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 2018

Bringing
GREEN POWER
To Life

CONTENTS

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	Change RMB'000	% of change
Continuing operations				
Revenue				
Sales of wafer	**6,993,557**	8,425,343	(1,431,786)	–17.0%
Sales of electricity	**2,955,691**	2,075,477	880,214	42.4%
Sales of polysilicon	**518,551**	505,421	13,130	2.6%
Processing fees	**412,829**	278,584	134,245	48.2%
Others (mainly comprising the sales of ingots and modules)	**150,952**	112,430	38,522	34.3%
	11,031,580	11,397,255	(365,675)	–3.2%
Continuing operations				
Profit attributable to owners of the Company	**382,013**	1,195,887	(813,874)	–68.1%

	RMB Cents	RMB Cents	Change RMB Cents	% of change
Continuing operations				
Earnings per share				
– Basic	**2.08**	6.45	(4.37)	-67.8%
– Diluted	**2.08**	6.31	(4.23)	-67.0%

	RMB million	RMB million	Change RMB million	% of change
Continuing operations				
Adjusted EBITDA*	**4,671**	4,615	56	1.2%

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

FINANCIAL HIGHLIGHTS (CONTINUED)

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)	Change RMB'000	% of change
Extracts of unaudited condensed consolidated statement of financial position				
Equity attributable to owners of the Company	**22,909,154**	22,775,217	133,937	0.6%
Total assets	**111,694,968**	107,279,898	4,415,070	4.1%
Bank balances and cash, pledged and restricted bank deposits and pledged deposit at a related party	**13,079,801**	15,580,091	(2,500,290)	-16.0%
Indebtedness (bank and other borrowings, obligations under finance leases, notes and bonds payables, convertible bonds payables, and loans from a related party)	**61,305,113**	58,196,195	3,108,918	5.3%
Key financial ratios				
Current ratio	**0.67**	0.72	(0.05)	-6.9%
Quick ratio	**0.63**	0.69	(0.06)	-8.7%
Net debt to equity attributable to owners of the Company	**210.5%**	187.1%	23.4%	N/A

CHAIRMAN'S STATEMENT

During the first half of 2018, GCL-Poly Energy Holdings Limited ("GCL-Poly" or the "Company" and together with its subsidiaries, the "Group") has made fruitful work in technological innovation and industrial layout. Leveraging its leading edges in the industry, it joined hands with peers in the photovoltaic ("PV") industry to promote the transformation and upgrade of the PV industry and green development, contributing to the early realization of grid-parity of the PV industry.

BUSINESS REVIEW FOR THE FIRST HALF OF 2018

During the first half of 2018, GCL-Poly's total production of polysilicon and wafer were 35,374 MT and 13.2 GW respectively, ranking first in the world again. As of 30 June 2018, GCL-Poly recorded a revenue of RMB11,031.6 million, representing a decrease of 3.2% as compared with the same period in 2017; gross profit was approximately RMB3,327.1 million, representing a decrease of 11.0% as compared with the same period in 2017; profit from continuing operations attributable to owners of the Company amounted to approximately RMB382.0 million and basic earnings per share were approximately RMB2.08 cents.

During the period, GNE's total PV installed capacity was approximately 7,139MW, an increase of 19% as compared with that at 31 December 2017. Total revenue from PV power generation business was approximately RMB2,704 million, representing an increase of 49% as compared with the same period in 2017. Profit attributable to shareholders of the GNE Group amounted to approximately RMB345.2 million and basic earnings per share were approximately RMB1.81 cents.

PHOTOVOLTAIC POWER GENERATION TO BECOME THE TOP ALTERNATIVE ENERGY SOURCE

Under the guidance of the green and low-carbon development concept, through the joint efforts of global PV community over the years, photovoltaic power generation has become the world's fastest-growing renewable energy source, and the consensus for it becoming the top alternative energy source is taking shape. Photovoltaic power generation will become a universal energy source, and the triple benefits of energy value, low carbon value and environmental value have become the first driving force for global energy transformation, after more and more countries and regions have solved the economic bottleneck with grid-parity. After 2020, there will be a huge wave of "global grid-parity cycle" in the global PV industry.

Cooperation, innovation, and win-win, especially the international division of labor and collaboration, have promoted rapid upgrade of technologies in the PV industry, significant reduction in costs, and constant expansion of the application market. With the speedy growth, the global PV industry develops in a more and more standardized and orderly manner. At the new node of the development of PV industry in 2018, from the global perspective, the global PV installed capacity is expected to continue to maintain a steady growth. As the Chairman of the Global Solar Council, I am deeply proud of all PV industry players.

CHINA'S PV INDUSTRY USHERS IN TRANSFORMATION AND UPGRADE

In recent years, the PV manufacturing scale, industrialization technology level, and application market expansion of China rank the highest in the world. It has become one of the few strategic emerging industries in China that can simultaneously be internationally competitive and reach the leading international level.

On 31 May, 2018, the National Development and Reform Commission (NDRC), the Ministry of Finance, and the National Energy Administration (NEA) jointly issued the *Notice on Matters Related to Photovoltaic Power Generation in 2018* ("531 PV New Policy"). After the release of the 531 PV New Policy, China's PV industry will enter a deep adjustment period, with the speed up of industrial clearing, elimination of backward capacity, to ensure the balanced and rational development of the entire industry, and provide room for sustainable development of high-quality and low-cost capacity, laying a solid foundation for grid-parity.

In the future, the market will be fully adjusted, and technological upgrades will continue to reduce the cost of the entire PV industry chain. Advantaged enterprises already have the ability to survive without subsidies, and are just one step away from grid-parity. The domestic market opportunities will not be eliminated due to the 531 PV New Policy but will be captured by enterprises with stronger strengths and better products.

GCL-POLY SEEKING INNOVATION AND DIVERSIFICATION WHILE MAINTAINING STEADY DEVELOPMENT

GCL-Poly is actively responding to the national policy, taking multi-pronged approach to effectively respond to market changes, staying in the forefront of the industry during the transition period. During the period, GCL-Poly made a forward-looking development strategy in terms of market strategy and technological innovation. The construction progress of GCL-Poly Xinjiang polysilicon base is on schedule, and the first phase is expected to be put into operation in the third quarter of this year. Together with the capacity of Xuzhou base, GCL-Poly aims to build a double-base for high-quality silicon materials with cost advantage, and become one of the polysilicon manufacturers with lowest production cost in the world. GCL-Poly adheres to the market-oriented product and "Dual track Mono-Si and Multi-Si" market strategy. With sustained technological innovations, it further improves the efficiency, reduce costs, and provides high-quality products to the market.

In the capital market, GCL-Poly always focuses on shareholder value. In the annual general meeting in May 2018, the buy-back mandate was approved by the shareholders. Since June, GCL-Poly has made a total of 8 round of share buy-backs, totaling 262,424,000 shares. Continuous share repurchases effectively increased the Company's earnings per share and maximized shareholders' interests, as well as demonstrated GCL-Poly's confidence in the Company's development and growth potential.

FORGING AHEAD AND WELCOMING THE ERA OF PV PARITY

The 24th United Nations Climate Change Conference will be held in Poland on 3 December this year. It is expected that leaders will discuss the outcome of the *Paris Agreement* and the direction of energy structure development in the next step. In recent years, under the guidance of the *United Nations Framework Convention on Climate Change* and the *Paris Agreement*, various countries' development and the scale of investment in clean energy are expanding, and the global PV industry presents the upward momentum of development. The European Photovoltaic Industry Association (SolarPower Europe) predicts that there will be 14 countries and regions with PV installed capacity of GW level by the end of the year. In 2018, China's installed capacity is still leading the world. Many emerging markets in India, Europe and other continents will see strong growth, and solar energy is gradually becoming an important pillar of the future energy system.

In July this year, Premier Li Keqiang and the EU signed the *China-EU Leaders' Joint Statement on Climate Change and Clean Energy*, which demonstrates the firm determination to promote low greenhouse gas emissions and sustainable development worldwide. Although the 531 PV New Policy has had a short-term impact on the PV industry, the introduction of the 531 PV New Policy will certainly facilitate the quality and efficiency upgrade of the industry, and the speed up of the process of grid-parity. We expect China to enter the era of parity gradually in the second half of 2019.

Under the backdrop of the periodical policy adjustment of the PV industry and the changes of the international environment, GCL-Poly objectively understands the role of PV clean energy in promoting sustainable development of human beings, and strengthens confidence in development, and is committed to the innovation of PV products and technological upgrade while consolidating its market leadership. GCL-Poly boasts a sound management team, who will grasp the pulse of the PV market development in the future, continuously improve the efficiency of internal management and operation, and strengthen communication with financial institutions. As the industry's forerunner in the era of industrial upgrade, GCL-Poly will provide cost-effective products to the market, bringing green energy to thousands of households.

Finally, I sincerely thank the Company's Board of Directors, management team and all staff for their hard work in the first half of 2018. I am deeply grateful to the Company's shareholders and partners for their powerful support.

CEO'S REVIEW OF OPERATIONS AND OUTLOOK

CEO REVIEW AND OUTLOOK

On behalf of the management of the Company, I hereby announce the following results achieved by GCL-Poly in the first half of 2018: as of 30 June 2018, GCL-Poly recorded revenue of RMB11,031.6 million, representing a 3.2% decrease as compared with the same period in 2017; gross profit was approximately RMB3,327.1 million, representing a 11.0% decrease as compared with the same period in 2017; profit attributable to shareholders of the Company amounted to approximately RMB382.0 million and basic earnings per share were approximately RMB2.08 cents. In the first half of 2018, the Company completed a total production of 35,374MT, internal sales of 28,989MT and external sales of 5,237MT of polysilicon, and a total production of 13,239MW and sales of 12,098MW of wafer, ranking the first in the world in terms of both production volumes of polysilicon and wafer.

GNE has developed steadily in 2018. As of 30 June 2018, GNE's total grid-connected installed capacity was 6,108MW, an increase of 46% as compared with the same period of last year. In terms of performance, GNE's total revenue in the first half of 2018 was approximately RMB2,704 million, up by 49% period on period. Profit attributable to shareholders of the GNE Group amounted to approximately RMB345.2 million and basic earnings per share were approximately RMB1.81 cents.

BUILDING A HIGH-QUALITY AND LOW COST POLYSILICON DUAL-BASE

The first phase of GCL-Poly's polysilicon base in Xinjiang will be put into operation in the third quarter of this year. In line with the Company's expansion plan announced last year, the capacity of the polysilicon base in Xinjiang will increase from 40,000 tons to 50,000 tons without increasing the originally planned capital expenditure. With the advantages of low electricity cost in Xinjiang, GCL Xinjiang polysilicon base will become the world's leading low-cost, high-quality polysilicon production base for modified Siemens method polysilicon manufacturing. With full capacity for monosilicon wafer production, they will replace import products in the future.

After the commencement of the operation of the polysilicon base in Xinjiang, it will make new ground for a polysilicon dual-base together with current Xuzhou base. At the same time, the cost of polysilicon in the Xuzhou base will continue to decline due to system optimization and energy consumption reduction. In the end, the cost will be relatively lower compared with last year.

DIVERSIFIED PRODUCTS SATISFYING MARKET DEMANDS FOR MONOSILICON AND POLYSILICON

As the world's most influential and competitive silicon supplier, GCL-Poly adjusts its capacity timely to meet the different market needs for monosilicon and polycrystalline products. It will continue to increase investment in research and development of high-efficiency polysilicon wafers, and further reduce the production cost of polysilicon wafers and improve the cost performance of products through continuous process optimization and efficiency improvement.

GCL-Poly's technical transformation of diamond-wire sawing polysilicon wafers was completed at the end of 2017. Combined with "black silicon" technology, it has significantly improved the efficiency of polycrystalline cells. The monosilicon ingot technology that GCL has reserved for many years will usher in the marketization. After the "diamond-wire sawing + black silicon", the monosilicon ingot wafers will also become differentiated products that have a significant impact on the market. Compared with ordinary CCz constant czochralski monosilicon, it has strong competitiveness in terms of cost performance. Ingot monosilicon wafers can be better compatible with downstream terminal products and their platform technology can freely apply battery and component technologies such as half-cell, solar shingles, and double-sided dual glass. Without unfilled corners, the half-cell component is more appealing in appearance. In addition, GCL-Poly's Ningxiang plant, which produces traditional monosilicon, has completed the technical reserve of N-type monosilicon products, and the quality of high-efficiency monosilicon wafers has reached the market-leading level.

In the future, GCL-Poly will always adhere to the "Dual-track Mono-Si and Multi-Si" market strategy, and join hands with other PV industry players to promote the upgrade of the PV industry.

ADHERING TO TECHNOLOGICAL INNOVATION AND CONTINUING TO UPGRADE AND TRANSFORM

Technological innovation has always been the core competitiveness of GCL-Poly. In 2017, after acquiring leading technologies of SunEdison's fifth-generation CCz constant czochralski monosilicon technology and FBR silane fluidized bed, GCL-Poly has become the only PV company with technologies of CCz constant czochralski monosilicon technology and FBR silane fluidized bed at the same time in the world. Since high-quality FBR granular silicon can be used as the best material for CCz, the two technologies complement each other. Compared with the current mainstream application of RCz Recharged Czochralski, CCz technology can greatly improve production efficiency and reduce overall production costs. During the period, through the localization of equipment and implementation of technologies, FBR fluidized bed granular silicon technology has achieved small batch production.

During the period, GCL-Poly successfully achieved the goal of technical transformation. Without the purchase of new equipment, GCL-Poly optimizes crystal structure through thermal field modification. GCL-Poly continued to optimize the maturity of diamond wire sawing technology, and combined with wet black silicon technology to achieve the substantial results of cost reduction and efficiency enhancement of silicon wafer.

In addition to the monosilicon capacity of the joint venture with Tianjin Zhonghuan Semiconductor Co., Ltd., GCL-Poly has gradually improve its monosilicon ingot capacity during the reporting period. Monosilicon ingot wafers have higher conversion efficiency than polysilicon wafers, and lower cost than ordinary czochralski monosilicon wafers. As such, the monosilicon ingot wafers will become a new differentiated product from GCL-Poly.

METICULOUSLY EXAMINING THE MARKET CONDITIONS AND ACTIVELY PLANNING TO GRASP THE NEW OPPORTUNITIES OF THE PV INDUSTRY

Despite the short-term impact of the 531 PV New Policy on the industry, it will lead to a better performance for companies like GCL-Poly, which has rich technology reserves or strong abilities to grasp opportunities in the long run. Therefore, we always maintain our confidence in the sustainable development of the PV industry. The Company quickly implemented various effective initiatives, adjusted production plans in advance and introduced various refined management measures, including production by demand, formulation of flexible pricing strategies, control of product inventory, and strict control of accounts receivable to ensure effectively minimize the impact of the 531 PV New Policy. With abundant cash and efficient management, we maintain our silicon and wafer capacity at a higher level, while controlling inventory at a lower level. In July, as the operating rate and demand of downstream customers recovered, the prices of silicon and silicon wafer bottomed out and rebounded. We believe that with our advantages of leading technologies, highly cost-effective products and diversified layout, GCL-Poly is well-equipped to embrace the new opportunities brought about by industry integration.

GNE SEIZING MARKET OPPORTUNITIES WITH DIVERSIFIED DEVELOPMENT

GNE has developed steadily in 2018. As of 30 June 2018, GNE's total grid-connected installed capacity was 6,108MW, an increase of 46% as compared with the same period of last year. GNE's total revenue in the first half of 2018 was approximately RMB2,704 million, up by 49% period on period. Profit attributable to shareholders of the GNE Group amounted to approximately RMB345.2 million and basic earnings per share were approximately RMB1.81 cents.

GNE focuses on domestic business, while actively exploring overseas markets at the same time. During the reporting period, GNE formed alliances with domestic and foreign enterprises to accelerate the internationalization of PV business, and strived to deepen the work of PV poverty alleviation and "Frontrunner" projects. GNE adopted a diversified innovative financing model at the holding and regional company level to fully improve its comprehensive financing ability and effectively reduce the debt level of the company. GNE actively established strategic partnerships with large stated-owned enterprises, obtaining financing advantages through win-win co-operation. GNE focused on planning and developing reserve work in areas with distinctive advantages in terms of land conditions, capital costs, and accepting conditions, and appropriately reserved certain project resources at a lower cost. GNE will continue to rely on its competitive edges to allocate resources prudently, focus on overseas markets with abundant resources, mature standards, and reasonable risks, and form strong alliances with internationally influential partners and financial institutions to seek for projects with high return potential and low risk.

OUTLOOK

According to the latest data from the National Energy Administration (NEA), China's new PV installations recorded more than 24 GW in the first half of the year. Based on to the recent data from the China Photovoltaic Industry Association (CPIA), China's PV industry chain accounts for more than 50% of global production in all segments. Domestic polysilicon production in the first half of 2018 was approximately 140,000 tons, recording a year-on-year increase of 24%. The implementation of the 531 PV New Policy will inevitably affect China's new installed capacity in the short term. However, in the long run, it will promote the healthy and orderly development of the PV industry. At present, overseas markets maintains a healthy and rapid growth, especially in emerging markets including India, Turkey, Saudi Arabia, the Middle East, South America and Southeast Asia, where the demand for photovoltaics is particularly strong. Among them, the cost of a 300MW solar power station bidding in Saudi Arabia is 2.34 US cents per kilowatt hour, becoming the world's lowest cost solar power station. The overseas market share of Photovoltaics keeps growing, which is conducive to the long-term balanced and sustainable development of the PV and silicon materials markets. With expanded capacity, continuously optimized cost structure and high product quality, GCL-Poly is confident in benefiting from the growth of the industry continuously.

GCL-Poly will closely stay tuned with the market demand and continue to implement the "Dual track Mono-Si and Multi-Si" market strategy and continuously enhance our core competitiveness in terms of technological innovation, efficient product development and promotion, lean production and cost control. At the same time, GCL-Poly will capitalize on our industry-leading position to further expand to the regional markets along the Belt and Road, form strategic alliances with well-established companies, complement each other and achieve a win-win situation. GCL-Poly will also continue to deepen its cooperation with financial institutions, promote joint financial innovation work and further optimize our assets liabilities as well as financing structures.

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 first half of 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 period under review, solar industry has faced serious challenges in China as a result of the sudden Chinese government policy change to reduce solar subsidies and uncertainty over international trade. It is expected that the reduced solar subsidies will slow the growth of domestic solar generation and will lead to an oversupply in China and created downward pressure on the selling price of solar product. The business and financial performance of the Group for six months ended 30 June 2018 had affected accordingly.

RESULTS OF THE GROUP

For the six months ended 30 June 2018, the revenue, gross profit of the Group and profit attributable to the owners of the Company from continuing operations were approximately RMB11,032 million, RMB3,327 million and RMB382 million, respectively, representing a decrease of 3.2%, 11.0% and 68.1% respectively as compared with approximately RMB11,397 million, RMB3,736 million and RMB1,196 million in the corresponding period in 2017. No discontinued operation was recorded during the period. For the six months ended 30 June 2017, profit attributable to owners of the Company from both continuing operations and discontinued operations amounted to approximately RMB1,193 million.

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.

GCL New Energy Holdings Limited ("GNE Group or GNE") is a listed company in HK (Stock code: 0451). 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.

