GCL

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)

bringing **GREEN** power to life

Interim Report 2012

Contents

Performance Highlights

	Six months ended 30 June 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)	Change	% of change
Revenue				
Sales of wafer	**6,676,640**	11,416,133	(4,739,493)	–41.5%
Sales of electricity	**1,670,752**	1,487,659	183,093	12.3%
Sales of polysilicon	**1,624,061**	728,658	895,403	122.9%
Sales of steam	**938,649**	805,203	133,446	16.6%
Sales of coal	**219,014**	189,995	29,019	15.3%
Others (comprise the sales of ingot, module and processing fees)	**652,790**	545,903	106,887	19.6%
	11,781,906	15,173,551	(3,391,645)	–22.4%
(Loss) profit attributable to owners of the Company	**(330,211)**	3,550,114	(3,880,325)	–109.3%

	HK Cents	HK Cents	Change	% of change
Basic and Diluted (loss) earnings per share				
— Basic	**(2.13)**	22.94	(25.07)	–109.3%
— Diluted	**(2.13)**	22.84	(24.97)	–109.3%

	HK$'000	HK$'000	Change	% of change
EBITDA*	**2,407,661**	6,311,171	(3,903,510)	–61.9%

* *The non-cash expenses of goodwill impairment was excluded in the calculation of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)*

	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (audited)	Change	% of change
Extracts of consolidated statement of financial position				
Equity attributable to owners of the Company	**19,298,680**	20,567,110	(1,268,430)	–6.2%
Total assets	**77,418,549**	67,488,237	9,930,312	14.7%
Bank balances, cash, pledged bank and restricted bank deposits	**12,986,625**	11,238,598	1,748,027	15.6%
Indebtedness (bank borrowings, obligation under finance leases and long term notes)	**40,883,571**	32,815,390	8,068,181	24.6%
Key financial ratios				
Current ratio	**1.00**	1.03	(0.03)	–2.9%
Quick ratio	**0.82**	0.86	(0.04)	–4.7%
Net debt to equity attributable to owners of the Company	**144.6%**	104.9%	39.7%	37.8%

Chairman's Statement

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

Outlook

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

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

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

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

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

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

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

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

Outstanding Results of System Integration and Solar Farms

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

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

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

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

Stable Power Business Development Outperforms Peers

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

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

Zhu Gong Shan
Chairman
Hong Kong, 23 August 2012

Management Discussion and Analysis

Half Year Results of the Group

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

Business Review

Solar Business

Solar Material Business

Production

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

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

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

Production Costs

The Group's polysilicon and wafer production costs mainly depend on its ability to control raw material costs, lower energy consumption, achieve economies of scale in its operations and streamline production processes.

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

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

Management Discussion and Analysis (continued)

Sales Volume and Revenue

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

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

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

Solar Power Plant and Solar System Integration Business

Solar Power Plant Business

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

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

Joint Program with Wells Fargo

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

Partnership with Bank of America Merrill Lynch

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

Joint Venture with Solar Reserve

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

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

Solar System Integration Business

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

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

Power Business

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

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

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

Management Discussion and Analysis (continued)

Sales Volume and Revenue

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

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

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

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

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

Average Utilisation Hours

Average utilisation hours for the Group's subsidiary power plants, defined as the amount of electricity produced during a specified period (in MWh) divided by the average installed capacity of the plant during the same period (in MW), was 2,982 hours for the first six months of 2012, representing an increase of 6.1% compared with 2,810 hours for the same period last year. The increase was due to the increase in electricity generation during the period.

Production Costs

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

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

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

Outlook

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

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

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

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

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

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

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

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

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

Employees

We consider our employees to be our most important resource. As at 30 June 2012, the Group had approximately 16,435 employees in Hong Kong, the PRC and overseas. Employees are remunerated with reference to individual performance, working experience, qualification and the prevailing industry practice. Apart from basic remuneration and the statutory retirement benefit scheme, employee benefits include discretionary bonuses, with share options granted to eligible employees.

Financial Review

Segment Information

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

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

Revenue

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

Gross Profit Margin

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

Other Income

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

Distribution and Selling Expenses

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

Administrative Expenses

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

Finance Costs

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

Income Tax Expense

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

Loss Attributable to Owners of the Company

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

Dividend

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

Liquidity and Financial Resources

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

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

Indebtedness

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

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

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

Key Financial Ratios of the Group

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

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

Foreign Currency Risk

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

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

Pledge of Assets

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

Capital and other Commitments

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

Contingent Liabilities

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

Events After the End of the Interim Period

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

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

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

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

Independent Review Report

Deloitte.
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TO THE BOARD OF DIRECTORS OF 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)

Introduction

We have reviewed the condensed consolidated financial statements of GCL-Poly Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 50, which comprises the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 August 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

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

Condensed Consolidated Statement of Financial Position

At 30 June 2012

	Notes	As at 30 June 2012 HK$'000 (Unaudited)	As at 31 December 2011 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	43,408,882	41,181,267
Prepaid lease payments	11	1,705,572	1,127,999
Goodwill	12	989,716	995,210
Other intangible assets	13	265,575	66,467
Interests in jointly controlled entities		164,443	167,869
Interests in associates	14	275,046	220,577
Pledged bank deposits	15	204,447	306,202
Deposits for acquisitions of property, plant and equipment and prepaid lease payments		519,697	1,361,994
Deferred tax assets	23	26,219	45,362
		47,559,597	45,472,947
CURRENT ASSETS			
Inventories	16	5,376,379	3,626,703
Trade and other receivables	17	11,332,073	7,064,744
Amounts due from related companies	18	42,980	70,550
Loan to a related company	18	111,455	46,206
Prepaid lease payments	11	38,936	26,781
Tax recoverable		161,619	225,946
Held for trading investment		13,332	21,964
Pledged and restricted bank deposits	15	3,946,591	4,049,733
Bank balances and cash		8,835,587	6,882,663
		29,858,952	22,015,290
CURRENT LIABILITIES			
Trade and other payables	19	11,029,729	8,207,049
Amounts due to related companies	18	680,551	51,050
Loan from a related party	18	78,060	—
Advances from customers		1,086,607	1,022,400
Bank borrowings — due within one year	20	16,280,732	11,582,443
Obligations under finance leases — due within one year	21	498,936	433,302
Deferred income		94,757	75,620
Tax payables		63,245	80,203
		29,812,617	21,452,067
NET CURRENT ASSETS		46,335	563,223
TOTAL ASSETS LESS CURRENT LIABILITIES		47,605,932	46,036,170

Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2012

	Notes	As at 30 June 2012 HK$'000 (Unaudited)	As at 31 December 2011 HK$'000 (Audited)
NON-CURRENT LIABILITIES			
Advances from customers		1,683,857	2,091,594
Bank borrowings — due after one year	20	19,996,443	17,703,856
Obligations under finance leases — due after one year	21	1,061,943	1,264,617
Long-term notes	22	3,045,517	1,831,172
Deferred income		512,254	404,608
Deferred tax liabilities	23	613,791	606,191
		26,913,805	23,902,038
NET ASSETS		20,692,127	22,134,132
CAPITAL AND RESERVES			
Share capital	24	1,547,430	1,547,096
Reserves		17,751,250	19,020,014
Equity attributable to owners of the Company		19,298,680	20,567,110
Non-controlling interests		1,393,447	1,567,022
TOTAL EQUITY		20,692,127	22,134,132

The condensed consolidated financial statements on pages 18 to 50 were approved and authorised for issue by the Board of Directors on 23 August 2012 and are signed on its behalf by:

