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)

Interim Report 2017

Bringing
GREEN POWER
To life

CONTENTS

FINANCIAL HIGHLIGHTS

	Six months ended 30 June			
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	**Change**	**% of change**
Continuing operations				
Revenue				
Sales of wafer	**8,425,343**	10,346,561	(1,921,218)	–18.6%
Sales of electricity	**2,075,477**	1,193,816	881,661	73.9%
Sales of polysilicon	**505,421**	640,552	(135,131)	–21.1%
Others (comprising the sales of ingots, modules, and processing fees)	**391,014**	236,256	154,758	65.5%
	11,397,255	12,417,185	(1,019,930)	–8.2%
Continuing operations				
Profit attributable to owners of the Company	**1,195,887**	1,375,201	(179,314)	–13.0%
	RMB Cents	RMB Cents	**Change**	**% of change**
Continuing operations				
Earnings per share				
— Basic	**6.45**	7.56	(1.11)	–14.7%
— Diluted	**6.31**	7.55	(1.24)	–16.4%
	RMB million	RMB million	**Change**	**% of change**
Continuing operations				
Adjusted EBITDA*	**4,599**	5,529	(930)	–16.8%

* Calculation of adjusted EBITDA is disclosed in the "Management Discussion and Analysis" section.

FINANCIAL HIGHLIGHTS (CONTINUED)

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)	Change	% of change
Extracts of unaudited condensed consolidated statement of financial position				
Equity attributable to owners of the Company	**21,850,858**	20,820,816	1,030,042	4.9%
Total assets	**93,430,602**	87,019,313	6,411,289	7.4%
Bank balances and cash, pledged and restricted bank deposits*	**13,172,294**	13,189,590	(17,296)	–0.1%
Indebtedness (bank and other borrowings, obligations under finance leases, notes payables, convertible bonds payables, and indebtedness directly associated with assets classified as held for sale)	**48,254,876**	43,191,990	5,062,886	11.7%
Key financial ratios				
Current ratio	**0.81**	0.79	0.02	2.5%
Quick ratio	**0.79**	0.76	0.03	3.9%
Net debt to equity attributable to owners of the Company	**160.6%**	144.1%	16.5%	N/A

* Amount includes bank balances and cash of RMB123,452,000 (31 December 2016: RMB26,596,000) and pledged bank deposit of RMB13,391,000 (31 December 2016: RMB20,497,000) classified as assets held for sale.

CHAIRMAN'S STATEMENT

Dear Shareholders,

During the first half of 2017, GCL-Poly joined hands with peers in the PV industry to strive forward on the journey of rapid development of the industry. Abiding by the mission and vision of the Company, we earnestly fulfill our commitments to creating value for our shareholders and assuming the responsibility for promoting green development of the society, with a view to bringing constant green energy to life. We are exerting relentless efforts in realizing grid-parity of the PV industry and have achieved outstanding performance.

BUSINESS REVIEW FOR THE FIRST HALF OF 2017

During the first half of 2017, GCL-Poly's total production of polysilicon and wafer were 38,747 MT and 10.6 GW respectively, ranking first in the world again. As at 30 June 2017, GCL-Poly recorded a revenue of RMB11.4 billion, representing a period-on-period increase of 18.6% as compared with the second half of 2016; gross profit was approximately RMB3.7 billion, representing a period-on-period increase of 33.7% as compared with the second half of 2016; profit from continuing operations attributable to owners of the Company amounted to approximately RMB1.2 billion and basic earnings per share were approximately RMB6.45 cents.

For the first half of 2017, GNE's total PV installed capacity was 5,079 MW, an increase of 44% as compared with that of 31 December 2016. Total revenue from PV power generation business was approximately RMB1.8 billion, up by 95.0% period-on-period. Profit from continuing operations significantly increased by 263.7% period-on-period to RMB0.5 billion.

DRIVEN BY INNOVATION, GCL-POLY AND GNE RECORDED FURTHER GROWTH

Global PV industry maintained its growing momentum from 2016 and saw rapid development in 2017. China led the global PV market with over 24 GW of new PV installed capacity within just the first six months of the year. By implementing the strategy of "Embracing Client", GCL-Poly and other affiliated companies made constant efforts to promote the upgrade of the PV industry and accelerate cost reduction for both PV products and PV power generation through improvement of new technologies and processes in different manufacturing categories.

The Company made some proven achievements in terms of technological reforms and innovation in the first half of 2017. For instance, the Company has proceeded with the technological research and development in respect of enhancing Siemens method polysilicon manufacturing technology. The scientific research projects also delivered outstanding results, including upgrade and reform of ingot casting furnaces, optimization of the high-efficiency polycrystalline ingot casting process, upgrade of diamond wire sawing, black silicon technology, and equipment and process optimization of fluidized-bed silicon particles via silane method. The innovations and achievements of research and development are at the leading edge of the industry, which not only reduced the manufacturing costs of products for the period but also provided solid assurance for subsequent production growth and cost reduction as well as further upgrade of products.

We have completed the acquisition of SunEdison, a U.S. advanced technology company, at the end of March 2017. Currently, technological research and development staff of the Company in both China and the United States is working on the application of the world's most cutting-edge core technology for silicon material in Mainland China, with a view to maintaining the Company's leading competitiveness for future development in the long term.

CHAIRMAN'S STATEMENT (CONTINUED)

Through its rising proportion of self-development, controlled costs in construction of power stations and improved efficiency in power generation, GNE had new additional power plant grid integration capacity of 1,563 MW and construction in progress pending grid integration of 510 MW in aggregate during the period ended 30 June 2017. GNE secured 360 MW "Top Runner" (領跑者) program leveraging on its leading technologies and innovative management, and was granted a quota of 250 MW for photovoltaic poverty alleviation in view of its assistance in relevant works, taking lead throughout the country.

In 2017, GNE has already comprehensively carried out the development of distributed business and project expansion in key regions worldwide. It intends to expand new projects of 1.5 to 2 GW in the regions with rich solar resources and has a plan of joint upgrade and transformation with its strategic partners, with a view to transforming towards the "light assets" development model through planned disposal of equity interests in solar farm project companies. Besides, GNE will continue to reduce costs significantly by various means, such as enhancing technological innovation, speeding up efficiency of capital usage and providing management services, thereby reducing the average cost of solar power plant to approximately RMB6.30 per watt in the first half of 2017.

ENORMOUS POTENTIAL OF THE PV INDUSTRY

The execution and enforcement of the Paris Agreement on Climate Change clarifies the direction for global cooperation in response to climate change after 2020, showing the accelerating adjustment on global energy structure and laying a solid foundation for the development of the global PV market. In response to the global climate change, China has adopted vigorous policies and measures to achieve its target of non-fossil energy accounting for 15% and 20% of energy consumption by 2020 and 2030 respectively, which saw significant progress. The 13th Five-year Plan for the Solar Energy Industry (《太陽能發展十三五規劃》) and the 13th Five-year Plan for the Energy Industry (《能源發展十三五規劃》) set out the blueprint and action guideline for the development of the energy industry until 2020 respectively. With continuous improvement in the overall absolute conversion efficiency of the solar power system, a faster decline in the PV unit generation cost further promoted the rapid development of the PV industry globally.

During the year, the continuous and rapid growth of the PV industry in China in a distributed pattern, together with the significant improvement in solar power curtailment across the Western and Northern regions, also further demonstrated China's great perseverance in developing the PV industry and dedicated commitment to solving difficulties.

Driven by innovation, GCL-Poly will be unswervingly dedicated to the research and development of new products and technologies related to PV materials so as to realize grid-parity of the PV industry as early as possible. As a result, we will continue to enhance core competitiveness of our products with a focus on the competitive strengths of high efficiency and differentiation of wafer products to ensure the predominance of our products in the market. Through refined internal management and implementation of streamlined production, we will further increase our production volume, improve product quality and reduce costs. We will constantly strive for investment in forefront technologies and scientific research, and at the same time deepen cooperation with financial institutions to further improve gearing ratio and financing structure, reduce finance costs and enhance liquidity. We will also accelerate the intelligent manufacturing and informatization to improve automation level of existing production capacity and promote and realize industry upgrade.

I strongly believe that with technological progress and quick development in the industry, in combination with our direction of "Embracing Grid-parity", GCL-Poly's dream to bring green energy to thousands of households will come true soon!

Finally, I would like to express my heartfelt gratitude to our board of directors, management team and all the staff members of the Company for their efforts and hard work in 2017. I also wish to extend my gratitude to our shareholders and business partners for their strong support to the Company.

CEO'S REVIEW OF OPERATIONS AND OUTLOOK

CEO'S REVIEW AND OUTLOOK REPORT

On behalf of the management of the Company, I hereby announce the following results achieved by GCL-Poly in the first half of 2017: as of 30 June 2017, GCL-Poly recorded revenue of RMB11.4 billion, representing a 8.2% decrease and a 18.6% increase as compared with the same period in 2016 and the second half of 2016 respectively; gross profit was approximately RMB3.7 billion, representing a 12.1% decrease and a 33.7% increase as compared with the same period in 2016 and the second half of 2016 respectively; profit attributable to owners of the Company amounted to approximately RMB1.2 billion and basic earnings per share were approximately RMB6.45 cents. In the first half of 2017, the Company completed a total production of 38,747 MT and sales of 4,888 MT of polysilicon, and a total production of 10,599 MW and sales of 10,611 MW of wafer, ranking first in the world in terms of production volumes of polysilicon and wafer.

RAPID GROWTH IN GLOBAL DEMAND FOR PV INSTALLATIONS IN 2017

In 2017, the global PV industry continues to maintain rapid growth momentum. PV installations in China experienced another round of explosive growth with new PV installed capacity exceeded 24 GW in the first half of 2017, according to the data released by the China National Renewable Energy Centre. Looking at the global market, it is expected that the new PV installed capacity in 2017 will exceed 80 GW and set to hit 90 GW. Currently, India has surpassed Japan and became the third largest PV market in the world. Meanwhile, PV installations in traditional European markets, such as the United Kingdom and Germany, as well as emerging markets, such as Mexico, Chile and Peru in Central and South America, Thailand, Malaysia and some African countries, were growing with new highlights and strong momentum. In particular, Chile acquired a 120 MW solar power plant with the unit generation cost of US$2.91 cents through competitive tendering, which is the solar power plant with the lowest construction cost in the world. As of April 2017, Chile has been providing electricity generated from solar power free-of-charge for 113 days.

During the year, GCL-Poly and PV enterprises in China made constant efforts to promote the upgrade of the PV industry and accelerate cost reduction for both PV products and PV power generation through improvement of new technologies and processes in different manufacturing categories. Polysilicon and wafer showed completely different trends of supply and demand relationship during the year. The price of polysilicon remained at high level since the end of 2016, among which excess demand is especially obvious for quality silicon; and the price of wafer began to recover and rebound since the end of third quarter of 2016. After a short-term price fluctuation in mid-April 2017, the price hikes continued and production and sales of both products remained robust up to this date.

ACCURATE DEMAND FORECAST COMPLEMENTED BY STRINGENT SUPPLY CONTROL

Since 2017, GCL-Poly has swiftly adapted to changes in market demand and developed targeted supply-side adjustment approach by accurately assessing and analyzing the market trend, thereby successfully maintaining the capacity utilization of polysilicon and wafer of over 100%, at the same time fully achieving its production and sales targets, securing robust production and sales, and maintaining excellent performance in gross profit margin. During the year, we realized cost reduction and pushed ahead research and development of new products by carrying out refined production and stepping up our efforts in promoting technological transformation in three major manufacturing categories, namely polysilicon, ingots and wafer. We also secured the implementation of production plans and fulfilled the established targets in supply-side reform through flexible adjustment in the OEM category.

CEO'S REVIEW OF OPERATIONS AND OUTLOOK (CONTINUED)

STRENGTHEN CORE BUSINESSES BY DRIVING DEVELOPMENT THROUGH INNOVATION

As the most influential and competitive silicon material products manufacturer and supplier in the world, the Company achieved remarkable results again in both production and sales during the first half of 2017: the Company completed a total production of 38,747 MT and external sales of 4,888 MT of polysilicon, as well as a production of 10,599 MW and sales of 10,611 MW of wafer during the first half of the year.

The highlights of the Company's major works in 2017 were as follows: 1. GCL-Poly further promoted the implementation of the GHA working method for its work in relation to safety and production management at all levels, thereby achieving safe and steady operations with each of the production plans progressing smoothly. 2. We have fully achieved the production and sales targets in all product categories and strived for further excellence by exercising more stringent cost control. In particular, the production volume of wafer recorded a period-on-period increase of approximately 22.6% while the vertical manufacturing cost dropped by more than 8% as compared with the end of last year. 3. TS series of wet textured black silicon wafer was put into the market, which diversified the existing product structure and further consolidated the position of GCL-Poly as an industry leader. 4. We constantly promoted our refined production management and enhanced the automation level and informatization level of our manufacturing equipment. 5. We further adjusted our liability structure with improvement in financial indicators.

Since 2017, GCL-Poly has devoted consistent efforts in pushing forward development with technological innovation and reforming its incentive system for rewarding technological innovation. As a result, a number of achievements have been made in respect of scientific research: 1. The research and development and promotion of diamond wire sawing technology was further accelerated. The proportion of wafer applying diamond wire sawing technology has exceeded 30% by the end of June, which substantially reduced the cost of wafer. 2. Benefited from optimized production technology of crucible and further upgrade and reform of ingot furnace heat-shielding technology, the conversion efficiency of wafer has been on the rise and the Group continued to maintain a leading position in the market in terms of quality of wafer and enjoyed competitive advantage with its differentiated products. 3. The commissioning of equipment for wet texturing technology of black silicon, equipped with polysilicon applying diamond wire sawing technology, was completed. Process development and smooth progress of trial production lines have effectively facilitated the marketing of polysilicon applying diamond wire sawing technology and encouraged battery users to extensively adopt wafer applying diamond wire sawing technology. 4. The completion of the development of heat-shielding technology for czochralski monosilicon with low energy consumption, high speed of ingot pulling and large feed capacity, the reform of ancillary facilities and the optimization of process, together with the small diameter diamond wire sawing technology, have secured the production of czochralski monosilicon wafer at a low cost.

Meanwhile, the Company has completed the acquisition of SunEdison. Technologists in both China and the United States have been working intensively on key projects such as the optimization of equipment and process for production of circulating fluidized bed and application of CCZ constant czochralski monosilicon technology (連續直拉單晶技術) in China and realization of relevant commercial production. In addition, the Company has proceeded with the technological research and development in respect of enhancing Siemens method polysilicon manufacturing technology. The scientific research projects were also in good progress, including upgrade and reform of ingot casting furnaces, optimization of the high-efficiency polycrystalline ingot casting process, research and development of ingot casting monocrystalline technology, upgrade of diamond wire sawing and black silicon technology, which provided solid assurance for subsequent production growth and cost reduction as well as further upgrade of products.

CEO'S REVIEW OF OPERATIONS AND OUTLOOK (CONTINUED)

STABLE AND RAPID DEVELOPMENT OF THE SOLAR FARM PLATFORM "GNE"

GNE managed to deliver improved performance in 2017. As at 30 June 2017, the aggregate grid-connected installed capacity of the Company was 5,079 MW, representing a substantial increase of 85.7% over the same period of last year. Regarding financial position, total revenue of GNE amounted to approximately RMB1,812 million in the first half of 2017, representing an increase of 95.0% over the same period of last year.

GNE is well-positioned for more new project development as supported by the smooth progress of a series of financing activities, and is also putting great efforts in reducing its gearing ratio. In the future, GNE will continue to focus on the development of solar power generation business, striving for becoming a global leading enterprise in the solar power generation industry.

OUTLOOK

The pace of global energy restructuring is accelerating upon the execution of the Paris Agreement on Climate Change. The National Development and Reform Commission and the National Energy Administration of the PRC also issued the 13th Five-year Plan for the Electricity Industry (《電力發展十三五規劃》), the 13th Five-year Plan for the Solar Energy Industry (《太陽能發展十三五規劃》) and the 13th Five-year Plan for the Energy Industry (《能源發展十三五規劃》) respectively, which set out the blueprint and action guideline for the development of the energy industry from 2016 to 2020. China's PV installation capacity recorded an explosive growth of over 24 GW in the first half of the year, which raised a new challenge to industrial players: what will be the development phase that the PV industry would enter into in the next few years upon the early completion of the 13th Five-year Plan?

However, it is notable that despite the early completion of the planned indicators for ground-mounted solar power plants, the installation capacity of distributed solar power plants was 14.73 GW, which is far below the target of 60 GW as stipulated in the 13th Five-year Plan. In other words, the solar energy industry will embrace new opportunities for development and the whole industry will strive to overcome core technological difficulties and push ahead technological advancement through expansion of industry scale, promote diversified application of PV products, and further reduce costs and improve efficiency. Meanwhile, against the backdrop of accelerated agricultural modernization, historic development opportunities with explosive growth will emerge for the explosive growth of various forms of projects such as photovoltaic poverty alleviation, photovoltaic agriculture and distributed photovoltaic generation, particularly, distributed photovoltaic generation in combination with agricultural development.

GCL-Poly charges itself with the mission and responsibility to provide green energy to thousands of households and is strongly committed to drive solar power generation to reach grid-parity by 2020. As a result, we will continue to improve core competitiveness of our products with a focus on the competitive strengths of high efficiency and differentiation of wafer products. Through refined internal management and implementation of streamlined production, we will further increase our production volume, improve product quality and reduce costs. We will continue to increase investment in scientific research, keeping close eyes on new promising technologies in the field of PV materials in addition to implementing existing research and development tasks as scheduled. Besides, we will deepen cooperation with financial institutions, promote innovation in forms of financial cooperation, improve balance sheet and financing structure, at the same time reducing finance costs and optimizing liquidity. We will also devote more efforts in intelligent manufacturing and informatization to achieve synergy effect so as to improve automation level of existing production capacity and facilitate and realize industry upgrade.

Finally, I would like to express my heartfelt gratitude to our management team and all the staff members of the Company for their efforts and hard work during the year. I also wish to extend my gratitude to our shareholders and business partners for their strong support to the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the six months ended 30 June 2017, due to the challenging market environment in the solar material business, GCL-Poly Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") recorded a significant decrease in profit contribution by its solar material business. However, this was partially offset by the increase in profit contribution by the Group's new energy business and the solar farm business. Therefore, the Group was still able to achieve a relatively stable financial performance.

HALF YEAR RESULTS

For the six months ended 30 June 2017, the revenue, gross profit of the Group and profit attributable to the owners of the Company from continuing operations were approximately RMB11,397 million, RMB3,736 million and RMB1,196 million, respectively, representing a decrease of 8.2%, 12.1% and 13.0% respectively as compared with approximately RMB12,417 million, RMB4,250 million and RMB1,375 million in the corresponding period in 2016. The profit attributable to owners of the Company from both continuing and discontinued operations for the period ended 30 June 2017 amounted to approximately RMB1,193 million as compared to approximately RMB1,389 million in the corresponding period in 2016.

BUSINESS STRUCTURE

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

Except for 371 MW solar farm that were constructed or acquired by the Group prior to obtaining a controlling stake in GNE, the Group primarily develops, constructs, operates and manages downstream solar farms through the platform of GNE.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For illustrative purpose, if excluding GNE Group and recognising the costs of investment in GNE and the perpetual notes receivable from GNE as non-current assets, the effect of de-consolidated GNE Group as at 30 June 2017 would be as follows:

	The Group RMB million	**GNE Group** RMB million	**De-consolidation adjustment** *(note)* RMB million	**The effect of de-consolidated GNE Group** RMB million
Total assets	93,431	46,166	(5,715)	52,980
Total liabilities	68,834	39,263	(1,518)	31,089
Bank balances and cash, pledged and restricted bank deposits	13,035	4,926	—	8,109
Bank balances and cash classified as assets held for sale	136	136	—	—
Subtotal	13,171	5,062	—	8,109
Indebtedness				
Bank and other borrowings	38,193	23,681	—	14,512
Indebtedness directly associated with assets held for sale	1,163	1,163	—	—
Loans from fellow subsidiaries	—	1,075	(1,075)	—
Obligations under finance leases	2,080	—	—	2,080
Notes payables	5,129	—	—	5,129
Convertible bonds payables	1,690	878	—	812
Subtotal	48,255	26,797	(1,075)	22,533
Net debt	35,084	21,735	(1,075)	14,424

Note:

De-consolidation adjustments included:

1. The Group's costs of investment in GNE amounted to be RMB2,365,304,000.
2. The GNE's perpetual notes of RMB1,800,000,000 subscribed by the subsidiaries of the Group.
3. The balances with GNE Group.

As at 30 June 2017, certain subsidiaries of the Company guaranteed bank and other borrowings of certain subsidiaries of GNE which amounted to RMB4,806 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SEGMENT INFORMATION

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

(a) Solar Material Business — mainly manufactures and sales of polysilicon and wafer to companies operating in the solar industry.

(b) Solar Farm Business — manages and operates 371 MW solar farms, of which 18 MW is located in the United States and 353 MW is located in the PRC. These solar farms were constructed or acquired by the Group prior to obtaining a controlling stake in GNE.

(c) New Energy Business — represents the business operations of GNE, which is principally engaged in the development, construction, operation and management of solar farms.

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

	Six months ended 30 June 2017			Six months ended 30 June 2016 (Restated)		
	Revenue RMB million	**Segment profit RMB million**	**Adjusted EBITDA[3] RMB million**	Revenue RMB million	Segment profit (loss) RMB million	Adjusted EBITDA[3] RMB million
Solar Material Business	**9,317**	**789**	**2,851**	11,221	1,756	4,785
Solar Farm Business	**268**	**67**	**228**	267	(241)	31
Corporate[1]	**N/A**	**N/A**	**(84)**	N/A	N/A	(31)
Sub-total	**9,585**	**856**	**2,995**	11,488	1,515	4,785
New Energy Business	**1,812**	**537[2]**	**1,604**	929	140[2]	744
Total	**11,397**	**1,393**	**4,599**	12,417	1,655	5,529

1. The corporate items is not a reportable segment and it primarily included unallocated income, unallocated expenses and inter-segment transactions.