For illustrative purpose, if excluding GNE Group and recognising the costs of investment in GNE, the perpetual notes receivable from GNE as non-current assets and inter-company balance with GNE, the effect of de-consolidated GNE Group as at 30 June 2018 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	111,695	58,243	(5,156)	58,608
Total liabilities	84,015	48,961	(831)	35,885
Net current liabilities	14,398	9,054	(132)	5,476
Indebtedness				
Bank and other borrowings	49,615	31,973	–	17,642
Loan from the Company	–	728	(728)	–
Obligations under finance leases	1,108	–	–	1,108
Notes and bonds payables	7,855	3,901	–	3,954
Convertible bonds payables	1,069	192	–	877
Loans from a related party	1,658	578	–	1,080
Subtotal	61,305	37,372	(728)	24,661
Bank balances and cash, pledged and restricted bank deposits	12,959	3,551	–	9,408
Pledged deposits at a related company	121	22	–	99
Subtotal	13,080	3,573	–	9,507
Net debt	48,225	33,799	(728)	15,154

Note:

De-consolidation adjustments included:

1. The Group's cost of investment in GNE amounted to RMB2,365,304,000
2. The GNE's perpetual notes of RMB1,800,000,000 subscribed by the subsidiaries of the Group
3. The transaction balances with GNE Group, mainly included loan to GNE Group of RMB727,826,000, amount due from GNE Group, net and other eliminations

As at 30 June 2018, certain subsidiaries of the Company guaranteed bank and other borrowings of certain subsidiaries of GNE which amounted to RMB3,755 million.

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 of America 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 2018			Six months ended 30 June 2017		
	Revenue RMB million	**Segment profit RMB million**	**Adjusted EBITDA[3] RMB million**	Revenue RMB million	Segment profit RMB million	Adjusted EBITDA[3] RMB million
Solar Material Business	**8,065**	**256**	**1,979**	9,317	789	2,860
Solar Farm Business	**263**	**68**	**223**	268	67	230
Corporate[1]	**N/A**	**N/A**	**11**	N/A	N/A	(121)
Sub-total	**8,328**	**324**	**2,213**	9,585	856	2,969
New Energy Business[2]	**2,704**	**466**	**2,458**	1,812	537	1,646
Total	**11,032**	**790**	**4,671**	11,397	1,393	4,615

1. The corporate items that are not a reportable segment primarily included unallocated income, unallocated expenses and elimination of inter-segment transactions.

2. The segment profit of the new energy business includes reported net profit of GNE Group of approximately RMB489 million (six months ended 30 June 2017: RMB552 million) and allocated corporate expenses of approximately RMB23 million (six months ended 30 June 2017: RMB15 million).

3. Calculation of the adjusted EBITDA is detailed in the Financial Review Section in this report.

BUSINESS REVIEW

Solar Material Business

Production

The Group's solar material business belongs to the upstream of the solar supply chain, which supplies polysilicon and wafer to companies operating in the solar industry. Polysilicon is the primary raw material used in the solar wafer production. In addition, the Group produces wafer by mainly 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 2018, the Group's polysilicon annual production capacity was remained at 70,000 MT. During the six months ended 30 June 2018, the Group operated its polysilicon business at full capacity and produced approximately 35,374 MT of polysilicon, representing a decrease of 8.7% as compared to 38,747 MT for the corresponding period in 2017.

During the six months ended 30 June 2018, the Group's annual wafer production capacity was remained at 30 GW. During the six months ended 30 June 2018, the Group produced approximately 13,239 MW of wafers (including processing business with supplied materials), representing an increase of 24.9% from 10,599 MW for the corresponding period in 2017.

Expansion of polysilicon production capacity

During the period ended 30 June 2018, the Group has commenced the construction of a plant to produce polysilicon with a production capacity of 60,000 tonnes in Xinjiang, the Peoples' Republic of China (the "PRC") (the "Project"), which will comprise 40,000 tonnes new facilities and approximately 20,000 tonnes existing facilities to be relocated to Xinjiang from Xuzhou.

It is expected that the construction of the first phase of 20,000 tonnes facility will be completed by the third quarter of 2018 and the second phase of the 20,000 tonnes facility will be completed by the end of 2018. The expected completion of the relocation of the 20,000 tonnes existing Xuzhou facilities, being the final phase of the Project, is scheduled for the end of 2020, which is subject to the prevailing market conditions.

The Group believed that upon the completion of the Project by 2020, it will be able to ramp up annual polysilicon production capacity of the Group from 70,000 tonnes to 115,000 tonnes to meet the increasing demand for polysilicon. It is expected that the relative low tariff and energy costs in Xinjiang will also contribute to the reduction of the production cost of polysilicon and enhance the competitiveness of the Company.

Diamond wire sawing technology transformation and black silicon technology

During the period ended 30 June 2018, as diamond wire sawing technology being fully applied, the cost of wafer production has been reduced substantially. Our black silicon wet texturing project using diamond wire sawn polysilicon wafers has commenced full production. This will promote the marketing of diamond wire sawn polysilicon wafers and improve the efficiency of wafers, and will also promote our customers to utilize diamond wire sawn wafers in large scale.

Sales Volume and Revenue

For the six months ended 30 June 2018, the Group sold 5,237 MT of polysilicon and 12,098 MW of wafer (including processing business with supplied materials), representing an increase of 7.1% and 14.0% respectively, as compared with 4,888 MT of polysilicon and 10,611 MW of wafer for the corresponding period in 2017.

The average selling prices of polysilicon and wafer were approximately RMB99.0 (equivalent to US$15.4) per kilogram and RMB0.700 (equivalent to US$0.110) per W respectively for the six months ended 30 June 2018. The corresponding average selling prices of polysilicon and wafer for the six months ended 30 June 2017 were approximately RMB103.4 (equivalent to US$15.1) per kilogram and RMB0.891 (equivalent to US$0.130) per W respectively.

Revenue from external customers of our solar materials business amounted to approximately RMB8,064 million, representing a decrease of 13.4% from RMB9,317 million for the corresponding period in 2017. The decrease in revenue was primarily due to decreased in the average selling price of wafer, partly offset by its growth in sales volume.

Cost and Segment Profit

The Group's polysilicon and wafer production costs mainly depend on its ability to control raw material costs, lower energy consumption, achieve economies of scale in its operations and streamline production processes. During the six months ended 30 June 2018, the Group continued to make effort on cost reduction and control measures.

The segment profit of our solar material business for the six months ended 30 June 2018 was decreased to RMB256 million as compared with segment profit of RMB789 million in the corresponding period in 2017. The decrease was mainly driven by the decrease in the average selling price of wafer, partly offset by the effect of reduction of production costs.

Solar Farm Business

Overseas Solar Farms

As at 30 June 2018, the Solar Farm Business includes 18 MW of solar farms in the United States. Besides, there are 150 MW solar farms in South Africa, which were partnered with CAD Fund, with its total effective interest of 9.7% is owned by the Group.

PRC Solar Farms

As at 30 June 2018, the Solar Farm Business also includes 10 solar farms in the PRC and its installed capacity and attributable installed capacity were remained at 353.0 MW and 289.3 MW, respectively.

Sales Volume and Revenue

For the six months ended 30 June 2018, the electricity sales volume of Solar Farm Business in overseas and the PRC were 16,236 MWh and 253,623 MWh respectively (six months ended 30 June 2017: 15,741 MWh and 267,160 MWh, respectively).

For the six months ended 30 June 2018, revenue for Solar Farm Business was approximately RMB263 million (six months ended 30 June 2017: RMB268 million).

New Energy Business

As at 30 June 2018, the Group owns 11,880 million shares of GNE (approximately 62.28% of GNE's issued capital).

Capacity and Electricity Generation

As at 30 June 2018, the aggregated installed capacity of the 211 grid-connected solar farms of the GNE Group (31 December 2017: 162) increased by 19% to 7,139 MW (31 December 2017: 5,990 MW). Details of capacity, electricity sales volume and revenue for the period ended 30 June 2018 are set out below.

Places	Tariff zones	Number of solar farm	Aggregate Installed Capacity[1] (MW)	Grid-connected Capacity[1] (MW)	Electricity Sales Volume (million kWh)	Average Tariff (Net of Tax) (RMB/kWh)	Revenue (RMB million)
Subsidiaries							
Inner Mongolia	1	12	380	380	329	0.73	240
Ningxia	1	6	234	228	155	0.72	111
Qinghai	1	3	107	107	85	0.84	71
Xinjiang	1	2	80	80	58	0.68	40
Subtotal	Zone 1	23	801	795	627	0.74	462
Shaanxi	2	15	865	865	544	0.69	375
Yunnan	2	8	280	126	77	0.66	50
Hebei	2	5	253	230	161	0.86	138
Qinghai	2	4	145	145	110	0.72	79
Inner Mongolia	2	3	120	18	–	–	–
Shanxi	2	1	100	93	35	0.52	18
Sichuan	2	2	85	85	65	0.83	54
Liaoning	2	3	60	43	31	0.70	22
Gansu	2	2	55	25	14	0.75	11
Jilin	2	4	51	51	25	0.80	20
Xinjiang	2	1	22	22	12	0.68	8
Subtotal	Zone 2	48	2,036	1,703	1,074	0.72	775

Places	Tariff zones	Number of solar farm	Aggregate Installed Capacity[1] (MW)	Grid-connected Capacity[1] (MW)	Electricity Sales Volume (million kWh)	Average Tariff (Net of Tax) (RMB/kWh)	Revenue (RMB million)
Henan	3	17	821	581	327	0.72	235
Anhui	3	12	405	405	237	0.77	183
Jiangsu	3	38	449	375	194	0.84	162
Shanxi	3	9	414	382	259	0.76	197
Hubei	3	5	269	264	153	0.77	118
Hebei	3	9	244	229	154	0.96	148
Guizhou	3	6	234	180	97	0.82	79
Hunan	3	4	214	213	107	0.80	85
Guangdong	3	7	199	91	47	0.80	38
Jiangxi	3	5	192	181	94	0.96	90
Shandong	3	6	181	181	104	0.81	85
Guangxi	3	3	160	89	34	0.84	28
Hainan	3	3	80	51	34	0.86	29
Zhejiang	3	3	62	62	32	0.94	30
Fujian	3	2	50	22	9	0.81	8
Shanghai	3	1	7	7	4	1.06	4
Shaanxi	3	1	6	6	2	0.64	1
Subtotal	Zone 3	131	3,987	3,319	1,888	0.81	1,520
		202	6,824	5,817	3,589	0.77	2,757
US		2	133	109	61	0.30	18
Japan		1	4	4	2	2.22	4
Subsidiaries total		205	6,961	5,930	3,652	0.76	2,779
Joint ventures[3]							
PRC		3	173	173	110	0.85	93
Japan		3	5	5	3	2.15	7
Total		211	7,139	6,108	3,765	0.77	2,879
Representing:							
Electricity sales							1,070
Tariff adjustment – government subsidies received and receivable							1,709
Total of subsidiaries							2,779
Less: effect of discounting tariff adjustment receivables to present value[2]							(75)
Total revenue of the GNE Group							2,704

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

(2) Certain portion of the tariff adjustment (government subsidies) receivables will be recovered after twelve months from the reporting date. The tariff adjustment receivables are discounted at an effective interest rate ranging from 3.06% to 3.49% per annum.

(3) Revenue from joint venture solar farms was accounted for under "Share of Profits of Joint Ventures" in the consolidated statement of profit and loss and other comprehensive income.

Most of the solar farms of the GNE Group are located in China and almost all of the electricity are sold to the subsidiaries of State Grid. The State Grid is a State-owned enterprise in China, which possesses low default risk. Therefore, the Directors considered that the credit risk was minimal and no provision for impairment was considered necessary for the period ended 30 June 2018 and for the year ended 31 December 2017.

Revenue

During the six months ended 30 June 2018, the revenue of the GNE Group mainly comprised sales of electricity and related tariff adjustment (i.e. government subsidies) amounting to approximately RMB2,779 million (six months ended 30 June 2017: RMB1,850 million), net of effect of discounting the tariff receivables to its present value of approximately RMB75 million (six months ended 30 June 2017: RMB38 million). The significant increase in revenue was mainly attributable to the increase in sales of electricity of the solar farms by 59% as a result of intensive developments of solar farms in the first half of 2018 and the second half of 2017. The average tariff (net of tax) for PRC was approximately RMB0.76/kWh (2017: RMB0.80/kWh). The decrease in average tariff was mainly due to the tariff cut adopted from 1 July 2017 and competitive bidding tariff for some of our projects.

In terms of revenue generated by tariff zone, for the six months ended 30 June 2018, approximately 17%, 28% and 55% of revenue were generated from zone 1, zone 2 and zone 3 respectively (2017: 21% for zone 1, 26% for zone 2 and 53% for zone 3). In consistent with our prevailing strategy, the Group focused more on developing solar farms in well-developed areas with strong domestic power demand (i.e. zone 2 and zone 3) to minimize the grid curtailment risk in zone 1 area and the impact from competitive bidding in some of the regions.

Gross Profit

The gross margin of the GNE Group for the six months ended 30 June 2018 was 68.7%, as compared to 70.8% for the six months ended 30 June 2017. The decrease in gross margin was mainly due to tariff cut for the projects connected to the grid after 30 June 2017.

Financial resources of GNE Group

For the six months ended 30 June 2018, the GNE Group's main source of funding was cash generated from financing activities amounting to RMB434 million, which mainly included the net effect of newly raised bank and other borrowings of RMB4,183 million and repayment of bank and other borrowings of RMB4,381 million.

The net cash from operating activities during the six months ended 30 June 2018 was RMB321 million which was mainly attributable to the cash received from trade and tariff receivables.

The net cash used in investing activities during the six months ended 30 June 2018 was RMB2,851 million which primarily arose from payments and deposit paid for the acquisition and development of solar power plant projects.

Outlook

A fair review of the Group's outlook and likely future developments of the Group's business is set out in the CEO's Review of Operations and Outlook of this report.

FINANCIAL REVIEW

Continuing operations

Revenue

Revenue for the six months ended 30 June 2018 amounted to approximately RMB11,032 million, representing a decrease of 3.2% as compared with approximately RMB11,397 million for the corresponding period in 2017. The decrease was mainly driven by lower revenue in solar material business resulting in a decrease of average selling price of wafer products, partly offset by the effects of the increase in sales volume of wafer and growth in revenue from GNE Group.

Gross Profit Margin

The Group's overall gross profit margin for the six months ended 30 June 2018 was 30.2%, as compared with 32.8% for the corresponding period in 2017.

Gross profit margin for the solar material business decreased from 24.6% for the six months ended 30 June 2017 to 16.2% for the six months ended 30 June 2018. This was mainly due to decreased in the average selling price of wafer products, partly offset by the reduction of production costs.

Solar farm business has a gross profit margin of 55.5% for the six months ended 30 June 2018, 2.3% higher than the corresponding period in 2017.

The gross profit margin for the new energy business was 68.7% for the six months ended 30 June 2018 and 70.8% for the corresponding period in 2017. The decrease in gross profit margin was mainly due to tariff cut for the projects connected to the grid after 30 June 2017.

Other Income

Other income rose from RMB295 million to RMB387 million for the six months ended 2018. This was mainly due to the increase in government grants and imputed interest on discounting effect on tariff adjustment receivable from GNE Group.

Distribution and Selling Expenses

Distribution and selling expenses amounted to approximately RMB51 million for the six months ended 30 June 2018. This was RMB2 million lower compared with the corresponding period in 2017.

Administrative Expenses

Administrative expenses amounted to approximately RMB861 million for the six months ended 30 June 2018, decreased by 1.8% as compared with approximately RMB877 million for the corresponding period in 2017.

Other Expenses, Gains and Losses, Net

The other expenses, gains and losses represents net expenses of RMB762 million for the six months ended 30 June 2018 (six months ended 30 June 2017: net expenses of RMB263 million). This included research and development costs of approximately RMB357 million (six months ended 30 June 2017: RMB246 million), loss on fair value change of convertible bonds payable of approximately RMB45 million (six months ended 30 June 2017: RMB53 million), impairment loss on goodwill approximately RMB75 million (six months ended 30 June 2017: nil), net exchange loss of approximately RMB239 million (six months ended 30 June 2017: RMB16 million) and loss on deemed disposal of an associate of approximately RMB78 million (six months ended 30 June 2017: nil).

Finance Costs

Finance costs for the six months ended 30 June 2018 were approximately RMB1,590 million, increased by 39.1% as compared with approximately RMB1,143 million for the corresponding period in 2017. This was mainly due to the significant increase in average borrowing balance in GNE Group as a result of the capital expenditure for expansion of solar farms.

Share of Profits of Joint Ventures and Associates

The Group's share of profits of associates for the six months ended 30 June 2018 was approximately RMB44 million, which was mainly contributed by an associate of Inner Mongolia Zhonghuan GCL Solar Material Co., Ltd. The Group's share of profits of Joint Ventures for the six months ended 30 June 2018 was approximately RMB14 million as compared with RMB23 million for the corresponding period in 2017.

Income Tax Expense

Income tax expense for the six months ended 30 June 2018 was approximately RMB91 million, representing a decrease of 73.6% as compared with approximately RMB345 million for the corresponding period in 2017. The decrease was mainly due to the decrease in taxable profit during the period.

Profit attributable to Owners of the Company

Profit attributable to owners of the Company from continuing operations amounted to approximately RMB382 million for the six months ended 30 June 2018, representing a decrease of 68.1% as compared with a profit of approximately RMB1,196 million for the corresponding period in 2017.

No discontinued operation was recorded during the period. For the six months ended 30 June 2017, the loss attributable to owners of the Company from discontinued operation and profit attributable to owners of the Company from both continuing operations and discontinued operations amounted to approximately RMB3 million and RMB1,193 million respectively.

Adjusted EBITDA and Adjusted EBITDA Margin

	2018 RMB million (Unaudited)	2017 RMB million (unaudited)
For the six months ended 30 June:		
Profit for the year from continuing operations:	**564**	1,389
Adjust: non-operating or non-recurring items:		
Impairment loss of goodwill	**75**	–
Loss (Gain) on fair value change of convertible bonds receivable	**5**	(13)
Loss on fair value change of convertible bonds payables	**45**	53
Loss on fair value change of held for trading investments	**23**	19
Loss on fair value change of derivative financial instrument	**3**	1
Loss on deemed disposal of an associate	**78**	–
Gain on fair value change of financial assets FVTPL	**(32)**	–
Compensation income arising from shutdown of a power plant	**–**	(155)
Exchange loss, net	**239**	16
	1,000	1,310
Add:		
Finance costs	**1,590**	1,143
Income tax expense	**91**	345
Depreciation and amortization	**1,990**	1,817
Adjusted EBITDA	**4,671**	4,615
Adjusted EBITDA Margin	**42.3%**	40.5%

Property, Plant and Equipment

Property, plant and equipment increased from RMB63,780 million as at 31 December 2017 to RMB68,936 million as at 30 June 2018. The significant increase was mainly attributable to the increase in the total installed capacity of solar-farms in GNE Group from 5,812 MW as at 31 December 2017 to 6,961 MW as at 30 June 2018 and expansion of polysilicon production capacity in Xinjiang.

Deposits, Prepayments and Other Non-current Assets and Contract Assets

Non-current portion for deposits, prepayments and other non-current assets and contract asset increased from RMB6,083 million as at 31 December 2017 to RMB6,986 million as at 30 June 2018.

Contract assets of RMB3,036 million represent unbilled tariff adjustment receivable (government subsidies) yet to obtain approval for registration into the subsidy catalogue. This item in amount of RMB1,836 million was included in "Deposit, prepayment and other non-current assets" in 2017.

The increase was mainly attributable to the increase in tariff adjustments expected to be received after twelve months because some solar farms were waiting for registration into the coming 8th batch or after of subsidies catalogue which is not yet open for registration.

Trade and Other Receivables

Trade and other receivables decreased from RMB14,537 million as at 31 December 2017 to RMB14,288 million as at 30 June 2018. The decreased was mainly due to decrease in trade receivables from solar material business; and partly offset by the net increase in trade receivables from GNE Group.