Director *Director*

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to owners of the Company											
	Share capital HK$'000	Other reserve HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve fund HK$'000	Special reserves HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Accumulated profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2011 (Audited)	1,547,396	2,432,614	8,585,510	62,470	898,536	(2,680,931)	18,878	455,299	4,832,430	16,152,202	1,227,084	17,379,286
Exchange differences arising from translation to presentation currency	–	–	–	–	–	–	–	406,200	–	406,200	29,571	435,771
Profit for the period	–	–	–	–	–	–	–	–	3,550,114	3,550,114	203,748	3,753,862
Total comprehensive income for the period	–	–	–	–	–	–	–	406,200	3,550,114	3,956,314	233,319	4,189,633
Recognition of share-based payment expenses in respect of share options	–	–	–	–	–	–	14,272	–	–	14,272	–	14,272
Exercise of share options	1,144	(2,457)	8,352	–	–	–	–	–	–	7,039	–	7,039
Repurchase of ordinary shares	(500)	–	(16,350)	–	–	–	–	–	–	(16,850)	–	(16,850)
Transfer to reserves	–	–	–	–	33,089	–	–	–	(33,089)	–	–	–
Final dividend declared *(Note 8)*	–	–	–	–	–	–	–	–	(789,644)	(789,644)	–	(789,644)
Dividend declared to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(102,251)	(102,251)
At 30 June 2011 (Unaudited)	1,548,040	2,430,157	8,577,512	62,470	931,625	(2,680,931)	33,150	861,499	7,559,811	19,323,333	1,358,152	20,681,485
At 1 January 2012 (Audited)	1,547,096	2,430,041	7,762,512	62,470	1,617,666	(2,680,931)	101,165	1,338,898	8,388,193	20,567,110	1,567,022	22,134,132
Exchange differences arising from translation to presentation currency	–	–	–	–	–	–	–	(112,940)	–	(112,940)	(8,098)	(121,038)
(Loss) profit for the period	–	–	–	–	–	–	–	–	(330,211)	(330,211)	63,148	(267,063)
Total comprehensive (expense) income for the period	–	–	–	–	–	–	–	(112,940)	(330,211)	(443,151)	55,050	(388,101)
Recognition of share-based payment expenses in respect of share options	–	–	–	–	–	–	38,111	–	–	38,111	–	38,111
Exercise of share options	334	(32)	2,644	–	–	–	(738)	–	–	2,208	–	2,208
Contribution from non-controlling interest	–	–	–	–	–	–	–	–	–	–	262,276	262,276
Dilution of equity interest in a subsidiary *(Note)*	–	(14,512)	–	–	–	–	–	–	–	(14,512)	14,512	–
Transfer to reserve	–	–	–	–	20,288	–	–	–	(20,288)	–	–	–
Final dividend declared *(Note 8)*	–	–	–	–	–	–	–	–	(851,086)	(851,086)	–	(851,086)
Dividend declared to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(505,413)	(505,413)
At 30 June 2012 (Unaudited)	1,547,430	2,415,497	7,765,156	62,470	1,637,954	(2,680,931)	138,538	1,225,958	7,186,608	19,298,680	1,393,447	20,692,127

Note: During the period, a subsidiary of the Group issued new shares to non-controlling interests at a consideration of RMB6,656, resulting in a loss arising from dilution of the equity interest in that subsidiary by the Group amounting to RMB11,830,000 (equivalent to HK$14,512,000).

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(1,968,687)**	4,935,050
INVESTING ACTIVITIES			
Additions of property, plant and equipment		**(2,816,149)**	(5,603,552)
Additions of prepaid lease payments		**(283,090)**	(114,403)
Additions of other intangible assets		**(80,012)**	—
Acquisition of subsidiaries	25	**(451,066)**	—
Deposits paid for acquisition of property, plant and equipment and prepaid lease payments		**(132,877)**	(2,289,934)
Placement of pledged and restricted bank deposits		**(2,875,713)**	(1,753,309)
Withdrawal of pledged and restricted bank deposits		**3,057,119**	—
Interest received		**70,176**	47,867
Dividend received from associates		**15,279**	—
Advances to related companies		**(66,053)**	(16,609)
Repayment from related companies		**13,572**	21,073
Addition of entrusted loans receivable		**—**	(27,128)
Repayment of entrusted loans receivable		**62,508**	—
Investment in jointly controlled entity		**(4,395)**	(2,339)
Investments in associates		**(48,000)**	—
Proceeds from disposal of property, plant and equipment		**2,506**	8,236
Receipt of government grants related to depreciable assets		**189,497**	44,774
NET CASH USED IN INVESTING ACTIVITIES		**(3,346,698)**	(9,685,324)
FINANCING ACTIVITIES			
New bank borrowings raised		**14,965,583**	10,297,059
Repayment of bank borrowings		**(7,907,934)**	(4,991,213)
Interest paid		**(973,864)**	(415,818)
Advances from related companies		**78,301**	—
Repayment to related companies		**—**	(155)
Net proceeds from sale and finance lease back arrangements		**45,681**	940,678
Repayment of obligations under finance leases		**(180,856)**	(77,751)
Net proceed from issuance of long-term notes		**1,221,531**	—
Payment for repurchase of ordinary shares		**—**	(16,850)
Contribution from non-controlling interests		**262,276**	—
Exercise of share options		**2,208**	7,039
Dividend paid to non-controlling interests		**(178,023)**	(11,563)
NET CASH FROM FINANCING ACTIVITIES		**7,334,903**	5,731,426
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,019,518**	981,152
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**6,882,663**	6,505,089
Effect of foreign exchange rate changes		**(66,594)**	157,651
CASH AND CASH EQUIVALENTS AT 30 JUNE represented by bank balances and cash		**8,835,587**	7,643,892

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2012

1. Basis of Preparation

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

2. Principal Accounting Policies

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

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

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

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

3. Segment Information

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

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

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

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

3. Segment Information *(Continued)*

Segment revenue and results

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

Six months ended 30 June 2012

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

Six months ended 30 June 2011

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

3. Segment Information *(Continued)*

Segment revenue and results *(Continued)*

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

Segment assets

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

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

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

Note: The effect arising from fair value adjustments is related to the assets of the Power Group deemed acquired in 2009, Konca Solar acquired in 2010 and acquisition of subsidiaries (see Note 25) during the current interim period which are subject to the amortisation/depreciation over the estimated useful lives of the relevant assets.

3. Segment Information *(Continued)*

Revenue from major products

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

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

4. Other Income

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Government grants *(Note a)*	**67,999**	89,260
Tax refund *(Note b)*	**120,586**	—
Sales of scrap materials	**47,535**	78,572
Exchange (loss) gain, net	**(20,617)**	42,170
Bank interest income	**69,134**	41,091
Waste processing management fee	**19,342**	14,838
Consultancy fee income	**6,192**	13,760
Management fee income	**7,536**	8,880
Insurance compensation income	**4,704**	13,154
Amortisation of deferred income in relation to sale and finance leaseback of solar farms	**8,550**	5,055
Amortisation of other deferred income	**1,148**	1,387
Others	**14,779**	9,841
	346,888	318,008

4. Other Income *(Continued)*

Notes:

(a) Government grants include subsidies received from the relevant PRC Government authorities for improvement of working capital, finance costs incurred and electricity price subsidy, etc. There were no specific conditions attached to the grants and, therefore, the Group recognised the grants upon receipt of the grants. The subsidies were granted on a discretionary basis to the Group during the period. Government grants and value-added tax refunds related to depreciable assets have been deferred and released over the estimated useful life of the relevant assets.

(b) This relates to an amount received by a subsidiary from a local government authority for its participation in the solar industry. The subsidiary is granted the right to apply to the local government authority for refund of income tax paid until 2020. The amount of tax refund would be determined based on income tax paid by the subsidiary for the respective year.

5. Finance Costs

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

Note: Borrowing costs capitalised during the six months ended 30 June 2012 arose on the general borrowings pool and are calculated by applying a capitalisation rate of 6.65% (six months ended 30 June 2011: 5.77%) per annum to expenditure on qualifying assets.

6. Income Tax Expense

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

The income tax expense for the period represents income tax in the PRC which is calculated at the prevailing tax rate on the taxable income of subsidiaries in the PRC. The overprovisions of EIT in prior periods arose mainly as a result of completion of tax clearance procedures by certain PRC subsidiaries with the respective tax authorities.

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

6. Income Tax Expense *(Continued)*

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period. No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profit arising in Hong Kong for the six months ended 30 June 2011.