2. For the six months ended 30 June 2017, the segment profit of the new energy business includes reported net profit of GNE Group of approximately RMB552 million (six months ended 30 June 2016: RMB171 million) and allocated corporate expenses of approximately RMB15 million (six months ended 30 June 2016: RMB31 million).

3. Calculation of the adjusted earnings before interest expenses, tax, depreciation and amortisation ("EBITDA") is detailed in the "Financial Review" section in this report.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW

Solar Material Business

Production

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

As at 30 June 2017, the Group's polysilicon annual production capacity remained at 70,000 MT. During the six months ended 30 June 2017, the Group operated its polysilicon business at full capacity and produced approximately 38,747 MT of polysilicon, representing an increase of 6.7% as compared to 36,328 MT for the same period in 2016.

During the six months ended 30 June 2017, the Group continued to adopt various technological improvements on application of advanced ingot furnace facility and diamond wire cutting wafer process. The Group's annual wafer production capacity has increased to 20 GW as at 30 June 2017. During the six months ended 30 June 2017, the Group produced approximately 10,599 MW of wafers (including processing business with supplied materials), representing an increase of 22.6% from 8,643 MW for the same period in 2016.

Sales Volume and Revenue

For the six months ended 30 June 2017, the Group sold 4,888 MT of polysilicon and 10,611 MW of wafer (including processing business with supplied materials), representing a decrease of 23.5% and an increase of 19.5% respectively, as compared with 6,389 MT of polysilicon and 8,880 MW of wafer for the same period in 2016.

The average selling prices of polysilicon and wafer were approximately RMB103.4 (US$15.1) per kilogram and RMB0.891 (US$0.130) per W respectively for the six months ended 30 June 2017. The corresponding average selling prices of polysilicon and wafer for the six months ended 30 June 2016 were approximately RMB100.3 (US$15.3) per kilogram and RMB1.224 (US$0.187) per W respectively.

For the six months ended 30 June 2017, revenue from external customers of our solar materials business amounted to approximately RMB9,317 million, representing a decrease of 17.0% from RMB11,221 million for the same period in 2016. The decrease in revenue was primarily attributable to the decrease in the average selling price of wafer, partially offsetting by the increase of sales volume of wafer during the six months ended 30 June 2017.

Cost and Net Profit Margin

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 six months ended 30 June 2017, the Group continued to make effort on cost reduction and control measures.

The net profit margin of our Solar Material Business for the period ended 30 June 2017 was decreased to 8.5% as compared with net profit margin of 15.6% in the same period in 2016. The decrease was mainly contributed by the significant decrease of average selling price of wafer during the first half of 2017, partially offsetting by the decrease in the finance costs as a result of decrease in bank and other borrowings compared with the corresponding period ended 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Solar Farm Business

Solar Farm Business represents 371MW solar farms in overseas and PRC, which has been in operation prior to the acquisition of GNE.

PRC Solar Farms

As at 30 June 2017, the Solar Farm Business operates 10 solar farms in the PRC and its installed capacity and attributable installed capacity were 353.0 MW and 289.3 MW, respectively.

Overseas Solar Farms

As at 30 June 2017, the Solar Farm Business includes 18 MW of solar farms in the United States and 9.7% effective ownership in a 150 MW solar farms in South Africa.

Sales Volume and Revenue

For the six months ended 30 June 2017, the electricity sales volume of Solar Farm Business in overseas and the PRC were 15,741 MWh and 267,160 MWh respectively (Six months ended 30 June 2016: 16,325 MWh and 256,324 MWh, respectively).

For the six months ended 30 June 2017, revenue for Solar Farm Business was approximately RMB268 million (Six months ended 30 June 2016: RMB267 million).

New Energy Business

As at 30 June 2017, the Group owns 11,880 million shares of GNE (approximately 62.28% of GNE's issued capital). During the period, GNE continued to expand its Solar Energy Business through self-constructed and acquisition.

	30 June 2017		31 December 2016	
Development Type	**No. of solar farms**	**MW**	No. of solar farms	MW
Acquisition	**17**	**574**	16	570
Self-constructed	**116**	**4,505**	74	2,946
Total	**133**	**5,079**	90	3,516

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at 30 June 2017, the aggregated installed capacity of 133 grid-connected solar farms of GNE Group (31 December 2016: 90) increased by 44% to 5,079 MW (31 December 2016: 3,516 MW). Details of the electricity sales volume and revenue for the period ended 30 June 2017 are set out below.

Subsidiaries	Tariff zones	Number of solar farm	Aggregate Installed Capacity[1] (MW)	Grid-connected Capacity[1][2] (MW)	Electricity Sales Volume (million kWh)	Average Tariff (Net of Tax) (RMB/kWh)	Revenue (RMB Million)
Inner Mongolia	1	11	388	366	298	0.76	227
Ningxia	1	5	251	201	108	0.62	67
Qinghai	1	3	107	107	83	0.84	70
Xinjiang	1	2	80	80	50	0.68	34
Sub-total	Zone 1	21	826	754	539	0.74	398
Shaanxi	2	7	613	563	301	0.74	222
Hebei	2	2	189	189	123	0.91	112
Qinghai	2	2	80	80	65	0.77	50
Yunnan	2	2	80	71	55	0.69	38
Sichuan	2	2	85	80	34	0.82	28
Jilin	2	3	35	35	20	0.85	17
Liaoning	2	2	40	21	17	0.71	12
Xinjiang	2	1	21	21	—	—	—
Gansu	2	2	55	6	—	—	—
Sub-total	Zone 2	23	1,198	1,066	615	0.78	479
Henan	3	10	509	391	214	0.80	172
Jiangsu	3	26	418	346	190	0.86	163
Hebei	3	4	139	139	96	1.00	96
Anhui	3	9	330	296	158	0.82	129
Hubei	3	4	259	229	123	0.82	101
Shanxi	3	5	272	184	124	0.85	106
Jiangxi	3	4	186	123	61	0.85	52
Shandong	3	7	187	186	98	0.88	86
Guangdong	3	1	100	12	5	0.85	4
Hainan	3	2	50	50	35	0.86	30
Hunan	3	4	200	126	18	0.81	14
Guizhou	3	3	160	103	30	0.85	26
Zhejiang	3	1	21	21	10	0.98	10
Guangxi	3	1	60	23	1	0.84	1
Fujian	3	1	40	—	—	—	—
Shanghai	3	1	7	7	1	0.71	1
Sub-total	Zone 3	83	2,938	2,236	1,164	0.85	991
Japan	—	1	4	4	1	2.35	3
US	—	1	83	83	36	0.31	11
Sub-total		2	87	87	37	0.38	14
Total of subsidiaries		129	5,049	4,143	2,355	0.80	1,882
Joint ventures[4]							
PRC	2	1	25	25	10	0.80	8
Overseas	—	3	5	5	3	2.33	7
Total		133	5,079	4,173	2,368	0.80	1,897

Representing:	
Electricity sales	650
Tariff adjustment — government subsidies received and receivables	1,232
	1,882
Less: effect of discounting tariff adjustment receivables to present value[3]	(38)
Ningxia price adjustment[5]	(32)
Total revenue of GNE Group	**1,812**

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

[2] The grid-connected capacity of some projects are larger than its installed capacity as approved by local government.

[3] Certain portion of the tariff adjustment (government subsidies) receivables will be recovered after twelve months from the reporting date. The tariff adjustment receivables are discounted at an effective interest rate ranging from 2.59% to 3.27% per annum.

[4] Revenue from joint venture solar farms was accounted for under "Share of Profit of Joint Ventures" in the condensed consolidated statement of profit or loss and other comprehensive income.

[5] Pursuant to the Ningxia Hui Autonomous Region Development and Reform Council Notice regarding 2016 Solar Energy Projects Quota Allocation Based on Competitive Bidding (《寧夏回族自治區發展和改革委員會文件關於開展我區2016年光伏發電增補規模競爭性分配有關的通知》) issued on 3 January 2017, solar farm which connected to the grid on or before 22 December 2016 but not yet listed on the approved solar farm projects are subject to competitive bidding. Because of this, the feed-in tariffs for four solar farms with an aggregate capacity of 150 MW in Ningxia Hui Autonomous Region are affected. The tariff in prior years were adjusted to reflect the latest bidding price.

Revenue

During the period ended 30 June 2017, the revenue for continuing operations of GNE Group mainly comprised sales of electricity and related tariff adjustment (i.e. government subsidies) amounting to approximately RMB1,850 million (2016: RMB970 million), net of discounting the non-current tariff receivables of approximately RMB38 million (2016: RMB41 million).

The significant increase in revenue was mainly attributable to the increase in sales of electricity of the solar farms by 103% as a result of intensive developments and acquisitions of solar farms in the first half of 2017 and the second half of 2016. The average tariff (net of tax) was approximately RMB0.80/kWh (2016: RMB0.85/kWh). The decrease in average tariff is mainly due to the tariff cut in 2016 and competitive bidding tariff for some of GNE's projects.

In terms of revenue generated by tariff zone, for the period ended 30 June 2017, approximately 21%, 26% and 53% of revenue were generated from zone 1, zone 2 and zone 3 respectively (2016: zone 1 of 32%, zone 2 of 20% and zone 3 of 48%). Consistent with the strategy in 2016, GNE Group focused more on developing solar farms in well-developed areas with strong domestic power demand (eg. zone 2 and zone 3) to minimize the grid curtailment risk in zone 1 area and competitive bidding price for tariff in some of the regions.

Financial resources of GNE Group

For the period ended 30 June 2017, GNE Group's main sources of funding were cash generated from financing activities amounting to RMB2,911 million, which mainly included the net effect of newly raised bank and other borrowings of RMB7,026 million and repayment of bank and other borrowings of RMB3,614 million. The decrease in cash generated from financing activities compared with corresponding period in 2016 was mainly due to the net proceeds from rights issue of RMB1,941 million during the period ended 30 June 2016.

The net cash from operating activities during the period ended 30 June 2017 was RMB501 million which was mainly attributable to the cash received from electricity sales and modules procurement.

The net cash used in investing activities during the period ended 30 June 2017 was primarily arose from payments and deposit paid for the acquisition and development of solar farm projects.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Outlook

With strong seasonality in the first half of 2017 driven by domestic Chinese solar installation demand, we believe the sales outlook in the second half to remain solid, with robust demand coming from China and rest-of-the-world. In the past, typical overseas market is more back-half loaded and we believe that, with the robust Chinese demand typically in the first half, we believe that the impact of seasonal fluctuation on demand will diminish gradually. As such, it is healthy for manufacturing company like us to maintain high utilization and manage inventory at the lowest level. In addition, with utilization remains at high levels, we continue to make good progress driven by higher efficiency products and increase in manufacturing productivity, solidifying our leadership position in the solar materials space.

We anticipate that 2017 global PV solar demand to grow modestly to approximately 85–90 GW, up from 70–75 GW in 2016. With strong demand in China, India, the USA, while emerging market such as Southeast Asia, South Africa, Australia and Latin America will continue to increase. These emerging markets will play a more important role in the solar industry development, resulting in a more balanced geographical diversification.

Although solar installation in China have been extremely strong in the last few years, we see a significant mix-shift to distributed generation this year. We anticipate that distributed solar to account for one third of China demand in 2017 and will continue to grow in the coming years. We also believe that environmental and energy related spending will remain as one of the key drivers in sustaining China's GDP growth, as air pollution had not materially improved despite still remained a big concern in China. In addition, Chinese government had revised down the ground-mounted Feed-In-Tariff ("FiT") in China, but the returns of solar farms will remain attractive given falling borrowing rate and improvement in lending. We continue to see the Chinese government continue to issue favorable policy for the industry.

Recently, the Energy Bureau has detailed the remaining period of the solar policy of the 13th Five-Year-Plan, which reiterated the strong support for the installation growth of solar through 2020. In particular, the Chinese Energy Bureau has indicated the front-runner program will remain at least 8GW per year from 2017–2020. As a result, we believe that investors' concerns of Chinese solar installations to tapering off in short term are overblown. China also made it mandatory for the State Grid to buy back all renewable energy generation. While renewable energy projects in some provinces such as those in Gansu and Xinjiang are experiencing curtailments, but the completion of Ultra-High Voltage transmission lines linking the western part of China was already underway to resolve the issues.

As we have completed the acquisition of SunEdison's solar materials business, integration has been underway in the second quarter and we are progressing well in our joint R&D effort. In addition, we have announced strategic co-investment framework with Mono-crystalline wafer manufacturer Tianjin ZhongHuan for our Xinjiang polysilicon plant. We also anticipate that, with the proliferation of using diamond wires on high performance Multi-crystalline wafers, we will continue to harness technological cost savings, boosting our bottomline in 2017.

Employees

We consider our employees to be our most important resource. 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.

On 16 January 2017, the Company adopted a share award scheme (the "Share Award Scheme"), pursuant to which existing shares of the Company ("Shares") may be purchased by the trustee from the market out of cash contributed by the Group and/or the Company may allot and issue new Shares to Computershare Hong Kong Trustees Limited (the "Trustee") in accordance with any specific mandate approved by the shareholders so as to effectively attract, retain and incentivise core employees of the Group and align their interests and growth with the Group as a whole. No Shares are granted to the eligible persons since its adoption.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Continuing operations

Revenue

Revenue for the six months ended 30 June 2017 amounted to approximately RMB11,397 million, representing a decrease of 8.2% as compared with approximately RMB12,417 million for the same period in 2016. The decrease was mainly contributed by the decrease in the average selling price of wafer, partially offsetting by the increase in sales volume of wafer and the increase in revenue contributed by GNE Group.

Gross Profit Margin

The Group's overall gross profit margin for the six months ended 30 June 2017 was 32.8%, as compared with 34.2% for the same period in 2016.

Gross profit margin for the solar material business decreased from 31.8% for the six months ended 30 June 2016 to 24.6% for the six months ended 30 June 2017. The decrease was mainly attributable to the decrease in the average selling price of wafer products.

Solar farm business has a gross profit margin of 53.2% for the six months ended 30 June 2017, as compared with gross loss margin of 11.3% for the corresponding period in 2016. The increase was primarily due to the significant decrease in impairment loss on project assets in the current period.

The gross profit margin for the new energy business was 70.8% for the six months ended 30 June 2017 and 74.5% for the corresponding period in 2016. The decrease in gross margin was mainly due to (1) tariff cut for the projects connected to the grid after 30 June 2016; (2) competitive bidding for newly constructed solar farms for which bidding prices are lower than benchmark tariff; and (3) the drop in revenue caused by lower solar radiation due to smog in early 2017.

Other Income

For the six months ended 30 June 2017, other income mainly comprised government grants of approximately RMB48 million (six months ended 30 June 2016: RMB126 million), sales of scrap materials of approximately RMB118 million (six months ended 30 June 2016: RMB107 million) and bank and other interest income of approximately RMB96 million (six months ended 30 June 2016: RMB108 million).

Distribution and Selling Expenses

Distribution and selling expenses increased from approximately RMB29 million for the first half of 2016 to approximately RMB53 million for the first half of 2017. Increase in distribution and selling expenses were due to more sales and marketing activities were carried out during the period.

Administrative Expenses

Administrative expenses amounted to approximately RMB877 million for the six months ended 30 June 2017, representing a decrease of 1.7% from approximately RMB892 million for the same period in 2016. Decrease in administrative expenses was primarily due to the effective costs control measure implemented by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other Expenses, Gains and Losses, Net

The other expenses, gains and losses represents net expenses of RMB246 million for the six months ended 30 June 2017 (six months ended 30 June 2016: net expenses of RMB665 million). The net expenses for the current period mainly comprises of research and development costs of approximately RMB246 million, loss on disposal of property, plant and equipment of approximately RMB96 million, loss on fair value change of convertible bonds payables of approximately RMB53 million and compensation income for shutdown of Taicang Poly power plant of approximately RMB155 million.

Finance Costs

Finance costs for the six months ended 30 June 2017 were approximately RMB1,143 million, increased by 8.5% as compared to approximately RMB1,053 million for the corresponding period in 2016. Increase was mainly related to the increase of bank and other borrowings by GNE Group during the period.

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures for the six months ended 30 June 2017 was approximately RMB23 million, mainly contributed by a joint venture in the PRC.

Income Tax Expense

Income tax expense for the six months ended 30 June 2017 was approximately RMB345 million, representing a decrease of 24.8% as compared with approximately RMB459 million for the same period in 2016. The decrease was mainly due to the decrease in profit contributed by solar material business during the current period.

Profit attributable to Owners of the Company

Profit attributable to owners of the Company from continuing operations amounted to approximately RMB1,196 million for the six months ended 30 June 2017, representing a decrease of 13.0% as compared with a profit of approximately RMB1,375 million for the same period in 2016.

The loss for the six months ended 30 June 2017 from discontinued operations was RMB4.2 million.

Profit attributable to owners of the Company from continuing operations and discontinued operations amounted to approximately RMB1,193 million for the six months ended 30 June 2017 as compared with a profit of approximately RMB1,389 million for the same period in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Adjusted EBITDA and Adjusted EBITDA Margin

	2017 RMB million (Unaudited)	2016 RMB million (Unaudited) (Restated)
For the period ended 30 June:		
Profit for the period from continuing operations:	**1,389**	1,539
Adjustment for non-operating or non-recurring items:		
Impairment loss of property, plant and equipment	**—**	446
Gain on fair value change of convertible bonds receivable	**—**	(14)
Gain on early redemption of convertible bonds receivable	**(13)**	—
Loss on fair value change of convertible bonds payables	**53**	122
Loss (gain) on fair value change of held for trading investments	**19**	(2)
Loss (gain) on fair value change of derivative financial instrument	**1**	(14)
Compensation income	**(155)**	—
	1,294	2,077
Add:		
Finance costs	**1,143**	1,053
Income tax expense	**345**	459
Depreciation and amortization	**1,817**	1,940
Adjusted EBITDA	**4,599**	5,529
Adjusted EBITDA Margin	**40.4%**	44.5%

Property, Plant and Equipment

Property, plant and equipment increased from RMB52,462 million as at 31 December 2016 to RMB54,928 million as at 30 June 2017. The significant increase is mainly attributable to the increase in total installed capacity of solar farm by GNE Group during the period.

Deposits, Prepayments and Other Non-current Assets

Non-current portion for deposits, prepayments and other non-current assets increased from RMB3,640 million as at 31 December 2016 to RMB4,129 million as at 30 June 2017. The increase was mainly attributable to the increase in tariff adjustments expected to be received after twelve months.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Trade and Other Receivables

Trade and other receivables increased from RMB12,285 million as at 31 December 2016 to RMB13,511 million as at 30 June 2017. The increase was mainly due to increases in accounts receivables from our new energy business.

The following is an aged analysis of trade receivables, net of allowances for doubtful debts, and bills receivable (trade-related) at the end of the reporting period:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Trade receivables:		
Unbilled	**3,045,860**	2,093,632
Within 3 months	**1,077,762**	1,322,138
3 to 6 months	**206,631**	162,552
Over 6 months	**361,624**	361,934
	4,691,877	3,940,256
Bills receivable (trade-related):		
Within 3 months	**4,065,676**	3,424,004
3 to 6 months	**2,950,057**	2,662,711
	7,015,733	6,086,715

Trade and Other Payables

Trade and other payables slightly increased from RMB17,860 million as at 31 December 2016 to RMB17,870 million as at 30 June 2017.

Liquidity and Financial Resources

As at 30 June 2017, the total assets of the Group were about RMB93,431 million, of which the aggregate restricted and unrestricted cash and bank balances amounted to approximately RMB13,171 million (including pledged bank and other deposits and bank balances and cash classified as assets held for sale of RMB136 million). The bank and other interest received for the six months ended 30 June 2017 was approximately RMB60 million.

For the six months ended 30 June 2017, the Group's main source of funding was cash generated from operating activities. The net cash from operating activities amounted to approximately RMB2.6 billion, compared with approximately RMB1.8 billion in the same period in 2016. The increase was primarily due to the improvement of operation performance in new energy business.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For the six months ended 30 June 2017, the net cash used in investing activities was approximately RMB6.4 billion. It primarily related to the purchase of property, plant and equipment of approximately RMB5.4 billion (which was mainly attributable to GNE Group of approximately RMB4.6 billion) and acquisition of other intangible assets from SunEdison, Inc. of approximately RMB0.7 billion.

For the six months ended 30 June 2017, the net cash from financing activities was approximately RMB3.4 billion. This was mainly due to the net addition of bank and other borrowings of RMB5.8 billion, partially offsetting by interest paid of approximately RMB1.1 billion, net repayment of obligations under finance leases and redemption of convertible bonds payables of approximately RMB0.8 billion.

The Directors have given careful consideration to the going concern status of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately RMB6,867 million as at 30 June 2017 and the Group had cash and cash equivalents of RMB8,536 million against the Group's total borrowings (comprising bank and other borrowings, obligations under finance leases, notes payables and convertible bonds payables) amounted to approximately RMB48,255 million, out of which approximately RMB16,754 million will be due in the coming twelve months. The Directors have evaluated the Group's current undrawn banking facilities and renewable bank borrowings.

In order to improve liquidity, the Group continues to pay close attention in managing the Group's cash position and conducts on-going negotiations with banks to ensure that the existing facilities will be successfully renewed and additional banking facilities are obtained when necessary. The Directors believe that the Group will be able to renew the banking facilities upon maturity dates and raise additional banking facilities as and when required by the Group's operating cash needs.