The following is an aged analysis of trade receivables (other than unbilled), net of allowances for doubtful debts at the end of the reporting period:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Unbilled	**3,212,307**	4,365,887
Within 3 months	**3,904,673**	4,371,045
3 to 6 months	**3,016,778**	5,000,023
Over 6 months	**405,318**	166,600
	10,539,076	13,903,555

Total bills received amounting to RMB5,083,582,000 (31 December 2017: RMB8,159,427,000) are held by the Group for future settlement of trade receivables.

Trade and Other Payables

Trade and other payables increased from RMB19,592 million as at 31 December 2017 to RMB20,536 million as at 30 June 2018. The increase was mainly due to increase in construction payables from solar material business of new project at Xinjiang.

Liquidity and Financial Resources

As at 30 June 2018, the total assets of the Group were about RMB111,695 million, of which the aggregate restricted and unrestricted cash and bank balances amounted to approximately RMB12,959 million. The bank and other interest received for the six months ended 30 June 2018 was approximately RMB41 million.

For the six months ended 30 June 2018, the Group's main source of funding was cash generated from operating activities and financing activities. The net cash from operating activities was RMB1.8 billion, compared with RMB2.6 billion in the corresponding period in 2017. The decrease was mainly attributable to the decrease in operating cash flow from solar material business and the GNE Group.

For the six months ended 30 June 2018, the net cash used in investing activities was approximately RMB6.4 billion (six months ended 30 June 2017: RMB6.4 billion), primarily related to purchase of property, plant and equipment of approximately RMB6.0 billion (which was mainly attributable to GNE Group of approximately RMB4.0 billion).

For the six months ended 30 June 2018, the net cash from financing activities was approximately RMB1.9 billion (six months ended 30 June 2017: RMB3.4 billion). This was mainly arising from net proceeds of notes issuance of RMB3.2 billion from GNE Group and the net addition of bank and other borrowings of RMB1.4 billion, partly offset by interest paid of RMB1.6 billion. During the period, the Company paid in total of RMB67 million to Trustee to purchase 100,000,000 shares of the Company from the market pursuant to the Scheme. Also, the Company repurchased 232,424,000 shares of its own ordinary shares at the total consideration of RMB145 million.

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 RMB14,398 million as at 30 June 2018 and the Group had cash and cash equivalents of RMB7,919 million against the Group's total borrowings (comprising loans from a related company bank and other borrowings, obligations under finance leases, notes and bonds payables and convertible bonds payables) amounted to approximately RMB61,305 million, out of which approximately RMB21,406 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, renewal of existing banking facilities, 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.

Indebtedness

Details of the Group's indebtedness are as follows:

	30 June 2018 RMB'million	31 December 2017 RMB'million
Current liabilities		
Bank and other borrowings – due within one year	16,539.5	17,107.8
Obligations under finance leases – due within one year	304.0	740.9
Notes payables – due within one year	2,971.8	2,968.0
Convertible bonds payables – due within one year	1,069.2	1,765.3
Loans from a related party – due within one year	521.3	–
	21,405.8	22,582.0
Non-current liabilities		
Bank and other borrowings – due after one year	33,075.5	32,857.1
Obligations under finance leases – due after one year	804.0	895.7
Notes and bonds payables – due after one year	4,883.3	1,861.4
Loans from a related party – due after one year	1,136.5	–
	39,899.3	35,614.2
Total indebtedness	61,305.1	58,196.2
Less: Pledged and restricted deposits and bank balances and cash	(12,958.4)	(15,580.1)
Pledged deposits at a related company	(121.4)	–
Subtotal:	(13,079.8)	(15,580.1)
Net indebtedness	48,225.3	42,616.1

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

	30 June 2018 RMB'million	31 December 2017 RMB'million
RMB	50,729.0	50,898.1
USD	10,203.3	6,178.3
EUR	115.5	125.6
JPY	65.4	68.6
HKD	191.9	925.6
	61,305.1	58,196.2

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

	30 June 2018 RMB'million	31 December 2017 RMB'million
Secured	**39,600.1**	39,399.0
Unsecured	**10,014.9**	10,565.9
	49,615.0	49,964.9
Maturity profile of bank and other borrowings		
On demand or within one year	**16,539.5**	17,107.8
After one year but within two years	**7,024.6**	7,993.8
After two years but within five years	**12,345.4**	11,382.0
After five years	**13,705.5**	13,481.3
Group's total bank and other borrowings	**49,615.0**	49,964.9

Bank and other borrowings are denominated in the following currencies:

	30 June 2018 RMB'million	31 December 2017 RMB'million
RMB	**43,735.2**	45,025.9
USD	**5,698.9**	4,813.4
EUR	**115.5**	125.6
JPY	**65.4**	–
	49,615.0	49,964.9

As at 30 June 2018, 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 note payables bear interest at a rate of 4.15% – 7.5% per annum (31 December 2017: 4.15% – 7.5%) and the convertible bonds payables bear interest at a fixed rate of 0.75% – 6.0% per annum (31 December 2017: 0.75% – 6.0%).

Key Financial Ratios of the Group

	As at 30 June 2018	As at 31 December 2017
Current ratio	**0.67**	0.72
Quick ratio	**0.63**	0.69
Net debt to equity attributable to owners of the Company *(Note)*	**210.5%**	187.1%

The increase in net debt to equity attributable to owners of the Company was mainly due to increase in net debt from GNE Group.

Note:

As at 30 June 2018, the net debt of GNE was approximately RMB33,799 million (including the loans from fellow subsidiaries of RMB728 million) and the net debt to equity attributable to owners of GNE was 564.4%. For illustration purpose, if purely excluding GNE Group's net debt of RMB33,071 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 66.1%.

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

Policy risk

Policies made by the Government plays a key role in the solar power industry. Any alternation in the preferential tax policies, on-grid tariff subsidies, generation dispatch priority, incentives, upcoming issuance of green certificates, laws and regulations would cause substantial impact on the solar industry. In order to minimize risk, the Group will follow rules set out by the government strictly and will pay close attention to policy makers in order foresee any disadvantageous movements.

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.

Most of the solar farms of the Group are located in China and the credit risk of sales of electricity is concentrated on a limited number of local electric power bureaus. The local electric power bureaus are state-owned with low default risk. Therefore, the credit risk of sales of electricity is not significant.

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.

Foreign Currency Risk

Most of the Group's business is located in the PRC and the presentation currency of the 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/appreciation of RMB against US dollar or any other foreign currencies may result in change in value of the monetary assets and liabilities that are denominated in foreign currencies and affect the earnings and value of the net assets of the Group.

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

Pledge of Assets

As at 30 June 2018, the following assets were pledged for certain bank and other borrowings, obligations under finance leases, bills payable, short-term letters of credit for trade and other payables granted to the Group:

- Property, plant and equipment of RMB37,702 million (31 December 2017: RMB37,957 million)
- Prepaid lease payments of RMB450 million (31 December 2017: RMB343 million)
- Aircraft of RMB223 million (31 December 2017: RMB236 million)
- Trade receivable and contract assets of RMB8,324 million (31 December 2017: RMB6,815 million)
- Pledged and restricted bank deposits of RMB5,039 million (31 December 2017: RMB4,907 million)
- Deposit paid to a related company of RMB121 million (31 December 2017: N/A)

Capital Commitments

As at 30 June 2018, the Group's capital commitments in respect of purchase of property, plant and equipment contracted for but not provided amounted to RMB9,130 million (31 December 2017: RMB7,185 million).

Contingencies

Financial guarantees contracts

As at 30 June 2018 and 31 December 2017, the Company and certain of its subsidiaries guaranteed bank and other borrowings of certain subsidiaries of GNE which amounted to RMB3,755 million and RMB4,355 million, respectively.

Contingent liability

As at 30 June 2018 and 31 December 2017, the Group and the Company did not have any significant contingent liabilities.

Material Acquisitions and Disposals of Subsidiaries and/or Associated Companies

Acquisitions by GNE Group

For the six months ended 30 June 2018, GNE Group had two business acquisitions due to business expansion, in acquiring a controlling stake in certain companies for a total consideration of approximately RMB90,000. Details are set out in the report of GNE Group.

Events After the End of The Reporting Period

Other than disclosed elsewhere in the report, the Group also has the following significant events after the end of reporting period:

On 9 August 2018, GNE Group entered into certain agreements regarding a sales and leaseback arrangement with 北銀金融租賃有限公司 ("Beijing Financial Leasing"). GNE Group sold to Beijing Financial Leasing certain assets at a consideration of RMB360 million, which is classified as other loans, and leased back the equipment for a term of 8 years at an estimated total rent of RMB482.1 million. In addition, GNE Group will pay Beijing Financial Leasing an asset management fee of RMB34.6 million. Details of the transaction have been set out in the Company's announcement dated 9 August 2018.

GNE Group as a customer and 韓華新能源(啟東)有限公司 Hanwha Q CELLS (Qidong) Co., Ltd. and 無錫尚德太陽能有限公司 Wuxi Suntech Power Co., Ltd. as suppliers entered into module purchase framework agreements on 31 July 2018 for the supply and purchase of 100 MW of solar module from each supplier at a unit price of not higher than RMB2.03 per watt and RMB2.0 per watt respectively for certain solar power plant projects of the GNE Group at a total consideration of not higher than RMB203 million and RMB200 million respectively.

During the six months ended 30 June 2018, the Company received a notice from the bondholders to redeem the outstanding 2019 Convertible Bonds in full in the principal amount of US$125,000,000 (equivalent to approximately RMB839,615,000) at the redemption price of US$132,593,750 (equivalent to approximately RMB877,321,000). The redemption has been subsequently completed on 23 July 2018 and accordingly, the 2019 Convertible Bonds are fully redeemed.

On 20 July 2018, the three-year convertible bonds issued by GNE Group at a nominal value of HK$200,000,000 (equivalent to approximately RMB157,720,000) was matured and redeemed at HK$224,000,000 (equivalent to RMB188,854,000).

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.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (Six months ended 30 June 2017: 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 30 to 101, which comprise the unaudited condensed consolidated statement of financial position as of 30 June 2018 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1 to the unaudited condensed interim consolidated financial statements which indicates that as of 30 June 2018, the Group's current liabilities exceeded its current assets by RMB14,398 million and has capital commitments of approximately RMB9,679 million, primarily due to its non-wholly owned subsidiary, GCL New Energy Holdings Limited, whose shares are listed on The Stock Exchange of Hong Kong Limited, and whose current liabilities exceeded its current assets by approximately RMB9,054 million and which has capital commitments of approximately RMB5,838 million as at 30 June 2018. These events or conditions, along with other matters as set forth in note 1 to the unaudited condensed interim consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 August 2018

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

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Continuing operations			
Revenue	*3*	**11,031,580**	11,397,255
Cost of sales		**(7,704,471)**	(7,660,995)
Gross profit		**3,327,109**	3,736,260
Other income	*4*	**386,762**	294,846
Distribution and selling expenses		**(51,126)**	(52,894)
Administrative expenses		**(861,401)**	(877,203)
Finance costs	*5*	**(1,589,997)**	(1,143,450)
Reversal of impairment loss on trade and other receivables, net	*19*	**148,293**	16,592
Other expenses, gains and losses, net	*6*	**(762,349)**	(262,756)
Share of profits of associates		**43,604**	–
Share of profits of joint ventures		**13,562**	22,876
Profit before tax		**654,457**	1,734,271
Income tax expense	*7*	**(90,936)**	(344,787)
Profit for the period from continuing operations	*8*	**563,521**	1,389,484
Discontinued operations			
Loss for the period from discontinued operations	*9*	**–**	(4,184)
Profit for the period		**563,521**	1,385,300
Other comprehensive (expense) income:			
Items that will not be reclassified to profit or loss:			
Fair value loss on:			
investments in equity instruments at fair value through other comprehensive income		**(44,410)**	–
financial liabilities designated as at fair value through profit or loss attributable to changes in credit risk		**(108)**	–
		(44,518)	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**9,171**	1,518
Other comprehensive (expense) income for the period		**(35,347)**	1,518
Total comprehensive income for the period		**528,174**	1,386,818

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

For the six months ended 30 June 2018

	Note	Six months ended 30 June **2018** RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Profit (loss) for the period attributable to owners of the Company			
— from continuing operations		**382,013**	1,195,887
— from discontinued operations		**–**	(2,606)
Profit for the period attributable to owners of the Company		**382,013**	1,193,281
Profit (loss) for the period attributable to non-controlling interests			
— from continuing operations		**181,508**	193,597
— from discontinued operations		**–**	(1,578)
Profit for the period attributable to non-controlling interests		**181,508**	192,019
		563,521	1,385,300
Total comprehensive income for the period attributable to:			
Owners of the Company		**340,771**	1,193,987
Non-controlling interests		**187,403**	192,831
		528,174	1,386,818
		RMB CENTS (Unaudited)	RMB CENTS (Unaudited)
Earnings per share	*11*		
From continuing and discontinued operations			
— Basic		**2.08**	6.43
— Diluted		**2.08**	6.30
From continuing operations			
— Basic		**2.08**	6.45
— Diluted		**2.08**	6.31

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	**As at 30 June 2018 RMB'000 (Unaudited)**	As at 31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**68,935,907**	63,780,283
Investment properties		**72,789**	75,116
Prepaid lease payments		**1,155,370**	1,177,644
Goodwill	*13*	**101,169**	176,528
Other intangible assets		**805,392**	853,552
Interests in associates	*14*	**1,682,056**	1,073,100
Interests in joint ventures		**800,672**	776,999
Available-for-sale investments	*15*	**–**	442,322
Other financial assets at fair value through profit or loss	*15*	**277,570**	131,689
Equity instruments at fair value through other comprehensive income	*15*	**80,607**	–
Convertible bonds receivable	*16*	**75,568**	–
Deferred tax assets		**275,304**	260,200
Deposits, prepayments and other non-current assets	*18*	**3,949,949**	6,083,415
Contract assets	*18*	**3,036,350**	–
Amounts due from related companies	*20*	**404,643**	151,700
Pledged and restricted bank deposits		**1,257,638**	1,186,848
		82,910,984	76,169,396
CURRENT ASSETS			
Inventories	*17*	**1,516,436**	990,885
Trade and other receivables	*18*	**14,287,795**	14,537,031
Amounts due from related companies	*20*	**1,074,397**	720,438
Prepaid lease payments		**27,402**	27,282
Available-for-sale investments	*15*	**–**	339,848
Debt instruments at fair value through other comprehensive income	*15*	**80,563**	–
Held for trading investments		**95,522**	100,733
Tax recoverable		**1,140**	1,042
Pledged and restricted bank deposits		**3,781,715**	3,720,040
Bank balances and cash		**7,919,014**	10,673,203
		28,783,984	31,110,502

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2018

	Notes	**As at 30 June 2018 RMB'000 (Unaudited)**	As at 31 December 2017 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	*21*	**20,536,004**	19,591,747
Amounts due to related companies	*20*	**734,049**	177,061
Loans from a related company	*20*	**521,352**	–
Advances from customers		**–**	612,263
Contract liabilities		**284,847**	–
Bank and other borrowings — due within one year	*22*	**16,539,474**	17,107,779
Obligations under finance leases — due within one year	*23*	**304,019**	740,911
Notes payables — due within one year	*24*	**2,971,750**	2,968,031
Convertible bonds payables — due within one year	*26*	**1,069,222**	1,765,257
Derivative financial instruments	*25*	**18,523**	15,899
Deferred income		**49,116**	49,982
Tax payables		**153,664**	394,871
		43,182,020	43,423,801
NET CURRENT LIABILITIES		**(14,398,036)**	(12,313,299)
TOTAL ASSETS LESS CURRENT LIABILITIES		**68,512,948**	63,856,097
NON-CURRENT LIABILITIES			
Advances from customers		**–**	118,675
Loans from a related company	*20*	**1,136,515**	–
Contract liabilities		**182,410**	–
Bank and other borrowings — due after one year	*22*	**33,075,501**	32,857,143
Obligations under finance leases — due after one year	*23*	**803,955**	895,691
Notes and bonds payables — due after one year	*24*	**4,883,325**	1,861,383
Deferred income		**559,550**	593,784
Deferred tax liabilities		**191,226**	221,842
		40,832,482	36,548,518
NET ASSETS		**27,680,466**	27,307,579

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2018

	Note	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
CAPITAL AND RESERVES			
Share capital	*27*	**1,632,211**	1,632,181
Reserves		**21,276,943**	21,143,036
Equity attributable to owners of the Company		**22,909,154**	22,775,217
Non-controlling interests		**4,771,312**	4,532,362
TOTAL EQUITY		**27,680,466**	27,307,579

The unaudited condensed interim consolidated financial statements on pages 30 to 101 were approved and authorised for issue by the board of directors on 29 August 2018 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 2018

	Attributable to owners of the Company															
	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000 *(Note i)*	Treasury share reserve RMB'000 *(Note ii)*	Investments revaluation reserve RMB'000	Financial liabilities designated as at fair value through profit or loss ("FVTPL") credit risk reserve RMB'000 *(Note iii)*	Other reserve RMB'000	Capital reserve RMB'000	Statutory reserve funds RMB'000	Special reserves RMB'000 *(Note iv)*	Share options reserve RMB'000	Translation reserve RMB'000 *(Note v)*	Accumulated profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000 *(Note v)*	Total RMB'000
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(II))*	–	–	(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
At 1 January 2018 (Audited)	**1,632,181**	**9,942,418**	**(170,097)**	**–**	**–**	**–**	**(619,157)**	**67,251**	**2,935,624**	**(2,074,777)**	**177,085**	**(74,152)**	**10,958,841**	**22,775,217**	**4,532,362**	**27,307,579**
Fair value adjustment attributable to changes in the credit risk of convertible bonds *(note 2.2.2)*	**–**	**–**	**–**	**–**	**–**	**(28,283)**	**–**	**–**	**–**	**–**	**–**	**–**	**28,283**	**–**	**–**	**–**
At 1 January 2018 (Restated)	**1,632,181**	**9,942,418**	**(170,097)**	**–**	**–**	**(28,283)**	**(619,157)**	**67,251**	**2,935,624**	**(2,074,777)**	**177,085**	**(74,152)**	**10,987,124**	**22,775,217**	**4,532,362**	**27,307,579**
Exchange differences arising from translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,235**	**–**	**3,235**	**5,936**	**9,171**
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")	**–**	**–**	**–**	**–**	**(44,410)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(44,410)**	**–**	**(44,410)**
Fair value loss on financial liabilities designated as at FVTPL attributable to changes in credit risk	**–**	**–**	**–**	**–**	**–**	**(67)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(67)**	**(41)**	**(108)**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**382,013**	**382,013**	**181,508**	**563,521**
Total comprehensive (expense) income for the period	**–**	**–**	**–**	**–**	**(44,410)**	**(67)**	**–**	**–**	**–**	**–**	**–**	**3,235**	**382,013**	**340,771**	**187,403**	**528,174**
Redemption of convertible bonds	**–**	**–**	**–**	**–**	**–**	**6,787**	**–**	**–**	**–**	**–**	**–**	**–**	**(10,898)**	**(4,111)**	**4,111**	**–**
Recognition of share-based payment expenses in respect of share options	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,239**	**–**	**–**	**3,239**	**6,916**	**10,155**
Exercise of share options	**30**	**292**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(73)**	**–**	**–**	**249**	**–**	**249**
Forfeitures of share options	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,753)**	**–**	**6,694**	**4,941**	**(4,941)**	**–**
Shares repurchased but not yet cancelled	**–**	**–**	**–**	**(144,620)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(144,620)**	**–**	**(144,620)**
Purchase of shares under share award scheme *(note 29(II))*	**–**	**–**	**(66,532)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(66,532)**	**–**	**(66,532)**
Contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**80,090**	**80,090**
Dividend declared to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(34,649)**	**(34,649)**
Non-controlling interests arising on acquisitions of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**20**	**20**
Transfer to reserves	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**196,577**	**–**	**–**	**–**	**(196,577)**	**–**	**–**	**–**
At 30 June 2018 (Unaudited)	**1,632,211**	**9,942,710**	**(236,629)**	**(144,620)**	**(44,410)**	**(21,563)**	**(619,157)**	**67,251**	**3,132,201**	**(2,074,777)**	**178,498**	**(70,917)**	**11,168,356**	**22,909,154**	**4,771,312**	**27,680,466**

Notes:

(i) For the six months ended 30 June 2018, the Company paid in total of RMB66,532,000 (2017: RMB170,097,000) to Computershare Hong Kong Trustees Limited ("Trustee") to purchase 100,000,000 (2017: 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 (the "Directors"). As at 30 June 2018, all the shares were held by the Trustee. For details, please refer to note 29(II).

