103 million (30 June 2022: RMB125 million).

USE OF NET PROCEEDS FROM 2022 TOP-UP PLACING AND SUBSCRIPTION

On 4 August 2022, the Group completed a top-up placing and subscription of 2,275,000,000 shares at HK$0.138 per share to no less than six independent placees, raising net proceeds of approximately HK$310,000,000 after deducting placing commission and related expenses (the "**2022 Placing**"). There are no changes to the intended use of net proceeds from the 2022 Placing. As at 30 June 2023, approximately HK$63 million was used as intended and approximately HK$247 million was deposited to the bank account of the Company pending its application. For further details of 2022 Placing, please refer to the announcements of the Company dated 28 July 2022 and 4 August 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares listed on the Stock Exchange during the six months ended 30 June 2023.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to promoting high standards of corporate governance through its continuous effort in enhancing its corporate governance practices and process. The Board believes that sound and reasonable corporate governance practices are essential for sustainable development and growth, and safeguarding the interests and assets of the Group and enhancement of shareholders' value.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2023, the Company complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

AUDIT COMMITTEE

The audit committee of the Company has reviewed, with the management of the Group, the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters including a review of the Company's interim report and interim results for the six months ended 30 June 2023.

AUDITOR

The Company's external auditor, Crowe (HK) CPA Limited, has conducted a review of the Interim Financial Information of the Group for the six months ended 30 June 2023 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

There is no disagreement raised by the Company's external auditors or the audit committee of the Company with the accounting treatment adopted by the Company.

PUBLICATION OF 2023 INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Company (www.gclnewenergy.com) and HKExnews (www.hkexnews.hk). The 2023 Interim 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.

By order of the Board
GCL New Energy Holdings Limited
協鑫新能源控股有限公司
Zhu Gongshan
Chairman

Hong Kong, 29 August 2023

As at the date of this announcement, the Board comprises Mr. Zhu Gongshan (Chairman), Mr. Zhu Yufeng, Mr. Wang Dong and Ms. Hu Xiaoyan as executive Directors of the Company; Ms. Sun Wei, Mr. Yeung Man Chung, Charles and Mr. Fang Jiancai as non-executive Directors of the Company; and Mr. Lee Conway Kong Wai, Mr. Wang Yanguo, Dr. Chen Ying and Mr. Cai Xianhe as independent non-executive Directors of the Company.