The Directors are of the opinion that, taking into account the above undrawn banking facilities and other financing facilities, renewal of existing banking facilities, registered balance of SSCP and SCP that are available for issuance, the Group's cash flow projection for the coming year and the successful implementation of measures of GNE Group, the Group will have sufficient working capital to meet its cashflow requirements in the next twelve months.

For detailed information, please refer to "Basis of Preparation" section of this report.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Indebtedness

Details of the Group's indebtedness are as follows:

	30 June 2017 RMB million	31 December 2016 RMB million
Current liabilities		
Bank and other borrowings — due within one year	**13,365**	13,022
Obligations under finance leases — due within one year	**877**	858
Notes payables — due within one year	**649**	648
Convertible bonds payables — due within one year	**700**	—
Indebtedness directly associated with assets classified as held for sale	**1,163**	265
	16,754	14,793
Non-current liabilities		
Bank and other borrowings — due after one year	**24,828**	20,257
Obligations under finance leases — due after one year	**1,203**	1,656
Notes payables — due after one year	**4,480**	4,473
Convertible bonds payables — due after one year	**990**	2,013
	31,501	28,399
Total indebtedness	**48,255**	43,192
Less: Pledged and restricted bank deposits and bank balances and cash	**(13,171)**	(13,190)
Net indebtedness	**35,084**	30,002

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

	30 June 2017 RMB million	31 December 2016 RMB million
RMB	**42,163**	38,032
USD	**4,991**	4,283
EUR	**132**	—
JPY	**74**	—
HKD	**895**	877
	48,255	43,192

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Below is a table showing the bank and other borrowing structure and maturity profile of the Group's bank and other borrowings:

	30 June 2017 RMB million	31 December 2016 RMB million
Secured	**31,351**	27,135
Unsecured	**6,842**	6,145
	38,193	33,280
Maturity profile of bank and other borrowings		
Short term or within one year	**13,365**	13,023
After one year but within two years	**6,285**	4,951
After two years but within five years	**8,737**	7,777
After five years	**9,806**	7,529
Group's total bank and other borrowings	**38,193**	33,280

Bank and other borrowings are denominated in the following currencies:

	30 June 2017 RMB million	31 December 2016 RMB million
RMB	**34,161**	30,521
USD	**3,826**	2,759
EUR	**132**	—
JPY	**74**	—
	38,193	33,280

As at 30 June 2017, RMB bank and other borrowings carried floating interest rates with reference to the Benchmark Borrowing Rate of The People's Bank of China. USD bank and other borrowings carried interest rates with reference to the London Interbank Offer Rate.

The notes payables bear interest at a rate of 3.99%–7.50% per annum and the convertible bonds payables bear interest at a fixed rate of 0.75%–6.0% per annum.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Key Financial Ratios of the Group

	30 June 2017	31 December 2016
Current ratio	**0.81**	0.79
Quick ratio	**0.79**	0.76
Net debt to equity attributable to owners of the Company *(Note)*	**160.6%**	144.1%

Note:

As at 30 June 2017, the net debt of GNE was approximately RMB21,735 million (including the loans from fellow subsidiaries of RMB1,075 million) and the net debt to equity attributable to owners of GNE was 429.1%. For illustration purpose, if purely excluding GNE Group's net debt of RMB20,660 million (excluded the loans provided by the Group to GNE Group) and assuming the equity attributable to owners of the Company remains unchanged, the net debt to equity attributable to owners of the Company would be 66.0%.

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 total equity attributable to owners of the Company	=	(Balance of total indebtedness at the end of the period – balance of bank balances, cash and pledged and restricted bank deposits at the end of the period)/balance of equity attributable to owners of the Company at the end of the period

Credit Risk

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

Credit risk on sales of polysilicon and wafer products is not significant as the major customers are listed entities with good repayment history. Credit risk of sales of electricity is also not significant as most of the revenue is obtained from the subsidiaries of State Grid Corporation of China (the "State Grid"). The State Grid is a state-owned enterprise in China, which possesses low default risk.

In order to minimize the credit risk, the Group reviews the recoverable amount of each individual trade debt periodically to ensure that adequate impairment losses are made for irrecoverable amounts.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Foreign Currency Risk

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

The Group continues to adopt a conservative approach on foreign exchange exposure management and ensure that its exposure to fluctuations in foreign exchange rates is minimised. During the six months ended 30 June 2017, the Group managed foreign currency exchange rate risk by acquiring USD-denominated monetary assets. Foreign currency forward contracts will be utilized when it is considered as appropriate to hedge against foreign currency risk exposure.

The Directors are of the opinion that, with the successful implementation of the above measures, the abovementioned foreign currency risk exposure can be reduced.

Pledge of Assets

As at 30 June 2017, the following assets were pledged for certain bank and other borrowings and obligations under finance leases granted to the Group:

— Property, plant and equipment of RMB33,571 million (31 December 2016: RMB27,554 million);

— Prepaid lease payments of RMB389 million (31 December 2016: RMB322 million);

— Aircraft of RMB306 million (31 December 2016: RMB260 million);

— Trade and bills receivables of RMB4,179 million (31 December 2016: RMB4,200 million);

— Pledged and restricted bank deposits of RMB2,869 million (31 December 2016: RMB3,013 million).

Capital Commitments

As at 30 June 2017, the Group's capital commitments in respect of purchase of property, plant and equipment, and intangible assets and other commitment to contribute share capital to a joint venture and an available-for-sale investment contracted for but not provided amounted to RMB9,693 million, nil, RMB197 million and RMB70 million respectively (31 December 2016: RMB5,005 million, RMB936 million, nil and nil respectively).

Contingencies

Financial guarantees contracts

As at 30 June 2017 and 31 December 2016, certain subsidiaries of the Company guaranteed bank and other borrowings of certain subsidiaries of GNE amounted to RMB4,806 million and RMB5,553 million, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Contingent liability

Same as disclosed in the Company's 2016 annual report, there is no material change for the six months ended 30 June 2017, except for the following:

Regarding the litigation brought by Solaria Corporation ("Solaria"), one of the additional defendants added on 21 October 2016, GCL System Integration Technology Co., Ltd ("GCL System Integration") filed a Motion to Quash Service of Summons ("Motion to Quash") to California state court on 14 April 2017 to transfer the litigation to another jurisdiction due to the fact that GCL System Integration has no business presence in the current jurisdiction and contesting the jurisdiction of the court. GCL System Integration claims that it lacks sufficient contacts with California based on its existence and operation primarily within China. It is currently awaiting court decision on the Motion to Quash.

The Group believes Solaria's accusation to be without merit and intends to take appropriate actions to aggressively defend. Accordingly, the Group did not recognise any provision for any possible losses in relation to this dispute as at 30 June 2017.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

a. Acquisition of SunEdison Inc. ("SunEdison")'s solar material assets

On 31 March 2017 (U.S. time), the Group completed the acquisition of both tangible and intangible assets of SunEdison's solar material business at a consideration of US$150,000,000 (equivalent to RMB1,034,895,000), among which a total amount of US$50,000,000 (equivalent to RMB344,965,000) of the consideration was paid under an escrow arrangement.

On 2 August 2017 (U.S. time), the Group and the sellers entered into a stipulation and agreed order to instruct the escrow agent to pay US$27,500,000 (equivalent to RMB189,731,000) and US$22,500,000 (equivalent to RMB155,234,000) to the sellers and the Group respectively, in full satisfaction of the escrow arrangement.

b. Acquisition of a Japanese subsidiary

For the period ended 30 June 2017, GNE Group acquired a subsidiary which is engaged in solar power plant business in Japan at a total consideration of approximately RMB30 million. The construction of the solar power plant project has been completed as at the date of acquisition. Thus, the acquisition is classified as business combination.

c. Disposal of PCB business

On 30 December 2016, GNE Group entered into a sale and purchase agreement to dispose of the entire interest in the PCB Business for a consideration of a fixed price of HK$250 million, equivalent to approximately RMB224 million plus, as the case may be, adjustment amounts pursuant to the sale and purchase agreement. On 2 August 2017, the disposal was completed without any further adjustment on the consideration.

d. Disposal of 100% equity interest in Jinhu and Wanhai

On 30 June 2017, GNE Group entered into share transfer agreements with 西安中民協鑫能源有限公司 (Xian Zhangmin GCL New Energy Company Limited*) ("Zhongmin GCL"), a joint venture of GNE Group, pursuant to which GNE Group agreed to sell and Zhongmin GCL agreed to purchase 100% equity interest of 金湖正輝太陽能電力有限公司 (Jinhu Zhenhui Photovoltaic Co., Ltd.*) ("Jinhu") and 山東萬海電力有限公司 (Shandong Wanhai Solar Power Co., Ltd.*) ("Wanhai") for a consideration of approximately RMB191,496,000 and RMB70,420,000, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Events After the End of The Reporting Period

After the end of the interim period, the Group has entered into the below significant transactions and the Directors are in the progress of assessing the financial impact of these transactions:

(i) On 21 July 2017, GNE Group entered into certain agreements regarding a sales and leaseback arrangement with Hengjia (Shanghai) Financial Leasing Co. Ltd.* (恒嘉(上海)融資租賃有限公司) ("Hengjia Financial Leasing"). GNE Group sold to Hengjia Financial Leasing certain equipment at a consideration of approximately RMB825,000,000 and leased back the equipment for a term of 10 years at an estimated rent of approximately RMB1,146,294,000. In addition, GNE Group will pay Hengjia a service fee of approximately RMB17,325,000.

(ii) On 31 July 2017, GNE Group entered into certain agreements regarding a sales and leaseback arrangement with China Resources Leasing Co. Ltd.* (華潤租賃有限公司) ("China Resources Leasing"). GNE Group sold to China Resources Leasing certain equipment at an aggregate consideration of approximately RMB150,000,000 and leased back the equipment for a term of 3 years at an estimated aggregate rent of approximately RMB210,120,000. In addition, GNE Group will pay China Resources a service fee of approximately RMB3,000,000.

(iii) On 11 August 2017, the Company entered into a framework agreement with Tianjin Zhonghuan Semiconductor Co., Ltd.* (天津中環半導體股份有限公司) ("Tianjin Zhonghuan") pursuant to which the Company and Tianjin Zhonghuan intend to collaborate in the manufacturing of polysilicon materials and monosilicon rods, processing of monosilicon wafers and other collaboration.

(iv) On 17 August 2017, the Company, as borrower and Richmore International Development Limited, GCL Solar Energy Technology Holdings Limited and Universe Solar Energy Holdings Inc., each a wholly-owned subsidiary of the Company, as guarantors, entered into a facility agreement ("Facility Agreement") with various banks relating to a US$200,000,000 (which may be increased up to US$300,000,000 through the accession of additional lenders, subject to the consent of the Company) syndicated term loan facility ("Loan Facility"). The Loan Facility is scheduled to be fully repaid within 36 months after the first drawdown.

(v) On 22 August 2017, 蘇州協鑫新能源投資有限公司 Suzhou GCL New Energy Investment Co., Ltd*, a subsidiary of the GNE Group, entered into two sales and purchase agreements with two independent third parties, pursuant to which the GNE Group conditionally agreed to purchase 78% equity interests of 神木縣晶普電力有限公司 Shenmu County Jingpu Power Company Limited* ("Jingpu") and 神木縣晶富電力有限公司 Shenmu County Jingfu Power Company Limited* ("Jingfu") for a total consideration of approximately RMB2 million. Jingpu and Jinfu own 140MW and 40MW solar power plant projects located in Shaanxi, respectively. The acquisitions are expected to complete in September 2017. As at 30 June 2017, the GNE Group have other loan receivables and module receivables from Jingpu, amounting to RMB215,400,000 and RMB107,184,000, respectively. The management of GNE Group is currently assessing the financial impact of these acquisitions.

* English name for identification only

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (Six months ended 30 June 2016: nil).

REPORT ON REVIEW OF UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

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 unaudited condensed interim consolidated financial statements of GCL-Poly Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 86, which comprise the unaudited condensed consolidated statement of financial position as of 30 June 2017 and the related unaudited condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The 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 unaudited condensed interim consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these unaudited condensed interim 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 unaudited condensed interim 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 unaudited condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 August 2017

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

For the six months ended 30 June 2017

	Notes	Six months ended 30 June **2017** **RMB'000** **(Unaudited)**	 2016 RMB'000 (Unaudited) (Restated)
Continuing operations			
Revenue	*3*	**11,397,255**	12,417,185
Cost of sales		**(7,660,995)**	(8,167,615)
Gross profit		**3,736,260**	4,249,570
Other income	*4*	**294,846**	382,450
Distribution and selling expenses		**(52,894)**	(29,207)
Administrative expenses		**(877,203)**	(892,404)
Finance costs	*5*	**(1,143,450)**	(1,053,245)
Other expenses, gains and losses, net	*6*	**(246,164)**	(664,752)
Share of profits of joint ventures		**22,876**	6,218
Profit before tax		**1,734,271**	1,998,630
Income tax expense	*7*	**(344,787)**	(459,496)
Profit for the period from continuing operations	*8*	**1,389,484**	1,539,134
Discontinued operations			
(Loss) profit for the period from discontinued operations	*9*	**(4,184)**	21,936
Profit for the period		**1,385,300**	1,561,070
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**1,518**	27,461
Total comprehensive income for the period		**1,386,818**	1,588,531

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

For the six months ended 30 June 2017

	Note	Six months ended 30 June **2017** **RMB'000** **(Unaudited)**	 2016 RMB'000 (Unaudited) (Restated)
Profit (loss) for the period attributable to owners of the Company			
— from continuing operations		**1,195,887**	1,375,201
— from discontinued operations		**(2,606)**	13,662
Profit for the period attributable to owners of the Company		**1,193,281**	1,388,863
Profit (loss) for the period attributable to non-controlling interests			
— from continuing operations		**193,597**	163,933
— from discontinued operations		**(1,578)**	8,274
Profit for the period attributable to non-controlling interests		**192,019**	172,207
		1,385,300	1,561,070
Total comprehensive income for the period attributable to:			
Owners of the Company		**1,193,987**	1,420,220
Non-controlling interests		**192,831**	168,311
		1,386,818	1,588,531

		RMB cents **(Unaudited)**	RMB cents (Unaudited) (Restated)
Earnings per share	*11*		
From continuing and discontinued operations			
— Basic		**6.43**	7.63
— Diluted		**6.30**	7.63
From continuing operations			
— Basic		**6.45**	7.56
— Diluted		**6.31**	7.55

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	**As at 30 June 2017 RMB'000 (Unaudited)**	As at 31 December 2016 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**54,928,040**	52,461,558
Investment properties		**77,448**	79,772
Prepaid lease payments		**1,187,411**	1,123,690
Goodwill		**176,528**	176,528
Other intangible assets	*13*	**902,160**	124,990
Interests in joint ventures	*14*	**711,350**	659,296
Available-for-sale investments	*15*	**370,000**	300,000
Convertible bonds receivable	*16*	**—**	128,211
Deferred tax assets		**128,821**	114,747
Deposits, prepayments and other non-current assets	*18*	**4,129,361**	3,639,900
Amounts due from related companies	*19*	**149,700**	144,700
Pledged and restricted bank deposits		**1,075,425**	953,446
		63,836,244	59,906,838
CURRENT ASSETS			
Inventories	*17*	**768,738**	965,674
Trade and other receivables	*18*	**13,511,353**	12,284,566
Amounts due from related companies	*19*	**388,628**	267,764
Prepaid lease payments		**27,482**	25,726
Available-for-sale investments	*15*	**403,255**	112,922
Held for trading investments		**89,524**	111,522
Tax recoverable		**7,363**	23,968
Pledged and restricted bank deposits		**3,547,789**	3,230,654
Bank balances and cash		**8,412,237**	8,958,397
		27,156,369	25,981,193
Assets classified as held for sale	*20*	**2,437,989**	1,131,282
		29,594,358	27,112,475

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2017

	Notes	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	*21*	**17,869,773**	17,860,068
Amounts due to related companies	*19*	**445,146**	422,446
Advances from customers		**580,149**	517,566
Bank and other borrowings — due within one year	*22*	**13,365,330**	13,022,414
Obligations under finance leases — due within one year	*23*	**877,492**	858,173
Notes payables — due within one year	*24*	**649,242**	648,104
Convertible bonds payables — due within one year	*26*	**700,057**	—
Derivative financial instruments	*25*	**16,737**	16,011
Deferred income		**44,583**	46,801
Tax payables		**94,749**	98,957
		34,643,258	33,490,540
Liabilities directly associated with assets classified as held for sale	*20*	**1,817,609**	910,112
		36,460,867	34,400,652
NET CURRENT LIABILITIES		**(6,866,509)**	(7,288,177)
TOTAL ASSETS LESS CURRENT LIABILITIES		**56,969,735**	52,618,661
NON-CURRENT LIABILITIES			
Advances from customers		**158,331**	182,623
Bank and other borrowings — due after one year	*22*	**24,827,584**	20,257,141
Obligations under finance leases — due after one year	*23*	**1,202,638**	1,655,267
Notes payables — due after one year	*24*	**4,479,566**	4,473,241
Convertible bonds payables — due after one year	*26*	**990,050**	2,012,997
Deferred income		**253,674**	276,329
Deferred tax liabilities		**461,249**	367,121
		32,373,092	29,224,719
NET ASSETS		**24,596,643**	23,393,942

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2017

	Note	**As at 30 June 2017 RMB'000 (Unaudited)**	As at 31 December 2016 RMB'000 (Audited)
CAPITAL AND RESERVES			
Share capital	*27*	**1,631,804**	1,631,804
Reserves		**20,219,054**	19,189,012
Equity attributable to owners of the Company		**21,850,858**	20,820,816
Non-controlling interests		**2,745,785**	2,573,126
TOTAL EQUITY		**24,596,643**	23,393,942

The unaudited condensed interim consolidated financial statements on pages 29 to 86 were approved and authorised for issue by the board of directors on 30 August 2017 and are signed on its behalf by:

Zhu Gongshan
DIRECTOR

Yeung Man Chung, Charles
DIRECTOR

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000 *(Note i)*	Other reserve RMB'000	Capital reserve RMB'000	Statutory reserve funds RMB'000	Special reserves RMB'000 *(Note ii)*	Share options reserve RMB'000	Translation reserve RMB'000 *(Note iii)*	Accumulated profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000 *(Note iii)*	Total RMB'000
At 1 January 2016 (Audited)	1,372,260	7,353,442	–	(619,157)	67,251	1,454,789	(2,399,641)	190,846	(15,120)	8,449,502	15,854,172	1,705,312	17,559,484
Exchange differences arising from translation of financial statements of foreign operations	–	–	–	–	–	–	–	–	31,357	–	31,357	(3,896)	27,461
Profit for the period	–	–	–	–	–	–	–	–	–	1,388,863	1,388,863	172,207	1,561,070
Total comprehensive income for the period	–	–	–	–	–	–	–	–	31,357	1,388,863	1,420,220	168,311	1,588,531
Recognition of share-based payment expenses in respect of share options	–	–	–	–	–	–	–	30,650	–	–	30,650	38,060	68,710
Forfeitures of share options	–	–	–	–	–	–	–	(5,647)	–	17,948	12,301	(12,301)	–
Issue of new shares through Rights Issue (as defined in note 27)	259,544	2,647,352	–	–	–	–	–	–	–	–	2,906,896	742,378	3,649,274
Transaction costs attributable to the issuance of Rights Issue	–	(61,541)	–	–	–	–	–	–	–	–	(61,541)	(23,005)	(84,546)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	124,214	124,214
Transfer to reserves	–	–	–	–	–	636,711	–	–	–	(636,711)	–	–	–
Dividend declared to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(80,100)	(80,100)
At 30 June 2016 (Unaudited)	1,631,804	9,939,253	–	(619,157)	67,251	2,091,500	(2,399,641)	215,849	16,237	9,219,602	20,162,698	2,662,869	22,825,567
At 1 January 2017 (Audited)	**1,631,804**	**9,939,253**	**–**	**(619,157)**	**67,251**	**2,309,754**	**(2,395,805)**	**212,256**	**20,248**	**9,655,212**	**20,820,816**	**2,573,126**	**23,393,942**
Exchange differences arising from translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**706**	**–**	**706**	**812**	**1,518**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,193,281**	**1,193,281**	**192,019**	**1,385,300**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**706**	**1,193,281**	**1,193,987**	**192,831**	**1,386,818**
Recognition of share-based payment expenses in respect of share options	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8,036**	**–**	**–**	**8,036**	**17,575**	**25,611**
Forfeitures of share options	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,340)**	**–**	**7,030**	**3,690**	**(3,690)**	**–**
Purchase of shares under share award scheme *(note 29 (III))*	**–**	**–**	**(170,097)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(170,097)**	**–**	**(170,097)**
Acquisitions of additional interests in existing subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**(5,574)**	**–**	**–**	**–**	**(5,574)**	**(34,057)**	**(39,631)**
Transfer to reserves	**–**	**–**	**–**	**–**	**–**	**243,484**	**–**	**–**	**–**	**(243,484)**	**–**	**–**	**–**
At 30 June 2017 (Unaudited)	**1,631,804**	**9,939,253**	**(170,097)**	**(619,157)**	**67,251**	**2,553,238**	**(2,401,379)**	**216,952**	**20,954**	**10,612,039**	**21,850,858**	**2,745,785**	**24,596,643**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2017

Notes:

(i) For the period ended 30 June 2017, the Company paid in total of RMB170,097,000 to Computershare Hong Kong Trustees Limited ("Trustee") to purchase 222,998,888 shares of the Company in the market pursuant to the Share Award Scheme (the "Scheme") made on 16 January 2017 ("Adoption Date") by the board of directors of the Company. As at 30 June 2017, all the shares were held by the Trustee. For details, please refer to note 29(II).