(ii) During the six months ended 30 June 2018, the Company repurchased 232,424,000 shares of its own ordinary shares. The total amount paid for the repurchase of the shares was HK$176,905,000 (equivalent to RMB144,620,000) and has been deducted from shareholders' equity. The shares were subsequently cancelled in July 2018.

(iii) Financial liabilities designated as at FVTPL credit risk reserve represents the amount of change in fair value of the convertible bonds issued by the Company and GCL New Energy Holdings Limited ("GNE") which are classified as financial liabilities designated as at FVTPL under International Financial Reporting Standard ("IFRS") 9, that is attributable to changes in credit risk of the convertible bonds.

(iv) Special reserves represent (i) the difference between the consideration to acquire additional interests in subsidiaries and the respective share of the carrying amounts of the net assets acquired; (ii) the difference by which the non-controlling interests were adjusted and the fair value of consideration received in relation to the disposal of partial interest of a subsidiary; (iii) deemed disposal of partial interest in a subsidiary in relation to the share subscription by a third-party investor and related transaction costs; and (iv) change of interests in existing subsidiaries arising from restructuring.

(v) 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 2018

	NOTES	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES		**1,782,039**	2,606,066
NET CASH USED IN INVESTING ACTIVITIES			
Interest received		**40,952**	59,624
Proceeds from disposal of assets classified as held for sale		**–**	360,474
Proceeds from disposal of property, plant and equipment		**28,442**	2,685
Payments for construction and purchase of property, plant and equipment and land use rights		**(5,976,127)**	(5,414,114)
Addition of convertible bonds receivable		**(80,334)**	–
Proceeds from early redemption of convertible bonds receivable		**–**	141,717
Investments in associates		**(424,540)**	–
Investments in joint ventures		**(3,630)**	(34,630)
Dividend received from a joint venture		**5,618**	–
Capital refund from a joint venture		**–**	2,330
Addition of available-for-sale investments		**–**	(370,050)
Proceeds from disposal of available-for-sale investments		**–**	7,343
Addition of financial assets at FVTPL		**(100)**	–
Proceeds from disposal of debt instruments at FVTOCI		**31,965**	–
Proceeds from redemption of financial assets at FVTPL		**256,830**	–
Addition of equity instruments at FVTOCI		**(31,860)**	–
Addition of debt instruments at FVTOCI		**(12,659)**	–
Addition of prepaid lease payments		**–**	(16,772)
Addition of other intangible assets		**–**	(703,200)
Net cash inflow from acquisition of subsidiaries	*31*	**10,988**	284
Proceeds from disposal of subsidiaries	*32*	**38,802**	–
Withdrawal of pledged and restricted bank deposits		**3,710,531**	1,820,547
Placement of pledged and restricted bank deposits		**(3,938,716)**	(2,259,265)
Advances to related companies		**(97,910)**	–
Repayment from related companies		**7,915**	1,099
Repayment from third parties		**–**	10,919
Loan to a joint venture		**–**	(5,000)
Settlement of payables to vendors of solar farms		**(8,165)**	(14,196)
		(6,441,998)	(6,410,205)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2018

	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
NET CASH FROM FINANCING ACTIVITIES		
Interest paid	**(1,533,452)**	(1,119,558)
Interest paid for convertible bonds payables	**(39,451)**	(30,934)
New bank and other borrowings raised	**13,189,387**	14,762,573
Repayment of bank and other borrowings	**(11,820,923)**	(8,961,553)
Repayment of obligations under finance leases	**(352,100)**	(456,448)
Proceeds from issuance of notes payables	**3,166,950**	–
Transaction costs paid for the issuance of notes payables	**(47,681)**	–
Repurchase of bonds payables	**(250,000)**	–
Redemption of convertible bonds payable	**(701,348)**	(344,965)
Advances from related companies	**850,273**	34
Repayment to related companies	**(391,008)**	–
Repayment of loan from a joint venture	**–**	(251,752)
Acquisition of additional interest in an existing subsidiary	**–**	(2,559)
Contribution from non-controlling interests	**80,090**	–
Dividends paid to non-controlling interests	**(56,463)**	–
Proceeds from exercise of share options	**249**	–
Purchase of shares under the Scheme	**(66,532)**	(170,097)
Payment for repurchase of shares	**(144,620)**	–
	1,883,371	3,424,741
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(2,776,588)**	(379,398)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**10,673,203**	8,984,993
Effect of exchange rate changes on the balance of bank balances and cash held in foreign currencies	**22,399**	(69,906)
CASH AND CASH EQUIVALENTS AT 30 JUNE		
represented by		
— Bank balances and cash	**7,919,014**	8,412,237
— Bank balances and cash classified as assets held for sale	**–**	123,452
	7,919,014	8,535,689

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 financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017.

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 RMB14,398 million as at 30 June 2018 and the Group had cash and cash equivalents of approximately RMB7,919 million against the Group's total borrowings (comprising loans from a related company, bank and other borrowings, obligations under finance leases, notes and bonds payables and convertible bonds payables) amounted to approximately RMB61,305 million, out of which approximately RMB21,406 million will be due in the coming twelve months.

GNE, whose shares are listed on the Stock Exchange, is a subsidiary of the Company. As at 30 June 2018, the Company and its certain subsidiaries guaranteed bank and other borrowings of GNE and its subsidiaries (collectively referred as "GNE Group") amounted to approximately RMB3,755 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 RMB9,054 million. In addition, as at 30 June 2018, GNE Group has entered into agreements to construct solar farms and inject capital to joint ventures which will involve capital commitments of approximately RMB5,838 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 2018, additional cash outflows will be required to settle further committed capital expenditure.

As at 30 June 2018, GNE Group's total borrowings comprising bank and other borrowings, convertible bonds payable, bonds payable, a loan from the Company and a loan from a related company amounted to approximately RMB37,372 million, out of which approximately RMB6,430 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 RMB1,423 million and RMB2,128 million as at 30 June 2018, respectively. The financial resources available to GNE Group as at 30 June 2018 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. GNE Group is actively pursuing additional financing including, but not limited to, equity and debt financing and bank borrowings.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Directors have reviewed the Group's cash flow projections which cover a period of not less than twelve months from 30 June 2018. They are of the opinion that the Group will have sufficient working capital to meet its financial obligations that will be due in the coming twelve months from 30 June 2018.

1. BASIS OF PREPARATION (Continued)

In April and July 2017, 保利協鑫(蘇州)新能源有限公司 (GCL-Poly (Suzhou) New Energy Limited*, "GCL-Poly Suzhou") and 江蘇中能硅業科技發展有限公司 (Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.*, "Jiangsu Zhongneng"), subsidiaries of the Company 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. In addition, the China Securities Regulatory Commission issued a notice dated 19 July 2018 to GCL-Poly Suzhou to accept the registration of a total amount of RMB1.5 billion corporate bonds to be issued by GCL-Poly Suzhou, and such registered amount will be effective for two years from the date of issue of the notice and may issue in tranches within the effective period. As assessed by China Chengxin International Credit Rating Company Limited, GCL-Poly Suzhou and Jiangsu Zhongneng have been given AA+ rating and AA rating, respectively.

The Group intends to issue the SSCP, SCP and corporate bonds 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 of corporate bonds, 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.

In light of the fact that, the going concern status of GNE Group is identified as an area of significant uncertainty to the Group, the Directors have evaluated the measures being undertaken by GNE Group to improve their liquidity position, which include:

(i) Subsequent to 30 June 2018, GNE Group successfully obtained new borrowings of approximately RMB1,132 million, including other loan of RMB360 million mentioned in (ii) below, from banks and other financial institutions in the PRC and Hong Kong;

(ii) On 9 August 2018, GNE Group entered into certain agreements regarding a sales and leaseback arrangement with 北銀金融租賃有限公司 ("Beijing Financial Leasing"). Pursuant to the agreements, GNE Group sold to Beijing Financial Leasing certain assets at a consideration of RMB360 million, which is classified as other loan, and leased back the equipment for a term of 8 years at an estimated total rent of RMB482.1 million. In addition, GNE Group will pay Beijing Financial Leasing an asset management fee of RMB34.6 million. Details of the transaction have been set out in the announcement of GNE dated 9 August 2018. In addition, GNE Group is currently negotiating with several banks in both Hong Kong and the PRC for additional financing. GNE Group also received letters of intent from certain other financial institutions which indicated that these financial institutions preliminarily agreed to offer credit facilities to GNE Group. GNE Group is also seeking other form of financing to improve liquidity;

* *English name for identification only*

1. BASIS OF PREPARATION (Continued)

(iii) On 22 November 2017, GNE Group proposed to issue medium-term notes with an aggregate principal amount of not exceeding RMB3,000 million to institutional investors of the national inter-bank bond market in the PRC. It is expected that the notes will be issued in one or more tranches and that each tranche of the notes shall have a maturity of three years. 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) GNE Group is implementing business strategies, among others, to transform its heavy-asset business model to a light-asset model by (i) partnering with other third-party strategic investors by setting up joint ventures for divesting certain of its existing wholly-owned solar farm projects in exchange for cash proceeds or co-investing into new projects to reduce future capital expenditure requirement to GNE Group; and (ii) striving for providing solar farm operation and maintenance services to those divested solar farms for additional operating cashflow to GNE Group;

(v) On 20 November 2017, GNE entered into a non-legally binding co-operation framework agreement with Taiping Financial Holdings Company Limited, an overseas investment platform of China Taiping Insurance Group, pursuant to which Taiping Financial Holdings Company Limited agreed that it or its affiliated companies will lead the establishment of an investment fund with a fund size of approximately HK$8,000 million (equivalent to RMB6,410 million), for the purpose of investing in GNE; and

(vi) As at 30 June 2018, GNE Group has completed construction of 205 solar farms with approval for on-grid connection and it also has 2 solar farms under construction targeting to achieve on-grid connection within the coming twelve months from the date of approval of these unaudited condensed interim consolidated financial statements. The abovementioned solar farms have an aggregate installed capacity of approximately 7.0 GW and are expected to generate operating cash inflows to GNE Group.

The Directors are of the opinion that, taking into account the registered SSCP, SCP and corporate bonds that are available for issuance, undrawn banking facilities, renewal of existing banking facilities, the Group's cash flow projections for the coming year, and the successful implementation of measures of GNE Group as described above, the Group will have sufficient working capital to meet its cashflow requirements in the next twelve months. The Directors are satisfied that it is appropriate to prepare these unaudited condensed interim consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether GNE Group can achieve the plans and measures described in (ii) to (vi) above to generate adequate cash inflow as scheduled. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these unaudited condensed interim consolidated financial statements.

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. Details are set out in notes 31 and 32, 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.

Other than changes in accounting policies resulting from application of new and amendments to IFRSs, the accounting policies and methods of computation used in the unaudited condensed interim consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by IASB which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's unaudited condensed interim consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014 – 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies on application of IFRS 15 *Revenue from Contracts with Customers* and the related amendments

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources:

Revenue from the manufactures and sales of polysilicon and wafer is recognised at a point in time upon goods are delivered and titles have passed. Advances from customers are recognised as revenue upon orders are fulfilled. Sales agreements typically do not contain product warranties except for return and replacement of defective products within 30 days from delivery.

Processing income are recognised over time and measured based on output method upon sawing and cutting services are rendered to customers.

Regarding the sales of electricity, the Group recognised revenue at a point in time upon electricity is, generated and transmitted. In addition, tariff adjustments are recognised as revenue based on the management's assessment and judgement that all of the Group's operating solar farms have qualified and met all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar farms.

Certain part of the tariff adjustments are subject to the approval for registration in the Renewable Energy Tariff Subsidy Catalogue (the "Catalogue") by the PRC government, the relevant revenue from these tariff adjustments are considered variable consideration, and are recognised only to the extent that it is highly probable that a significant reversal will not occur.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies on application of IFRS 15 *Revenue from Contracts with Customers* and the related amendments (Continued)

Moreover, since certain of the tariff adjustments are yet to obtain approval for registration in the Catalogue by the PRC government, the management considers that these electricity sales contracts contains a significant financing component.

The Group has applied IFRS 15 retrospectively to all contracts with customers, including completed contracts, with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated.

2.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good end service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies on application of IFRS 15 *Revenue from Contracts with Customers* and the related amendments (Continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 15 (Continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has right to the invoice.

Variable consideration

For contracts that contain variable consideration in relation to sales of electricity to the state grid companies which contain tariff adjustments related to solar farms yet to obtain approval for registration in the Catalogue by the PRC government, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

Under IFRS 15, revenue from sales of electricity is recognised at a point in time upon electricity is generated and transmitted.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies on application of IFRS 15 *Revenue from Contracts with Customers* and the related amendments (Continued)

2.1.2 Summary of effects arising from initial application of IFRS 15

Application of IFRS 15 has no significant impact on the Group's accumulated profits at 1 January 2018.

The following adjustments were made to the amounts recognised in the unaudited condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017 RMB'000	Reclassification RMB'000	Carrying amounts under IFRS 15 at 1 January 2018 RMB'000
Non-current assets				
Deposits, prepayments and other non-current assets	*(a)*	6,083,415	(1,836,092)	**4,247,323**
Contract assets	*(a)*	–	1,836,092	**1,836,092**
Current assets				
Trade and other receivables	*(a)*	14,537,031	(1,998,978)	**12,538,053**
Contract assets	*(a)*	–	1,998,978	**1,998,978**
Current liabilities				
Advances from customers	*(b)*	612,263	(612,263)	**–**
Contract liabilities	*(b)*	–	612,263	**612,263**
Non-current liabilities				
Advances from customers	*(b)*	118,675	(118,675)	**–**
Contract liabilities	*(b)*	–	118,675	**118,675**

Notes:

(a) As at 1 January 2018, tariff adjustments related to solar farms yet to obtain approval for registration in the Catalogue, were reclassified and presented as contract assets.

(b) As at 1 January 2018, advances from customers of RMB612,263,000 and RMB118,675,000 previously included in current liabilities and non-current liabilities, respectively, were reclassified and presented as contract liabilities.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies on application of IFRS 15 *Revenue from Contracts with Customers* and the related amendments (Continued)

2.1.2 Summary of effects arising from initial application of IFRS 15 (Continued)

The following tables summarise the impacts of applying IFRS 15 on the Group's unaudited condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	Notes	**As reported** RMB'000	**Adjustments** RMB'000	**Amounts without application of IFRS 15** RMB'000
Non-current assets				
Deposits, prepayments and other non-current assets	*(a)*	3,949,949	3,036,350	6,986,299
Contract assets	*(a)*	3,036,350	(3,036,350)	–
Current liabilities				
Advances from customers	*(b)*	–	284,847	284,847
Contract liabilities	*(b)*	284,847	(284,847)	–
Non-current liabilities				
Advances from customers	*(b)*	–	182,410	182,410
Contract liabilities	*(b)*	182,410	(182,410)	–

Notes:

(a) As at 30 June 2018, tariff adjustments related to solar farms yet to obtain approval for registration in the Catalogue are classified as contract assets upon application of IFRS 15.

(b) As at 30 June 2018, advances from customers of RMB284,847,000 and RMB182,410,000 included in current liabilities and non-current liabilities, respectively, were classified as contract liabilities upon application of IFRS 15.

Other than the above, application of IFRS 15 has no material impact on the timing and amounts of revenue recognised by the Group for the current interim period.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies on application of IFRS 9 *Financial Instruments* and the related amendments

In the current period, the Group applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at l January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

2.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers, including trade related amounts due from related companies, are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies on application of IFRS 9 *Financial Instruments* and the related amendments (Continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (Continued)

Classification and measurement of financial assets (Continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquiree in a business combination to which IFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investments revaluation reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition. the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investments revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of investment. Dividends are included in the "other income" line item in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies on application of IFRS 9 *Financial Instruments* and the related amendments (Continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (Continued)

Classification and measurement of financial assets (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other expenses, gains and losses, net" line item.

The Directors reviewed and assessed the Group's financial assets as at I January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in note 2.2.2.

Impairment under ECL model

The Group assesses for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables, contract assets, amounts due from related companies, pledged and restricted bank deposits and bank balances and cash). The assessment is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises life time ECL for trade receivables and contract assets, including those with significant financing component. For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The ECL on these assets are assessed individually for debtors with significant balances, or collectively using a provision matrix for debtors which shared credit risk characteristics by reference to past default experience of the debtor, adjusted for factors in relation to general economic conditions of the solar industry and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies on application of IFRS 9 *Financial Instruments* and the related amendments (Continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (Continued)

Impairment under ECL model (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that remits in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies on application of IFRS 9 *Financial Instruments* and the related amendments (Continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (Continued)

Impairment under ECL model (Continued)

Significant increase in credit risk (Continued)

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given is based on historical date adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in note 2.2.2.

Classification and measurement of financial liabilities

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. For financial liabilities contain embedded derivatives, such as convertible bonds, the change in fair values of the embedded derivatives are excluded in determining the amount to be presented in OCI. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated profits upon derecognition of the financial liability.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies on application of IFRS 9 *Financial Instruments* and the related amendments (Continued)

2.2.2 Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Notes	Available-for-sale RMB'000	Financial assets designated at FVTPL RMB'000	Financial assets at FVTPL required by IAS 39/ IFRS 9 RMB'000	Debt instruments at FVTOCI RMB'000	Amortised cost (previously classified as loans and receivables) RMB'000	Contract assets RMB'000	Financial liabilities designated as at FVTPL credit risk reserve RMB'000	Accumulated profits RMB'000
Closing balance at 31 December 2017 – IAS 39		782,170	131,689	100,733	–	30,997,964	–	–	10,958,841
Effect arising from initial application of IFRS 15		–	–	–	–	(3,835,070)	3,835,070	–	–
Effect arising from initial application of IFRS 9:									
Reclassification									
From available-for-sale	*(a)*	(782,170)	–	682,362	99,808	–	–	–	–
From designated at FVTPL	*(b)*	–	(131,689)	131,689	–	–	–	–	–
Remeasurement									
Fair value adjustment attributable to changes in the credit risk of these liabilities	*(c)*	–	–	–	–	–	–	(28,283)	28,283
Impairment under ECL model	*(d)*	–	–	–	–	–	–	–	–
Opening balance at 1 January 2018		–	–	914,784	99,808	27,162,894	3,835,070	(28,283)	10,987,124

Notes:

(a) **Available-for-sale investments ("AFS")**

From AFS investments to FVTPL

At the date of initial application of IFRS 9, the Group's equity investments of RMB342,322,000 were reclassified from available-for-sale investments to financial assets at FVTPL as at 1 January 2018.