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

The Group's subsidiaries that are tax resident in the PRC are subject to the PRC dividend withholding tax of 5% or 10% for those non-PRC resident immediate holding company registered in Hong Kong and the British Virgin Islands ("BVI"), respectively, when and if undistributed earnings are declared to be paid as dividends out of profits that arose on or after 1 January 2008. Accordingly, income tax credit for provision for deferred tax of HK$30,318,000 (2011: tax expense of HK$128,908,000) in respect of withholding tax on undistributed earnings has been recognised during the six months ended 30 June 2012.

7. (Loss) Profit for the Period

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

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

8. Dividend

On 28 May 2012, a final dividend of HK$5.5 cents per share amounting to approximately HK$851,086,000 payable to shareholders for the year ended 31 December 2011 has been approved at the annual general meeting of the Company.

On 16 May 2011, a final dividend of HK$5.1 cents per share amounting to approximately HK$789,644,000 payable to shareholders for the year ended 31 December 2010 has been approved at the annual general meeting of the Company and paid on 26 July 2011.

The directors of the Company do not recommend the payment of interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

9. (Loss) Earnings Per Share

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

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

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

Diluted loss per share for the six months ended 30 June 2012 does not assume the exercise of the share options since their exercise would decrease the loss per share for the current interim period.

10. Property, Plant and Equipment

	Carrying values HK$'000
At 1 January 2012 (Audited)	41,181,267
Additions	3,334,189
Acquired on acquisitions of subsidiaries *(Note 25)*	643,818
Depreciation for the period	(1,440,160)
Disposals	(76,045)
Exchange realignment	(234,187)
At 30 June 2012 (Unaudited)	43,408,882

During the six months ended 30 June 2012, the Group spent approximately HK$844 million (six months ended 30 June 2011: HK$6,138.3 million) on construction of polysilicon and wafer production facilities in the PRC in order to enlarge its polysilicon and wafer production capacities. As at 30 June 2012, the construction is still in progress.

The carrying value of property, plant and equipment as at 30 June 2012 includes plant and equipment located in the PRC held under sales and finance leaseback transactions of approximately HK$1,636.2 million (31 December 2011: HK$1,643.8 million).

The carrying value of the property, plant and equipment as at 30 June 2012 includes solar farms in the USA held under sale and finance leaseback transaction of approximately HK$459.5 million (31 December 2011: HK$473.3 million).

11. Prepaid Lease Payments

	Carrying values HK$'000
At 1 January 2012 (Audited)	1,154,780
Additions *(Note)*	579,042
Acquired on acquisitions of subsidiaries *(Note 25)*	36,004
Amortisation for the period	(17,161)
Exchange realignment	(8,157)
At 30 June 2012 (Unaudited)	1,744,508

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

11. Prepaid Lease Payments *(Continued)*

	As at 30 June 2012 HK$'000 (Unaudited)	As at 31 December 2011 HK$'000 (Audited)
Analysed for reporting purposes as:		
Current asset	38,936	26,781
Non-current asset	1,705,572	1,127,999
	1,744,508	1,154,780

Note: During the six months ended 30 June 2012, the Group purchased parcels of land for wafer production facilities in the PRC with land use rights of 50 years.

12. Goodwill

	Power Group HK$'000	Konca Solar HK$'000	Total HK$'000
At 1 January 2012 (Audited)	499,925	495,285	995,210
Exchange realignment	(2,760)	(2,734)	(5,494)
At 30 June 2012 (Unaudited)	497,165	492,551	989,716

For the purpose of impairment testing, goodwill has been allocated to cash generating unit of the Power Group and Konca Solar. In current period, the management of the Group has updated the earnings and cash flows forecasts for Power Group and Konca Solar and determines that there are no impairment of goodwill since the financial performance and cash flow projections are consistent with the annual assessment for the year ended 31 December 2011. Accordingly, no impairment loss has been recognised (31 December 2011: impairment loss of HK$90,407,000 and Nil), in relation to goodwill allocated to the Power Group and Konca Solar, respectively.

The basis of the recoverable amounts of the Power Group and Konca Solar and their major underlying assumptions are summarised below:

The recoverable amounts of the Power Group and Konca Solar are determined based on value in use calculation by management of the Group. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period at a discount rate of 11.55% (31 December 2011: 12.23%) for Power Group, 17.00% (31 December 2011: 16.19%) for Konca Solar. Cash flows beyond the five-year period are extrapolated using zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows include budgeted sales and gross margin. Such estimation is based on past performance of the Power Group and Konca Solar and management's expectations for the market development.

13. Other Intangible Assets

	Carrying values HK$'000
At 1 January 2012 (Audited)	66,467
Additions	80,012
Acquired on acquisition of subsidiaries *(Note 25)*	137,591
Amortisation for the period	(17,723)
Exchange realignment	(772)
At 30 June 2012 (Unaudited)	265,575

The additions for the period represent development costs of technical know-how on production for polysilicon and wafer products and are amortised over estimated useful lives on a straight line basis over 10 years.

The other intangible asset acquired from a subsidiary during current interim period represents the restricted business licence for the operation of a waste management power plant issued by the local government for a period of 30 years which will expire in October 2038 and is amortised over estimated useful lives.

14. Interests in Associates

During the six months ended 30 June 2012, the Group subscribed 20% equity interests in China Merchants New Energy Holdings Limited ("CMNHL") at a consideration of HK$48,000,000 and is classified as an associate of the Group (the "Subscription"). CMNHL is incorporated in the BVI and engaged in the business of solar farm projects in the PRC.

During the period, after the Subscription, CMNHL issued new shares to Talesun Solar Hong Kong Limited, a third party, resulting in a dilution of the equity interest in CMNHL held by the Group. As at 30 June 2012, the Group holds 18.18% equity interests in CMNHL. The Group can appoint one out of five directors in CMNHL and continue to have significant influence over CMNHL.

15. Pledged and Restricted Bank Deposits

Pledged bank deposits

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$828,707,000 (31 December 2011: HK$1,245,091,000) have been pledged to secure short-term borrowings granted to the Group and certain obligations under finance leases in the USA and are therefore classified as current assets. The remaining deposits amounting to HK$204,447,000 (31 December 2011: HK$306,202,000) have been pledged to secure long-term borrowings granted to the Group and obligations under finance leases in the PRC and the USA and are therefore classified as non-current assets.

15. Pledged and Restricted Bank Deposits *(Continued)*

Restricted bank deposits

The deposits carry interest at prevailing market rates and would be released upon the settlement or discharge of the relevant letters of credit and guarantee.

Restricted bank deposits amounting to approximately HK$3,117,884,000 (31 December 2011: HK$2,804,642,000) have been restricted to secure bills payable and short-term letters of credit for trade and construction payables for purchase of property, plant and equipment and are therefore classified as current assets.

16. Inventories

	As at 30 June 2012 HK$'000 (Unaudited)	As at 31 December 2011 HK$'000 (Audited)
Raw materials	**784,321**	645,789
Work in progress	**518,331**	220,527
Semi-finished goods	**631,213**	908,380
Finished goods	**285,657**	439,596
Solar modules	**229,332**	191,731
Spare parts	**69,864**	66,853
	2,518,718	2,472,876
Project assets *(Note a)*	**2,857,661**	1,153,827
	5,376,379	3,626,703

For the six months ended 30 June 2012, inventories in relation to solar products and project assets were written down in total by approximately HK$129,478,000 (six months ended 30 June 2011: Nil), because the costs of those inventories were higher than their net realisable value.

Note:

(a) *Project assets consist primarily of costs relating to photovoltaic power generation projects in various stage of development ("project assets") that are capitalised prior to the sale of the project assets. These costs include project acquisition cost, modules, installation and other development costs, such as legal, consulting and permitting. While the project assets are not constructed for a specific customer, the Company intends to sell the project assets during the construction period or upon their completion.*

Included in the project assets is HK$1,695,036,000 represents the total project costs of two solar farm projects which have been sold to a third party subsequent to the end of the reporting period (see Note 30).

The Group reviews project assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In determining whether or not the project assets are recoverable, the Company considers a number of factors, including changes in environmental, ecological, permitting, or regulatory conditions that affect the project. Such changes may cause the cost of the project to increase and the selling price of the project to decrease.