(ii) Special reserves represents the difference between the consideration to acquire additional interests in subsidiaries and the respective share of the carrying amounts of the net assets acquired.

(iii) Translation reserve and non-controlling interests included cumulative amount of RMB47,636,000 and RMB28,851,000 as at 30 June 2017 relating to the share of other comprehensive income of the disposal group classified as held for sale attributable to the owners of the Company and non-controlling interests, respectively, and included in equity.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Note	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES		**2,606,066**	1,798,412
NET CASH USED IN INVESTING ACTIVITIES			
Interest received		**59,624**	116,089
Proceeds from disposal of assets classified as held for sale		**360,474**	29,991
Proceeds from disposal of property, plant and equipment		**2,685**	11,831
Addition of property, plant and equipment		**(4,882,650)**	(4,421,493)
Deposits paid for acquisitions of property, plant and equipment		**(531,464)**	(468,262)
Proceeds from early redemption of convertible bonds receivable		**141,717**	—
Investments in joint ventures		**(34,630)**	—
Capital refund from a joint venture		**2,330**	—
Addition of available-for-sale investments		**(370,050)**	(279,358)
Proceeds from disposal of available-for-sale investments		**7,343**	—
Addition of prepaid lease payments		**(16,772)**	(1,040)
Addition of other intangible assets		**(703,200)**	(39,155)
Net cash inflow from acquisition of subsidiaries	*31*	**284**	35,703
Withdrawal of pledged and restricted bank deposits		**1,820,547**	8,044,010
Placement of pledged and restricted bank deposits		**(2,259,265)**	(5,093,171)
Receipt of government grants related to depreciable assets		**—**	10,000
Advances to related companies		**—**	(7,981)
Repayment from related companies		**1,099**	—
Loans to third parties		**—**	(386,452)
Repayment from third parties		**10,919**	—
Loan to a joint venture		**(5,000)**	(1,000)
Settlement of payables to vendors of solar farms		**(14,196)**	(17,100)
		(6,410,205)	(2,467,388)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		
Interest paid	**(1,119,558)**	(1,058,512)
Interest paid for convertible bonds payables	**(30,934)**	(30,188)
New bank and other borrowings raised	**14,762,573**	13,998,329
Repayment of bank and other borrowings	**(8,961,553)**	(17,043,925)
Proceeds from sale and finance lease back arrangements	**—**	50,000
Repayment of obligations under finance leases	**(456,448)**	(517,377)
Redemption of convertible bonds payable	**(344,965)**	(307,605)
Repayment of notes payables	**—**	(120,800)
Proceeds from Rights Issue by the Company, net	**—**	2,845,355
Proceeds from Rights Issue by GNE (as defined in note 2) from non-controlling interests, net	**—**	719,373
Contribution from non-controlling interests	**—**	100,597
Dividends paid to non-controlling interests	**—**	(80,100)
Repayment of loan from a joint venture	**(251,752)**	—
Advance from related companies	**34**	320
Acquisition of additional interest in an existing subsidiary	**(2,559)**	—
Purchase of shares under the Scheme	**(170,097)**	—
	3,424,741	(1,444,533)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(379,398)**	(2,113,509)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**8,984,993**	10,340,815
Effect of exchange rate changes on the balance of bank balances and cash held in foreign currencies	**(69,906)**	21,249
CASH AND CASH EQUIVALENTS AT 30 JUNE		
represented by		
— Bank balances and cash	**8,412,237**	8,196,401
— Bank balances and cash classified as assets held for sale	**123,452**	52,154
	8,535,689	8,248,555

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. BASIS OF PREPARATION

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") *Interim Financial Reporting* issued by International Accounting Standards Board ("IASB") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The unaudited condensed interim consolidated financial statements do not include all the information required for a complete set of International Financial Reporting Standards ("IFRSs") financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016.

The directors of the Company (the "Directors") have given careful consideration to the going concern status of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately RMB6,867 million as at 30 June 2017 and the Group had cash and cash equivalents of approximately RMB8,536 million (including bank balances and cash classified as assets held for sale of approximately RMB123 million) against the Group's total borrowings (comprising bank and other borrowings, obligations under finance leases, notes payables and convertible bonds payables) amounted to approximately RMB48,255 million (including loan from a shareholder of a subsidiary, bank and other borrowings and obligations under finance lease directly associated with assets classified as held for sale of approximately RMB1,163 million), out of which approximately RMB16,754 million will be due in the coming twelve months.

In April and July 2017, GCL-Poly (Suzhou) New Energy Limited ("GCL-Poly Suzhou") and Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd. ("Jiangsu Zhongneng"), wholly-owned subsidiaries of the Group received the "Notice of Acceptance of Registration" (the "Notice") from the National Association of Financial Market Institutional Investors (the "Association") in relation to the issue of super short-term commercial papers ("SSCP") and short-term commercial paper ("SCP") by GCL-Poly Suzhou and Jiangsu Zhongneng, respectively. The maximum registered amounts of the SSCP and the SCP are RMB5 billion and RMB1 billion, respectively, and such registered amounts will be effective for two years from the date of issue of the Notice and GCL-Poly Suzhou and Jiangsu Zhongneng may issue the SSCP and SCP in tranches within the effective period. As assessed by China Chengxin International Credit Rating Company Limited, the issuers have been given an AA+ rating.

The Group intends to issue the SSCP and SCP as and when required to meet its funding needs. In view of the nature and swift process of the underwriting and issuance of the SSCP and SCP in the robust inter-bank debt market of the People's Republic of China ("PRC"), and the past successful issuances, the Directors are satisfied that funding could be obtained through the issuance of the registered instrument as and when required by the Group within the next twelve months from the date of approval of these unaudited condensed interim consolidated financial statements for issuance.

The Directors have evaluated the Group's current undrawn banking facilities and renewable bank borrowings. In order to improve liquidity, the Group continues to pay close attention in managing the Group's cash position and conducts on-going negotiations with banks to ensure that the existing facilities will be successfully renewed and additional banking facilities are obtained when necessary. The Directors believe that the Group will be able to renew the banking facilities upon maturity dates and raise additional banking facilities as and when required by the Group's operating cash needs.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

1. BASIS OF PREPARATION (Continued)

In 2014, the Group acquired GCL New Energy Holdings Limited ("GNE"), whose shares are listed on the Stock Exchange. As at 30 June 2017, certain subsidiaries of the Company guaranteed bank and other borrowings of GNE and its subsidiaries (collectively referred as "GNE Group") amounted to approximately RMB4,806 million. The Directors have evaluated the going concern status of GNE Group in preparing these unaudited condensed interim consolidated financial statements, in light of the fact that, GNE Group's current liabilities exceeded its current assets by approximately RMB8,661 million. In addition, as at 30 June 2017, GNE Group has entered into agreements to acquire and construct solar farm sites and other assets which will involve total capital commitments of approximately RMB6,762 million.

In addition, subject to the availability of additional financial resources, GNE Group is currently looking for further opportunities to increase the scale of its solar farm operations through mergers and acquisitions. In the event that GNE Group is successful in securing more solar farm investments or expanding the investments in the existing solar farms in the coming twelve months from 30 June 2017, additional cash outflows will be required to settle further committed capital expenditure.

As at 30 June 2017, GNE Group's total borrowings comprising bank and other borrowings, convertible bonds payable, obligations under finance leases, loan from a shareholder and loans from fellow subsidiaries amounted to RMB26,797 million. The amounts included bank and other borrowings and obligations under finance leases classified as liabilities directly associated with asset held for sale of approximately RMB1,118 million and RMB45 million, respectively. For the remaining balance of approximately RMB25,634 million, RMB6,764 million will be due in the coming twelve months provided that the covenants under the borrowing agreements are satisfied. GNE Group's pledged and restricted bank deposits and bank balances and cash amounted to approximately RMB2,142 million and RMB2,920 million (including pledged bank and other deposits and bank balances and cash classified as assets held for sale of RMB13 million and RMB123 million, respectively) as at 30 June 2017, respectively. The financial resources available to GNE Group as at 30 June 2017 and up to the date of approval of these unaudited condensed interim consolidated financial statements for issuance may not be sufficient to satisfy the above capital expenditure requirements and other financial obligations. GNE Group is actively pursuing additional financing including, but not limited to, equity and debt financing.

The Directors have evaluated the measures being undertaken by GNE Group to improve their liquidity position, which include:

(i) Subsequent to 30 June 2017, GNE Group successfully obtained new borrowings of approximately RMB3,090 million from banks and other financial institutions in the PRC;

(ii) GNE Group is currently negotiating with several banks in both Hong Kong and the PRC for additional financing. It has received detailed proposals from certain banks for total banking facilities with repayment periods for more than one year. GNE Group also received letters of intent from certain other banks which indicated that these banks preliminarily agreed to offer banking facilities to GNE Group;

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

1. BASIS OF PREPARATION (Continued)

(iii) In July and December 2016, GNE Group proposed the issuance of non-public corporate bonds and non-public green bonds to qualifying investors in the maximum principal amount of RMB2,000 million and RMB1,750 million, respectively, which were fully underwritten and shall have a term of up to 3 years. GNE Group has received no-objection letters from the Shanghai Stock Exchange and the Shenzhen Stock Exchange in relation to these issues. On 3 August 2017, GNE Group issued the first tranche of the non-public green bonds amounting to RMB375 million for a term of 3 years with a fixed interest rate at 7.5% per annum. GNE Group is also negotiating with other private investors for additional financing in the form of equity or debt or a combination of both;

(iv) On 30 June 2017, GNE Group entered into share transfer agreements to sell two of its solar farm projects to a joint venture, which is set up with an independent third party. GNE Group is actively negotiating similar arrangements to derive additional liquidity and working capital to GNE Group; and

(v) As at 30 June 2017, GNE Group has completed construction of 129 solar farms with approval for on-grid connection and it also has additional 8 solar farms under construction targeting to achieve on-grid connection within the coming twelve months from the date of these unaudited condensed interim consolidated financial statements. The abovementioned solar farms have an aggregate installed capacity of approximately 5.1 GW and are expected to generate operating cash inflows to GNE Group.

Although the directors of GNE identified going concern as an area of significant uncertainty, the Directors are of the opinion that, taking into account the undrawn bank and other financing facilities, renewal of existing banking facilities, registered SSCP and SCP that are available for issuance, the Group's cash flow projection for the coming year, and the successful implementation of measures of GNE Group as described above, the uncertainty from GNE Group will not have significant impact to the Group and the Group will have sufficient working capital to meet its cashflow requirements in the next twelve months. Accordingly, these unaudited condensed interim consolidated financial statements have been prepared on a going concern basis.

The functional currency of the Company and the presentation currency of the Group's unaudited condensed interim consolidated financial statements are Renminbi ("RMB").

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The Group made certain acquisitions and entered into agreements to sell solar farm projects during the current interim period and the details of which are set out in note 31 and 20(b), respectively.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the unaudited condensed interim consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016. In addition, the Group has applied the following accounting policy which became relevant to the Group in respect of the cash-settled share award scheme made on 31 March 2017 as disclosed on note 29(III).

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Cash-settled share-based payment transactions

For cash-settled share-based payments, a liability is recognised for the goods or services acquired over the vesting period, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by IASB that are relevant for the preparation of the Group's unaudited condensed interim consolidated financial statements:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014–2016 Cycle

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

Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to IAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

3. SEGMENT INFORMATION

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

(a) Solar material business — mainly manufactures and sales of polysilicon and wafer to companies operating in the solar industry.

(b) Solar farm business — manages and operates 371 MW solar farms, of which 18 MW is located in the United States of America (the "USA") and 353 MW is located in the PRC. These solar farms were constructed or acquired by the Group prior to obtaining a controlling stake in GNE.

(c) New energy business — represents the business operations of GNE, which is principally engaged in the development, construction, operation and management of solar farms. In December 2016, one of the operating segments of GNE Group regarding the manufacturing and selling of printed circuit boards business ("PCB business") was contracted to be sold and accordingly has been presented as discontinued operations in the unaudited condensed consolidated statement of profit or loss and other comprehensive income. The sale was completed on 2 August 2017.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

3. SEGMENT INFORMATION (Continued)

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

Segment revenue and results

Six months ended 30 June 2017

	Solar material business RMB'000 (Unaudited)	Solar farm business RMB'000 (Unaudited)	New energy business RMB'000 (Unaudited) *(Notes a and b)*	Total RMB'000 (Unaudited)
Segment revenue	9,317,345	267,797	2,525,743	12,110,885
Segment profit	788,994	67,186	532,285	1,388,465
Add: loss for the period from discontinued operation of PCB business				4,184
Elimination of inter-segment profit				(62,085)
Unallocated income				14,933
Unallocated expenses				(99,347)
Gain on early redemption of convertible bonds receivable				13,506
Loss on fair value change of convertible bonds issued by the Company				(6,756)
Loss on fair value change of held for trading investments				(19,022)
Compensation income *(note 6)*				155,606
Profit for the period from continuing operations				1,389,484

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

3. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Six months ended 30 June 2017 (Continued)

Additional analysis presented to the chief operating decision maker ("CODM") which exclude the operating results of PCB business of new energy business, is set out below:

	New energy business RMB'000 ***(Notes a and b)***
Segment revenue — continuing operations	**1,812,113**
Segment profit — continuing operations	**536,469**

Six months ended 30 June 2016

	Solar material business RMB'000 (Unaudited)	Solar farm business RMB'000 (Unaudited)	New energy business RMB'000 (Unaudited) *(Notes a and b)*	Total RMB'000 (Unaudited)
Segment revenue	11,220,594	267,244	1,671,035	13,158,873
Segment profit (loss)	1,755,940	(241,058)	161,739	1,676,621
Less: profit for the period from discontinued operation of PCB business				(21,936)
Unallocated income				23,105
Unallocated expenses				(72,305)
Gain on fair value change of convertible bonds receivable				13,652
Loss on fair value change of convertible bonds issued by the Company				(81,832)
Gain on fair value change of held for trading investments				1,829
Profit for the period from continuing operations				1,539,134

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

3. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Six months ended 30 June 2016 (Continued)

Additional analysis presented to CODM which exclude the operating results of PCB business of new energy business, is set out below:

	New energy business RMB'000 *(Notes a and b)*
Segment revenue — continuing operations	929,347
Segment profit — continuing operations	139,803

Notes:

(a) For the six months ended 30 June 2016, the operating results of new energy business included allocated corporate expenses and the effect arising from fair value adjustments relating to the assets and liabilities of GNE acquired in 2014, which are subject to the amortisation/depreciation over the estimated useful lives of the relevant assets.

For the six months ended 30 June 2017, the operating results of new energy business included allocated corporate expenses. The aforementioned fair value adjustments were fully offset by the loss on measurement to fair value less cost to sell recognised as at 31 December 2016.

(b) The revenue of the new energy business for the current period comprised sales of electricity (including tariff adjustments) amounting to approximately RMB1,812 million (six months ended 30 June 2016: RMB929 million) and sales of printed circuit boards ("PCB") amounting to approximately RMB714 million (six months ended 30 June 2016: RMB742 million).

The segment profit of the new energy business for the current period comprised profit contributed by the sale of electricity of approximately RMB536 million (six months ended 30 June 2016: RMB140 million) and loss contributed by the sale of PCB of approximately RMB4 million (six months ended 30 June 2016: profit of RMB22 million).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) from continuing operations represents the profit (loss) of each respective segment excluding unallocated income, unallocated expenses (including certain exchange losses (gains), depreciation of an aircraft and respective finance costs under sale and finance leaseback arrangements), change in fair value of convertible bonds receivable, gain on early redemption of convertible bonds receivable, change in fair value of convertible bonds issued by the Company, change in fair value of held for trading investments and compensation income. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

3. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Segment assets		
Solar material business	**40,824,794**	38,350,554
Solar farm business	**4,100,370**	4,156,910
New energy business *(Note)*	**46,110,906**	41,437,588
Total segment assets	**91,036,070**	83,945,052
Convertible bonds receivable	**—**	128,211
Held for trading investments	**89,524**	111,522
Available-for-sale investments held by the Company	**103,205**	112,922
Unallocated bank balances and cash	**1,654,969**	2,379,683
Unallocated corporate assets	**546,834**	341,923
Consolidated assets	**93,430,602**	87,019,313
Segment liabilities		
Solar material business	**27,658,821**	25,633,378
Solar farm business	**2,307,065**	2,407,710
New energy business *(Note)*	**37,745,258**	34,157,909
Total segment liabilities	**67,711,144**	62,198,997
Convertible bonds issued by the Company	**811,775**	1,154,537
Unallocated corporate liabilities	**311,040**	271,837
Consolidated liabilities	**68,833,959**	63,625,371

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

3. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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

- All assets are allocated to operating segments, other than corporate bank balances and cash and other assets (including an aircraft, convertible bonds receivable, held for trading investments and certain available-for-sale investments held by the Company) of the management companies and investment holdings companies; and

- All liabilities are allocated to operating segments, other than other liabilities (including convertible bonds issued by the Company and certain obligations under finance leases) of the management companies and investment holdings companies.

Note: The segment assets and liabilities of new energy business included the segment assets and liabilities of GNE Group and the effect arising from fair value adjustments relating to the assets and liabilities of GNE acquired in 2014, which were subject to subsequent amortisation/depreciation over the estimated useful lives of the relevant assets. The fair value adjustments were fully offset by the loss on measurement to fair value less cost to sell recognised as at 31 December 2016.

The segment assets and liabilities of new energy business included the assets classified as held for sale amounting RMB2,438 million (2016: RMB1,131 million) and liabilities directly associated with assets classified as held for sale amounting RMB1,818 million (2016: RMB910 million) due to the operating segment of GNE Group regarding the PCB business and two solar farm projects were contracted to be sold.

Revenue from major products

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
Sales of wafer	**8,425,343**	10,346,561
Sales of electricity *(Note)*	**2,075,477**	1,193,816
Sales of polysilicon	**505,421**	640,552
Others (comprising the sales of ingots, modules and processing fees)	**391,014**	236,256
	11,397,255	12,417,185
Discontinued operations		
Sales of PCB	**713,630**	741,688
	12,110,885	13,158,873

Note: Sales of electricity included RMB1,342,140,000 (six months ended 30 June 2016: RMB816,747,000) tariff adjustment received and receivable from the state grid companies in the PRC based on the prevailing nationwide government policies on renewable energy for solar farms. Details of settlement arrangement of tariff is disclosed in note 18.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

4. OTHER INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
Government grants *(Note)*	**47,984**	126,238
Sales of scrap materials	**117,926**	106,930
Bank and other interest income	**95,754**	108,054
Management and consultancy fee income	**2,082**	17,513
Rental income	**3,916**	—
Others	**27,184**	23,715
	294,846	382,450

Note: Government grants include subsidies received from the relevant PRC government authorities for improvement of working capital and incentive subsidies received in relation to activities carried out by the Group. There were no specific conditions attached to the grants and, therefore, the Group recognised the grants upon receipt. 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 lives of the relevant assets.

5. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
Interest on:		
Bank and other borrowings	**1,037,345**	883,046
Discounted bills receivable and letters of credit	**53,430**	98,235
Obligations under finance leases	**74,771**	104,914
Notes and bonds payables	**166,245**	162,630
Total borrowing costs	**1,331,791**	1,248,825
Less: Interest capitalised	**(188,341)**	(195,580)
	1,143,450	1,053,245

Borrowing costs capitalised during the period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 8.01% (six months ended 30 June 2016: 9.73%) per annum to expenditure on qualifying assets.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

6. OTHER EXPENSES, GAINS AND LOSSES, NET

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
Research and development costs	**246,417**	118,856
Exchange loss, net	**16,191**	18,892
Gain on fair value change of convertible bonds receivable	**—**	(13,652)
Gain on early redemption of convertible bonds receivable	**(13,506)**	—
Loss on fair value change of convertible bonds payables	**53,009**	122,393
Loss (gain) on fair value change of held for trading investments	**19,022**	(1,829)
Impairment loss on property, plant and equipment *(Note a)*	**—**	445,591
Loss (gain) on fair value change of derivative financial instruments	**726**	(14,471)
Reversal of impairment loss on trade and other receivables	**(16,592)**	(23,781)
Loss on disposal of property, plant and equipment	**96,248**	12,753
Compensation income *(Note b)*	**(155,606)**	—
Others	**255**	—
	246,164	664,752

Notes:

(a) Due to technological advancement, during the six months ended 30 June 2016, the Group determined certain plant and machinery of the solar material business were not in a good condition to be used in the future and recognised an impairment loss of RMB348 million (six months ended 30 June 2017: nil).

The Group further recognised an impairment loss of RMB97 million during the six months ended 30 June 2016 in respect of property, plant and equipment of the solar farm business, mainly related to the solar farm projects under development in Puerto Rico since there was high uncertainty on expected return with reference to recent local economic situation and hence the management determined to impair the related project assets.

(b) Amount represents compensation received during the current interim period for the shutdown and cessation of operation of a power plant under the previously discontinued non-solar power business in 2015 as negotiated with the local government of Taicang city, pursuant to an integration policy of cogeneration plants in Taicang city undertaken by the local government of Taicang city.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
PRC Enterprise Income Tax ("EIT")		
Current tax	**230,532**	374,005
Under(over)provisions in prior periods	**37,650**	(16,469)
	268,182	357,536
Hong Kong Profits Tax		
Current tax	**350**	336
USA Federal and State Income Tax		
Current tax	**355**	210
Underprovisions in prior periods	**—**	8
	355	218
PRC dividend withholding tax	**—**	10,972
Deferred tax	**75,900**	90,434
	344,787	459,496

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25%, except for those subsidiaries described below.