At the date of initial application of IFRS 9, the Group's investments in asset management plans of approximately RMB340,040,000 were reclassified to financial assets at FVTPL. These investments do not contain contractual terms giving rise to cash flows that are solely payments of principal of interest on the principal outstanding.

From AFS debt investments to FVTOCI

Listed bonds with a fair value of approximately RMB99,808,000 were reclassified from available-for-sale investments to debt instruments at FVTOCI, as these investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies on application of IFRS 9 *Financial Instruments* and the related amendments (Continued)

2.2.2 Summary of effects arising from initial application of IFRS 9 (Continued)

Notes: (continued)

(b) Financial assets at FVTPL and/or designated at FVTPL

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the portfolio of financial assets which is managed and its performance is evaluated on a fair value basis, as these financial assets are required to be measured at FVTPL under IFRS 9. As a result, the fair value of these investments of approximately RMB131,689,000 were reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

(c) Financial liabilities designated as at FVTPL

Convertible bonds issued by the Company and GNE designated as at FVTPL qualified for designation as measured at FVTPL under IFRS 9. However, the amount of change in the fair value of these financial liabilities that is attributable to changes in the credit risk of those liabilities (excluding the change in fair values of the derivative components) will be recognised in OCI with the remaining fair value change recognised in profit or loss. Related fair value losses attributable to changes in the credit risk of those liabilities of approximately RMB32,223,000, of which RMB28,283,000 were attributable to owners of the Company and transferred from the accumulated profits to financial liabilities designated as at FVTPL credit risk reserve on 1 January 2018.

(d) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables, including those with significant financing component. To measure the ECL, contract assets and trade receivables have been assessed individually for debtors with significant balances, or collectively using a provision matrix for debtors which shared credit risk characteristics. The contract assets relate to tariff adjustments to be billed to customers based on the prevailing national government policies on renewable energy and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly comprise pledged and restricted bank deposits, bank balances, other receivables and amounts due from related companies, are measured on 12m ECL basis and there has been no significant increase in credit risk since initial recognition.

All of the Group's debt instruments at FVTOCI are listed bonds that are graded in the top credit rating among rating agencies. Therefore, these investments are considered to be low credit risk investments and the loss allowance is measured on 12m ECL basis.

As at 1 January 2018, there was no additional credit loss allowance being recognised against accumulated profits as the amount involved is insignificant.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Impacts on opening unaudited condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening unaudited condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 RMB'000 (Audited)	IFRS 15 RMB'000	IFRS 9 RMB'000	1 January 2018 RMB'000 (Restated)
Non-current assets				
Available-for-sale investments	442,322	–	(442,322)	–
Other financial assets at FVTPL	131,689	–	442,322	574,011
Deposits, prepayments and other non-current assets	6,083,415	(1,836,092)	–	4,247,323
Contract assets	–	1,836,092	–	1,836,092
Others with no adjustments	69,511,970	–	–	69,511,970
	76,169,396	–	–	76,169,396
Current assets				
Available-for-sale investments	339,848	–	(339,848)	–
Other financial assets at FVTPL	–	–	240,040	240,040
Debt instruments at FVTOCI	–	–	99,808	99,808
Trade and other receivables	14,537,031	–	(1,998,978)	12,538,053
Contract assets	–	–	1,998,978	1,998,978
Others with no adjustments	16,233,623	–	–	16,233,623
	31,110,502	–	–	31,110,502
Current liabilities				
Advances from customers	612,263	(612,263)	–	–
Contract liabilities	–	612,263	–	612,263
Others with no adjustments	42,811,538	–	–	42,811,538
	43,423,801	–	–	43,423,801
Net current liabilities	(12,313,299)	–	–	(12,313,299)
Total assets less current liabilities	63,856,097	–	–	63,856,097

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Impacts on opening unaudited condensed consolidated statement of financial position arising from the application of all new standards (Continued)

	31 December 2017 RMB'000 (Audited)	IFRS 15 RMB'000	IFRS 9 RMB'000	1 January 2018 RMB'000 (Restated)
Non-current liabilities				
Advances from customers	118,675	(118,675)	–	–
Contract liabilities	–	118,675	–	118,675
Others with no adjustments	36,429,843	–	–	36,429,843
	36,548,518	–	–	36,548,518
Net assets	27,307,579	–	–	27,307,579
Capital and reserves				
Share capital	1,632,181	–	–	1,632,181
Reserves	10,184,195	–	(28,283)	10,155,912
Accumulated profits	10,958,841	–	28,283	10,987,124
Equity attributable to owners of the Company	22,775,217	–	–	22,775,217
Non-controlling interests	4,532,362	–	–	4,532,362
Total equity	27,307,579	–	–	27,307,579

3. REVENUE AND 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.

3. REVENUE AND SEGMENT INFORMATION (Continued)

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

Segment revenue and results

Six months ended 30 June 2018

	Solar material business RMB'000 (Unaudited)	Solar farm business RMB'000 (Unaudited)	New energy business RMB'000 (Unaudited) *(Note a)*	Total RMB'000 (Unaudited)
Segment revenue	8,064,124	263,271	2,704,185	11,031,580
Segment profit	256,189	68,118	465,478	789,785
Elimination of inter-segment profit				(65,700)
Unallocated income				27,637
Unallocated expenses				(45,123)
Loss on fair value change of convertible bonds receivable *(note 16)*				(4,766)
Loss on fair value change of convertible bonds issued by the Company *(note 26)*				(40,768)
Loss on fair value change of held for trading investments				(23,109)
Loss on deemed disposal of an associate *(note 14)*				(77,894)
Gain on fair value change of financial assets at FVTPL				3,459
Profit for the period from continuing operations				563,521

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

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 fair value change 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 arising from shut down of a power plant *(note 6)*				155,606
Profit for the period from continuing operations				1,389,484

3. REVENUE AND 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

Notes:

(a) The operating results of new energy business included allocated corporate expenses.

(b) For the six months ended 30 June 2017, the revenue of the new energy business comprised sales of electricity (including tariff adjustments) amounting to approximately RMB1,812 million and sales of printed circuit boards amounting to approximately RMB714 million; and the segment profit of the new energy business comprised profit contributed by the sale of electricity of approximately RMB536 million and loss contributed by the sales of printed circuit boards of approximately RMB4 million.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit for the six months ended 30 June 2018 represents the profit of each respective segment excluding unallocated income, unallocated expenses (including certain exchange losses (gains) and unallocated tax expense), change in fair value of convertible bonds receivable, change in fair value of convertible bonds issued by the Company, change in fair value of held for trading investments, loss on deemed disposal of an associate, change in fair value of financial assets at FVTPL and compensation income arising from shut down of a power plant. In addition to the aforesaid items, segment profit for the six months ended 30 June 2017 also included depreciation of an aircraft and the respective finance costs under sale and finance leaseback arrangements which are allocated to the solar material segment for the period. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Segment assets		
Solar material business	**46,471,208**	44,772,551
Solar farm business	**3,691,510**	3,818,921
New energy business	**58,181,399**	55,391,914
Total segment assets	**108,344,117**	103,983,386
Available-for-sale investments	**–**	99,808
Other financial assets at FVTPL	**135,248**	131,689
Equity instruments at FVTOCI	**80,607**	–
Debt instruments at FVTOCI	**80,563**	–
Held for trading investments	**95,522**	100,733
Convertible bonds receivable	**75,568**	–
Unallocated bank balances and cash	**1,897,235**	2,576,349
Unallocated corporate assets	**986,108**	387,933
Consolidated assets	**111,694,968**	107,279,898
Segment liabilities		
Solar material business	**32,153,591**	31,628,470
Solar farm business	**2,066,664**	2,193,475
New energy business	**48,857,883**	45,238,764
Total segment liabilities	**83,078,138**	79,060,709
Convertible bonds issued by the Company	**877,320**	839,615
Unallocated corporate liabilities	**59,044**	71,995
Consolidated liabilities	**84,014,502**	79,972,319

3. REVENUE AND 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 unallocated corporate assets (including interest in an associate and interests in joint ventures), corporate bank balances and cash and other assets (including available-for-sale investments, other financial assets at FVTPL, equity instruments at FVTOCI, debt instruments at FVTOCI, held for trading investments and convertible bonds receivable) of the management companies and investment holdings companies; and

- All liabilities are allocated to operating segments, other than unallocated corporate liabilities, and other liabilities (including convertible bonds issued by the Company) of the management companies and investment holdings companies.

Disaggregation of revenue

For timing of revenue recognition, during the six months ended 30 June 2018, except for revenue arising from processing fees amounting to approximately RMB412,829,000 which is recognised over time, the remaining revenue amounting to approximately RMB10,618,751,000 is recognised at a point in time.

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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing operations		
Sales of wafer	**6,993,557**	8,425,343
Sales of electricity *(Note)*	**2,955,691**	2,075,477
Sales of polysilicon	**518,551**	505,421
Processing fees	**412,829**	278,584
Others (mainly comprising the sales of ingots and modules)	**150,952**	112,430
	11,031,580	11,397,255
Discontinued operations		
Sales of printed circuit boards	**–**	713,630
	11,031,580	12,110,885

Note: Sales of electricity included RMB1,804,062,000 (six months ended 30 June 2017: RMB1,342,140,000) tariff adjustments 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 the settlement arrangement of tariff is disclosed in note 18.

3. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

Continuing operations

The Group's revenue from continuing operations from external customers by customer's location are detailed below:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The PRC	**8,981,314**	9,395,467
Taiwan	**523,044**	545,316
Thailand	**442,800**	362,001
Korea	**295,469**	302,733
Malaysia	**229,822**	390,212
Others	**559,131**	401,526
	11,031,580	11,397,255

Discontinued operations

During the six months ended 30 June 2017, sales of printed circuit boards amounting to RMB713,630,000 (six months ended 30 June 2018: nil) was mainly from external customers located in the PRC, Hong Kong, Netherlands and Germany.

4. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing operations		
Government grants *(Note)*	**113,267**	47,984
Sales of scrap materials	**94,917**	117,926
Bank and other interest income	**115,044**	95,754
Management and consultancy fee income	**5,978**	2,082
Rental income	**16,407**	3,916
Others	**41,149**	27,184
	386,762	294,846

Note: Government grants include (i) 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/assets 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 periods. Government grants related to depreciable assets have been deferred and released over the estimated useful lives of the relevant assets; and (ii) investment tax credit ("ITC") recognised in relation to an inverted lease arrangement for its qualified solar farm projects in the USA and details are set out in notes to the Group's consolidated financial statements for the year ended 31 December 2017.

5. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing operations		
Interest on:		
Bank and other borrowings	**1,388,344**	1,037,345
Discounted bills receivable	**30,204**	53,430
Obligations under finance leases	**54,745**	74,771
Notes and bonds payables and senior notes	**249,544**	166,245
Total borrowing costs	**1,722,837**	1,331,791
Less: Interest capitalised	**(132,840)**	(188,341)
	1,589,997	1,143,450

Borrowing costs capitalised during the period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.2% (six months ended 30 June 2017: 8.01%) per annum to expenditure on qualifying assets.

6. OTHER EXPENSES, GAINS AND LOSSES, NET

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing operations		
Research and development costs	**356,710**	246,417
Exchange loss, net	**238,887**	16,191
Loss (gain) on fair value change of convertible bonds receivable *(note 16)*	**4,766**	(13,506)
Loss on fair value change of convertible bonds payables *(note 26)*	**44,656**	53,009
Loss on fair value change of held for trading investments	**23,109**	19,022
Loss on fair value change of derivative financial instruments *(note 25)*	**2,624**	726
Loss on disposal of property, plant and equipment	**3,641**	96,248
Loss on deemed disposal of an associate *(note 14)*	**77,894**	–
Gain on fair value change of financial assets at FVTPL	**(32,112)**	–
Impairment loss on goodwill *(note 13)*	**75,359**	–
Compensation income arising from shutdown of a power plant *(Note)*	**–**	(155,606)
Gain on disposal of solar farm projects *(note 32)*	**(33,185)**	–
Others	**–**	255
	762,349	262,756

Note: Amount represented compensation received during the six months ended 30 June 2017 upon finalisation of negotiation with the local government of Taicang City, the PRC, for the shutdown and cessation of operation of a power plant under the previously discontinued non-solar power business, pursuant to an integration policy of cogeneration plants in Taicang city undertaken by the local government of Taicang city.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing operations		
PRC Enterprise Income Tax ("EIT")		
Current tax	**133,767**	230,532
(Over)underprovision in prior periods	**(29,478)**	37,650
	104,289	268,182
USA Federal and State Income Tax		
Current tax	**236**	355
Underprovision in prior periods	**3**	–
	239	355
Hong Kong Profits Tax – Current tax	**–**	350
PRC dividend withholding tax	**34,663**	–
Deferred tax	**(48,255)**	75,900
	90,936	344,787

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" 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 engaged in public infrastructure projects, under the PRC Tax Law and its relevant regulations, are entitled to tax holidays of the 3-year full exemption followed by the 3-year 50% exemption commencing from their respective years in which their first operating incomes were derived. For the six months ended 30 June 2018, certain subsidiaries of GNE engaged in the public infrastructure projects had their first year of the 3-year 50% exemption period.

Federal and State tax rate in the USA are calculated at 21% and 8.84% (six months ended 30 June 2017: 35% and 8.84%). The U.S. Tax Cuts and Jobs Act (the "Act") was enacted into law on 22 December 2017. The Act includes significant changes to the U.S. corporate income tax system that are effective on 1 January 2018, including a reduction of the U.S. corporate income tax rate from 35% to 21%.

7. INCOME TAX EXPENSE (Continued)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. For the six months ended 30 June 2018, no provision for Hong Kong Profits Tax was made as there was no assessable profit. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million (equivalent to RMB1.6 million) of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million (equivalent to RMB1.6 million) will be taxed at 16.5%. The two-tiered profits tax rates regime will be applicable to the entities for the annual reporting periods ending on or after 1 April 2018.

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. Reversal for deferred taxation of RMB6,758,000 in respect of withholding tax on undistributed profits has been credited to profit or loss (six months ended 30 June 2017: a provision for deferred taxation of RMB85,825,000 in respect of withholding tax on undistributed profits has been charged to profit or loss) during the current interim period and RMB34,663,000 (six months ended 30 June 2017: nil) has been credited to profit or loss during the current interim period upon payment.

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing operations		
Profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	**2,061,029**	1,796,624
Depreciation of investment properties	**2,327**	2,324
Amortisation of prepaid lease payments	**13,822**	13,374
Amortisation of other intangible assets	**48,160**	30,085
Total depreciation and amortisation	**2,125,338**	1,842,407
Less: amounts included in inventories	**(135,149)**	(25,535)
	1,990,189	1,816,872

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 six months ended 30 June 2017. 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.

The loss for the six months ended 30 June 2017 from the discontinued PCB business is set out below.

Analysis of loss for the period from discontinued operations

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

	Six months ended 30 June 2017 RMB'000 (Unaudited)
Revenue	713,630
Cost of sales	(679,010)
Other income	15,946
Distribution and selling expenses	(9,275)
Administrative expenses	(31,212)
Finance costs	(6,326)
Other expenses, gains and losses, net	(8,996)
Loss before tax	(5,243)
Income tax expense	(3,292)
Loss for the period from discontinued operations	(8,535)
Reversal of loss on measurement to fair value less costs to sell	4,351
Loss for the period from discontinued operations	(4,184)

9. DISCONTINUED OPERATIONS (Continued)

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

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

Note: During the six months ended 30 June 2017, depreciation and amortisation of approximately RMB53,898,000 were capitalised as cost of inventories.

Cash flows from discontinued operations:

	Six months ended 30 June 2017 RMB'000 (Unaudited)
Net cash inflows from operating activities	59,342
Net cash outflows used in investing activities	(37,958)
Net cash outflows used in financing activities	(17,529)
Net cash inflows	3,855

10. DIVIDENDS

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

11. EARNINGS PER SHARE

For continuing operations

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

Earnings figures are calculated as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company	**382,013**	1,193,281
Add: Loss for the period from discontinued operations attributable to owners of the Company	**–**	2,606
Earnings for the purpose of basic earnings per share from continuing operations	**382,013**	1,195,887
Effect of dilutive potential ordinary shares:		
— Fair value change on convertible bonds issued by the Company	**–**	6,756
— Adjustment to the share of profit of GNE Group based on dilution of its earnings per share	**(545)**	–
Earnings for the purpose of diluted earnings per share from continuing operations	**381,468**	1,202,643

	Six months ended 30 June	
	2018	2017
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**18,353,251**	18,544,338
Effect of dilutive potential ordinary shares:		
— Share options issued by the Company	**4,275**	4,981
— Convertible bonds issued by the Company	**–**	502,904
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**18,357,526**	19,052,223

For the six months ended 30 June 2018, 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 100,000,000 ordinary shares purchased by the Trustee from the market pursuant to the Scheme and the 232,424,000 shares repurchased by the Company during the current interim period.

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 222,998,888 ordinary shares purchased by the Trustee from the market pursuant to the Scheme.

11. EARNINGS PER SHARE (Continued)

For continuing operations (Continued)

Diluted earnings per share for the six months ended 30 June 2018 did not assume (1) the conversion of convertible bonds issued by the Company in 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 2018.

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.

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:

Earnings figures are calculated as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share		
— Profit for the period attributable to owners of the Company	**382,013**	1,193,281
Effect of dilutive potential ordinary shares:		
— Fair value change on convertible bonds issued by the Company	**–**	6,756
— Adjustment to the share of profit of GNE Group based on dilution of its earnings per share	**(545)**	–
Earnings for the purpose of diluted earnings per share from continuing and discontinued operations	**381,468**	1,200,037

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 and diluted loss per share for the discontinued operations was RMB0.01 cent per share, based on the loss for the period from the discontinued operations of RMB2,606,000 and the denominators attributable to owners of the Company detailed above for both basic and diluted loss per share.

12. PROPERTY, PLANT AND EQUIPMENT

	Carrying values RMB'000
At 1 January 2018 (Audited)	63,780,283
Additions	6,847,024
Acquired on acquisitions of subsidiaries *(note 31)*	523,742
Depreciation expense	(2,061,029)
Disposals	(36,790)
Disposed on disposal of subsidiaries *(note 32)*	(128,431)
Effect of foreign currency exchange differences	11,108
At 30 June 2018 (Unaudited)	68,935,907

During the six months ended 30 June 2018, the Group spent approximately RMB3,705 million (six months ended 30 June 2017: RMB4,375 million) on construction of solar farms and related facilities in the PRC in order to enlarge its power generation capacities. Furthermore, the Group spent approximately RMB2,867 million (six months ended 30 June 2017: RMB494 million) on technological improvement and other production facilities to enhance the wafer and polysilicon production efficiency and expansion of polysilicon production capacity. As at 30 June 2018, the constructions are still in progress.

13. GOODWILL

As at 30 June 2018, the Group carried out goodwill impairment testing in relation to goodwill for Konca Solar Cell Co., Ltd. ("Konca Solar") as its actual operating profits and cash flows were lower than expected. The management of the Group recognised an impairment loss of RMB75,359,000 (six months ended 30 June 2017: nil) in relation to goodwill for Konca Solar.

The basis of the recoverable amount of the cash-generating unit ("CGU") in Konca Solar and its major underlying assumptions are summarised below:

The recoverable amount of the CGU in Konca Solar is determined based on a value in use calculation by the Directors on the CGU in Konca Solar as at 30 June 2018. That calculation uses cash flow projections based on a five-year financial budgets approved by the Directors at a discount rate of 14.8% (31 December 2017: 14.8%) for the CGU in Konca Solar. Cash flows beyond the five-year period are extrapolated using 2.7% (31 December 2017: 2.7%) growth rate for Konca Solar. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows include budgeted sales and gross margin. Such estimation is based on past performance of the CGU in Konca Solar and management's expectations for the market development.