17. Trade and Other Receivables

The Group generally allows a credit period ranging from 0 to 90 days for trade receivables and 0 to 180 days for bills receivable.

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

	As at 30 June 2012 HK$'000 (Unaudited)	As at 31 December 2011 HK$'000 (Audited)
Trade receivables:		
0 –90 days	**4,555,850**	2,533,761
91–180 days	**274,698**	204,886
Over 180 days	**369,070**	20,292
	5,199,618	2,758,939
Bills receivable (trade):		
0 –90 days	**2,317,836**	910,231
91–180 days	**1,566,922**	370,419
	3,884,758	1,280,650
Value-added-tax receivables	**1,156,823**	1,513,638
Prepayments to suppliers for purchase of materials	**576,572**	1,086,410
Other receivables	**477,501**	325,440
Entrusted loans receivable	**36,801**	99,667
	11,332,073	7,064,744

Management of the Group closely monitors the credit quality of trade, bills and other receivables and considers the trade, bills and other receivables that are neither past due nor impaired to be of a good credit quality in view of the good historical repayment record.

17. Trade and Other Receivables *(Continued)*

Included in bills receivable, an amount of HK$461,646,000 (31 December 2011: HK$658,666,000) were either endorsed for settlement of trade and other payables and amounts due to related companies or discounted to banks with recourse to the Group.

Included in the Group's trade receivables are debtors with aggregate carrying amount of HK$643,768,000 (31 December 2011: HK$225,178,000) which are past due as at the end of the reporting date, for which the Group has not provided allowance for doubtful debts as such amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these receivables.

Upon consideration of the credit quality of those individual customers based on amounts subsequently settled after period end, the ongoing relationship with the Group, and the aging of trade and other receivables, full allowance has been made for those receivables considered as doubtful debts or irrecoverable by the management of the Group. Movement of the allowance for doubtful debts for trade and other receivables is set out as follows:

	As at 30 June 2012 HK$'000 (Unaudited)	As at 31 December 2011 HK$'000 (Audited)
Balance at beginning of the period/year	**6,330**	11,281
Allowance for trade and other receivables	**59,580**	4,809
Amounts recovered during the period/year	**(1,630)**	(9,869)
Amounts written off as uncollectible	**—**	(325)
Exchange realignment	**(213)**	434
Balance at end of the period/year	**64,067**	6,330

18. Balances With Related Companies

	As at 30 June 2012 HK$'000 (Unaudited)	As at 31 December 2011 HK$'000 (Audited)
Amounts due from related companies:		
Trade-related:		
Companies in which Mr. Zhu Gong Shan and his family have control *(notes i, ii and vi)*	**26,663**	38,936
Non-trade related:		
Companies in which Mr. Zhu Gong Shan and his family have control *(notes ii and iii)*	**16,317**	16,297
Associate of the Group *(note iii)*	**—**	15,317
	16,317	31,614
	42,980	70,550
Loan to a related company:		
Associate of the Group		
Unsecured, interest bearing at People's Bank of China benchmark rate ranking from 6.31% to 6.56% (31 December 2011: ranking from 5.81% to 6.56%) per annum and repayable within one year	**111,455**	46,206
Amounts due to related companies:		
Current		
Trade-related:		
Companies in which Mr. Zhu Gong Shan and his family have control *(notes ii and iv)*	**664,827**	39,068
Non-trade related:		
Companies in which Mr. Zhu Gong Shan and his family have control *(notes ii and iii)*	**13,916**	11,982
Jointly controlled entity *(note v)*	**1,808**	—
	15,724	11,982
	680,551	51,050
Loan from a related company:		
Company in which Mr. Zhu Gong Shan and his family have control *(note ii)*		
Unsecured, interest bearing at People's Bank of China benchmark rate ranking from 6.31% to 6.56% per annum and repayable within one year	**78,060**	—

18. Balances With Related Companies *(Continued)*

Notes:

(i) *The amount mainly includes deposits for the purchase of steam.*

(ii) *Mr. Zhu Gong Shan is a director and a substantial shareholder of the Company, holds 32.42% of the Company's share capital as at 30 June 2012 and exercises significant influence over the Company.*

(iii) *The amounts are unsecured, non-interest bearing and repayable on demand.*

(iv) *The amounts are unsecured, non-interest bearing and the credit period are normally within 90 days.*

(v) *The amount is unsecured and non-interest bearing. The amount represented investment cost payable to a jointly controlled entity.*

(vi) *The amounts are unsecured, non-interest bearing and with a credit period ranging from 0 to 90 days.*

The following is an aged analysis of amounts due from related companies (trade-related) at the end of the reporting period, presented based on the invoice date:

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
0 – 90 days	**3,144**	35,847
91 – 180 days	**2,297**	220
181 – 365 days	**19,738**	2,869
Over 365 days	**1,484**	—
	26,663	38,936

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

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000 (Audited)
0 – 90 days	**660,002**	24,287
91 – 180 days	**2,317**	13,815
181 – 365 days	**2,508**	966
	664,827	39,068

19. Trade and Other Payables

The credit period for trade payables and bills and notes payable (trade) are normally within 90 days and 180 days, respectively.

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

	As at 30 June 2012 HK$'000 (Unaudited)	As at 31 December 2011 HK$'000 (Audited)
Trade payables:		
0 – 90 days	**3,889,833**	2,101,725
91 – 180 days	**523,971**	228,711
Over 180 days	**471,783**	114,332
	4,885,587	2,444,768
Bills and notes payable (trade):		
0 – 90 days	**369,738**	485,164
91 – 180 days	**96,863**	239,814
	466,601	724,978
Bills and notes payable (non-trade)	**148,983**	27,896
Construction payables	**3,307,159**	3,604,207
Dividend payables to shareholders of the Company	**851,086**	—
Dividend payables to non-controlling shareholders of subsidiaries	**373,641**	36,588
Other payables	**389,873**	489,425
Accruals	**506,512**	283,652
Other tax payables	**100,287**	51,483
Prepayment received from a joint venture partner of a jointly controlled entity *(Note)*	**—**	544,052
	11,029,729	8,207,049

Note: The amount represented prepayments received for the sale of solar modules.

20. Bank Borrowings

	As at 30 June 2012 HK$'000 (Unaudited)	As at 31 December 2011 HK$'000 (Audited)
Short-term bank borrowings	**13,767,803**	9,052,273
Long-term bank borrowings		
due within one year	**2,512,929**	2,530,170
due more than one year, but not exceeding two years	**9,632,333**	7,375,557
due more than two years, but not exceeding three years	**6,967,976**	7,930,706
due more than three years, but not exceeding four years	**1,935,326**	1,475,215
due more than four years, but not exceeding five years	**615,616**	467,215
due more than five years	**845,192**	455,163
	22,509,372	20,234,026
	36,277,175	29,286,299
Less: Amounts due within one year shown under current liabilities	**(16,280,732)**	(11,582,443)
Amounts due after one year	**19,996,443**	17,703,856
Representing:		
Secured	**8,420,417**	4,133,816
Unsecured	**27,856,758**	25,152,483
	36,277,175	29,286,299

Included in the short-term bank borrowings and long-term bank borrowings are bank loans with a repayment on demand clause with an aggregate carrying amount of approximately HK$392,542,000 (31 December 2011: HK$271,370,000) which are shown under current liabilities.

Certain borrowings are secured by property, plant and equipment, prepaid lease payments and bank deposits as set out in Note 26.

Included in the short-term bank borrowings are obligations arising from discounting of bills receivable issued by third parties and by group entities to banks with recourse with an aggregate carrying amount of approximately HK$3,653,518,000 (31 December 2011: HK$743,585,000).

The net proceeds from the additional bank borrowings were mainly used to finance the expansion of polysilicon's production facilities, in-house wafer manufacturing and solar farm.

21. Obligations under Finance Leases

The Group entered into sale and leaseback agreements with lessors in respect of its manufacturing equipment in the PRC and solar farms in the USA.