Certain subsidiaries operating in the PRC have been accredited as a "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 authorities for enjoying the reduced 15% EIT rate. Accordingly, the profits derived by these subsidiaries are subject to 15% EIT rate for both periods. The qualification as a High and New Technology Enterprise will be subject to annual review by the relevant tax authorities in the PRC.

Certain subsidiaries of GNE Group, being enterprises in public infrastructure projects, under the PRC Tax Law and its relevant regulations, are entitled to tax holidays of 3-year full exemption followed by 3-year 50% exemption commencing from their respective years in which their first operating incomes were derived. For the six months ended 30 June 2017, certain subsidiaries of GNE engaged in the public infrastructure projects had their first year with operating incomes.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

7. INCOME TAX EXPENSE (Continued)

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

Federal and State tax rates in the USA are calculated at 35% and 8.84% respectively for both periods.

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

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
Profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	**1,796,624**	1,978,890
Depreciation of investment properties	**2,324**	—
Amortisation of prepaid lease payments	**13,374**	11,966
Amortisation of other intangible assets	**30,085**	5,021
Total depreciation and amortisation	**1,842,407**	1,995,877
Less: net amounts included in opening and closing inventories	**(25,535)**	(55,435)
Total of depreciation and amortisation charged to profit or loss	**1,816,872**	1,940,442

9. DISCONTINUED OPERATIONS

On 30 December 2016, GNE Group entered into a sale and purchase agreement ("S & P Agreement") to dispose of the entire interest in PCB business (the "Disposal") to Mr. Yip Sum Yin ("Mr. Yip"), a former director of GNE, at a consideration of HK$250,000,000 (equivalent to RMB223,625,000) plus, as the case may be, adjustment amounts pursuant to the S & P Agreement. Part of the consideration, amounting to RMB109,874,000 was received during the current interim period. The Disposal is consistent with GNE Group's long-term policy to focus on its core solar farm business, which will allow GNE Group and its management team to focus its resources on the business area where it has the most competitive strengths. The completion of the Disposal was subject to the fulfilment of certain conditions precedent as set out in the S & P Agreement. Details of the Disposal are set out in the announcement of GNE dated 30 December 2016 and the circular of GNE issued to the shareholders dated 20 January 2017. The Disposal was completed on 2 August 2017.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

9. DISCONTINUED OPERATIONS (Continued)

The (loss) profit for the period from the discontinued PCB business is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the PCB business as discontinued operations.

Analysis of (loss) profit for the period from discontinued operations

The result of the discontinued operations for the six months ended 30 June 2017 and 2016 were as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)
Revenue	**713,630**	741,688
Cost of sales	**(679,010)**	(659,177)
Other income	**15,946**	13,319
Distribution and selling expenses	**(9,275)**	(9,386)
Administrative expenses	**(31,212)**	(30,715)
Finance costs	**(6,326)**	(6,208)
Other expenses, gains and losses, net	**(8,996)**	7,008
(Loss) profit before tax	**(5,243)**	56,529
Income tax expense	**(3,292)**	(34,593)
(Loss) profit for the period from discontinued operations	**(8,535)**	21,936
Reversal of loss on measurement to fair value less costs to sell *(note 20)*	**4,351**	—
(Loss) profit for the period from discontinued operations	**(4,184)**	21,936

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)
(Loss) profit for the period from discontinued operations include the following:		
Depreciation of property, plant and equipment	**56,184**	87,903
Amortisation of prepaid lease payments	**87**	355
Total of depreciation and amortisation	**56,271**	88,258
Cost of inventories recognised as an expense	**679,010**	659,177

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

9. DISCONTINUED OPERATIONS (Continued)

Analysis of (loss) profit for the period from discontinued operations (Continued)

Note: During the six months ended 30 June 2017 and 2016, depreciation and amortisation of approximately RMB53,898,000 and RMB86,174,000 were capitalised as cost of inventories, respectively. Depreciation and amortisation adjustment of RMB2,880,000 arising from fair value adjustments relating to assets and liabilities of GNE acquired in 2014 was included in the relevant amount in the table above for the six months ended 30 June 2016. No such fair value adjustments is recognised during the six months ended 30 June 2017.

Cash flows from discontinued operations:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash inflows from operating activities	**59,342**	77,622
Net cash outflows used in investing activities	**(37,958)**	(53,435)
Net cash outflows used in financing activities	**(17,529)**	(75,986)
Net cash inflows (outflows)	**3,855**	(51,799)

10. DIVIDENDS

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

11. EARNINGS PER SHARE

For continuing and discontinued operations

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Earnings		
Earnings for the purpose of basic earnings per share		
— Profit for the period attributable to owners of the Company	**1,193,281**	1,388,863
Effect of dilutive potential ordinary shares:		
— Fair value change on convertible bonds issued by the Company	**6,756**	—
Earnings for the purpose of diluted earnings per share from continuing and discontinued operations	**1,200,037**	1,388,863

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

11. EARNINGS PER SHARE (Continued)

For continuing and discontinued operations (Continued)

	Six months ended 30 June 2017 '000 (Unaudited)	2016 '000 (Unaudited) (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**18,544,338**	18,196,505
Effect of dilutive potential ordinary shares:		
— Share options issued by the Company	**4,981**	6,330
— Convertible bonds issued by the Company	**502,904**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**19,052,223**	18,202,835

For the six months ended 30 June 2016, the weighted average number of ordinary shares for the purpose of calculation of basic earnings per share has been adjusted for the effect of the Rights Issue completed on 26 January 2016.

For the six months ended 30 June 2017, the weighted average number of ordinary shares for the purpose of calculation of basic earnings per share has been adjusted for the effect of the ordinary shares purchased by the Trustee from the market pursuant to the Scheme.

Diluted earnings per share for the six months ended 30 June 2017 did not assume (1) the conversion of convertible bonds issued by GNE in May and July 2015 because the assumed conversion would result an increase in earnings per share; and (2) the exercise of certain share options granted by the Company and share options granted by GNE, since the exercise prices were higher than the average market prices of the shares of the Company and GNE, respectively, for the six months ended 30 June 2017.

Diluted earnings per share for the six months ended 30 June 2016 did not assume (1) the conversion of convertible bonds issued by the Company in July 2015 and GNE in May and July 2015 because the assumed conversion would result an increase in earnings per share; and (2) the exercise of certain share options granted by the Company and share options granted by GNE, since the exercise prices were higher than the average market price of the shares of the Company and GNE, respectively, for the six months ended 30 June 2016.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

11. EARNINGS PER SHARE (Continued)

For continuing and discontinued operations (Continued)

For continuing operations

The calculation of basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Profit for the period attributable to owners of the Company	**1,193,281**	1,388,863
Add/(less): Loss (profit) for the period from discontinued operations attributable to owners of the Company	**2,606**	(13,662)
Earnings for the purpose of basic earnings per share from continuing operations	**1,195,887**	1,375,201
Effect of dilutive potential ordinary shares:		
— Fair value change on convertible bonds issued by the Company	**6,756**	—
Earnings for the purpose of diluted earnings per share from continuing operations	**1,202,643**	1,375,201

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

For discontinued operations

For the six months ended 30 June 2017, basic loss per share for the discontinued operations was RMB0.01 cent per share (30 June 2016: earnings of RMB0.08 cent per share) and diluted loss per share for the discontinued operations was RMB0.01 cent per share (30 June 2016: earnings of RMB0.08 cent per share), based on the loss for the period from the discontinued operations of RMB2,606,000 (30 June 2016: profit of RMB13,662,000) and the denominators attributable to owners of the Company detailed above for both basic and diluted loss per share.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

12. PROPERTY, PLANT AND EQUIPMENT

	Carrying values RMB'000
At 1 January 2017 (Audited)	52,461,558
Additions	5,216,354
Acquired on acquisitions of subsidiaries *(note 31)*	132,102
Depreciation expense	(1,796,624)
Disposals	(97,453)
Transfer to assets held for sale *(note 20)*	(966,147)
Effect of foreign currency exchange differences	(21,750)
At 30 June 2017 (Unaudited)	54,928,040

During the six months ended 30 June 2017, the Group spent approximately RMB4,375 million (six months ended 30 June 2016: RMB5,230 million) on construction of solar farm and related facilities in the PRC in order to enlarge its power generation capacities. Furthermore, the Group spent approximately RMB494 million (six months ended 30 June 2016: RMB415 million) on technological improvement and other production facilities to enhance the wafer and polysilicon production efficiency.

During the six months ended 30 June 2017, the Group acquired plant and machineries of United State Dollar ("US$") 13,000,000 (equivalent to RMB89,691,000) as a result of the completion of SunEdison Agreement (as defined in note 13).

13. OTHER INTANGIBLE ASSETS

On 28 August 2016, the Company entered into an asset purchase agreement (the "SunEdison Agreement") with SunEdison, Inc., SunEdison Products Singapore Pte. Ltd., MEMC Pasadena Inc., and Solaicx, Inc. (collectively referred to as the "Sellers") to acquired certain assets (including both tangible and intangible assets) for a consideration of US$150,000,000 (equivalent to RMB1,034,895,000) on a cash-free and debt-free basis. Pursuant to the SunEdison Agreement, a total amount of US$50,000,000 (equivalent to RMB344,965,000) of the consideration would be paid by the Company to the escrow agent at closing, pending release based on the satisfaction or non-satisfaction of certain conditions relating to the trichlorosilane fluidised bed reactor ("FBR") plant and CCZ plant (the "Escrow Arrangement").

On 31 March 2017 (U.S. time), the Company completed the acquisition and acquired all target assets, other than 65.25% of the outstanding capital stock of SMP Ltd., which have been excluded pursuant to the Company's rights under the SunEdison Agreement. The Company and SunEdison, Inc. had each paid an amount of US$2,500,000 (equivalent to RMB17,248,000) to SMP Ltd. for settlement stipulation in which the SMP Ltd.'s objection on the completion shall be withdrawn with prejudice.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

13. OTHER INTANGIBLE ASSETS (Continued)

On 3 August 2017, the Company and the Sellers have entered into a stipulation and agreed order (the "Stipulation Order") whereby the Company and the Sellers shall deliver joint written instructions to the escrow agent instructing escrow agent to (i) pay US$27,500,000 (equivalent to RMB189,731,000) to the Sellers; and (ii) pay US$22,500,000 (equivalent to RMB155,234,000) to the Company, in full satisfaction of the Escrow Arrangement.

As a result of the Stipulation Order, total consideration of US$130,000,000 (equivalent to RMB896,909,000) is determined for completion of the SunEdison Agreement. During the six months ended 30 June 2017, an addition of FBR and CCZ technics of US$117,000,000 (equivalent to RMB807,218,000) is recognised as other intangible assets and amortisation of RMB20,180,000 is recognised in profit or loss.

Included in the total consideration, US$137,500,000 (equivalent to RMB948,653,000) has been paid by cash and US$15,000,000 (equivalent to RMB103,490,000) (31 December 2016: RMB104,055,000) was recognised as deposit for acquisitions of property, plant and equipment and intangible assets as at 31 December 2016 in this regards. The release of US$22,500,000 (equivalent to RMB155,234,000) has been recognised as other receivables as at 30 June 2017 and it has been fully settled from the escrow agent on 3 August 2017.

14. INTERESTS IN JOINT VENTURES

Same as disclosed in the Company's 2016 annual report, there is no material change for the six months ended 30 June 2017, except for:

(i) Investment of 53% equity interest in Suzhou GCL Jingshifeng Investment Management Co., Ltd.* (蘇州協鑫景世豐股權投資管理有限公司) ("Jingshifeng") with independent third parties at a consideration of RMB5,300,000 by the Group. Pursuant to the shareholders' agreement of Jingshifeng, two-third of the votes is required to direct the relevant activities of Jingshifeng. The Directors consider that the Group can only exercise joint control over Jingshifeng and it is therefore classified as a joint venture of the Group. During the current interim period, RMB1,590,000 was paid as capital injection to Jingshifeng;

(ii) Establishment of Xian Zhongmin GCL New Energy Company Limited* (西安中民協鑫新能源有限公司) ("Zhongmin GCL") with an independent third party where GNE Group has a 32% equity interest and the attributed registered capital of RMB128,000,000. During the current interim period, RMB33,040,000 was paid as capital injection to Zhongmin GCL by GNE Group; and

(iii) During the current interim period, Qichuang Global Limited* (啟創環球有限公司) ("Qichuang"), which GNE Group has a 50% equity interest, refunded capital of JPY402,615,000 (equivalent to RMB24,358,000) to its shareholders. Cash of JPY38,511,000 (equivalent to RMB2,330,000) is received by GNE Group and the remaining of JPY162,797,000 (equivalent to RMB9,849,000) is offset with amount due to Qichuang.

* English name for identification only

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

15. AVAILABLE-FOR-SALE INVESTMENTS

Same as disclosed in the Company's 2016 annual report, there is no material change for the six months ended 30 June 2017, except for:

(i) Acquisition of interest in a partnership

On 20 April 2017, Suzhou GCL Technology Development Co., Ltd (formerly known as GCL-CSI (Suzhou) Photovoltaic Technology Co., Ltd, "Suzhou GCL"), a wholly-owned subsidiary of the Company, entered into a contract with independent third parties to establish a partnership enterprise (the "Partnership Enterprise") in the PRC which specialises in making unlisted equity investment in the PRC. Suzhou GCL injected RMB70 million as capital of the Partnership Enterprise and holds around 35% interest as at 30 June 2017 as long term investment.

According to the Partnership Enterprise agreement, the Partnership Enterprise is managed by unrelated general partner which also acts as managing partner of the Partnership Enterprise. Suzhou GCL participates in the Partnership Enterprise as one of the limited partners who does not have power on selection nor removal of assets manager or general partner of the Partnership Enterprise. In addition, Suzhou GCL does not have any right on making operating, investing and financing decision of the Partnership Enterprise. The Directors are of the opinion that Suzhou GCL does not have any control nor significant influence to affect the variable returns through its investment in the Partnership Enterprise and therefore these investments are accounted for as available-for-sales financial assets.

As at 30 June 2017, the Partnership Enterprise mainly invested in unlisted equity investments issued by private entities incorporated in the PRC. The investment in the Partnership Enterprise is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair value cannot be measured reliably.

(ii) Investment in an asset management plan

In April 2017, GNE Group invested approximately RMB300 million into an asset management plan with a maturity within twelve months as of 30 June 2017, which is managed by a financial institution in the PRC. The principal was not guaranteed by the relevant financial institution while the expected return rate stated in the contract is 7% per annum. The investments were classified as available-for-sale investments at initial recognition.

(iii) Disposal of listed investment on debt securities.

During the six months ended 30 June 2017, the Group disposed of certain listed investments for proceeds of US$1,804,000 (equivalents to approximately RMB7,343,000), resulting in a gain on disposal of RMB153,000 recognised in other income.

16. CONVERTIBLE BONDS RECEIVABLE

During the six months ended 30 June 2017, the Group received an irrevocably redemption notice from Panda Green Energy Group Limited ("Panda Green", formerly known as United Photovoltaics Group Limited) to early redeem the principal amount of the convertible bonds receivable at HK$159,988,000 (equivalent to approximately RMB141,717,000), resulting in a gain on early redemption of RMB13,506,000 recognised in profit or loss in the current interim period.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

17. INVENTORIES

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Raw materials	**340,312**	403,742
Work in progress	**250,736**	175,961
Semi-finished goods *(Note)*	**81,150**	234,868
Finished goods	**81,083**	135,267
Solar modules	**15,457**	15,836
	768,738	965,674

Note: Semi-finished goods mainly represented polysilicon.

During the six months ended 30 June 2017, cost of inventories from continuing operations of approximately RMB7,034,496,000 (30 June 2016: RMB7,841,895,000) recognised as cost of sales included a write-down of inventories of RMB2,713,000 (30 June 2016: RMB189,874,000).

Inventories written down during the six months ended 30 June 2016 were mainly project assets and solar modules relating to solar farm projects in the USA. The Group reviews project assets and solar modules whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. In determining whether the project assets and solar modules are recoverable, the Group considers a number of factors, including the changes in environmental, ecological, permitting or regulatory conditions that affect the project. The management concluded that certain project assets and solar modules were written down to its net realisable values.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

18. DEPOSITS, PREPAYMENTS AND OTHER NON-CURRENT ASSETS/TRADE AND OTHER RECEIVABLES

Deposits, prepayments and other non-current assets

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Deposits for acquisitions of property, plant and equipment	**270,389**	267,583
Deposits paid for engineering, procurement and constructions ("EPC") contracts and constructions *(Note a)*	**676,308**	659,597
Refundable value-added tax	**2,053,009**	2,114,127
Deposits paid for acquisitions of solar farm projects	**3,500**	38,300
Prepaid rent for parcels of land	**316,502**	264,274
Trade receivables *(Note b)*	**712,115**	249,555
Others	**97,538**	46,464
	4,129,361	3,639,900

Trade and other receivables

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Trade receivables *(Note b)*	**4,691,877**	3,940,256
Other receivables	**594,249**	374,402
Refundable value-added tax	**753,531**	692,373
Bills receivables (trade-related) *(Note c)*	**7,015,733**	6,086,715
Other loan receivables *(Note d)*	**333,139**	344,058
Receivables for modules procurement *(Note e)*	**231,517**	526,476
Prepayments	**603,422**	569,841
	14,223,468	12,534,121
Analysed for reporting purposes as:		
— Current assets	**13,511,353**	12,284,566
— Non-current assets *(Note b)*	**712,115**	249,555
	14,223,468	12,534,121

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

18. DEPOSITS, PREPAYMENTS AND OTHER NON-CURRENT ASSETS/TRADE AND OTHER RECEIVABLES (Continued)

Trade and other receivables (Continued)

Notes:

(a) Deposits for EPC contracts and constructions represent deposits paid to contractors which will be transferred to property, plant and equipment in accordance with the percentage of completion of the construction.

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

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

Included in the Group's trade receivables are tariff adjustment receivables amounting to approximately RMB3,591,770,000 (31 December 2016: RMB2,598,623,000) recognised based on the prevailing nationwide government policies on renewable energy for solar farms. The Directors expected certain part of the tariff adjustment receivables amounting to approximately RMB712,115,000 (31 December 2016: RMB249,555,000) will be recovered after twelve months from the reporting date, and are discounted at an effective interest rate ranged from 2.59% to 3.27% (31 December 2016: 2.65%) per annum as at 30 June 2017.

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

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Unbilled *(Note)*	**3,045,860**	2,093,632
Within 3 months	**1,077,762**	1,322,138
3 to 6 months	**206,631**	162,552
Over 6 months	**361,624**	361,934
	4,691,877	3,940,256

Note: Unbilled trade receivables include tariff adjustment to be billed and received based on prevailing nationwide government policies on renewable energy from the state grid companies.

The Directors closely monitor the credit quality of trade, bills and other receivables and consider the trade, bills and other receivables, which are neither past due nor impaired, are of a good credit quality in view of the good historical repayment record.

Included in the Group's trade receivables (excluding sales of electricity in the PRC) are debtors with aggregate carrying amount of RMB184,406,000 (31 December 2016: RMB357,455,000) which are past due as at the end of the reporting date. The Group has not provided allowance for doubtful debts for such receivables as part of such receivables are either covered by letters of credit and advances from customers or substantially settled subsequent to the end of the reporting period. For the remaining receivables, there is no historical default of payments by the respective customers and the Directors are closely monitoring the settlement status from the customers.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

18. DEPOSITS, PREPAYMENTS AND OTHER NON-CURRENT ASSETS/TRADE AND OTHER RECEIVABLES (Continued)

Trade and other receivables (Continued)

Notes: (Continued)

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

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Bills receivable (trade-related):		
Within 3 months	**4,065,676**	3,424,004
3 to 6 months	**2,950,057**	2,662,711
	7,015,733	6,086,715

(d) GNE Group, as lender, entered into loan agreements with independent third parties to provide credit facilities to finance their development and operation of certain solar farm projects in the PRC (the "Projects"). Approximately RMB333,139,000 (31 December 2016: RMB344,058,000) was drawn down and past due at the end of the reporting period. The terms of the loans are one year and carry interest at 10% (31 December 2016: 10%) per annum.

Certain loan receivables are secured by pledge of equity interest of the borrowers, pledge of the rights over electricity fee receivables by borrowers in the Projects and a grant of security over any future equipment and engineering works acquired or constructed by borrowers in the Projects.

(e) Receivables for modules procurement comprise modules procurement cost and commission earned by GNE Group and GNE Group allows credit period of 180 days to 1 year (31 December 2016: 180 days to 1 year).

19. BALANCES WITH RELATED COMPANIES

The related companies included joint ventures of the Group and companies controlled by Mr. Zhu Gongshan and his family members which hold in aggregate around 34% of the Company's share capital as at 30 June 2017 and exercises significant influence over the Company.

Except for a loan granted by GNE Group to its joint venture of RMB149,700,000 (31 December 2016: RMB144,700,000) which is unsecured and carries a fixed-rate of 6% (31 December 2016: 8%) per annum with no fixed repayment term and an advance from a joint venture to the Group of RMB251,752,000 (30 June 2017: nil) which carries a fixed rate of 4.35% (30 June 2017: nil) and repayable on demand, the amounts due from/to related companies are unsecured, non-interest bearing and the credit period for trade-related balances are within 30 days (31 December 2016: 30 days).