14. INTERESTS IN ASSOCIATES

Same as disclosed in the Company's 2017 annual report, there is no material change for the six months ended 30 June 2018, except for:

(a) During the six months ended 30 June 2018, the Group's equity interest in Lamtex Holdings Limited ("Lamtex"), whose shares are listed on Stock Exchange, was first diluted to 22.27% upon completion of the placing of 170,000,000 new shares of Lamtex on 7 March 2018 and further diluted to 17.23% due to the conversation into ordinary shares of the convertible bond issued by Lamtex by the independent bondholders on 3 May 2018. The Group previously owned 25.49% equity interest in Lamtex and the investment was accounted for as an investment in an associate using the equity method of accounting. Upon these underlying diluting events, the Group's remaining 17.23% interest is no longer accounted for as an associate and classified as an equity instrument at FVTOCI. This deemed disposal has resulted in the Group recognising a loss of RMB78 million in profit or loss, calculated as follows:

	RMB'000
Fair value of the 17.23% investment retained and classified as equity investment at FVTOCI	93,157
Less: carrying amount of the 25.49% investment on the date of loss of significant influence of Lamtex	(171,051)
Loss upon deemed disposal recognised in profit or loss	(77,894)

(b) As at 31 December 2017, the Group held 3.47% equity interest in 芯鑫融資租賃有限責任公司 (Xinxin Finance Leasing Company Limited*, "XinXin") and was then accounted for as an available-for-sale investment that was classified and measured at FVTPL as at 1 January 2018. During the six months ended 30 June 2018, the Group has further injected RMB350,000,000 whereas the other investors injected RMB1,750,000,000 into XinXin for the increase of its registered capital, and accordingly the Group holds an aggregate of 5.97% equity interest in XinXin and is given the right to appoint a director on its board. Given the Group's entitlement to represent on the board of XinXin, which governs its financial and operating policy decisions, the Directors consider that the Group can exercise significant influence over XinXin and it is therefore classified as an associate of the Group. Previously held equity interest measured at FVTPL was reclassified to interests in associates.

(c) In May 2018, the Group acquired 22.17% equity interest in 浙江瑞翌新材料科技股份有限公司 (Zhejiang Ruiyi New Material Technology Co., Ltd.*, "Zhejiang Ruiyi"), which is engaged in production and sale of diamond-wire at a consideration of RMB74,540,000. The Group is given the right to appoint two directors on the board of Zhejiang Ruiyi.

* *English name for identification only*

15. AVAILABLE-FOR-SALE INVESTMENTS/OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Current assets		
Available-for-sale investments *(note 2.2.2)*	**–**	339,848
Debt instruments at FVTOCI:		
Debt securities listed in the Stock Exchange *(Note a)*	**80,563**	–
Non-current assets		
Available-for-sale investments *(note 2.2.2)*	**–**	442,322
Other financial assets at FVTPL:		
Unlisted investments *(Note b)*	**135,248**	131,689
Asset management plans *(Note c)*	**100,000**	–
Unlisted equity investments *(Note d)*	**42,322**	–
	277,570	131,689
Equity instruments at FVTOCI:		
Listed equity investments *(Note e)*	**80,607**	–

15. AVAILABLE-FOR-SALE INVESTMENTS/OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Notes:

(a) As at 31 December 2017, the investments on listed debt securities were classified as available-for-sale investments at initial recognition, and reclassified to debt instruments at FVTOCI upon the application of IFRS 9 on 1 January 2018.

(b) The Group invested in the form of interests as limited partners, which hold a portfolio of unlisted investments. The primary objective of the investments is to earn income and capital gain. Pursuant to investment agreements, the beneficial interests held by the Group in these unlisted investments are in the form of participating shares or interests which primarily provide the Group with the share of returns from the unlisted investments but not any decision making power nor any voting right to involve in and control the daily operation. As at 30 June 2018, the unlisted investments mainly made up of private entities incorporated in the PRC and liquid financial assets (including cash and cash equivalents).

As at 31 December 2017, all the above investments were classified as financial assets designated as at FVTPL at initial recognition, and reclassified to financial assets at FVTPL upon the application of IFRS 9 on 1 January 2018.

(c) GNE Group invested in asset management plans managed by financial institutions in the PRC. The principal is not guaranteed by the relevant financial institution while the expected return rate as stated in the contract ranged from 7% to 7.5% per annum. On 28 April 2018, part of the investment amounting to RMB240,040,000 was recouped with a return of RMB16,790,000.

As at 31 December 2017, all the above investments were classified as available-for-sale investments at initial recognition, and reclassified to financial assets at FVTPL upon the application of IFRS 9 on 1 January 2018.

(d) The amount mainly represents the investments in unlisted equity instruments issued by private entities established in Hong Kong and the USA.

(e) The amount mainly represents the investments in Lamtex with details set out in note 14(a) and Millennial Lithium Corp. ("Millennial"), whose shares are listed on TSX Venture Exchange.

During the six months ended 30 June 2018, the Group subscribed for 1,822,514 units in the capital of Millennial for Canadian dollars 6,379,000 (equivalent to RMB31,860,000), with each unit being comprised of one common share in Millennial and one half of one warrant and each warrant entitling the holder to purchase one common share in Millennial at a specific price for a specific period. With reference to the market value of the listed warrants, the Directors consider the fair value of the warrants as at initial recognition and 30 June 2018 is insignificant.

16. CONVERTIBLE BONDS RECEIVABLE

During the six months ended 30 June 2018, the Group subscribed for the convertible bonds issued by Asia Energy Logistics Group Limited ("Asia Energy"), whose shares are listed on the Stock Exchange, with principal amount of HK$100,000,000 (equivalent to RMB80,334,000). The convertible bonds carry interest at 5.5% per annum payable semi-annually and mature on 2 March 2021.

The Directors have classified the convertible bonds receivable as financial assets at FVTPL on initial recognition, and the fair value of the convertible bonds receivable at initial recognition and at the end of the reporting period is determined with reference to a valuation prepared by an independent professionally qualified valuer, DTZ Cushman & Wakefield Limited. Disclosures of the fair value measurement and significant unobservable inputs are set out in note 33.

The reconciliation of the change in fair value of the convertible bonds receivable is as follows:

	RMB'000 (Unaudited)
At initial recognition	80,334
Change in fair value charged to profit or loss *(note 6)*	(4,766)
As at 30 June 2018	75,568

Note: Exchange gain of the convertible bonds receivable of approximately RMB3,718,000 has been recognised together with changes in fair value to profit or loss for the six months ended 30 June 2018.

17. INVENTORIES

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Raw materials	**390,953**	328,818
Work in progress	**173,819**	275,669
Semi-finished goods *(Note)*	**267,906**	212,595
Finished goods	**682,996**	167,040
Solar modules	**762**	6,763
	1,516,436	990,885

Note: Semi-finished goods mainly represented polysilicon.

During the six months ended 30 June 2018, cost of inventories recognised as cost of sales from continuing operations of approximately RMB6,683,408,000 (six months ended 30 June 2017: RMB7,034,496,000) included write-down of inventories of approximately RMB114,158,000 (six months ended 30 June 2017: RMB2,713,000) because the cost of certain inventories were higher than their net realisable values.

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

Deposits, prepayments and other non-current assets

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Deposits for acquisitions of property, plant and equipment	**278,534**	564,741
Payments for engineering, procurement and constructions ("EPC") contracts and constructions *(Note a)*	**700,218**	543,301
Refundable value-added tax	**2,469,274**	2,715,802
Deposits paid for acquisitions of solar farm projects	**1,032**	1,032
Prepaid rent for parcels of land	**478,181**	378,849
Trade receivables *(Note b)*	**–**	1,836,092
Others	**22,710**	43,598
	3,949,949	6,083,415

Trade and other receivables

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Trade receivables *(Note b)*	**10,539,076**	13,903,555
Other receivables	**1,054,572**	387,274
Refundable value-added tax	**1,355,381**	962,063
Receivables for modules procurement *(Note c)*	**115,697**	164,004
Other loan receivables *(Note c)*	**251,989**	118,989
Advance to Borrowers *(as defined in Note c)*	**150,440**	115,981
Prepayments	**820,640**	721,257
	14,287,795	16,373,123
Analysed for reporting purposes as:		
– Current assets	**14,287,795**	14,537,031
– Non-current assets *(Note b)*	**–**	1,836,092
	14,287,795	16,373,123

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

Notes:

(a) Payments for EPC contracts and constructions represent payment in advance to contractors which will be transferred to property, plant and equipment in accordance with the percentage of completion of the constructions.

(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 RMB4,585,242,000 as at 31 December 2017 recognised based on the prevailing nationwide government policies on renewable energy for solar farms. The Directors expected certain part of the tariff adjustment receivables will be recovered after twelve months from the reporting date. Tariff adjustments are discounted at an effective interest rate ranged from 3.44% to 3.55% per annum as at 31 December 2017.

Total bills received amounting to RMB5,083,582,000 (31 December 2017: RMB8,159,427,000) are held by the Group for future settlement of trade receivables, of which certain bills issued by third parties are further endorsed by the Group with recourse for settlement of payables for purchase of plant and machinery, construction costs and trade payables. The Group continues to recognise their full carrying amount at the end of both reporting periods and details are disclosed in note 21. All bills received by the Group are with a maturity period of less than one year.

The following is an aged analysis of trade receivables (other than unbilled), net of allowances for doubtful debts, presented based on the invoice date which approximated the respective revenue recognition dates or bills issue date at the end of the reporting period, as appropriate:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Unbilled *(Note)*	**3,212,307**	4,365,887
Within 3 months	**3,904,673**	4,371,045
3 to 6 months	**3,016,778**	5,000,023
Over 6 months	**405,318**	166,600
	10,539,076	13,903,555

Note: As at 30 June 2018, amount represent unbilled tariff adjustment receivables of solar farms registered in the Catalogue.

As at 31 December 2017, amount represents unbilled tariff adjustment receivable of all solar farms. Tariff adjustments related to solar farms yet to obtain approval for registration in the Catalogue are reclassified to contract assets as at 1 January 2018.

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

Details of the impairment assessment on trade receivables subject to ECL model are set out in note 19.

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

Notes: (Continued)

(c) Receivables for modules procurement comprise modules procurement cost and commission earned by GNE Group and GNE Group allows credit periods of 180 days to one year.

GNE Group, as lender, entered into loan agreements with independent third parties (the "Borrowers") to provide credit facilities to finance their development and operation of certain solar farm projects in the PRC (the "Projects"). Approximately RMB251,989,000 (31 December 2017: RMB118,989,000) was drawn down and not yet past due at the end of the reporting period. The loans are repayable within twelve months from 30 June 2018 and carry interest ranged from 6% to 10% (31 December 2017: 10%) per annum with repayment term from 6 months to one year.

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.

None of the loan receivables at the end of the reporting period is past due, and taking into account the historical default experience, the industries in which the Borrowers operate is well supported by prevailing government policies, and together with the value of the collaterals held over these loan receivables, the directors of GNE consider that no receivables is impaired.

Advance to Borrowers are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

For the purpose of impairment assessment of advance to Borrowers, receivables for modules procurement and loan receivables, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL for these assets, the Directors have taken into account the financial position of the counterparties, the industries they operate, as well as their latest operating results where available, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. Since all debtors are engaged in solar farm industries in which their collection of tariff receivables are well supported by government policies, the ECL provision is considered to be insignificant.

Contract assets

	As at 30 June 2018 RMB'000 (Unaudited)
Non-current	**3,036,350**

The contract assets primarily relate to the Group's right to tariff adjustments for the electricity sold to the local state grid companies in the PRC. The contract assets are transferred to trade receivable when the Group's respective operating solar farms are registered in the Catalogue pursuant to prevailing national government policies on renewable energy for solar farms.

The Directors considered that the ECL for contract assets is insignificant as at 30 June 2018, as the collection is well supported by the government policies.

19. IMPAIRMENT ASSESSMENT ON TRADE RECEIVABLES SUBJECT TO ECL MODEL

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its solar material business segment. The debtors are grouped under a provision matrix into internal credit rating buckets (namely: low risk, medium risk and high risk) based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position.

The estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in the PRC, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

There has been no change in the estimation techniques or significant assumptions made during the periods.

During the six months ended 30 June 2018, the Group provided approximately RMB958,000 impairment allowance for trade receivables which were not credit-impaired based on the provision matrix. In addition, credit-impaired trade receivables as at 30 June 2018 were assessed individually and impairment allowances of approximately RMB149,251,000 were reversed resulting from subsequent settlement. Bad debts directly written off of approximately RMB25,148,000 were made on these debtors for the current interim period.

Based on the track record of regular repayment of receivables from sales of electricity in the PRC and the settlement of tariff adjustment receivables is in accordance with the prevailing government policies, all trade receivables from sales of electricity, including tariff adjustment receivables, are expected to be recoverable and the ECL provision on such receivables is considered to be insignificant.

19. IMPAIRMENT ASSESSMENT ON TRADE RECEIVABLES SUBJECT TO ECL MODEL (Continued)

Allowance for impairment

The movement in the allowance for impairment in respect of trade receivables during the six months ended 30 June 2018 was as follows:

	Credit-impaired trade receivables RMB'000	Trade receivables not credit-impaired RMB'000	Total RMB'000
Balance at 1 January 2018 *(Note)*	333,425	–	333,425
Impairment losses recognised	–	958	958
Amounts written off as uncollectible	(25,148)	–	(25,148)
Amounts recovered during the period	(149,251)	–	(149,251)
Balance at 30 June 2018	159,026	958	159,984

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

There is no transfer between the impairment loss allowance made under credit-impaired trade receivables and trade receivables not credit-impaired during the six months ended 30 June 2018.

20. BALANCES WITH RELATED COMPANIES

The related companies included associates and joint ventures of the Group and companies controlled by Mr. Zhu Gongshan and his family members which hold in aggregate approximately 34% (31 December 2017: 34%) of the Company's share capital as at 30 June 2018 and exercises significant influence over the Company.

Except as described below, the amounts due from (to) related companies are unsecured, non-interest bearing and the credit period of trade related balances is within 30 days (31 December 2017: 30 days).

As at 30 June 2018, loans from a related company mainly included advances from Xin Xin of RMB1,657,867,000 arising from several financing arrangements. Advances amounting to RMB521,352,000 are secured, interest-bearing and due within one year, and therefore are classified as current liabilities. The remaining advances amounting to RMB1,136,515,000 are secured and interest-bearing with repayment terms of 3 to 8 years, and are therefore classified as non-current liabilities. These advances carry interest ranged from 6% to 7.8% per annum.

20. BALANCES WITH RELATED COMPANIES (Continued)

GNE Group, as lender, (i) entered into a loan agreement with 伊犁協鑫能源有限公司 (Yili GCL New Energy Limited*, "Yili") to finance its operation for a facility up to RMB160,000,000, and RMB151,700,000 (31 December 2017: RMB151,700,000) was drawn down as at 30 June 2018. The loan is unsecured and interest-bearing at a fixed rate of 6% (31 December 2017: 6%) per annum with no fixed repayment term. The directors of GNE expected the loan to be repaid after twelve months from the end of the reporting period and accordingly is classified as non-current assets; (ii) entered into two loan agreements with 金湖正輝太陽能電力有限公司 (Jinhu Zhenghui Photovoltaic Co., Ltd.*, "Jinhu") to finance its operation for RMB64,000,000 and RMB38,815,000, respectively, during the year ended 31 December 2017. The loans are unsecured and interest-bearing at a fixed rate of 6% per annum with repayment terms of six months and five years, respectively; and (iii) entered into a loan agreement with Himeji Tohori Taiyo-No-Sato No. 1 Godo Kaisha ("Himeji") to finance its operation for Japanese Yen ("JPY") 102,270,000 (equivalent to approximately RMB6,126,000) during the six months ended 30 June 2018. The loan is unsecured, interest-bearing at a fixed rate of 1% per annum and repayable on 31 December 2038.

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Amounts due from other related companies		
– Trade related *(Note a)*	**793,255**	448,689
– Non-trade related	**45,045**	40,450
	838,300	489,139
Amounts due from associates		
– Trade related *(Note a)*	**3,960**	–
– Non-trade related	**280,137**	–
	284,097	–
Amounts due from joint ventures		
– Trade related *(Note a)*	**1,008**	35,658
– Non-trade related	**355,634**	347,341
	356,642	382,999
Analysed for reporting purposes as:		
– Current assets	**1,074,397**	720,438
– Non-current assets	**404,643**	151,700
	1,479,040	872,138

* *English name for identification only*

20. BALANCES WITH RELATED COMPANIES (Continued)

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Amounts due to other related companies		
– Trade related *(Note b)*	**120,616**	95,984
– Non-trade related	**179,317**	38,256
	299,933	134,240
Amounts due to associates		
– Trade related *(Note b)*	**208,027**	–
Amounts due to a joint venture		
– Trade related *(Note b)*	**226,039**	38,125
– Non-trade related	**50**	4,696
	226,089	42,821
Current liabilities	**734,049**	177,061

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 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Within 3 months	**528,474**	484,347
3 to 6 months	**214,908**	–
More than 6 months	**54,841**	–
	798,223	484,347

The Directors closely monitor the credit quality of amounts due from related companies and consider those accounts, which are neither past due nor impaired, are of a good credit quality in view of the good historical repayment records of such parties.

20. BALANCES WITH RELATED COMPANIES (Continued)

Notes: (Continued)

(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 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Within 3 months	**287,987**	133,788
3 to 6 months	**216,492**	3
More than 6 months	**50,203**	318
	554,682	134,109

21. TRADE AND OTHER PAYABLES

The credit period for trade payables and bills payable (trade related) are within 3 months and 6 months (31 December 2017: 3 months and 6 months), respectively.

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

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Trade and bills payables:		
Within 3 months	**2,586,945**	2,617,897
3 to 6 months	**3,198,458**	3,174,671
Over 6 months	**66,649**	–
	5,852,052	5,792,568
Bills payable (non-trade related)	**2,359,506**	1,899,905
Construction payables	**9,340,188**	9,232,054
Payables to vendor of solar farms	**97,458**	105,533
Payables for modules procurement	**38,466**	32,324
Other payables	**573,860**	679,875
Salaries and bonus payable	**368,577**	815,427
Dividend payables to non-controlling shareholders of subsidiaries	**6,964**	28,778
Other tax payables	**123,432**	257,095
Interest payables	**387,783**	174,022
Advances from EPC contractors *(Note)*	**911,785**	47,510
Accruals	**475,933**	526,656
	20,536,004	19,591,747

Note: The advance represents the amounts received from EPC contractors for modules procurement, in which the modules will be used in the constriction of GNE Group's solar farms.

Included in trade and other payables are obligations arising from endorsing bills receivable with recourse for settlement of trade and other payables with an aggregate amount of RMB1,802,354,000 (31 December 2017: RMB2,363,392,000).

22. BANK AND OTHER BORROWINGS

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Bank loans	**35,298,218**	35,172,423
Other loans	**14,316,757**	14,792,499
	49,614,975	49,964,922
Representing:		
Secured	**39,600,082**	39,398,995
Unsecured	**10,014,893**	10,565,927
	49,614,975	49,964,922
Short-term borrowings	**8,642,304**	9,358,032
Long-term borrowings		
Within one year	**7,897,170**	7,749,747
More than one year, but not exceeding two years	**7,024,566**	7,993,787
More than two years, but not exceeding five years	**12,345,407**	11,382,084
More than five years	**13,705,528**	13,481,272
	49,614,975	49,964,922
Less: amounts due within one year shown under current liabilities	**(16,539,474)**	(17,107,779)
Amounts due after one year	**33,075,501**	32,857,143

Included in short-term bank borrowings are obligations arising from bills issued by third parties with aggregate carrying amount of approximately RMB647,329,000 (31 December 2017: RMB1,561,129,000) discounted to banks with recourse at interest rates ranging from 4.04% to 5.35% (31 December 2017: 3.71% to 5.38%).