	Minimum lease payments		Present value of minimum lease payments	
	As at 30 June 2012 HK$'000 (Unaudited)	As at 31 December 2011 HK$'000 (Audited)	**As at 30 June 2012 HK$'000 (Unaudited)**	As at 31 December 2011 HK$'000 (Audited)
Amounts payable under finance leases:				
Within one year	**585,482**	527,465	**498,936**	433,302
In more than one year but not more than two years	**464,967**	524,324	**409,609**	455,646
In more than two years but not more than five years	**504,844**	686,520	**443,910**	597,071
In more than 5 years	**315,725**	326,222	**208,424**	211,900
	1,871,018	2,064,531	**1,560,879**	1,697,919
Less: future finance charges	**(310,139)**	(366,612)	**N/A**	N/A
Present value of lease obligations	**1,560,879**	1,697,919	**1,560,879**	1,697,919
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(498,936)**	(433,302)
Amount due for settlement after 12 months			**1,061,943**	1,264,617

Same as disclosed in the Company's 2011 annual report relating to the sales and finance lease back transactions in the USA and the PRC, there is no material change for the six months ended 30 June 2012, except for the followings:

(1) The repayment of the obligations in accordance with the terms.

(2) During the six month ended 30 June 2012, the Group entered into a finance lease agreement with an independent financial institution in the PRC, for an amount of RMB37,125,000 (equivalent to HK$45,681,000) at a lease term of 5 years, pursuant to which the Group agreed to sell certain plants and equipment to the financial institution, and concurrently lease the assets back for term of 5 years by a quarterly rent payment. At the end of the lease term, the Group has the option to purchase the assets at nominal value. The sale and leaseback arrangement resulted in a finance lease. The average effective interest rate of this finance lease is 7.59% per annum after adjusting the effect of initial direct costs.

22. Long-Term Notes

The carrying amount of the Group's long-term notes is as follow:

	As at 30 June 2012 HK$'000 (unaudited)	As at 31 December 2011 HK$'000 (audited)
Nominal value of 7.05% fixed rate bonds maturing in November 2018	**1,840,039**	1,850,253
The First Tranche Notes — Nominal value of 6.9% fixed rate bonds maturing in February 2015	**490,677**	—
The Second Tranche Notes — Nominal value of 5.77% fixed rate bonds maturing in May 2015	**736,016**	—
	3,066,732	1,850,253
Less: Unamortised issue cost	**(21,215)**	(19,081)
	3,045,517	1,831,172

Same as disclosed in the Company's 2011 annual report relating to the long-term notes, there is no material change for the six months ended 30 June 2012, except for the following.

On 20 December 2011, the Group completed the registration of a RMB1 billion notes with a tenor of three years with the National Association of Financial Market Institutional Investors. The Group has issued the First Tranche Notes of RMB400,000,000 and the Second Tranche Notes of RMB600,000,000 (equivalent to HK$490,000,000 and HK$736,000,000, respectively) in the PRC on 16 February 2012 and 10 May 2012 ,which mature on 16 February 2015 and 10 May 2015, respectively. The First Tranche Notes bear interest at a fixed rate of 6.9% per annum, payable annually in arrears on 16 February each year, commencing from 16 February 2013. The Second Tranche Notes bear interest at a fixed rate of 5.77% per annum, payable annually in arrears on 10 May each year, commencing from 10 May 2013.

23. Deferred Tax

The movements in deferred tax assets mainly represent the deferred tax assets recognised on unrealised profits on inventories. For the six months ended 30 June 2012, an amount of deferred tax credit of approximately HK$18,950,000 (six months ended 30 June 2011: HK$61,988,000) has been recognised in profit or loss.

The movements in deferred tax liabilities mainly represent the deferred tax liabilities recognised on the aggregate amount of temporary differences associated with the withholding tax on undistributed earnings of the PRC subsidiaries. For the six months ended 30 June 2012, income tax credit for provision of dividend withholding tax of approximately HK$30,318,000 (six months ended 30 June 2011: tax expenses HK$128,908,000) has been recognised in profit or loss.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

24. Share Capital

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.1 each		
Issued and fully paid:		
At 1 January 2012 (Audited)	15,470,962	1,547,096
Exercise of share options *(Note a)*	3,334	334
At 30 June 2012 (Unaudited)	15,474,296	1,547,430

Note:

(a) During the six months ended 30 June 2012, share options holders exercised their rights to subscribe for 2,814,000 and 520,000 ordinary shares in the Company at HK$0.59 and HK$1.054 per share, respectively, with the net proceeds of approximately HK$2,208,000.

All shares rank pari passu with other shares in issue in all respects.

25. Acquisition of Subsidiaries

(i) Acquisition of Xuzhou Energy Plant

On 12 January 2012, the Group entered into a share purchase agreement with Sinopro Enterprises Limited, a company controlled by Mr. Zhu Gong Shan and his family, to acquire 100% equity interest in 保利協鑫(徐州)再生能源發電有限公司 Xuzhou GCL-Poly Renewable Energy Company Limited* ("Xuzhou Energy Plant") for a consideration of RMB290,000,000 (equivalent to approximately HK$356,296,000) through the acquisition of 100% equity interest in Charm Team Limited by the Group. As Charm Team Limited holds, through Team Profit International Holdings Limited, 100% of the equity interest in Xuzhou Energy Plant, the acquisition would result in Xuzhou Energy Plant becoming an indirectly wholly-owned subsidiary of the Group. The acquisition of Xuzhou Energy Plant was completed on 23 May 2012. Details of the acquisition of Xuzhou Energy Plant were set out in the announcements of the Company dated 12 January 2012 and 23 May 2012.

Xuzhou Energy Plant is principally engaged in the operation of an incineration power plant for generation and sale of electricity and steam in Xuzhou, the PRC. Xuzhou Energy Plant has been one of the long-standing steam suppliers of the Group. It was acquired with the objective of securing the Group's in-house steam supplies to meet the Group's increasing demand for steam resulting from its continuously increased production capacity of polysilicon and wafers.

The acquisition has been accounted for using the purchase method.

25. Acquisition of Subsidiaries *(Continued)*

(ii) Acquisition of Sichuan Silicon

On 12 January 2012, the Group entered into an equity transfer agreement with 上海國能投資有限公司 Shanghai Guoneng Investment Company Limited* ("Shanghai Guoneng"), a company controlled by Mr. Zhu Gong Shan and his family, to acquire 100% equity interest in 四川協鑫硅業科技有限公司 Sichuan Xie Xin Silicon Technology Company Limited* ("Sichuan Silicon") for a consideration of RMB91,000,000 (equivalent to approximately HK$111,853,000). The acquisition of Sichuan Silicon was completed on 5 March 2012. Details of the Acquisition of Sichuan Silicon were set out in the announcements of the Company dated 12 January 2012 and 5 March 2012.

Sichuan Silicon commenced its operation in December 2011 and is principally engaged in the manufacturing and sales of industrial silicon in Sichuan Province, the PRC. Industrial Silicon is a major raw material for polysilicon production. As the Group is the leading manufacturer of polysilicon in China, the Directors consider that the acquisition is in line with the Group's development strategy of securing stable supply of raw material and will achieve a cost effective production process of polysilicon.

The acquisition has been accounted for using the purchase method.

(iii) Acquisition of Jiangsu Guoneng

On 12 January 2012, the Group entered into the equity transfer agreement with Shanghai Guoneng, to acquire 100% equity interest in 江蘇國能光伏科技有限公司 Jiangsu Guoneng Solar Technology Company Limited* ("Jiangsu Guoneng") for a consideration of RMB12,000,000 (equivalent to approximately HK$14,790,000). The Acquisition of Jiangsu Guoneng was completed on 29 February 2012.

Jiangsu Guoneng is principally engaged in the development and operation of rooftop photovoltaic power generation projects. The Directors consider that the acquisition is in line with the Group's future development in solar business.

The acquisition has been accounted for using the purchase method.