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

19. BALANCES WITH RELATED COMPANIES (Continued)

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Amounts due from related companies		
— Trade related *(Note a)*	**350,052**	234,693
— Non-trade related	**18,209**	18,329
	368,261	253,022
Amounts due from joint ventures		
— Non-trade related	**170,067**	159,442
	538,328	412,464
Analysed for reporting purposes as:		
— Current assets	**388,628**	267,764
— Non-current assets	**149,700**	144,700
	538,328	412,464
Amounts due to related companies		
— Trade related *(Note b)*	**123,994**	116,875
— Non-trade related	**33,638**	51,805
	157,632	168,680
Amounts due to a joint venture		
— Trade related	**35,699**	—
— Non-trade related	**251,815**	253,766
	287,514	253,766
Current liabilities	**445,146**	422,446

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

19. BALANCES WITH RELATED COMPANIES (Continued)

Notes:

(a) 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 which approximated the respective revenue recognition dates:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Within 3 months	**252,736**	234,506
3 to 6 months	**97,244**	—
Over 6 months	**72**	187
	350,052	234,693

(b) 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:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Within 3 months	**158,417**	94,490
3 to 6 months	**153**	22,011
Over 6 months	**1,123**	374
	159,693	116,875

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

20. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Assets classified as held for sale		
— PCB business	**1,077,526**	1,131,282
— Two solar farm projects	**1,360,463**	—
	2,437,989	1,131,282
Liabilities directly associated with assets classified as held for sale		
— PCB business	**856,356**	910,112
— Two solar farm projects	**961,253**	—
	1,817,609	910,112

(a) PCB business

As disclosed in note 9, GNE entered into the S & P Agreement to dispose of the entire interest in PCB business on 30 December 2016. The assets and liabilities attributable to PCB business, which are expected to be sold within twelve months of the end of reporting period, have been classified as a disposal group held for sale and are presented separately in the unaudited condensed consolidated statement of financial position. Immediately before the initial classification of the assets and liabilities of PCB business as held for sale, their carrying amounts are measured at the lower of the carrying amount and the recoverable amount (i.e. the higher of fair value less costs to sell and value in use).

Since the expected fair value less costs to sell of the business is less than the aggregate carrying amount of the related assets and liabilities, cumulative loss on measurement to fair value less cost to sell of RMB110,084,000 (31 December 2016: RMB114,435,000) is recognised and included in assets classified as held for sale.

20. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

(a) PCB business (Continued)

The major classes of assets and liabilities of the PCB business classified as held for sale are as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Property, plant and equipment and prepaid lease payments	**460,859**	507,079
Other non-current assets	**6,440**	7,274
Pledged bank and other deposits	**13,391**	20,497
Inventories	**183,517**	187,790
Trade and other receivables	**488,917**	496,481
Bank balances and cash	**34,486**	26,596
Total assets of PCB business classified as held for sale before measurement to fair value less costs to sell	**1,187,610**	1,245,717
Trade and other payables	**516,386**	561,677
Bank and other borrowings	**208,588**	198,893
Obligations under finance leases	**44,329**	65,760
Other liabilities	**87,053**	83,782
Total liabilities of PCB business associated with assets classified as held for sale	**856,356**	910,112
Net assets of PCB business classified as held for sale	**331,254**	335,605
Less: loss on measurement to fair value less costs to sell	**(110,084)**	(114,435)
	221,170	221,170

Cumulative amount of RMB47,636,000 (31 December 2016: RMB45,029,000) and RMB28,851,000 (31 December 2016: RMB27,272,000) attributable to the owners of the Company and non-controlling interests relating to the disposal group classified as held for sale has been recognised in other comprehensive income and included in equity.

Included in bank and other borrowings is an amount due to a shareholder of a subsidiary under PCB business of RMB17,358,000 (31 December 2016: RMB17,890,000) which was unsecured, interest free and repayable on 4 July 2018 (31 December 2016: 4 July 2017). During the six months ended 30 June 2017, GNE Group entered into a loan extension agreement to extend the maturity date of the loan to 4 July 2018.

20. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

(b) Two solar farm projects

On 30 June 2017, GNE Group entered into share transfer agreements with Zhongmin GCL, a joint venture of GNE Group, pursuant to which GNE Group agreed to sell and Zhongmin GCL agreed to purchase 100% equity interest of Jinhu Zhenghui Photovoltaic Co., Ltd.* (金湖正輝太陽能電力有限公司) ("Jinhu") and Shandong Wanhai Solar Power Co., Ltd.* (山東萬海電力有限公司) ("Wanhai") for consideration of approximately RMB191,496,000 and RMB70,420,000, respectively. Part of the consideration, amounting to RMB250,600,000, has been paid on the date of share transfer agreements as deposits. GNE Group has an option to repurchase the equity interest of these two solar farm projects upon 5 years from the completion of the share transfers at the then fair value. As the repurchase price will be made reference to the fair value of projects at the date of repurchase, in the opinion of the directors of GNE, the fair value of the option is considered insignificant. Details of these transactions are set out in the announcement of GNE dated 30 June 2017. As at 30 June 2017, the assets and liabilities attributable to these two solar farm projects have been classified as a disposal group held for sale and are presented separately in the unaudited condensed consolidated statement of financial position. Together with the consideration, intragroup payables of approximately RMB144,218,000 will be repaid by the buyer.

* English name for identification only

The major classes of assets and liabilities of Jinhu and Wanhai at the end of the reporting period are as follows:

	30 June 2017 RMB'000 (Unaudited)
Property, plant and equipment	966,147
Prepaid lease payments	2,522
Other non-current assets	102,285
Trade and other receivables	200,543
Bank balances and cash	88,966
Total assets of two solar farm projects classified as held for sale	1,360,463
Other payables	49,928
Bank and other borrowings	910,000
Amount due to a related company	27
Deferred tax liabilities	1,298
Total liabilities of two solar farm projects classified as held for sale	961,253
Net assets of two solar farm projects classified as held for sale	399,210
Intragroup payables	(144,218)
Net assets of two solar farm projects	254,992

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

21. TRADE AND OTHER PAYABLES

The credit period for trade payables and bills payable (trade-related) are normally within 3 months and 6 months, respectively.

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

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Trade payables:		
Within 3 months	**1,685,213**	1,491,407
3 to 6 months	**905,862**	870,289
Over 6 months	**33**	9
	2,591,108	2,361,705
Bills payable (trade-related):		
Within 3 months	**701,159**	1,097,268
3 to 6 months	**972,687**	651,379
	1,673,846	1,748,647
Bills payable (non-trade related)	**1,548,117**	2,158,388
Construction payables	**9,481,930**	9,310,889
Payables to vendor of solar farms	**117,305**	130,851
Payables for modules procurement	**58,749**	221,410
Other payables	**854,330**	1,123,522
Dividend payables to non-controlling shareholders of subsidiaries	**38,773**	38,773
Other tax payables	**333,562**	235,578
Interest payables	**331,715**	187,839
Receipt in advance	**388,455**	14
Accruals	**451,883**	342,452
	17,869,773	17,860,068

Included in trade and other payables are obligations arising from endorsing bills receivable with recourse issued by third parties for settlement of trade and other payables with an aggregate amount of RMB1,581,225,000 (31 December 2016: RMB1,372,951,000).

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

22. BANK AND OTHER BORROWINGS

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Bank loans	**27,653,791**	22,523,782
Other loans	**10,539,123**	10,755,773
	38,192,914	33,279,555
Representing:		
Secured	**31,351,249**	27,134,849
Unsecured	**6,841,665**	6,144,706
	38,192,914	33,279,555
Short-term borrowings	**5,557,450**	7,041,364
Long-term borrowings		
Within one year	**7,807,880**	5,981,050
More than one year, but not exceeding two years	**6,285,264**	4,950,829
More than two years, but not exceeding five years	**8,736,479**	7,777,067
More than five years	**9,805,841**	7,529,245
	38,192,914	33,279,555
Less: Amounts due within one year shown under current liabilities	**(13,365,330)**	(13,022,414)
Amounts due after one year	**24,827,584**	20,257,141

Included in short-term bank borrowings are obligations arising from bills receivable and letter of credit issued by third parties and the Group's entities with aggregate carrying amount of approximately RMB1,549,898,000 (31 December 2016: RMB1,835,857,000).

In respect of two bank loans (31 December 2016: one) with carrying amount of approximately RMB2,980,736,000 as at 30 June 2017 (31 December 2016: RMB2,358,580,000) which contain certain covenants, the Directors had reviewed these covenants and no (31 December 2016: no) breach of covenants was noted at 30 June 2017.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

23. OBLIGATIONS UNDER FINANCE LEASES

The Group entered into sale and leaseback agreements with lessors in respect of its property, manufacturing equipment and prepaid lease payments in the PRC, solar farms in the USA and an aircraft in Hong Kong.

	Minimum lease payments		Present value of minimum lease payments	
	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)	**As at 30 June 2017 RMB'000 (Unaudited)**	As at 31 December 2016 RMB'000 (Audited)
Amounts payable under finance leases				
Within one year	**976,363**	980,790	**877,492**	858,173
More than one year, but not exceeding two years	**453,739**	818,582	**393,094**	743,196
More than two years, but not exceeding five years	**642,119**	692,647	**548,001**	586,916
More than five years	**308,709**	382,269	**261,543**	325,155
	2,380,930	2,874,288	**2,080,130**	2,513,440
Less: future finance charges	**(300,800)**	(360,848)	**N/A**	N/A
Present value of lease obligations	**2,080,130**	2,513,440	**2,080,130**	2,513,440
Less: Amount due for settlement within one year (shown under current liabilities)			**(877,492)**	(858,173)
Amount due for settlement after one year			**1,202,638**	1,655,267

24. NOTES PAYABLES

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Principal amount of notes payables	**5,170,000**	5,170,000
Less: Unamortised issuance costs	**(41,192)**	(48,655)
Net carrying amount	**5,128,808**	5,121,345
Less: Amounts due within one year shown under current liabilities	**(649,242)**	(648,104)
Amounts due for settlement after one year shown under non-current liabilities	**4,479,566**	4,473,241

25. DERIVATIVE FINANCIAL INSTRUMENTS

Put option of interests in Jiangsu Xinhua

In April 2016, the Group entered into a joint venture investment agreement with an independent investor ("JV Partner") of Jiangsu Xinhua Semiconductor Material Technology Co. Ltd. ("Jiangsu Xinhua") pursuant to which the JV Partner is given a right to request the Group to repurchase its 49.02% equity interest in Jangsu Xinhua at a premium under certain circumstances and details are set out in notes to the Group's consolidated financial statements for the year ended 31 December 2016.

The Directors had designated the put option of interests in Jiangsu Xinhua as fair value through profit or loss ("FVTPL") and initially recognised at fair value with subsequent changes in fair value recognised in profit or loss. During the six months ended 30 June 2017, the Company re-measured the fair value with a loss on fair value change of the derivative financial instrument of RMB726,000 (six months ended 30 June 2016: nil) recognised to profit or loss in the current interim period.

Details of the inputs and assumption adopted in the valuation are described in note 33.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

26. CONVERTIBLE BONDS PAYABLES

	2019 Convertible bonds issued by the Company RMB'000	Convertible bonds issued by GNE RMB'000	Total RMB'000
As at 1 January 2017 (Audited)	1,154,536	858,461	2,012,997
Change in fair value charged to profit or loss *(note 6)*	6,756	46,253	53,009
Payments of interests	(4,552)	(26,382)	(30,934)
Partial redemption of convertible bonds	(344,965)	—	(344,965)
At 30 June 2017 (Unaudited)	811,775	878,332	1,690,107
Less: amounts due within one year (shown under current liabilities)	—	(700,057)	(700,057)
Amount due after one year	811,775	178,275	990,050

Note: Exchange gain of the convertible bonds payables of approximately RMB40,831,000 (six months ended 30 June 2016: loss of RMB22,410,000) has been recognised together with changes in fair value to profit or loss for the period ended 30 June 2017.

2019 Convertible bonds issued by the Company

On 22 July 2015, the Company completed the issue of convertible bonds due 2019 (the "2019 Convertible Bonds") in the aggregate principal amount of US$225,000,000 (equivalent to approximately RMB1,397,115,000), at the interest rate of 0.75% per annum. Details of the major terms and conditions of the convertible bonds are set out in notes to the Group's consolidated financial statements for the year ended 31 December 2016.

The Directors had designated the 2019 Convertible Bonds as FVTPL and initially recognised at fair value with subsequent changes in fair value recognised in profit or loss. During the six months ended 30 June 2017, the Company partially redeemed the 2019 Convertible Bonds in the principal amount of US$50,000,000 at the purchase price of US$49,375,000 (equivalent to RMB344,965,000) under a private arrangement.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

26. CONVERTIBLE BONDS PAYABLES (Continued)

Convertible bonds issued by GNE

On 27 May 2015 and 20 July 2015, GNE issued three-year convertible bonds at a nominal value of HK$775,100,000 (equivalent to approximately RMB611,244,000) ("Talent Legend Issue") and HK$200,000,000 (equivalent to approximately RMB157,720,000) ("Ivyrock Issue"), respectively. Details of the major terms and conditions of the convertible bonds are set out in notes to GNE's consolidated financial statements for the year ended 31 December 2016.

GNE designated the convertible bonds (including the conversion option) as financial liabilities at FVTPL which are initially recognised at fair value. In subsequent periods, such convertible bonds are measured at fair value with changes in fair values recognised in profit or loss. Transaction costs relating to the issuance of the convertible bonds are charged to profit or loss immediately.

The fair values of the convertible bonds as at 30 June 2017 were determined by an independent qualified valuer, Cushman & Wakefield Valuation Advisory Service Limited, based on the Binomial Lattice Model.

The following assumptions were applied:

	2019 Convertible bonds issued by the Company		**Convertible bonds issued by GNE**			
	30 June 2017	31 December 2016	**30 June 2017**	31 December 2016	**30 June 2017**	31 December 2016
			Talent Legend Issue		**Ivyrock Issue**	
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Discount rate	**7.40%**	9.57%	**18.64%**	24.48%	**18.68%**	24.51%
Share price (per share)	**HK$0.85**	HK$0.93	**HK$0.385**	HK$0.455	**HK$0.385**	HK$0.455
Conversion price (per share)	**HK$2.34**	HK$2.34	**HK$0.754**	HK$0.754	**HK$0.754**	HK$0.754
Risk free interest rate	**0.81%**	1.21%	**0.50%**	0.95%	**0.54%**	0.98%
Time to maturity	**2.06 years**	2.56 years	**0.91 years**	1.40 years	**1.05 years**	1.55 years
Expected volatility	**45.45%**	49.23%	**46.94%**	50.97%	**46.72%**	56.71%
Expected dividend yield	**0%**	0%	**0%**	0%	**0%**	0%

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

27. SHARE CAPITAL

	Number of shares '000	**Amount** HK$'000
Ordinary shares of HK$0.1 each		
Authorised		
At 1 January 2016 (Audited)	20,000,000	2,000,000
Increase of authorised share capital *(Note a)*	10,000,000	1,000,000
At 30 June 2016 (Unaudited) and 1 January 2017 (Audited), 30 June 2017 (Unaudited)	30,000,000	3,000,000
Issued and fully paid		
At 1 January 2016 (Audited)	15,489,637	1,548,963
Issue of new shares as a result of Rights Issue *(Note b)*	3,097,928	309,793
At 30 June 2016 (Unaudited), 1 January 2017 (Audited) and 30 June 2017 (Unaudited)	18,587,565	1,858,756

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Share capital shown in the financial statements as	**1,631,804**	1,631,804

Notes:

(a) By an ordinary resolution passed on 25 May 2016, the authorised share capital of the Company was increased from HK$2,000,000,000 to HK$3,000,000,000 by creation of an additional 10,000,000,000 shares of HK$0.1 each.

(b) On 26 January 2016, the Company raised approximately HK$3,470 million (equivalent to RMB2,907 million), before expenses, by way of the rights issue of 3,097,927,453 rights shares at the subscription price of HK$1.12 per rights share ("Rights Issue"). Net proceeds from the Rights Issue is approximately RMB2,845 million, after deducting related expenses of approximately RMB61,541,000.

All shares issued rank pari passu in all respects with the then existing shares.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

28. PLEDGE OF ASSETS

At 30 June 2017, the Group has pledged the following assets to secure credit facilities of the Group:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Bank and other borrowings secured by:		
Bills receivables	**510,110**	1,887,410
Pledged and restricted bank deposits	**2,615,369**	2,758,660
Prepaid leases payments	**367,040**	300,094
Property, plant and equipment	**30,277,282**	24,302,258
Trade receivables	**3,668,438**	2,313,050
	37,438,239	31,561,472
Obligations under finance leases secured by:		
Aircraft	**306,141**	260,106
Prepaid lease payments	**21,689**	21,911
Pledged and restricted bank deposits	**253,992**	254,805
Property, plant and equipment	**3,293,498**	3,546,164
	3,875,320	4,082,986
Total	**41,313,559**	35,644,458

Certain subsidiaries pledged their fee collection rights in relation to the sales of electricity and as at 30 June 2017, trade receivables in respect of such fee collection rights pledged amounted to approximately RMB3,668 million (31 December 2016: RMB2,313 million).

In addition to the pledged bank deposits, there are restricted bank deposits and bills receivables of RMB2,081 million (31 December 2016: RMB1,121 million) which have been restricted to secure bills payable, short term letters of credit for trade and other payables and restricted bank deposits of RMB69 million (31 December 2016: RMB70 million) have been restricted to secure obligations under finance leases which are due after one year.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

29. SHARE-BASED PAYMENT TRANSACTIONS

There is no material change relating to the share-based payment transactions for the six months ended 30 June 2017, except for the following:

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

(I) Equity-settled share option scheme

(i) Pre-IPO Share Option Scheme of the Company

	Exercise price	Date of grant	Exercise period	Number of share options Outstanding at 1 January 2017	During the period Forfeited	Outstanding at 30 June 2017
Directors	HK$4.071	13.11.2007	13.11.2010 to 12.11.2017	3,222,944	—	3,222,944
Employees and others	HK$4.071	13.11.2007	13.11.2010 to 12.11.2017	20,687,272	—	20,687,272
				23,910,216	—	23,910,216

(ii) Share Option Scheme of the Company

	Exercise price	Date of grant	Exercise period	Number of share options Outstanding at 1 January 2017	During the period Forfeited	Outstanding at 30 June 2017
Directors	HK$0.586	16.02.2009	01.04.2009 to 15.02.2019	4,028,680	—	4,028,680
	HK$1.16	19.02.2016	15.03.2016 to 18.02.2026	5,942,302	—	5,942,302
	HK$1.324	29.03.2016	18.04.2016 to 28.03.2026	8,649,473	—	8,649,473
Employees and others	HK$0.586	16.02.2009	01.04.2009 to 15.02.2019	8,995,035	—	8,995,035
	HK$1.046	24.04.2009	01.05.2009 to 23.04.2019	807,750	—	807,750
	HK$3.296	12.01.2011	01.03.2011 to 11.01.2021	5,035,850	—	5,035,850
	HK$4.071	15.07.2011	01.09.2011 to 14.07.2021	6,093,378	—	6,093,378
	HK$1.630	05.07.2013	16.09.2013 to 04.07.2023	31,610,029	(4,421,475)	27,188,554
	HK$2.867	24.03.2014	26.05.2014 to 23.03.2024	22,359,174	—	22,359,174
	HK$1.16	19.02.2016	15.03.2016 to 18.02.2026	91,954,623	(503,585)	91,451,038
	HK$1.324	29.03.2016	18.04.2016 to 28.03.2026	3,323,661	—	3,323,661
				188,799,955	(4,925,060)	183,874,895

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(I) Equity-settled share option scheme (Continued)

(iii) Share option scheme of GNE

				Number of share options		
	Exercise price	Date of grant	Exercise period	Outstanding at 1 January 2017	During the period Forfeited	Outstanding at 30 June 2017
Directors of GNE	HK$1.1798	23.10.2014	24.11.2014 to 22.10.2024	58,382,800	—	58,382,800
	HK$0.606	24.07.2015	24.07.2015 to 23.07.2025	48,618,780	—	48,618,780
Employees of GNE and others	HK$1.1798	23.10.2014	24.11.2014 to 22.10.2024	263,286,296	(5,234,320)	258,051,976
	HK$0.606	24.07.2015	24.07.2015 to 23.07.2025	294,319,774	(17,514,840)	276,804,934
				664,607,650	(22,749,160)	641,858,490

During the six months ended 30 June 2017, share-based payment expenses of approximately RMB25,611,000 (six months ended 30 June 2016: RMB68,710,000) have been recognised in profit or loss. In addition, certain share options granted to employees under Share Option Scheme of the Company have been forfeited after the vesting period, and respective share option reserve of approximately RMB3,340,000 (six months ended 30 June 2016: RMB5,647,000) are transferred to the Group's accumulated profits. Certain share options granted to employees under share option scheme of GNE have been forfeited after the vesting period, and respective non-controlling interests of approximately RMB3,690,000 (six months ended 30 June 2016: RMB12,301,000) are transferred to the Group's accumulated profits.

(II) Equity-settled share award scheme

Share award scheme

The Company adopted the Scheme on the Adoption Date for a duration of the later of (i) the 10th anniversary of the Adoption Date, and (ii) such date that all awards outstanding are fully vested, settled, lapsed, forfeited or cancelled. The purpose of the Scheme is, through the grant of the share awards to certain directors and employees ("Eligible Persons") of the Group, to effectively attract, retain and incentivise core employees of the Group and align their interests and growth with the Group as a whole.

The Company has entered into a trust deed with the Trustee for the purpose of facilitating the purchase, holding and sale of shares in the Group for the benefit of the Eligible Persons of the Group. The maximum number of shares that can be held by the Trustee under the Scheme is limited to 2% of the issued share capital of the Company from time to time. All the shares purchased by the Group through the Trustee on the Stock Exchange are recorded as shares held for share award scheme in the reserve and are for the Scheme only.