The Group is required to comply with certain restrictive financial and other covenants and undertaking requirements. The Directors had reviewed all required covenant requirements of the Group and no breach of covenants was noted for both periods.

23. OBLIGATIONS UNDER FINANCE LEASES

The Group entered into sale and leaseback and finance lease 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 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)	**As at 30 June 2018 RMB'000 (Unaudited)**	As at 31 December 2017 RMB'000 (Audited)
Amounts payable under finance leases				
Within one year	**362,811**	818,776	**304,019**	740,911
More than one year, but not exceeding two years	**327,280**	238,171	**282,706**	187,585
More than two years, but not exceeding five years	**450,493**	586,538	**387,281**	511,624
More than five years	**166,787**	235,523	**133,968**	196,482
	1,307,371	1,879,008	**1,107,974**	1,636,602
Less: future finance charges	**(199,397)**	(242,406)	**N/A**	N/A
Present value of lease obligations	**1,107,974**	1,636,602	**1,107,974**	1,636,602
Less: amount due for settlement within one year shown under current liabilities			**(304,019)**	(740,911)
Amount due for settlement after one year			**803,955**	895,691

24. NOTES AND BONDS PAYABLES

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Principal amount of notes payables	**3,980,000**	3,980,000
Less: unamortised issuance costs	**(26,640)**	(33,346)
Net carring amount	**3,953,360**	3,946,654
Non-public green bonds *(Note a)*	**635,000**	882,760
Senior notes *(Note b)*	**3,266,715**	–
	7,855,075	4,829,414
Less: amount due for settlement within one year shown under current liabilities	**(2,971,750)**	(2,968,031)
Amount due for settlement after one year	**4,883,325**	1,861,383

Notes:

(a) Same as disclosed in the Company's 2017 annual report, there is no material change for the six months ended 30 June 2018, except for GNE Group acquired part of the first tranche and second tranche of the non-public green bonds amounting to RMB52,000,000 and RMB198,000,000, respectively, via an external trust during the current interim period. As at 30 June 2018, the first tranche and second tranche of the non-public green bonds, amounting to RMB52,000,000 and RMB248,000,000 are held by GNE Group, respectively.

(b) On 23 January 2018, GNE Group issued senior notes of US$500 million (equivalent to RMB3,167 million), which bear interest at 7.1% per annum and mature on 30 January 2021. The net proceeds of the notes issuance, after deduction of underwriting discounts and commissions and other expenses, amounted to approximately US$493 million (equivalent to RMB3,120 million).

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 Jiangsu 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 2017.

The Directors had recognised the put option of interests in Jiangsu Xinhua 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 2018, the Company re-measured the fair value with a loss on fair value change of the derivative financial instruments of RMB2,624,000 (six months ended 30 June 2017: RMB726,000) recognised to profit or loss.

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

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 2018 (Audited)	839,615	925,642	1,765,257
Change in fair value charged to profit or loss *(note 6)*	40,768	3,888	44,656
Change in fair value charged to OCI	–	108	108
Payment of interests	(3,063)	(36,388)	(39,451)
Redemption of Talent Legend Issue *(as defined below)*	–	(701,348)	(701,348)
At 30 June 2018 (Unaudited)	877,320	191,902	1,069,222

Note: Exchange gain of the convertible bonds payables of approximately RMB7,989,000 (six months ended 30 June 2017: RMB40,831,000) has been recognised together with changes in fair value to profit or loss for the six months ended 30 June 2018.

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 2017.

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 2018, the Company received a notice from the bondholders to redeem the outstanding 2019 Convertible Bonds in full in the principal amount of US$125,000,000 (equivalent to approximately RMB839,615,000) at the redemption price of US$132,593,750 (equivalent to approximately RMB877,320,000). The redemption has been subsequently completed on 23 July 2018 and accordingly, the 2019 Convertible Bonds are fully redeemed. The fair value of the 2019 Convertible Bonds as at 30 June 2018 was determined with reference to this recent transaction in the market and no independent qualified valuer was engaged.

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 Group's consolidated financial statements for the year ended 31 December 2017.

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 value recognised in profit or loss. Transaction costs relating to the issuance of the convertible bonds are charged to profit or loss immediately.

Upon the application of IFRS 9 on 1 January 2018, the change in fair value of these financial liabilities that is attributable to changes in credit risk of those liabilities is recognised in OCI with the remaining fair value change recognised in profit or loss.

The fair values of the convertible bonds as at 30 June 2018 were determined by independent qualified valuers based on the Binomial Lattice Model.

The following assumptions were applied:

	2019 Convertible Bonds issued by the Company	Convertible bonds issued by GNE	
	31 December 2017	**30 June 2018**	31 December 2017
		Ivyrock Issue	
	(Audited)	**(Unaudited)**	(Audited)
Discount rate	7.51%	**16.78%**	17.73%
Share price (per share)	HK$1.40	**HK$0.320**	HK$0.550
Conversion price (per share)	HK$2.34	**HK$0.754**	HK$0.754
Risk free interest rate	1.20%	**1.31%**	1.01%
Time to maturity	1.56 years	**0.05 year**	0.55 year
Expected volatility	39.91%	**40.88%**	63.28%
Expected dividend yield	0%	**0%**	0%

Talent Legend Issue was redeemed during the six months ended 30 June 2018 on its maturity at HK$868,112,000 (equivalent to RMB701,348,000). Ivyrock Issue has been subsequently redeemed on 20 July 2018, its maturity date, at HK$224,000,000 (equivalent to RMB188,854,000).

27. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised		
At 1 January 2017 (Audited), 30 June 2017 (Unaudited), and 1 January 2018 (Audited), 30 June 2018 (Unaudited)	30,000,000	3,000,000
Issued and fully paid		
At 1 January 2017 (Audited) and 30 June 2017 (Unaudited)	18,587,565	1,858,756
Exercise of share options *(Note)*	4,456	446
At 1 January 2018 (Audited) and 30 June 2018 (Unaudited)	18,592,021	1,859,202
Exercise of share options *(Note)*	352	35
	18,592,373	1,859,237

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Share capital shown in the financial statements	**1,632,211**	1,632,181

Note: During the six months ended 30 June 2018, share option holders exercised their rights to subscribe for 192,007 and 160,000 (31 December 2017: 3,493,479 and 963,000) ordinary shares in the Company at HK$0.586 and HK$1.16 (31 December 2017: HK$0.586 and HK$1.16) per share, respectively, with net proceeds of approximately RMB249,000 (31 December 2017: RMB2,676,000).

During the six months ended 30 June 2018, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	Number of shares of HK$0.1 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000	Equivalent aggregate consideration paid RMB'000
June 2018	232,424,000	0.78	0.73	176,905	144,620

The Company repurchased 232,424,000 shares of its own shares between 21 June 2018 to 27 June 2018 for an aggregate consideration of HK$176,905,000 (equivalent to RMB144,620,000). As the repurchased shares have not been cancelled during the six months ended 30 June 2018, they were recognised as treasury share reserve as at 30 June 2018.

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

28. PLEDGE OF ASSETS

At the end of the reporting period, the Group has pledged the following assets to secure credit facilities of the Group:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Bank and other borrowings secured by:		
Pledged and restricted bank deposits	**2,188,759**	3,131,490
Prepaid leases payments	**428,681**	321,159
Property, plant and equipment	**33,574,317**	34,932,567
Trade receivables and contract assets	**7,315,824**	5,760,900
	43,507,581	44,146,116
Obligations under finance leases secured by:		
Aircraft	**223,241**	235,529
Prepaid lease payments	**21,244**	21,689
Pledged and restricted bank deposits	**247,692**	252,791
Property, plant and equipment	**1,795,371**	3,024,233
	2,287,548	3,534,242
Total	**45,795,129**	47,680,358

Certain subsidiaries pledged their fee collection rights in relation to the sales of electricity, and as at 30 June 2018, certain trade receivables and contract assets in respect of such fee collection rights pledged amounted to approximately RMB6,668,495,000 (31 December 2017: RMB4,299,771,000).

In addition to the pledged assets above, there are restricted bank deposits of RMB2,602,902,000 (31 December 2017: RMB1,522,607,000) and trade receivables of RMB1,008,347,000 (31 December 2017: RMB1,054,039,000) which have been restricted to secure bills payable and short-term letters of credit for trade and other payables. As at 30 June 2018, the loans from a related party were secured by property, plant and equipment amounted to RMB2,332,766,000 and pledged deposits amounted to RMB121,434,000.

29. SHARE-BASED PAYMENT TRANSACTIONS

There is no material change relating to the share-based payment transactions for the six months ended 30 June 2018, except for the following:

(I) Equity-settled share option scheme

(i) Pre-IPO share option scheme

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. All outstanding shares were fully forfeited and expired during the year ended 31 December 2017.

(ii) Share option scheme of the Company

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

				Number of share options			
					During the period		
	Exercise price	Date of grant	Exercise period	Outstanding at 1 January 2018	Forfeited	Exercised	Outstanding at 30 June 2018
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	5,350,480	–	(192,007)	5,158,473
	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	25,456,222	(282,008)	–	25,174,214
	HK$2.867	24.03.2014	26.05.2014 to 23.03.2024	21,855,589	–	–	21,855,589
	HK$1.16	19.02.2016	15.03.2016 to 18.02.2026	88,272,265	(1,460,397)	(160,000)	86,651,868
	HK$1.324	29.03.2016	18.04.2016 to 28.03.2026	3,323,661	–	–	3,323,661
				174,815,650	(1,742,405)	(352,007)	172,721,238

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

(iii) Share option scheme of GNE

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

				Number of share options		
					During the period	
	Exercise price	Date of grant	Exercise period	Outstanding at 1 January 2018	Forfeited	Outstanding at 30 June 2018
Directors	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 and others	HK$1.1798	23.10.2014	24.11.2014 to 22.10.2024	237,114,696	(6,039,600)	231,075,096
	HK$0.606	24.07.2015	24.07.2015 to 23.07.2025	247,271,290	(35,512,848)	211,758,442
				591,387,566	(41,552,448)	549,835,118

During the six months ended 30 June 2018, share-based payment expenses of approximately RMB10,155,000 (six months ended 30 June 2017: RMB25,611,000) 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 options reserve of approximately RMB1,753,000 (six months ended 30 June 2017: RMB3,340,000) are transferred to the Group's accumulated profits. During the six months ended 30 June 2018, 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 RMB4,941,000 (six months ended 30 June 2017: RMB3,690,000) 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 employees 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 repurchased by the Group through the Trust in the Stock Exchange are recorded as shares held for share award scheme in the reserve and are for the Scheme only.

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

Share award scheme (Continued)

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 ("Award Grantees"), subject to the terms and conditions set out in the rule of the Scheme. In determining the Award Grantees, the Board shall take into consideration matters including, but without limitation, the present and expected contribution of the relevant Award Grantees to the Group. An Award 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.

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. For the purpose of the Scheme, the Company purchased its own ordinary shares through the Trust during the six months ended 30 June 2018 as follows:

Month of purchase	Number of ordinary shares	Aggregate consideration paid	Equivalent aggregate consideration paid
		HK$'000	RMB'000
June 2018	100,000,000	81,385	66,532

No award shares were granted during the six months ended 30 June 2018.

(III) Cash-settled share award scheme

US Equity Incentive Plan granted by GCL Solar Materials US II, LLC ("GCL US II")

During the year ended 31 December 2017, GCL US II issued class B units ("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 2018	10,313,438
Forfeited during the period	(1,468,847)
Outstanding at 30 June 2018	8,844,591

In the opinion of the Directors, the fair value of the outstanding Class B Units as at 30 June 2018 is not higher than US$1. The Group has recorded liabilities of RMB45,506,000 (31 December 2017: RMB30,887,000) in its unaudited condensed consolidated statement of financial position as at 30 June 2018 and RMB14,619,000 (30 June 2017: RMB7,299,000) as share-based payment expenses during the current interim period in respect of the cash-settled share award.

30. COMMITMENTS

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Capital commitments		
Capital expenditure in respect of acquisitions of property, plant and equipment contracted for but not provided	**9,130,324**	7,184,942
Other commitments		
Commitment to contribute share capital to investments in joint ventures contracted for but not provided	**453,625**	453,460
Commitment in respect of subscription of convertible bonds receivable contracted for but not provided	**–**	83,590
Commitment to contribute share capital to financial assets at FVTPL contracted for but not provided	**95,000**	95,100
Commitment to contribute share capital to available-for-sale investments contracted for but not provided	**–**	350,000
	9,678,949	8,167,092

31. ACQUISITIONS OF SUBSIDIARIES

For the six months ended 30 June 2018, GNE Group had two business acquisitions due to business expansion for a controlling stake of certain companies at a total consideration of approximately RMB90,000.

These solar farm project companies are in on-grid stage with relevant economics resources as at the respective dates of the acquisition which are considered as business. Therefore, these acquisitions are considered as business combinations under IFRS 3 and accounted for using acquisition method.

(a) Acquisition of 易縣國鑫能源有限公司 ("Yixian")

On 31 January 2018, GNE Group acquired 100% equity interest in Yixian at a consideration of RMB10,000. At the date of acquisition, Yixian had a solar farm project with capacity of 20 MW in operation.

31. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisition of 神木縣國泰農牧發展有限公司 ("Guotai")

On 20 April 2018, GNE Group acquired 80% equity interest in Guotai at a consideration of RMB80,000. At the date of acquisition, Guotai had two solar farm projects with total capacity of 40 MW in operation.

	Yixian RMB'000	Guotai RMB'000	Total RMB'000
Fair value of assets and liabilities recognised at the date of acquisition:			
Property, plant and equipment	164,010	359,732	523,742
Trade receivables	–	2,541	2,541
Contract assets	–	35,777	35,777
Prepayments and other receivables	32,319	147,144	179,463
Bank balances and cash	5,677	5,311	10,988
Other payables	(83,798)	(353,532)	(437,330)
Borrowings	(118,198)	(196,873)	(315,071)
Total fair value of identifiable net assets acquired	10	100	110
Non-controlling interests	–	(20)	(20)
Consideration payable to the former owner	(10)	(80)	(90)
Cash consideration paid	–	–	–
Bank balances and cash acquired	5,677	5,311	10,988
Net cash inflow	5,677	5,311	10,988

Impact of acquisition on the results of the Group

Had the acquisition as mentioned in above been effected at the beginning of the period, total amounts of revenue and profit for the period of the Group would have been RMB2,715,679,000 and RMB489,942,000, respectively. Such proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the period, nor is it intended to be a projection of future results.

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

The revenue and profit contributed by entities acquired during the current interim period are RMB15,171,000 and RMB5,272,000, respectively.

The fair value and gross contractual amount of trade and other receivables at the date of acquisition amounted to RMB168,260,000. The estimate at acquisition date of contractual cash flows not expected to be collected is insignificant.

Same as disclosed in the Company's 2017 annual report relating to the acquisition, the Group completed four asset acquisitions and five business acquisitions during the year ended 31 December 2017.

32. DISPOSAL OF SUBSIDIARIES

(a) Disposal of a solar farm project in the PRC

On 20 May 2018, 蘇州協鑫新能源投資有限公司 (Suzhou GCL New Energy Investment Co., Ltd.*, "Suzhou GCL New Energy"), a subsidiary of GNE Group, entered into a share transfer agreement with an independent third party. Pursuant to the agreement, Suzhou GCL New Energy agreed to sell 100% equity interest of 內蒙古鑫景光伏發電有限公司 (Inner Mongolia Xinjing Photovoltaic Electric Power Co., Ltd.*) at a consideration of RMB22,000,000.

	RMB'000
Consideration:	
Consideration received	22,000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	109,403
Other non-current assets	20,335
Trade and other receivables	18,873
Trade and other payables	(146,933)
Net assets disposed of	1,678
Gain on disposal of subsidiaries:	
Total consideration	22,000
Net assets disposal of	(1,678)
Gain on disposal	20,322
Net cash inflow arising on disposal:	
Cash consideration received	22,000
Less: bank balances and cash disposed of	–
	22,000

(b) Disposal of two solar farm projects in Japan

(i) Disposal of AD Solar No. 3 Godo Kaisha ("AD3")

On 9 February 2018, GNE Group entered into a transfer agreement with an independent third party to dispose 50% beneficial interest of its then wholly-owned subsidiary, AD3, a solar farm project in Japan, at a consideration of JPY419,200,000 (equivalent to approximately RMB24,422,000). Upon completion of the disposal on the same date, GCL New Energy Japan LLC ("GCL Japan") and the independent third party have joint control over AD3, as under the contractual agreement, unanimous consent is required from both parties to the agreement in directing the relevant activities of AD3. Part of the consideration, amounting to JPY330,100,000 (equivalent to approximately RMB19,231,000), has been received on the date of share transfer agreement as deposits. The remaining consideration of JPY89,100,000 (equivalent to approximately RMB5,191,000) will be paid upon the fulfilment of certain conditions. Accordingly, AD3 is classified as a joint venture of GNE Group since 9 February 2018.

* *English name for identification only*

32. DISPOSAL OF SUBSIDIARIES (Continued)

(b) Disposal of two solar farm projects in Japan (Continued)

(ii) Disposal of Himeji

On 14 February 2018, GNE Group entered into an equity interest transfer agreement with an independent third party. Pursuant to the agreement, GNE Group agreed to transfer 50% of its interest in Himeji to the independent third party resulting GCL Japan and the independent third party have joint control over Himeji, as under the contractual agreement, unanimous consent is required from both parties to the agreement for directing the relevant activities. Accordingly, Himeji is classified as a joint venture of GNE Group since 14 February 2018.

	AD3 RMB'000	Himeji RMB'000	Total RMB'000
Fair value of consideration:			
Consideration received	19,231	–	19,231
Consideration receivable	5,191	–	5,191
	24,422	–	24,422
Carrying amount of residual interest	11,801	1,745	13,546
	36,223	**1,745**	**37,968**
Less: net identifiable assets derecognised:			
Property, plant and equipment	19,028	–	19,028
Prepaid lease payments	–	14,564	14,564
Trade and other receivables	4,233	5	4,238
Bank balances and cash	374	2,055	2,429
Trade and other payables	(33)	(15,121)	(15,154)
Net identifiable assets disposed of	**23,602**	**1,503**	**25,105**
Gain on disposal of subsidiaries	**12,621**	**242**	**12,863**
Net cash inflow (outflow) arising on disposal:			
Cash consideration received	19,231	–	19,231
Less: bank balances and cash disposal of	(374)	(2,055)	(2,429)
	18,857	(2,055)	16,802

Same as disclosed in the Company's 2017 annual report relating to the disposal, the Group completed disposed of PCB business and three solar farm projects during the year ended 31 December 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), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at 30.06.2018 RMB'000 (Unaudited)	Fair value as at 31.12.2017 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 *(Note a)*	75,568	–	Level 3	Binomial Option Pricing Model, the key inputs are: underlying share price, exercise price, risk free interest rate, share price volatility and dividend yield.	Share price volatility of 43.46% (31 December 2017: N/A) and discount rate of 25.45% (31 December 2017: N/A).	The higher the volatility the higher the fair value. The higher the discount rate, the lower the fair value.
					Dividend yield of 0% (31 December 2017: N/A), 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 b)*	877,320	839,615	Level 2 (31 December 2017: Level 3)	Recent transaction price (31 December 2017: Binomial Lattice Model, the key inputs are: underlying share price, exercise price, risk free interest rate, share price volatility, discount rate and dividend yield).	N/A (31 December 2017: share price volatility of 39.91% and discount rate of 7.51%).	31 December 2017: The higher the volatility the higher the fair value; the higher the discount rate the lower the fair value.
					N/A (31 December 2017: 0%, taking into account management's experience and knowledge of the dividend to be paid).	31 December 2017: The higher the dividend yield the lower the fair value.