* *English name for identification only*

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

25. Acquisition of Subsidiaries *(Continued)*

Assets and liabilities recognised at the respective dates of acquisitions (determined on a provisional basis)

	Xuzhou Energy Plant HK$'000 (Unaudited)	Sichuan Silicon HK$'000 (Unaudited)	Jiangsu Guoneng HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Non-current assets				
Property, plant and equipment	323,246	269,191	51,381	643,818
Deposit for acquisition of prepaid lease payments	—	2,402	—	2,402
Prepaid lease payments	28,911	6,330	—	35,241
Other intangible assets	137,591	—	—	137,591
Current assets				
Inventories	148	8,247	—	8,395
Trade and other receivables	12,318	20,222	7,757	40,297
Amounts due from related companies	13,783	—	—	13,783
Prepaid lease payments	626	137	—	763
Tax recoverable	645	—	—	645
Cash and cash equivalents	23,661	2,569	5,643	31,873
Current liabilities				
Trade and other payables	(7,251)	(41,970)	(507)	(49,728)
Amounts due to related companies	(15,336)	(155,124)	(49,694)	(220,154)
Tax payables	—	—	(187)	(187)
Bank borrowings	(116,718)	—	—	(116,718)
Non-current liabilities				
Deferred tax liabilities	(45,328)	—	—	(45,328)
	356,296	112,004	14,393	482,693

The fair value of trade and other receivables and amounts due from related companies amounted to HK$40,297,000 and HK$13,783,000 respectively, representing the gross contractual amounts at the dates of acquisitions. The best estimate at acquisition dates of the contractual cash flows not expected to be collected is nil.

Acquisition related costs are insignificant which have been excluded from the considerations transferred and have been recognised as an expense in the condensed consolidated statement of comprehensive income.

25. Acquisition of Subsidiaries *(Continued)*

Goodwill arising on acquisitions (determined on a provisional basis)

	Xuzhou Energy Plant HK$'000 (Unaudited)	**Sichuan Silicon** HK$'000 (Unaudited)	**Jiangsu Guoneng** HK$'000 (Unaudited)	**Total** HK$'000 (Unaudited)
Consideration transferred	356,296	111,853	14,790	482,939
Less: fair value of identifiable net assets acquired	(356,296)	(112,004)	(14,393)	(482,693)
(Discount) goodwill arising on acquisition	—	(151)	397	246

The (discount) goodwill arising upon acquisitions of Sichuan Silicon and Jiangsu Guoneng has been included in other expenses for the current interim period as the management of the Group considered the amounts involved are insignificant.

The fair values of the assets, liabilities and contingent liabilities of Xuzhou Energy Plant, Silicon Silicon and Jiangsu Guoneng are measured based on a provisional values and are pending for the finalisation of the audit and valuations. The finalisation of those valuations, could affect the amounts assigned to the assets, liabilities and the related depreciation/amortisation charges for the assets and the amount of goodwill and deferred tax on acquisitions of subsidiaries.

Net cash outflow arising on acquisitions

	Xuzhou Energy Plant HK$'000 (Unaudited)	**Sichuan Silicon** HK$'000 (Unaudited)	**Jiangsu Guoneng** HK$'000 (Unaudited)	**Total** HK$'000 (Unaudited)
Consideration paid in cash	356,296	111,853	14,790	482,939
Less: cash and cash equivalents	(23,661)	(2,569)	(5,643)	(31,873)
	332,635	109,284	9,147	451,066

25. Acquisition of Subsidiaries *(Continued)*

Impact of acquisition on the results of the Group

Included in the loss for the interim period is profit of HK$113,000 attributable to Xuzhou Energy Plant, Sichuan Silicon and Jiangsu Guoneng. Revenue for the interim period includes HK$4,046,000 (after elimination of inter-company sales) attributable to Xuzhou Energy Plant, Sichuan Silicon and Jiangsu Guoneng. Had the acquisition of Xuzhou Energy Plan, Sichuan Silicon and Jiangsu Guoneng been effected at the beginning of the interim period, the total amount of revenue of the Group from operations for the six months ended 30 June 2012 would have been HK$11,810,831,000 (after elimination of inter-company sales), and the amount of the loss for the interim period attributable to owners of the Company would have been HK$308,838,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Xuzhou Energy Plant, Sichuan Silicon and Jiangsu Guoneng been acquired at the beginning of the interim period, the directors calculated depreciation and amortisation of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

26. Pledge of Assets

As 30 June 2012, the Group has pledged buildings with carrying values of approximately HK$2,160,514,000 (31 December 2011: HK$2,206,369,000) and plant and machinery with carrying values of approximately HK$9,178,266,000 (31 December 2011: HK$8,147,025,000) to secure borrowings granted to the Group.

The Group has pledged prepaid lease payments with carrying values of approximately HK$684,672,000 (31 December 2011: HK$425,363,000) at 30 June 2012 to secure banking facilities granted to the Group.

The Group has pledged bank deposits with carrying value of approximately HK$1,033,154,000 (31 December 2011: HK$1,551,293,000) at 30 June 2012 to secure borrowings granted to the Group and obligations under finance leases.

27. Share-Based Payment Transactions

Same as disclosed in the Company's 2011 annual report relating to the share-based payment transactions, there is no material change for the six months ended 30 June 2012, except for the following.

Movements of share options granted during the period are as follows:

			Number of share options				
			Outstanding	During the period			Outstanding
	Exercise price	**Date of grant**	**at 1 January 2012**	**Granted**	**Exercised**	**Forfeited**	**at 30 June 2012**
Directors	HK$4.1	13.11.2007	7,680,000	—	—	—	7,680,000
	HK$0.59	16.02.2009	8,680,000	—	—	—	8,680,000
	HK$4.1	15.07.2011	2,000,000	—	—	—	2,000,000
Employees and others	HK$4.1	13.11.2007	18,660,000	—	—	—	18,660,000
	HK$0.59	16.02.2009	16,017,000	—	(2,814,000)	—	13,203,000
	HK$1.054	24.04.2009	2,056,000	—	(520,000)	—	1,536,000
	HK$3.32	12.01.2011	23,500,000	—	—	—	23,500,000
	HK$4.1	15.07.2011	105,800,000	—	—	(3,600,000)	102,200,000
			184,393,000	—	(3,334,000)	(3,600,000)	177,459,000

During the six months ended 30 June 2012, share option expense of approximately HK$38,111,000 (six months ended 30 June 2011: HK$14,272,000) has been recognised in profit or loss.

The weighted average closing price of the Company's shares at dates on which the options were exercised during the period was HK$2.36 per share.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

28. Capital and Other Commitments

	As at 30 June 2012 HK$'000 (Unaudited)	As at 31 December 2011 HK$'000 (Audited)
Capital expenditure in respect of acquisitions of property, plant and equipment:		
Contracted for but not provided in	1,464,044	3,362,887
Authorised but not contracted for	–	6,633
	1,464,044	3,369,520
Construction costs in respect of project assets:		
Contracted for but not provided in	2,641,477	448,895
	4,105,521	3,818,415

29. Contingencies

At 30 June 2012, the Group provided guarantees of HK$110,402,000 (31 December 2011: HK$111,015,000) to a bank in respect of banking facilities of an associate. The associate had utilised HK$34,347,000 (31 December 2011: HK$96,213,000) of such banking facilities at the end of the reporting period. The directors of the Company consider that the fair value of the financial guarantees at date of inception and at the end of the reporting period is insignificant.