The board of the directors of the Company (the "Board") may, from time to time, at its absolute discretion, select any Eligible Persons to participate in the Scheme as grantees ("Grantees"), subject to the terms and conditions set out in the rule of the Scheme. In determining the Grantees, the Board shall take into consideration matters including, but without limitation, the present and expected contribution of the relevant Grantees to the Group. A Grantee may be granted an award by the Company during the award period which will vest over a period of time and on such other conditions to be determined by the Board in its absolute discretion.

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(II) Equity-settled share award scheme (Continued)

Share award scheme (Continued)

The Board may from time to time while the Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the award to be vested thereunder. Details of the Scheme are set out in the announcement of the Company dated 16 January 2017. During the six months ended 30 June 2017, the Company purchased its own ordinary shares through the Trustee as follows:

Month of purchase	Number of ordinary shares	Aggregate consideration paid HK$'000	Equivalent aggregate consideration paid RMB'000
May 2017	182,998,888	163,258	141,692
June 2017	40,000,000	32,729	28,405

No award shares were granted during the six months ended 30 June 2017.

(III) Cash-settled share award scheme

US Equity Incentive Plan granted by GCL US II

GCL Solar Materials US II, LLC ("GCL US II") adopted an equity plan on 31 March 2017 ("Plan Date") pursuant to a resolution passed on the same date for the purpose of providing incentives to eligible employees and will expire on the later of (i) the sixth anniversary of adoption date, or (ii) such date that all class B units of GCL US II ("Class B Units") outstanding are fully vested, settled, lapsed, forfeited or cancelled (as the case may be) (the "US Equity Incentive Plan"). Under the US Equity Incentive Plan, the board of directors of GCL US II may grant Class B Units of GCL US II to eligible employees. Class B Units shall be non-voting and the aggregate number of Class B Units authorized for issuance shall be 12,750,000 which represents up to 10% of the fully diluted equity of GCL US II as of the closing date of the SunEdison Agreement i.e. 31 March 2017 (i.e. initial consideration of US$150,000,000, adjusted by the subsequent release of US$22,500,000 to the Company).

During the six months ended 30 June 2017, GCL US II issued Class B Units to the grantees of the US Equity Incentive Plan (the "Grantees") which will be vested in full in three years with one-third to be vested on each of the first, the second and the third anniversary of the Plan Date, respectively.

Movement of Class B Units granted during the period is as follows:

	Number of Class B Units
Outstanding at 1 January 2017	—
Granted during the period	9,823,313
Forfeited during the period	(505,855)
Outstanding at 30 June 2017	9,317,458

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(III) Cash-settled share award scheme (Continued)

US Equity Incentive Plan granted by GCL US II (Continued)

The Grantee shall be entitled, on the first and second anniversaries of the Plan Date, to sell 50% of the Class B Units vested to GCL US II or another member of the Group selected by GCL US II at a price equal to US$1 each (the "Floor Price"). The Grantee shall be entitled on the third anniversary of the Plan Date to sell all the vested Class B Units to GCL US II or another member of the Group selected by GCL US II at the higher of valuation of the Class B Units as of the third anniversary of the Plan Date or the Floor Price. If, on the third anniversary of the Plan Date, the Group at its sole and absolute discretion, does not intend to make an initial public offering ("IPO") of the solar material business unit in the USA in the 36 months following the third anniversary of the Plan Date, GCL US II shall purchase all the vested Class B Units at the price set out above. Valuation shall include GCL Solar Materials US I, LLC, GCL US II, GCL Solar Materials US III, LLC, GCL Solar Materials US IV, LLC and assets and operations acquired pursuant to the SunEdison Agreement, however and wherever held by the Group and take into account all monetization transactions as defined in the US Equity Incentive Plan for the purposes of valuation.

In the event there is an IPO prior to the sixth anniversary of the Plan Date and Class B Units are outstanding at the time of such IPO, such Class B Units will be converted into shares of common stock of the company whose shares are sold in the IPO (the "New Company"). The Group will set the conversion rate of Class B Units into shares of the common stock of the New Company upon the conversion date. If there are any vested Class B Units remaining as of the sixth anniversary of the Plan Date and there has been no IPO by that time, there shall be a valuation and GCL US II shall purchase all the remaining vested Class B Units at the price determined based on the higher of valuation of the Class B Units as of the six anniversary of the Plan Date or the Floor Price.

The settlement for the vested Class B Units shall be made, in the sole discretion of GCL US II in (i) cash; (ii) shares of a Group entity that is publicly listed in the USA or (iii) a combination of (i) and (ii).

In the opinion of the Directors, the fair value of the outstanding Class B Units as at 30 June 2017 is not higher than US$1. The Group has recorded liabilities of RMB7,299,000 in its unaudited condensed consolidated statement of financial position as at 30 June 2017 and the same amount as share-based payment expenses during the current interim period in respect of the cash-settled share award.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

30. COMMITMENTS

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Capital commitments		
Capital expenditure in respect of acquisitions of property, plant and equipment contracted for but not provided	**9,693,464**	5,005,283
Capital commitment in respect of acquisition of intangible assets contracted for but not provided	**—**	936,495
	9,693,464	5,941,778
Other commitments		
Commitment to contribute share capital to an available-for-sales investment and joint ventures contracted for but not provided	**266,960**	—
	9,960,424	5,941,778

31. ACQUISITION OF SUBSIDIARIES

For the six months ended 30 June 2017, GNE Group had two material acquisitions due to business expansion in acquiring a controlling stake in certain companies for a total consideration of approximately RMB30,450,000.

For the company set out in note (i) below, this is a solar farm project company in development stage and did not have any substantial economic resources and processes for creating economic benefits; accordingly, GNE Group considers the nature of the acquisition as acquisition of assets in substance and the considerations have been allocated first to the financial assets acquired and financial liabilities assumed at the respective fair values. The remaining balance of the considerations is then allocated to other identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition.

For another acquisition as mentioned in note (ii) below, this solar farm project company is in on-grid stage with relevant economic resources as at the date of the acquisition which is considered as business. Therefore, this acquisition is considered as business combinations under IFRS 3 and accounted for using acquisition method.

(i) Assets acquisition

Acquisition of 中衛市利和光伏電力有限公司 ("Zhongwei Lihe")

On 24 April 2017, GNE Group acquired 100% equity interest in Zhongwei Lihe and its subsidiaries, 武邑潤豐新能源有限公司 ("Runfeng") and 武邑新陽新能源有限公司 ("Xinyang") at a consideration of RMB200,000. At the date of acquisition, each of Runfeng and Xinyang had a 20 MW solar farm project under development.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

31. ACQUISITION OF SUBSIDIARIES (Continued)

(i) Assets acquisition (Continued)

Acquisition of 中衛市利和光伏電力有限公司 ("Zhongwei Lihe") (Continued)

	RMB'000
Assets and liabilities recognised at the date of acquisition	
Property, plant and equipment	57,061
Prepayments and other receivables	622
Other payables	(57,483)
Total identifiable net assets acquired	200
Consideration payable to the former owner	(200)
Cash consideration paid	—
Bank balance and cash acquired	—
Net cash inflow	—

(ii) Business acquisition

Acquisition of Sannohe Solar Power 1 GK ("Sannohe")

On 18 May 2016, GNE Group entered into an equity purchase agreement with an individual, pursuant to which GNE Group agreed to acquire the entire equity interest of Sannohe, for a consideration of JPY500,000,000 (equivalent to RMB30,250,000). The transaction was completed on 19 January 2017. At the date of acquisition, Sannohe had a 3.75MW solar farm project in operation.

	RMB'000
Fair value of assets and liabilities recognised at the date of acquisition:	
Property, plant and equipment	75,041
Trade receivables	100
Prepayments and other receivables	4,054
Bank balances and cash	284
Other payables	(49,229)
Total fair value of identifiable net assets acquired	30,250
Consideration paid during the year ended 31 December 2016	(29,800)
Consideration payable to the former owner	(450)
Cash consideration paid	—
Bank balances and cash acquired	284
Net cash inflow	284

31. ACQUISITION OF SUBSIDIARIES (Continued)

(ii) Business acquisition (Continued)

Impact of acquisition on the results of the Group

Had the acquisition as mentioned in note (ii) above been effected at the beginning of the period, total amounts of revenue and profit for the period of the Group would have been increased by RMB671,000 and decreased by RMB176,000, respectively. Such pro-forma 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 period, nor is it intended to be a projection of future results.

In determining the above pro-forma financial information, depreciation and amortisation of the property, plant and equipment was calculated based on their recognised amounts of at the date of the acquisition.

The revenue and loss contributed by the entity acquired during the current interim period are RMB3,404,000 and RMB4,654,000, respectively.

The fair value and gross contractual amount of trade and other receivables at the date of acquisition amounted to RMB3,934,000. The estimate at acquisition date of contractual cash flows not expected to be collected is insignificant.

Same as disclosed in the Group's 2016 annual report relating to the acquisition, the Group completed thirteen asset acquisitions and nine business acquisitions during the year ended 31 December 2016.

32. CONTINGENT LIABILITIES

Same as disclosed in the Company's 2016 annual report, there is no material change for the six months ended 30 June 2017, except for the following:

Regarding the litigation brought by Solaria Corporation ("Solaria"), one of the additional defendants added on 21 October 2016, GCL System Integration Technology Co., Ltd ("GCL System Integration") filed a Motion to Quash Service of Summons ("Motion to Quash") to California state court on 14 April 2017 to transfer the litigation to another jurisdiction due to the fact that GCL System Integration has no business presence in the current jurisdiction and contesting the jurisdiction of the court. GCL System Integration claims that it lacks sufficient contacts with California based on its existence and operation primarily within China. It is currently awaiting court decision on the Motion to Quash.

The Group believes Solaria's accusation to be without merit and intends to take appropriate actions to aggressively defend. Accordingly, the Group did not recognise any provision for any possible losses in relation to this dispute as at 30 June 2017.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

33. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets and financial liabilities	Fair value as at 30.06.2017 RMB'000 (Unaudited)	Fair value as at 31.12.2016 RMB'000 (Audited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
1) Convertible bonds receivable	—	128,211	Level 3	Binomial model, the key inputs are: underlying share price, exercise price, risk free interest rate, share price volatility and dividend yield.	Share price volatility of 47.25% and discount rate of 18.57% (30 June 2017: nil), taking into account the historical share price of Panda Green and comparable companies for the period of time close to the expected time to exercise.	The higher the volatility the higher the fair value.
					Dividend yield 0% (30 June 2017: nil), taking into account management's experience and knowledge of the dividend to be paid.	The higher the dividend yield the lower the fair value.
2) 2019 Convertible Bonds issued by the Company *(Note a)*	811,775	1,154,536	Level 3	Binomial model, the key inputs are: underlying share price, exercise price, risk free interest rate, share price volatility, discount rate and dividend yield.	Share price volatility of 45.45% and discount rate of 7.40% (31 December 2016: Share price volatility of 49.23% and discount rate of 9.57%) taking into account the historical share price of the Company for the period of time close to the expected time to exercise.	The higher the volatility the higher the fair value. The higher the discount rate the lower the fair value.
3) Convertible bonds issued by GNE *(Note b)*	878,332	858,461	Level 3	Binomial Lattice model, the key inputs are: underlying share price, conversion price, risk free interest rate, share price volatility, discount rate, and dividend yield.	Share price volatility of 46.72% to 46.94% and discount rate of 18.64%–18.68% (31 December 2016: share price volatility of 50.97%–56.71% and discount rate of 24.48%–24.51%), taking into account the historical share price of GNE for the period of time close to the expected time to exercise.	The higher the volatility the higher the fair value. The higher the discount rate the lower the fair value.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

33. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets and financial liabilities	Fair value as at 30.06.2017 RMB'000 (Unaudited)	Fair value as at 31.12.2016 RMB'000 (Audited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
4) Put option of interest in Jiangsu Xinhua classified as derivative financial instrument	16,737	16,011	Level 3	Scenario analysis, the key inputs are: estimated probability of success or failure in IPO, risk-free rate and credit spread.	Estimated probability of success in IPO, failure in IPO due to external factors and unsatisfactory performance of Jiangsu Xinhua set out in note 25 of 90%, 10% and 0% (31 December 2016: 90%, 10%, 0%) respectively, taking into account the best estimate of the Directors.	The higher the estimated probability of success in IPO, the lower the fair value. The higher the estimated probability of failure in IPO, the higher the fair value.
5) Asset management plan investment held by GNE *(Note c)*	300,050	—	Level 3	Net asset value of the asset management plan, which is determined by the fair value of the underlying assets by using discounted cash flow model. Future cash flows of the underlying assets are discounted at a rate that reflects the credit risk of counterparties.	Discount rate of 7%. (31 December 2016: nil)	The higher estimated discount rate, the lower the fair value.
6) Listed equity securities classified as held for trading investments	89,524	111,522	Level 1	Quoted bid price in an active market.	N/A	N/A
7) Listed debt securities classified as available-for-sale investments	103,205	112,922	Level 1	Quoted bid price in an active market.	N/A	N/A

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

33. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Notes:

(a) If the share price volatility of the underlying shares was 5% higher/lower while all the other variables were held constant, the loss on change in fair value of the 2019 Convertible Bonds issued by the Company would increase by approximately RMB832,000 (31 December 2016: RMB11,387,000)/decrease by approximately RMB432,000 (31 December 2016: RMB9,351,000).

If the discount rate used was multiplied by 95% or 105% while all the other variables were held constant, the loss on change in fair value of the 2019 Convertible Bonds issued by the Company would increase by approximately RMB4,304,000 (31 December 2016: RMB7,671,000)/decrease by approximately RMB4,267,000 (31 December 2016: RMB7,582,000).

(b) If the share price volatility of the underlying shares was 5% higher/lower while all the other variables were held constant, the loss on change in fair value of the convertible bonds issued by GNE would increase by approximately RMB4,264,000 (31 December 2016: RMB13,641,000)/decrease by approximately RMB3,128,000 (31 December 2016: RMB13,726,000).

If the discount rate was multiplied by 95% or 105% while all the other variables were held constant, the loss on change in fair value of the convertible bonds payable issued by GNE would increase by approximately RMB6,085,000 (31 December 2016: RMB9,487,000)/decrease by approximately RMB5,994,000 (31 December 2016: RMB9,719,000).

(c) If the estimated discount rate used were 5% higher/lower while all the other variables were held constant, the fair value of the investments would decrease by approximately RMB13,443,000/increase by approximately RMB14,656,000.

No significant changes in fair value resulting from credit risk for both periods.

There is no transfer among the different levels of the fair value hierarchy for both periods.

The Directors consider that the carrying amounts of financial assets and financial liabilities and the associated interest receivables and interest payables recorded at amortised cost in the unaudited condensed interim consolidated financial statements approximate their fair values.

Reconciliation of Level 3 fair value measurements

	Convertible bonds receivable RMB'000	2019 Convertible Bonds issued by the Company RMB'000	Convertible bonds issued by GNE RMB'000	Put option of interest in Jiangsu Xinhua RMB'000	Asset management plan investment RMB'000	Total RMB'000
At 1 January 2017 (Audited)	128,211	(1,154,536)	(858,461)	(16,011)	—	(1,900,797)
Purchase	—	—	—	—	300,050	300,050
Gain (loss) in profit or loss	13,506	(6,756)	(46,253)	(726)	—	(40,229)
Payment of interests	—	4,552	26,382	—	—	30,934
Partial redemption of convertible bonds	—	344,965	—	—	—	344,965
Redemption of convertible bonds receivable	(141,717)	—	—	—	—	(141,717)
At 30 June 2017 (Unaudited)	—	(811,775)	(878,332)	(16,737)	300,050	(1,406,794)

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

33. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurements and valuation processes

The Directors have engaged independent professional qualified valuers to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Directors work closely with the qualified valuers to establish the appropriate valuation techniques and inputs to the model. The management of the Group reports the findings to the Directors every half year to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

34. RELATED PARTY TRANSACTIONS

Same as disclosed elsewhere in the unaudited condensed interim consolidated financial statements, the Group has also entered into the following significant transactions with related parties during the period:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing operations		
Transactions with companies in which Mr. Zhu Gongshan and his family have control:		
Sales of wafer	**594,226**	—
Rental income	**1,378**	—
Purchase of coal *(Note)*	**(320,114)**	(21,990)
Purchase of steam *(Note)*	**(307,532)**	(329,023)
Management fee expenses	**(6,840)**	(8,493)
Consulting service fee expense	**(2,147)**	(13,638)
Purchase of property, plant and equipment	**(863)**	(13)
Purchase of desalted water	**(733)**	(822)
Purchase of coal capacity *(Note)*	**—**	(34,188)

Note: Steam, coal and coal capacity are purchased by subsidiaries of the solar material business mainly for the manufacturing of polysilicon, at prices mutually agreed by the two parties.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

35. EVENTS AFTER THE END OF THE INTERIM PERIOD

Other than those disclosed elsewhere in the unaudited condensed interim consolidated financial statements, the Group has entered into the below significant transactions:

(1) On 21 July 2017, GNE Group entered into certain agreements regarding a sales and leaseback arrangement with Hengjia (Shanghai) Financial Leasing Co. Ltd.* (恒嘉(上海)融資租賃有限公司) ("Hengjia Financial Leasing"). GNE Group sold to Hengjia Financial Leasing certain equipment at a consideration of approximately RMB825,000,000 and leased back the equipment for a term of 10 years at an estimated rent of approximately RMB1,146,294,000. In addition, GNE Group will pay Hengjia Financial Leasing a service fee of approximately RMB17,325,000.

(2) On 31 July 2017, GNE Group entered into certain agreements regarding a sales and leaseback arrangement with China Resources Leasing Co. Ltd.* (華潤租賃有限公司) ("China Resources Leasing"). GNE Group sold to China Resources Leasing certain equipment at an aggregate consideration of approximately RMB150,000,000 and leased back the equipment for a term of 3 years at an estimated aggregate rent of approximately RMB210,120,000. In addition, GNE Group will pay China Resources Leasing a service fee of approximately RMB3,000,000.

(3) On 11 August 2017, the Company entered into a framework agreement with Tianjin Zhonghuan Semiconductor Co., Ltd.* (天津中環半導體股份有限公司) ("Tianjin Zhonghuan") pursuant to which the Company and Tianjin Zhonghuan intend to collaborate in manufacturing of polysilicon materials and monosilicon rods, processing of monosilicon wafers and other collaboration.

(4) On 17 August 2017, the Company, as borrower and Richmore International Development Limited, GCL Solar Energy Technology Holdings Limited and Universe Solar Energy Holdings Inc., each a wholly-owned subsidiary of the Company, as guarantors, entered into a facility agreement ("Facility Agreement") with various banks relating to a US$200,000,000 (which may be increased up to US$300,000,000 through the accession of additional lenders, subject to the consent of the Company) syndicated term loan facility ("Loan Facility"). The Loan Facility is scheduled to be fully repaid within 36 months after the first drawdown.

(5) On 22 August 2017, Suzhou GCL New Energy Investment Co., Ltd* (蘇州協鑫新能源投資有限公司), a subsidiary of GNE Group, entered into two sales and purchase agreements with two independent third parties, pursuant to which GNE Group conditionally agreed to purchase 78% equity interests of Shenmu County Jingpu Power Company Limited* (神木縣晶普電力有限公司) ("Jingpu") and Shenmu County Jingfu Power Company Limited* (神木縣晶富電力有限公司) ("Jingfu") for a total consideration of approximately RMB1,801,000. Jingpu and Jingfu own 140MW and 40MW solar farm projects located in Shaanxi province, respectively. The acquisitions are expected to complete in September 2017. As at 30 June 2017, GNE Group has other loan receivables and module receivables from Jingpu, amounting to RMB215,400,000 and RMB107,184,000, respectively. The management of GNE Group is currently assessing the financial impact of these acquisitions.

* English name for identification only

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, 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:

(I) LONG POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

	Number of ordinary shares held					
Name of director/ chief executive	**Beneficiary of a trust**	**Corporate interests**	**Personal interests**	**Number of underlying shares**	**Total**	**Approximate percentage of issued share capital**
Zhu Gongshan	6,197,054,822 *(note 1)*	—	—	173,333,334 *(note 1)*	6,370,388,156	34.27%
Zhu Zhanjun	—	—	3,400,000	2,719,359 *(note 2)*	6,119,359	0.03%
Ji Jun	—	—	—	3,726,529 *(note 2)*	3,726,529	0.02%
Zhu Yufeng	6,197,054,822 *(note 1)*	—	—	175,851,259 *(note 3)*	6,372,906,081	34.29%
Sun Wei	—	—	5,723,000	4,733,699 *(note 2)*	10,456,699	0.06%
Yeung Man Chung, Charles	—	—	—	1,700,000 *(note 2)*	1,700,000	0.01%
Jiang Wenwu	—	—	9,600,000	1,712,189 *(note 2)*	11,312,189	0.06%
Zheng Xiongjiu	—	—	250,000	2,719,358 *(note 2)*	2,969,358	0.02%
Ho Chung Tai, Raymond	—	—	—	1,007,170 *(note 2)*	1,007,170	0.01%
Yip Tai Him	—	—	—	1,007,170 *(note 2)*	1,007,170	0.01%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

Notes:

(1) An aggregate of 6,197,054,822 shares of the Company are collectively held by Highexcel Investments Limited, Happy Genius Holdings Limited and Get Famous Investments 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 with Credit Suisse Trust Limited as trustee and Mr. Zhu Gongshan and his family (including Mr. Zhu Yufeng, a Director and the son of Mr. Zhu Gongshan) as beneficiaries. Happy Genius Holdings Limited had lent 312,000,000 shares of the Company to the convertible bond investor's associate under the shares lending agreement dated 23 November 2013 (as amended by an agreement dated 15 July 2015 and further amended by an agreement dated 25 January 2016), out of which 69,333,333 shares were returned on 29 April 2016 and 69,333,333 shares were returned on 7 April 2017. Happy Genius Holdings Limited was thus also interested in a long position of 173,333,334 shares of the Company.