30. Events after the end of the Interim Period

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

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

30. Events after the end of the Interim Period *(Continued)*

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

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

31. Related Party Transactions

Other than Notes 25 and 29, during the period, the Group has also entered into the following significant transactions with related parties:

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Transactions with companies in which Mr. Zhu Gong Shan and his family have control:		
Sales of coal	**87,695**	100,593
Purchases of steam and utility	**578,368**	295,162
Purchases of raw material	**28,532**	—
Transactions with associates:		
Sales of coal	**5,564**	14,139

32. Reclassification of Comparative Information

Certain comparative information in respect of receivables from and payables to non-controlling shareholders of its subsidiaries and subsidiaries of non-controlling shareholders of its subsidiaries and payables to joint venture partner of a jointly controlled entity has been reclassified to conform to current period presentation in the statement of financial position.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2012, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") adopted by the Company:

Long position in the shares of the Company

Name of director/ chief executive	Number of ordinary shares held			Number of underlying shares	Total	Approximate percentage of issued share capital
	Beneficiary of a trust	Corporate interests	Personal interests			
Zhu Gong Shan	5,018,843,327 *(note 1)*	—	—	—	5,018,843,327	32.43%
Sha Hong Qiu	—	—	1,000,000	3,360,000 *(note 2)*	4,360,000	0.03%
Ji Jun	—	—	—	3,000,000 *(note 2)*	3,000,000	0.02%
Shu Hua	—	—	1,200,000	3,000,000 *(note 2)*	4,200,000	0.03%
Yu Bao Dong	—	6,108,934 *(note 3)*	1,112,000	3,000,000 *(note 2)*	10,220,934	0.07%
Sun Wei	—	—	5,723,000	3,000,000 *(note 2)*	8,723,000	0.06%
Zhu Yu Feng	5,018,843,327 *(note 1)*	—	—	1,000,000 *(note 2)*	5,019,843,327	32.44%
Yip Tai Him	—	—	—	500,000 *(note 2)*	500,000	0.003%
Ho Chung Tai, Raymond	—	—	—	500,000 *(note 2)*	500,000	0.003%
Qian Zhi Xin	—	—	—	500,000 *(note 2)*	500,000	0.003%
Xue Zhong Su	—	—	—	500,000 *(note 2)*	500,000	0.003%

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures (continued)

Notes:

(1) *An aggregate of 5,018,843,327 shares of the Company are collectively held by Highexcel Investments Limited and Happy Genius Holdings Limited, which are wholly-owned by Golden Concord Group Limited, which in turn is wholly-owned by Asia Pacific Energy Holdings Limited. Asia Pacific Energy Holdings Limited is in turn wholly-owned by Asia Pacific Energy Fund Limited. Asia Pacific Energy Fund Limited is ultimately held under a discretionary trust by Credit Suisse Trust Limited for Mr. Zhu Gong Shan and his family, including Mr. Zhu Yu Feng, a Director and the son of Mr. Zhu Gong Shan.*

(2) *These are share options granted by the Company to the Directors, pursuant to the pre-IPO share option scheme and the share option scheme, both adopted by the shareholders of the Company on 22 October 2007. Such granted share options can be exercised by the Directors at various intervals during the period from 1 April 2009 to 14 July 2021 at an exercise price of HK$4.10 or HK$0.59.*

(3) *Mr. Yu Bao Dong is the ultimate beneficial owner of Bonus Billion Group Limited which owns 6,108,934 shares of the Company as at 30 June 2012.*

Save as disclosed above, as at 30 June 2012, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into in the register that was required to be kept under Section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Option Schemes

(i) Pre-IPO share option scheme

The Company adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on 22 October 2007 which became effective on 13 November 2007. No further options under the Pre-IPO Share Option Scheme can be granted after the date of listing of the shares on the Stock Exchange on 13 November 2007. The provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect for a period of 10 years from the effective date.

Details of the pre-IPO share options outstanding and movements during the six months ended 30 June 2012 (the "Period") are as follows:

				Number of options				
Name or category of participant	**Date of grant**	**Exercise period**	**Exercise Price HK$**	**Outstanding as at 01.01.2012**	**Granted during the Period**	**Lapsed or forfeited during the Period**	**Exercised during the Period**	**Outstanding as at 30.6.2012**
Directors/chief executive								
Sha Hong Qiu	13.11.2007	13.11.2010 to 12.11.2017	4.10	1,680,000	–	–	–	1,680,000
Ji Jun	13.11.2007	13.11.2010 to 12.11.2017	4.10	1,500,000	–	–	–	1,500,000
Shu Hua	13.11.2007	13.11.2010 to 12.11.2017	4.10	1,500,000	–	–	–	1,500,000
Yu Bao Dong	13.11.2007	13.11.2010 to 12.11.2017	4.10	1,500,000	–	–	–	1,500,000
Sun Wei	13.11.2007	13.11.2010 to 12.11.2017	4.10	1,500,000	–	–	–	1,500,000
Non-director employees (in aggregate)	13.11.2007	13.11.2010 to 12.11.2017	4.10	18,660,000	–	–	–	18,660,000
Total				**26,340,000**	**–**	**–**	**–**	**26,340,000**

Note: the consideration for the pre-IPO Share Options granted to each participant is HK$1.00.

The vesting scale of the granted share options is 20%, 30% and 50% to be vested on the third, fourth and fifth anniversaries of the date of grant, respectively, such that the share options granted are fully vested on the fifth anniversary of the date of grant.

During the Period, no option was lapsed, cancelled nor exercised.

Option Schemes (continued)

(ii) Share option scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 22 October 2007 which became effective on 13 November 2007. The purpose of the Share Option Scheme is to motivate personnel to optimize 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 executives 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. The Share Option Scheme shall be valid and effective for a period of 10 years from 22 October 2007, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-year period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

During the Period, no options was granted by the Company, a total of 3,600,000 option shares were lapsed, 3,334,000 option shares were exercised and there were 151,119,000 option shares outstanding as at 30 June 2012.

				Number of options				
Name or category of participant	Date of grant	Exercise period	Exercise Price HK$	Outstanding as at 01.01.2012	Granted during the Period	Lapsed or forfeited during the Period	Exercised during the Period	Outstanding as at 30.6.2012
Directors/chief executive								
Sha Hong Qiu	16.2.2009	01.04.2009 to 15.02.2019	0.59	1,680,000	–	–	–	1,680,000
Ji Jun	16.2.2009	01.04.2009 to 15.02.2019	0.59	1,500,000	–	–	–	1,500,000
Shu Hua	16.2.2009	01.04.2009 to 15.02.2019	0.59	1,500,000	–	–	–	1,500,000
Yu Bao Dong	16.2.2009	01.04.2009 to 15.02.2019	0.59	1,500,000	–	–	–	1,500,000
Sun Wei	16.2.2009	01.04.2009 to 15.02.2019	0.59	1,500,000	–	–	–	1,500,000
Zhu Yu Feng	16.2.2009	01.04.2009 to 15.02.2019	0.59	1,000,000	–	–	–	1,000,000
Yip Tai Him	15.07.2011	01.09.2011 to 14.07.2021	4.10	500,000	–	–	–	500,000

Option Schemes (continued)

Name or category of participant	Date of grant	Exercise period	Exercise Price HK$	Number of options: Outstanding as at 01.01.2012	Granted during the Period	Lapsed or forfeited during the Period	Exercised during the Period	Outstanding as at 30.6.2012
Ho Chung Tai, Raymond	15.07.2011	01.09.2011 to 14.07.2021	4.10	500,000	–	–	–	500,000
Qian Zhi Xin	15.07.2011	01.09.2011 to 14.07.2021	4.10	500,000	–	–	–	500,000
Xue Zhong Su	15.07.2011	01.09.2011 to 14.07.2021	4.10	500,000	–	–	–	500,000
Non-director employees (in aggregate)	16.2.2009	01.04.2009 to 15.02.2019	0.59	16,017,000	–	–	(2,814,000)[a]	13,203,000
	24.4.2009	01.05.2009 to 23.04.2019	1.054	2,056,000	–	–	(520,000)[a]	1,536,000
	12.1.2011	1.3.2011 to 11.1.2021	3.32	23,500,000	–	–	–	23,500,000
	15.07.2011	01.09.2011 to 14.07.2021	4.10	105,800,000	–	(3,600,000)	–	102,200,000
Total				**158,053,000**	**–**	**(3,600,000)**	**(3,334,000)**	**151,119,000**

Notes:

a. *The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised during the period ended 30 June 2012:*

Date of Grant	***No. of options exercised***	***Exercise price per share*** *(HK$)*	***Weighted average closing price*** *(HK$)*
16.2.2009	*2,814,000*	*0.59*	*2.42*
24.4.2009	*520,000*	*1.054*	*2.32*

b. *20% of the share options granted will be vested on the year of grant, the first, second, third and fourth anniversary of the date of grant, respectively, such that the share options granted are fully vested on the fourth anniversary of the date of grant.*

Save as disclosed above, during the Period, neither the Company nor any of its subsidiaries is a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities of, the Company or any associated corporation and none of the Directors had any right to subscribe for the securities of the Company, or had exercised any such right during the Period.

Interests and Short Positions of Substantial Shareholders

As at 30 June 2012, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company as record in the register kept pursuant to Section 336 of the SFO:

Name	*Note*	**Capacity/ nature of interest**	**Number of shares/ underlying shares**	**Approximate percentage of issued share capital of the Company**
Asia Pacific Energy Fund Limited	*1*	Interest in a controlled corporation	5,018,843,327	32.43%
China Investment Corporation	*2*	Interest in a controlled corporation	3,111,103,054	20.11%

Notes:

1. *Highexcel Investments Limited and Happy Genius Holdings Limited collectively hold 5,018,843,327 shares of the Company, both of which are wholly-owned by Golden Concord Group Limited, which in turn is wholly-owned by Asia Pacific Energy Holdings Limited. Asia Pacific Energy Holdings Limited is in turn wholly-owned by Asia Pacific Energy Fund Limited. Asia Pacific Energy Fund Limited is ultimately held under a discretionary trust by Credit Suisse Trust Limited for Mr. Zhu Gong Shan (a Director and Chairman of the Company) and his family, including Mr. Zhu Yu Feng, a Director and the son of Mr. Zhu Gong Shan.*

2. *China Investment Corporation ("CIC") is interested in approximately 3,111,103,054 shares of the Company, out of which Chengdong Investment Corporation (a wholly-owned subsidiary of CIC) owns 3,108,163,054 shares. Mr. Chau Kwok Man, Cliff and Mr. Zhang Qing, both the non-executive directors of the Company, are currently employees of CIC.*

3. *The total number of ordinary shares of the Company in issue as at 30 June 2012 is 15, 474,296,268.*

Save as disclosed above that Mr. Zhu Gong Shan and Mr. Zhu Yu Feng are members of the beneficiaries of a discretionary trust which is a controlling shareholder of the Company, and Mr. Chau Kwok Man, Cliff and Mr. Zhang Qing are employees of CIC, as at the date of this report, none of the Directors was a director or employee of a company or a beneficiary of a trust which has an interest or a short position in the shares or underlying shares that would fall to be disclosed to the Company under the provisions of Divison 2 and 3 of Part XV of the SFO.

Corporate Governance and Other Information

Code On Corporate Governance Practices

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

(i) Code Provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhu Gong Shan (the Chairman and a Director of the Company) was appointed as the Chief Executive Officer with effect from 1 September, 2009. As Mr. Zhu has more than twenty years' experience in power business and is the founder of our Xuzhou polysilicon and wafer production base, the Board considers that it is appropriate to elect Mr. Zhu as the Chief Executive Officer. In view of the strong support and assistance given to Mr. Zhu by the Company's experienced and dedicated management team and executives, the Board is of the opinion that Mr. Zhu is able to discharge his responsibilities to manage the Board as well as the Group's businesses. The Board will continuously monitor and make new appointments when appropriate.

(ii) Code Provision A.6.7

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

Model Code for Securities Transactions

The Board has adopted the model code for securities transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2012.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Auditor's and Audit Committee's Review

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2012 have been reviewed by Deloitte Touche Tohmatsu (the auditor of the Company) and the audit committee of the Company, which consists of three independent non-executive Directors, namely Mr. Yip Tai Him, Ir. Dr. Raymond Ho Chung Tai and Mr. Qian Zhi Xin. The audit committee expressed no disagreement with the accounting policies and principles adopted by the Group.

Loan Agreement with Covenants Relating to Specific Performance of the Controlling Shareholder

As at the date of this report, the Facility Agreement (as defined below) contains a condition imposing specific performance obligations on the controlling shareholders and breach of such obligation will cause a default in respect of loan that are significant to the operations of the Company:

The Company (as borrower) entered into a facility agreement (the "Facility I Agreement") dated 19 August, 2010 with China Development Bank Corporation Hong Kong Branch (the "Bank", as lender) in relation to the provision of a facility in an aggregate amount equal to US$300 million for a term of three years (the "Facility I") to the Company. The Facility I Agreement was amended by a supplemental agreement dated 29 December 2010, pursuant to which the Facility I in the aggregate amount equal to US$300 million has been split into (i) US$220 million facility; and (ii) a RMB530 million facility. Save and except for the changes in the amount and denomination of the Facility and other consequential amendments, all the other terms of the Facility I Agreement remain unchanged.

Under the Facility I Agreement (as amended by the supplemental agreement dated 29 December 2010), it shall be a change of control event if at any time Mr. Zhu Gong Shan, Mr. Zhu Yu Feng and other members of their family and their associates (as defined under the Listing Rules) either (i) cease to collectively remain as the single largest shareholder of the Company or (ii) cease to control the Company. If any of the above change of control event occurs, the Bank may, by notice to the Company, immediately cancel the Facility I and declare the outstanding principal together with accrued interest and all other amounts accrued under the Facility I Agreement immediately due and payable. If the Bank chooses not to exercise its right as above-mentioned, the Company shall in any event repay such outstanding principal together with accrued interest on the next interest payment date as provided in the Facility I Agreement.

On 1 September 2011, the Company (as borrower) entered into a facility agreement (the "Facility II Agreement") with the Bank in relation to the provision to the Company of a US$400 million facility and a RMB2 billion facility (together, the "Facility II") with a term of three years.

Under the Facility II Agreement, it shall be a change of control event if at any time Mr. Zhu Gong Shan, Mr. Zhu Yu Feng and other members of their immediate family and their associates (as defined in the Listing Rules) either cease to (i) beneficially own at least 30% of the issued share capital of the Company; or (ii) remain as the single largest shareholder of the Company; or (iii) control the Company. If any of the above change of control event occurs, the Bank may, by notice to the Company, immediately cancel the Facility II and declare the outstanding principal together with accrued interest and all other amounts accrued under the Facility II Agreement immediately due and payable. If the Bank chooses not to exercise its right as above-mentioned, the Company shall in any event repay such outstanding principal together with accrued interest on the next interest payment date as provided in the Facility II Agreement, unless the Bank otherwise agreed.

Up to the date of this report, the above obligation continues to exist.

Corporate Information

Chairman & Chief Executive Officer

Zhu Gong Shan

Executive Directors

Zhu Gong Shan
Sha Hong Qiu
Ji Jun
Shu Hua
Yu Bao Dong
Sun Wei
Zhu Yu Feng

Non-Executive Directors

Chau Kwok Man, Cliff
Zhang Qing

Independent Non-Executive Directors

Qian Zhi Xin
Raymond Ho Chung Tai
Xue Zhong Su
Yip Tai Him

Composition of Board Committees

Audit Committee

Yip Tai Him *(Chairman)*
Qian Zhi Xin
Raymond Ho Chung Tai

Remuneration Committee

Raymond Ho Chung Tai *(Chairman)*
Yip Tai Him
Qian Zhi Xin

Nomination Committee

Xue Zhong Su *(Chairman)*
Qian Zhi Xin
Sun Wei

Corporate Governance Committee

Raymond Ho Chung Tai *(Chairman)*
Yip Tai Him
Yu Bao Dong

Connected Transaction Committee

Yip Tai Him *(Chairman)*
Chau Kwok Man, Cliff
Yu Bao Dong

Strategic Planning Committee

Raymond Ho Chung Tai *(Chairman)*
Zhu Gong Shan
Sha Hong Qiu
Xue Zhong Su
Qian Zhi Xin
Ji Jun
Sun Wei

Company Secretary

Chan Yuk Chun

Authorized Representatives

Yu Bao Dong
Chan Yuk Chun

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Corporate Information (continued)

Registered Office

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

Unit 1703B–1706, Level 17
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman, KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Legal Advisers to the Company

As to Hong Kong law
Freshfields Bruckhaus Deringer
11th Floor, Two Exchange Square
Hong Kong

As to Cayman Islands law
Conyers Dill & Pearman
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

As to PRC law
Grandall Legal Group (Beijing)
9th Floor, Taikang Financial Tower
No. 38 North Road East Third Ring
Chaoyang District
Beijing, 100026
PRC

Company's Website

www.gcl-poly.com.hk