(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 28 March 2026 at an exercise price of HK$4.071, HK$1.324, HK$1.160 or HK$0.586.

(3) The 175,851,259 underlying shares comprises the long position of 173,333,334 shares of the Company held by Happy Genius Holdings Limited under Note (1) and 2,517,925 share options mentioned under Note(2) above.

(II) LONG POSITION IN THE SHARES AND UNDERLYING SHARES OF THE ASSOCIATED CORPORATION OF THE COMPANY

GCL New Energy Holdings Limited ("GNE"), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 451), in which the Company indirectly owned 62.28% issued shares as at 30 June 2017, is a subsidiary of the Company.

	Number of shares of GNE held					
Name of director/ chief executive	**Beneficiary of a trust**	**Corporate interests**	**Personal interests**	**Number of underlying shares**	**Total**	**Approximate percentage of issued share capital of GNE**
Zhu Yufeng	—	—	—	3,523,100 *(note)*	3,523,100	0.02%
Sun Wei	—	—	—	27,178,200 *(note)*	27,178,200	0.14%
Yeung Man Chung, Charles	—	—	—	15,099,000 *(note)*	15,099,000	0.08%
Zheng Xiongjiu	—	—	2,450,000	—	2,450,000	0.01%

Note: These are share options granted by GNE. Such granted share options can be exercised by Mr. Zhu Yufeng at the interval between 24 July 2015 and 23 July 2025 at an exercise price of HK$0.606 per share and by Ms. Sun Wei and Mr. Yeung Man Chung, Charles at the interval between 24 November 2014 and 23 July 2025 at an exercise price of HK$1.1798 or HK$0.606 per share.

Save as disclosed above, as at 30 June 2017, 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 13 November 2007, the date of listing of the shares of the Company on the Stock Exchange ("Date of Listing"). 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 outstanding and movements of share options under the Pre-IPO Share Option Scheme during the six months ended 30 June 2017 (the "Period") are as follows:

				Number of options				
Name or category of participant	**Date of grant**	**Exercise period**	**Exercise Price** (HK$)	**Outstanding as at 1.1.2017**	**Granted during the Period from 1.1.2017 to 30.6.2017**	**Lapsed or forfeited during the Period from 1.1.2017 to 30.6.2017**	**Exercised during the Period from 1.1.2017 to 30.6.2017**	**Outstanding as at 30.6.2017**
Directors/chief executive								
Ji Jun	13.11.2007	13.11.2010 to 12.11.2017	4.071	1,510,755	–	–	–	1,510,755
Sun Wei	13.11.2007	13.11.2010 to 12.11.2017	4.071	1,510,755	–	–	–	1,510,755
Zheng Xiongjiu	13.11.2007	13.11.2010 to 12.11.2017	4.071	201,434	–	–	–	201,434
Non-director employees (in aggregate)	13.11.2007	13.11.2010 to 12.11.2017	4.071	20,687,272	–	–	–	20,687,272
Total				**23,910,216**	**–**	**–**	**–**	**23,910,216**

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 Listing, i.e. 13 November 2012.

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

OPTION SCHEMES (CONTINUED)

(II) SHARE OPTION SCHEME OF THE COMPANY

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.

At an extraordinary general meeting of the Company held on 26 November 2015, the shareholders of the Company approved the refreshment of the existing limit to an aggregate number of shares of the Company which may be allotted and issued pursuant to the exercise of options granted under the Share Option Scheme and any other share option scheme of the Company not exceeding 200,000,000 shares of the Company.

During the Period, a total of 4,925,060 option shares were lapsed, no option was exercised and there were 183,874,895 option shares outstanding as at 30 June 2017.

OPTION SCHEMES (CONTINUED)

Details of the share options outstanding and movements under the Share Option Scheme of the Company during the period are as follows:

Name or category of participant	Date of grant	Exercise period	Exercise Price per share (HK$)	Outstanding as at 1.1.2017	Granted during the period from 1.1.2017 to 30.6.2017	Lapsed or forfeited during the period from 1.1.2017 to 30.6.2017	Cancelled during the period from 1.1.2017 to 30.6.2017	Exercised during the Period 1.1.2017 to 30.6.2017	Outstanding as at 30.6.2017
Directors/chief executive and their associates									
Ji Jun	16.2.2009	1.4.2009 to 15.2.2019	0.586	1,510,755	–	–	–	–	1,510,755
	29.3.2016	18.4.2016 to 28.3.2026	1.324	705,019	–	–	–	–	705,019
Zhu Yufeng	16.2.2009	1.4.2009 to 15.2.2019	0.586	1,007,170	–	–	–	–	1,007,170
	29.3.2016	18.4.2016 to 28.3.2026	1.324	1,510,755	–	–	–	–	1,510,755
Sun Wei	16.2.2009	1.4.2009 to 15.2.2019	0.586	1,510,755	–	–	–	–	1,510,755
	19.2.2016	15.3.2016 to 18.2.2026	1.16	1,712,189	–	–	–	–	1,712,189
Zhu Zhanjun	29.3.2016	18.4.2016 to 28.3.2026	1.324	2,719,359	–	–	–	–	2,719,359
Yeung Man Chung, Charles	29.3.2016	18.4.2016 to 28.3.2026	1.324	1,700,000	–	–	–	–	1,700,000
Jiang Wenwu	19.2.2016	15.3.2016 to 18.2.2026	1.16	1,712,189	–	–	–	–	1,712,189
Zheng Xiongjiu	19.2.2016	15.3.2016 to 18.2.2026	1.16	2,517,924	–	–	–	–	2,517,924
Yip Tai Him	29.3.2016	18.4.2016 to 28.3.2026	1.324	1,007,170	–	–	–	–	1,007,170
Ho Chung Tai, Raymond	29.3.2016	18.4.2016 to 28.3.2026	1.324	1,007,170	–	–	–	–	1,007,170
Zhu Qingsong (associate of Mr. Zhu Gongshan and an employee)	29.3.2016	18.4.2016 to 28.3.2026	1.324	1,007,170	–	–	–	–	1,007,170
Non-director employees (in aggregate)	16.2.2009	1.4.2009 to 15.2.2019	0.586	8,995,035	–	–	–	–	8,995,035
	24.4.2009	1.5.2009 to 23.4.2019	1.046	807,750	–	–	–	–	807,750
	12.1.2011	1.3.2011 to 11.1.2021	3.296	5,035,850	–	–	–	–	5,035,850
	15.7.2011	1.9.2011 to 14.7.2021	4.071	6,093,378	–	–	–	–	6,093,378
	5.7.2013	16.9.2013 to 4.7.2023	1.630	31,610,029	–	(4,421,475)	–	–	27,188,554
	24.3.2014	26.5.2014 to 23.3.2024	2.867	22,359,174	–	–	–	–	22,359,174
	19.2.2016	15.3.2016 to 18.2.2026	1.16	91,954,623	–	(503,585)	–	–	91,451,038
	29.3.2016	18.4.2016 to 28.3.2026	1.324	2,316,491	–	–	–	–	2,316,491
Total				**188,799,955**		**(4,925,060)**			**183,874,895**

Note: The vesting period of all share options granted under the Share Option Scheme which is 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.

OPTION SCHEMES (CONTINUED)

(III) SHARE OPTION SCHEME OF A SUBSIDIARY

GCL New Energy Holdings Limited ("GNE"), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 451), in which the Company indirectly owned 62.28% issued shares as at 30 June 2017, is a subsidiary of the Company.

GNE adopted a share option scheme (the "GNE 2014 Share Option Scheme") on 15 October 2014.

During the Period, no option was granted, exercised nor cancelled. 22,749,160 option shares were lapsed during the Period.

				Number of options				
Name or category of participant	**Date of grant**	**Exercise period**	**Exercise Price per share** (HK$)	**Outstanding as at 1.1.2017**	**Granted during the period from 1.1.2017 to 30.6.2017**	**Lapsed or forfeited during the period from 1.1.2017 to 30.6.2017**	**Exercised during the period from 1.1.2017 to 30.6.2017**	**Outstanding as at 30.6.2017**
Directors/chief executive								
Zhu Yufeng	24.7.2015	24.7.2015 to 23.7.2025	0.606	3,523,100	–	–	–	3,523,100
Sun Wei	23.10.2014	24.11.2014 to 22.10.2024	1.1798	24,158,400	–	–	–	24,158,400
	24.7.2015	24.7.2015 to 23.7.2025	0.606	3,019,800	–	–	–	3,019,800
Yeung Man Chung, Charles	23.10.2014	24.11.2014 to 22.10.2024	1.1798	12,079,200	–	–	–	12,079,200
	24.7.2015	24.7.2015 to 23.7.2025	0.606	3,019,800	–	–	–	3,019,800
Directors of GNE and employees of GNE	23.10.2014	24.11.2014 to 22.10.2024	1.1798	285,431,496	–	(5,234,320)	–	280,197,176
	24.7.2015	24.7.2015 to 23.7.2025	0.606	333,375,854	–	(17,514,840)	–	315,861,014
Total				**664,607,650**		**(22,749,160)**		**641,858,490**

Please refer to the section "Share Option Scheme" of the 2017 interim report of GNE for the details of the GNE 2014 Share Option Scheme and the movements of options granted thereunder during the Period.

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 2017, 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:

(I) LONG POSITION IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

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	6,370,388,156	34.27%
Haitong International Securities Group Limited		Interest in a controlled corporation	1,140,000,000	6.13%

Notes:

1. An aggregate of 6,197,054,822 Shares are collectively held by Highexcel Investments Limited, Happy Genius Holdings Limited and Get Famous Investments 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 with Credit Suisse Trust Limited as trustee for Mr. Zhu Gongshan and his family (including Mr. Zhu Yufeng, a Director and the son of Mr. Zhu Gongshan) as beneficiaries. Happy Genius Holdings Limited had lent 312,000,000 shares of the Company to the convertible bond investor's associate under the shares lending agreement dated 23 November 2013 (as amended by an agreement dated 15 July 2015 and further amended by an agreement dated 25 January 2016), out of which 69,333,333 shares were returned on 29 April 2016 and 69,333,333 shares were returned on 7 April 2017. Happy Genius Holdings Limited was thus also interested in a long position of 173,333,334 Shares.

2. The total number of ordinary shares of the Company in issue as at 30 June 2017 is 18,587,564,721.

Save as disclosed aforesaid, so far as is known to any Directors or chief executive of the Company, as at 30 June 2017, no other persons (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register kept pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

The corporate governance report of the Company has been set out in the Company's 2016 Annual Report. During the six months ended 30 June 2017, the Company has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules with the exception of the following areas:

(i) Code provision A.6.7

Code provision A.6.7 stipulates that independent non-executive directors (the "INEDs") and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. One of our independent non-executive director, who was not in Hong Kong when the extraordinary general meeting of the Company held on 9 February 2017, was unable to attend such meeting.

(ii) Code provision E.1.2

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. Mr. Zhu Gongshan, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 24 May 2017 as he had to attend certain business abroad. Mr. Zhu had invited Mr. Yeung Man Chung, Charles, an executive Director, Chief Financial Officer and Company Secretary of the Company to attend and acted as the chairman of such meeting.

RISK MANAGEMENT AND INTERNAL CONTROLS

An Audit Committee has been set up under the Board of the Company to assist the Board in monitoring major risks and its internal control system. The Audit Committee has been authorized by the Board to conduct comprehensive assessment on the effectiveness of the risk management and internal control system at least semi-annually.

The Company has also established a risk control department, which is responsible for implementing risk management and internal control policies, and providing effective management procedures for business units on the basis of the established risk management basic system for risk identification, risk assessment, risk response and ongoing supervision report, so that the management can have a clear understanding of the major risks of the Company and thus facilitate their decision-making, thereby achieving a better business performance.

During the first half of 2017, the Company implemented the risk management and internal control system on an on-going basis and reported the implementation of the system to the Audit Committee and the Board at least semi-annually. Apart from conducting regular risk evaluation, self-assessment and testing of internal control, and standardization of management systems and procedures on an ongoing basis, the Company has also employed an external independent consultancy institution to conduct analysis, assessment and report on its response measures with a focus on certain risk areas concerned by the Board and the management. Meanwhile, each of the business departments actively conducted self-assessment in a view to achieve active risk identification and timely management and control.

The Audit Committee, as authorized by the Board, had reviewed the risk management and internal control system of the Company during the first half of 2017 and agreed that the internal monitoring system was effective.

Upon review:

— there were no significant deficiencies in the internal control system of the Company in the first half of the year, and the control system implemented was basically effective;

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

— the Company has ensured sufficient audit resources and carried out specific audit activities in the first half of the year according to the annual audit plan;

— the Company has tracked material risk management activities on an on-going basis in the first half of the year and reviewed the effectiveness of the response measures taken.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the model code for securities transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2017.

SHARE AWARD SCHEME

The Company has adopted a share award scheme (the "Share Award Scheme") on 16 January 2017 (the "Adoption Date"), pursuant to which existing shares of the Company ("Shares") may be purchased by the trustee from the market out of cash contributed by the Group and/or the Company may allot and issue new Shares to Computershare Hong Kong Trustees Limited (the "Trustee") in accordance with any specific mandate approved by the shareholders. Such Shares would be used to grant to certain eligible persons who are employees of the Company and its subsidiaries. The purpose of the Share Award Scheme is to effectively attract, retain and incentivise core employees of the Group and align their interests and growth with the Group as a whole.

The Share Award Scheme shall be subject to the administration of the Board, a committee (comprising Executive Director, Independent Non-executive Directors and senior executive) and the Trustee in accordance with the Share Award Scheme rules and the trust deed.

The maximum number of Shares that can be held by the Trustee under the Scheme is limited to 2% of the total number of issued Shares from time to time.

No shares are granted to the eligible persons since the Adoption Date.

Further details of the Share Award Scheme are set out in the announcement of the Company dated 16 January 2017 and note 29(II) to the unaudited condensed interim consolidated financial statements for the six months ended 30 June 2017.

US SUBSIDIARY'S EQUITY INCENTIVE PLAN

The Company's US subsidiary, GCL Solar Materials US II, LLC ("GCL US II"), has adopted an equity plan on 31 March 2017 ("Plan Date") pursuant to a resolution passed on the same date to grant non-voting Class B Units ("Class B Units") which will expire on the later of (i) the sixth anniversary of the Plan Date, or (ii) such date that all Class B Units outstanding are fully vested, settled, lapsed, forfeited or cancelled (as the case may be) (the "US Equity Incentive Plan"). The purpose of the US Equity Incentive Plan is to, through the grant of Class B Units to certain eligible persons, effectively attract, retain and incentivise the core employees and align their interests with the growth of GCL US II as a whole.

Under the US Equity Incentive Plan, the board of directors of GCL US II may grant Class B Units of GCL US II to eligible persons. The aggregate number of Class B Units granted shall not exceed 10% of the fully diluted equity of GCL US II.

The Class B Units granted will be vested in full in three years with one-third to be vested on each of the first, the second and the third anniversary of the Plan Date, respectively.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

No Class B Unit has been issued to Directors of the Company.

Further details of the US Equity Incentive Plan are set out in note 29(III) to the unaudited condensed interim consolidated financial statements for the six months ended 30 June 2017.

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

The Company announced on 15 July 2015 that it proposed to issue an aggregate principal amount of US$225 million of 0.75% convertible bonds due 2019 (the "2019 Convertible Bonds"), the issuance of which was completed on 22 July 2015. The 2019 Convertible Bonds was listed and quoted on the Singapore Stock Exchange with effect from 22 January 2016. At 1 January 2017, the outstanding principal amount of the 2019 Convertible Bonds was US$175 million.

The Company entered into an agreement with the Bondholder to purchase a further US$50 million in the principal amount of the 2019 Convertible Bonds (the "Repurchased Bonds") at the purchase price of US$49,375,000 in cash (the "Partial Buy-back") on 7 April 2017. Completion of the Partial Buy-back ("Completion") took place on 7 April 2017. After the Completion, the Repurchased Bonds were cancelled by the Company and the principal amount of the 2019 Convertible Bonds which remains outstanding amounts to US$125 million.

For the six months ended 30 June 2017, the trustee of the Share Award Scheme pursuant to the trust deed and the Share Award Scheme purchased an aggregate of 222,998,888 shares from the market at a total consideration of approximately HK$195,987,000.

Other than disclosed above, during the six months ended 30 June 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDITOR'S AND AUDIT COMMITTEE'S REVIEW

The financial information set out in this report represents the unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 June 2017, which have been reviewed by the Group's external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants and by 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 Dr. Shen Wenzhong. The Audit Committee expressed no disagreement with the accounting policies and principles adopted by the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

CHANGES IN INFORMATION ON DIRECTORS

Changes in information required to be disclosed by the Directors of the Company pursuant to Rule 13.51(B) of the Listing Rules between 1 January 2017 and 30 August 2017 (being the date of approval of this report) are set out below:

Directors' Updated Biographical Details

Name of Director	Details of Change	Effective Date
Mr, Wong Man Chung, Francis	Appointed as an independent non-executive director of Kunming Dianchi Water Treatment Co., Ltd., the Company's H Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange on 6 April 2017	23 June 2016
	Appointed as an independent non-executive director of Hilong Holding Limited	24 March 2017
	Appointed as an independent non-executive director of China New Higher Education Group Limited	20 March 2017
Mr. Shen Wenzhong	Appointed as an independent non-executive director of Jolywood (Suzhou) Sunwatt Co., Ltd.	12 July 2017

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

As at the date of this report, the following facility agreements contain 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:

On 25 August 2014, the Company (as borrower) entered into the following two new facility agreements with China Development Bank Corporation, Hong Kong Branch (the "Bank", as lender) , each for a term of three years:

i. the facility agreement ("Facility I Agreement") in respect of US$240 million facility (the "Facility I"); and

ii. the facility agreement ("Facility II Agreement") in respect of US$250 million facility (the "Facility II").

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Under the terms of the Facility I Agreement and the Facility II Agreement, it would be a change of control event if at any time (i) Mr. Zhu Gongshan, the Chairman and a director of the Company, ceases to remain as one of the major beneficiaries of a discretionary trust with Credit Suisse Trust Limited as trustee; (ii) such discretionary trust ceases to own 100% interest in (whether directly or indirectly) Asia Pacific Energy Fund Limited; (iii) Asia Pacific Energy Fund Limited ceases to be the single largest shareholder of the Company; or (iv) Mr. Zhu Gongshan ceases to control the Company. If any of the above change of control events occurs, the Bank may, by notice to the Company, immediately cancel the facilities and declare the outstanding principal together with accrued interest and all other amounts accrued under the Facility I Agreement and Facility II Agreement, and all relevant security documents, to be immediately due and payable.

On 17 August 2017, the Company, as borrower and Richmore International Development Limited, GCL Solar Energy Technology Holdings Limited and Universe Solar Energy Holdings Inc., each a wholly-owned subsidiary of the Company, as guarantors, entered into a facility agreement ("Facility Agreement") with various banks relating to a US$200,000,000 (which may be increased up to US$300,000,000 through the accession of additional lenders, subject to the consent of the Company) syndicated term loan facility ("Loan Facility"). The Loan Facility is scheduled to be fully repaid within 36 months after the first loan is made under it.

Under the terms of the Facility Agreement, a "Change of Control" would occur if Mr. Zhu Gongshan (and his family) (a) is no longer the single largest shareholder of the Company, or (b) no longer has management control over the Company.

A Change of Control will trigger an obligation of mandatory prepayment under the Facility Agreement and all amounts outstanding under the Facility Agreement to any lender would become immediately due and payable in full on demand by the agent on behalf of such lender.

Up to the date of this report, the above obligations continue to exist.

CORPORATE INFORMATION

CHAIRMAN

Zhu Gongshan

CHIEF EXECUTIVE OFFICER

Zhu Zhanjun

EXECUTIVE DIRECTORS

Zhu Gongshan
Zhu Zhanjun
Ji Jun
Zhu Yufeng
Sun Wei
Yeung Man Chung, Charles *(Chief Financial Officer and Company Secretary)*
Jiang Wenwu
Zheng Xiongjiu

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ho Chung Tai, Raymond
Yip Tai Him
Shen Wenzhong
Wong Man Chung, Francis

COMPOSITION OF BOARD COMMITTEES

Audit Committee

Yip Tai Him *(Chairman)*
Ho Chung Tai, Raymond
Shen Wenzhong

Remuneration Committee

Ho Chung Tai, Raymond *(Chairman)*
Yip Tai Him
Zhu Yufeng

Nomination Committee

Yip Tai Him *(Chairman)*
Ho Chung Tai, Raymond
Yeung Man Chung, Charles

Corporate Governance Committee

Ho Chung Tai, Raymond *(Chairman)*
Yip Tai Him
Yeung Man Chung, Charles

Strategy & Investment Committee

Ho Chung Tai, Raymond *(Chairman)*
Zhu Gongshan
Yip Tai Him
Shen Wenzhong
Wong Man Chung, Francis
Zhu Zhanjun
Ji Jun
Yeung Man Chung, Charles

COMPANY SECRETARY

Yeung Man Chung, Charles

AUTHORIZED REPRESENTATIVES

Zhu Zhanjun
Yeung Man Chung, Charles

AUDITOR

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

REGISTERED OFFICE

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

CORPORATE INFORMATION (CONTINUED)

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

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman, KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong law

Freshfields Bruckhaus Deringer
11th Floor
Two Exchange Square
Hong Kong

Hebert Smith Freehills
23rd Floor
Gloucester Tower
15 Queen's Road Central
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