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/ financial liabilities	Fair value as at 30.06.2018 RMB'000 (Unaudited)	Fair value as at 31.12.2017 RMB'000 (Audited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
3) Convertible bonds issued by GNE *(Note c)*	191,902	925,642	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 40.88% (31 December 2017: 63.28% – 69.69%), and discount rate of 16.78% (31 December 2017: 17.73% – 18.26%) respectively.	The higher the volatility the higher the fair value. The higher the discount rate the lower the fair value.
4) Put option of interest in Jiangsu Xinhua classified as derivative financial instruments *(Note d)*	18,523	15,899	Level 3	Income approach — in this approach, the discounted cash flow method was used to capture the present value of future expected cashflows to be derived from Jiangsu Xinhua.	Revenue growth rate, taking into account management's experience and knowledge of market conditions of the specific industries.	The higher the revenue growth rate, the higher the fair value.
					Discount rate of 14% (31 December 2017: 14%).	The higher the discount rate, the higher the fair value.
				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% respectively (31 December 2017: 90%, 10% and 0% respectively), taking into account the best estimate of the Directors.	The higher the estimated probability of failure in IPO, the higher the fair value.
5) Asset management plans investment held by GNE measured at financial assets at FVTPL (31 December 2017: available-for-sale investments) *(Note e)*	100,000	340,040	Level 3	Income approach — in this approach, the discounted cash flow method was used to capture the present value of future expected cash flows to be derived from the underlying assets.	Discount rate of 7.5%. (31 December 2017: 7%-7.5%).	The higher estimated discount rate, the lower the fair value.
6) Listed equity securities classified as held for trading investments	95,522	100,733	Level 1	Quoted bid prices in an active market.	N/A	N/A
7) Listed debt securities measured at debt instruments at FVTOCI (31 December 2017: available -for-sale investments)	80,563	99,808	Level 1	Quoted bid prices in an active market.	N/A	N/A

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/ financial liabilities	Fair value as at 30.06.2018 RMB'000 (Unaudited)	Fair value as at 31.12.2017 RMB'000 (Audited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
8) Unlisted investments measured at financial assets at FVTPL (31 December 2017: financial assets designated as at FVTPL)	135,248	131,689	Level 3	Market comparison approach – in this approach, fair value was determined with reference to P/S ratio or P/E ratio or recent transaction price.	P/S ratio of 5.5x (31 December 2017: 2.13x) or P/E ratio of 21.61x – 33.50x (31 December 2017: 21.61x – 33.50x).	The higher the P/S or P/E ratio, the higher the fair value.
9) Listed equity investments measured at equity instruments at FVTOCI	80,607	–	Level 1	Quoted bid prices in an active market.	N/A	N/A
10) Unlisted equity investments measured at financial assets at FVTPL (31 December 2017: available-for-sale investments)	42,322	N/A	Level 3 (31 December 2017: N/A)	Market comparison approach – in this approach, fair value was determined with reference to recent transaction price.	Adjusted market price between comparables and the underlying property held by the unlisted equity investments.	An increase in the price per square meter used would result in an increase in fair value measurement of the property, and vice versa.

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 convertible bonds receivable would increase by approximately RMB1,843,000 (31 December 2017: N/A)/decrease by approximately RMB1,682,000 (31 December 2017: N/A).

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 convertible receivable would increase by approximately RMB987,000 (31 December 2017: nil)/decrease by approximately RMB961,000 (31 December 2017: nil).

(b) For the year ended 31 December 2017, 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 RMB7,330,000/decrease by RMB5,332,000.

For the year ended 31 December 2017, 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 RMB1,945,000/decrease by RMB1,956,000.

(c) 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 nil (31 December 2017: RMB6,028,000)/decrease by approximately nil (31 December 2017: RMB7,442,000).

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 RMB73,000 (31 December 2017: RMB2,487,000)/decrease by approximately RMB90,000 (31 December 2017: RMB2,474,000).

(d) If the discount rate was multiplied by 95% or 105% while all the other variables were held constant, the change in fair value of the derivative financial instruments would increase by approximately RMB4,617,000/decrease by approximately RMB4,173,000.

(e) If the estimated discount rate was multiplied by 95% or 105% while all the other variables were held constant, the fair value of the investments would increase by approximately RMB1,062,000 (31 December 2017: RMB2,042,000)/decrease by approximately RMB1,051,000 (31 December 2017: RMB2,024,000).

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)

No significant changes in fair value resulting from credit risk for the six months ended 30 June 2018 and year ended 31 December 2017.

There is no transfer among the different levels of the fair value hierarchy for both periods, except for the convertible bonds issued by the Company. The fair value of the convertible bonds issued by the Company as at 30 June 2018 amounted to RMB877,320,000 (31 December 2017: RMB839,615,000). The fair value of the convertible bonds issued by the Company as at 31 December 2017 was measured using a valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy. During the six months ended 30 June 2018, the Company received a notice from the bondholders to redeem the convertible bonds in full at 105.7% of the principal amount of the bonds. Therefore, the fair value of the convertible bonds issued by the Company as at 30 June 2018 was determined based on recent market transaction and was classified as Level 2 of the fair value hierarchy.

Reconciliation of Level 3 fair value measurements

30 June 2018

	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 classified as derivative financial instruments RMB'000	Asset management plans investment held by GNE measured at financial assets at FVTPL RMB'000	Unlisted investments measured at financial assets at FVTPL RMB'000	Total RMB'000
At 1 January 2018 (Audited)	–	(839,615)	(925,642)	(15,899)	340,040	131,689	(1,309,427)
Transfers out of level 3	–	839,615	–	–	–	–	839,615
Reclassification from available-for-sale investments	–	–	–	–	–	42,322	42,322
Purchase	80,334	–	–	–	–	100	80,434
(Loss) gain in profit or loss	(4,766)	–	(3,888)	(2,624)	16,790	3,459	8,971
Fair value loss attributable to changes in credit risk	–	–	(108)	–	–	–	(108)
Payment of interests	–	–	36,388	–	–	–	36,388
Partial redemption of Talent Legend Issue	–	–	701,348	–	–	–	701,348
Redemption of asset management plans investment	–	–	–	–	(256,830)	–	(256,830)
At 30 June 2018 (Unaudited)	75,568	–	(191,902)	(18,523)	100,000	177,570	142,713

33. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation of Level 3 fair value measurements (Continued)

31 December 2017

	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 classified as derivative financial instruments RMB'000	Financial assets designated as FVTPL RMB'000	Asset management plans investment RMB'000	Total RMB'000
At 1 January 2017 (Audited)	128,211	(1,154,536)	(858,461)	(16,011)	–	–	(1,900,797)
Purchase	–	–	–	–	115,000	606,050	721,050
Gain (loss) in profit or loss	13,506	(37,771)	(118,744)	112	16,689	2,883	(123,325)
Payment of interests	–	7,727	51,563	–	–	–	59,290
Partial redemption of convertible bonds	–	344,965	–	–	–	–	344,965
Redemption of convertible bonds receivable	(141,717)	–	–	–	–	–	(141,717)
Repayment	–	–	–	–	–	(268,893)	(268,893)
At 31 December 2017 (Audited)	–	(839,615)	(925,642)	(15,899)	131,689	340,040	(1,309,427)

Fair value measurements and valuation processes

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 performs discounted cash flow to derive the present value of other investments or engages third party qualified valuers to perform the valuation of convertible bonds receivable, convertible bonds issued by GNE, put option of interest in Jiangsu Xinhua classified as derivative financial instruments, asset management plans investment held by GNE measured at financial assets at FVTPL, unlisted investments measured at financial assets at FVTPL and unlisted equity investments measured at financial assets at FVTPL. 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.

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.

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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing operations		
Transactions with companies in which Mr. Zhu Gongshan and his family have control:		
Sales of wafer	**963,782**	594,226
Rental income	**10,286**	1,378
Purchase of coal *(Note)*	**(411,818)**	(320,114)
Purchase of steam *(Note)*	**(4,597)**	(307,532)
Management fee expense	**(10,869)**	(6,840)
Consulting service fee expense	**(11,126)**	(2,147)
Purchase of desalted water	**–**	(733)
Transactions with a joint venture and an associate:		
Sales of raw materials	**19,469**	–
Sales of property, plant and equipment	**11,704**	–
Rental income	**1,061**	–
Purchase of polysilicon	**(25,930)**	–
Purchase of silicon rods	**(831,843)**	–

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

35. EVENTS AFTER THE END OF THE INTERIM PERIOD

Other than the sales and leaseback arrangement entered into with Beijing Financial Leasing and the redemption of convertible bonds payables disclosed in notes 1(ii) and 26, respectively, GNE Group as a customer and 韓華新能源(啟東)有限公司 (Hanwha Q CELLS (Qidong) Co., Ltd.*) and 無錫尚德太陽能有限公司 (Wuxi Suntech Power Co., Ltd.*) as suppliers entered into module purchase framework agreements on 31 July 2018 for the supply and purchase of 100 MW of solar modules from each supplier at a unit price of not higher than RMB2.03 per watt and RMB2.0 per watt respectively for certain solar farm projects of GNE Group at a total consideration of not higher than RMB203 million and RMB200 million respectively.

* *English name for identification only*

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

As at 30 June 2018, 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	34.26%
Zhu Zhanjun	—	—	3,400,000	2,719,359 *(note 2)*	6,119,359	0.03%
Ji Jun	—	—	—	2,215,774 *(note 2)*	2,215,774	0.01%
Zhu Yufeng	6,197,054,822 *(note 1)*	—	—	175,851,259 *(note 3)*	6,372,906,081	34.28%
Sun Wei	—	—	5,723,000	3,222,944 *(note 2)*	8,945,944	0.05%
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	2,517,924 *(note 2)*	2,767,924	0.01%
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%

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 (the "SLA") (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.

Reference is made to the announcement of the Company dated 24 July 2018 in relation to the full redemption of the 2019 Convertible Bonds, all 173,333,334 outstanding Shares which remained lent to the Borrower under the SLA have been redelivered by the Borrower to Happy Genius Holdings Limited in accordance with the terms of the SLA. Following such redelivery of Shares, there are no outstanding Shares that remain lent to the Borrower under the SLA.

2 These are share options granted by the Company to the Directors, pursuant to the share option scheme, 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$0.586, HK$1.160 or HK$1.324 per share.

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 2018, is a subsidiary 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 of GNE**
Zhu Gongshan	1,909,978,301 *(note 1)*	—	—	—	1,909,978,301	10.01%
Zhu Yufeng	1,909,978,301 *(note 1)*	—	—	3,523,100 *(note 2)*	1,913,501,401	10.03%
Sun Wei	—	—	—	27,178,200 *(note 2)*	27,178,200	0.14%
Yeung Man Chung, Charles	—	—	—	15,099,000 *(note 2)*	15,099,000	0.08%
Zheng Xiongjiu	—	—	2,450,000	—	2,450,000	0.01%

Notes:

1. 1,909,978,301 shares in GNE are beneficially owned by Dongsheng Photovoltaic Technology (Hong Kong) Limited ("Dongsheng PV"). Dongsheng PV is wholly-owned by GCL System Integration Technology Co., Ltd. ("GCL System Integration") and approximately 22.40% and 28.19% of the issued shares in GCL System Integration, the holding company of Dongsheng PV, is held by the Zhu Family Trust and Mr. Zhu Yufeng, an executive director of the Company and GNE and son of Mr. Zhu Gongshan, respectively.

2. 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$0.606 or HK$1.1798 per share.

Save as disclosed above, as at 30 June 2018, 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) 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 1,742,405 option shares were lapsed, 352,007 option shares were exercised and there were 172,721,238 option shares outstanding as at 30 June 2018.

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 1.1.2018	Granted during the period from 1.1.2018 to 30.6.2018	Lapsed or forfeited during the period from 1.1.2018 to 30.6.2018	Cancelled during the period from 1.1.2018 to 30.6.2018	Exercised during the period 1.1.2018 to 30.6.2018	Outstanding as at 30.6.2018
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 of the Group)	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	5,350,480	–	–	–	(192,007)	5,158,473
	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	25,456,222	–	(282,008)	–	–	25,174,214
	24.3.2014	26.5.2014 to 23.3.2024	2.867	21,855,589	–	–	–	–	21,855,589
	19.2.2016	15.3.2016 to 18.2.2026	1.16	88,272,265	–	(1,460,397)	–	(160,000)	86,651,868
	29.3.2016	18.4.2016 to 28.3.2026	1.324	2,316,491	–	–	–	–	2,316,491
Total				**174,815,650**		**(1,742,405)**		**(352,007)**	**172,721,238**

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.

II) 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 (stock code: 451), in which the Company indirectly owned 62.28% issued shares as at 30 June 2018, is a subsidiary of the Company.

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

During the Period, no option was granted, exercised nor cancelled. 41,552,448 option shares were lapsed during the Period.

Name or category of participant	Date of grant	Exercise period	Exercise Price per share (HK$)	Outstanding as at 1.1.2018	Granted during the period from 1.1.2018 to 30.6.2018	Lapsed or forfeited during the period from 1.1.2018 to 30.6.2018	Exercised during the period from 1.1.2018 to 30.6.2018	Outstanding as at 30.6.2018
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	259,259,896	–	(6,039,600)	–	253,220,296
	24.7.2015	24.7.2015 to 23.7.2025	0.606	286,327,370	–	(35,512,848)	–	250,814,522
Total				**591,387,566**		**(41,552,448)**		**549,835,118**

Please refer to the section "Share Option Scheme" of the 2018 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 2018, 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:

LONG POSITION IN THE SHARES AND 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	34.26%

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 SLA 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.

   Reference is made to the announcement of the Company dated 24 July 2018 in relation to the full redemption of the 2019 Convertible Bonds, all 173,333,334 outstanding Shares which remained lent to the Borrower under the SLA have been redelivered by the Borrower to Happy Genius Holdings Limited in accordance with the terms of the SLA. Following such redelivery of Shares, there are no outstanding Shares that remain lent to the Borrower under the SLA.

2. The total number of ordinary shares of the Company in issue as at 30 June 2018 is 18,592,373,207.

Save as disclosed aforesaid, so far as is known to any Directors or chief executive of the Company, as at 30 June 2018, 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 2017 Annual Report. During the six months ended 30 June 2018, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules with the exception of the following areas:

i) Code provision A.6.7

Code provision A.6.7 stipulates that (including but not limited to) independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Two of our independent non-executive directors were unable to attend the extraordinary general meeting of the Company held on 5 January 2018 due to other engagement.

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 28 May 2018 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 act as the chairman of such meeting.

RISK MANAGEMENT AND INTERNAL CONTROL

Assisted by the Corporate Governance Committee and the Audit Committee, the Board monitors the risk management and internal control systems of the Company and its subsidiaries on an on-going basis. The risk management and internal control systems implemented by the Board, management and relevant parties aim to manage rather than eliminate risks of failure to achieve the following objectives, and only to provide reasonable, but not absolute, assurance against material misstatement or loss:

- Efficiency and effectiveness of the operation
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- The effectiveness of risk management

Members of the Board and the management of the Company actively participate in activities related to corporate governance and discuss major issues. The Audit Committee collects corporate governance information and reports to the Board. The senior management of the Company is proactively engaged in the risks assessment of the Company and the review of its response measures.

The Company has an internal control department in place to be responsible for the implementation of risk management and internal control policies. In performing its responsibilities, the internal control department must organize and coordinate management to identify and assess the risks exposed to the Company for the Board's consideration and motivate the management to design, implement and manage a suitable internal control and risk management system to facilitate policies adopted by the Board. In addition to the internal control department, all employees are accountable for the risk management and internal control under each of their scope of responsibilities.

The Audit Committee held one meeting in the first half of 2018, mainly discussing risk controls, follow-up of corporate governance and external audit, as well as reviewing the internal control reports in relation to corporate governance and risk management scope.

It is the responsibility of the management of the Company to implement risk management and internal control systems on an on-going basis and report the implementation position at least semi-annually to the Audit Committee and the Board. Management has primarily conducted the following works in relation to risk management and internal control in the first half of 2018:

- The Company has established a unified risk framework and complete risk pool, and carried out an internal risk examination and risk assessment on a regular basis;

- The Company carried out activities in response to major risks, and made analysis and response of the strategy, operation, finance, and technology with the recent changes in the policies of photovoltaic industry in the mainland China;

- The Company carried out the quantitative risk management in the first half of 2018, and tried to establish quantitative risk measurement indexes to optimize the risk assessment and risk control formula;

- The Company conducted an internal control system optimization program, integrated the internal control manual, established unified internal control system evaluation standards, and continuously monitored the operation of the internal control system;

- With sufficient audit resources, the Company continuously conducted risk-oriented internal control, effectively carried out the audit of the first half according to the annual audit plan, and made regular communication and report with the management and the Audit Committee concerning the significant audit findings.

In the middle of the year, the Company has carried out an overall risk assessment, identified risk updates, reviewed risk changes and selected significant risks which need constant attention. In the first half of 2018, the Company has adopted the following measures in relation to significant risks:

- In response to the major changes in the policies of photovoltaic industry in the mainland China, the Company further enhanced the technological improvement, cost reduction, and efficiency improvement, and lifted the production efficiency and the cost performance of its products, in order to achieve obvious technical and cost advantage, and maintain its product competitiveness;

- While stabilizing the domestic market share, the Company continued to stably expand the overseas market, in order to digest the productivity of part of the domestic market, and further strengthen the brand influence;

- In addition, the Company also continuously enhanced the corporate image, fulfilled corporate social responsibilities, strengthened the public opinion monitoring, maintained media relationship, and enhanced the social influence.

Apart from the efforts devoted by the Group, external reviews carried out by external advisor, the Audit Committee and the management had concluded that the risk management and internal control systems are adequate and effective, and the Company's staff and resources for the accounting, internal audit and financial reporting functions are adequate. The above conclusion has been reported and confirmed to the Board, and the Board is of the view that the risk management and internal control systems of the Group are effective.

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 2018.

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.

For the six months ended 30 June 2018, the Trustee of the Share Award Scheme pursuant to the trust deed and the Share Award Scheme purchased an aggregate of 100,000,000 shares from the market at a total consideration of approximately HK$81,385,000.

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 2018.

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.

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 2018.

PURCHASE, 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. Thereafter, the Company entered into agreements with the bondholder to purchase each of US$50 million in the principal amount of the 2019 Convertible Bonds (the "Repurchased Bonds") at the purchase price of US$47,625,000 and US$49,375,000 in cash (the "Partial Buy-back") on 26 April 2016 and 7 April 2017, respectively. After the Partial Buy-back, 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. At 1 January 2018, the outstanding principal amount of the 2019 Convertible Bonds was US$125 million (the "Outstanding 2019 Convertible Bonds").

Pursuant to a notice delivered to the Company by the Bondholders in accordance with the terms and conditions of the 2019 Convertible Bonds, the Company has completed the redemption of the 2019 Convertible Bonds in full in the aggregate principal amount of US$125,000,000 for a total redemption price of US$132,593,750 on 23 July 2018 ("Full Redemption") in cash. After Full Redemption, the Outstanding 2019 Convertible Bonds were cancelled by the Company.

For the six months ended 30 June 2018, the trustee of the Share Award Scheme pursuant to the trust deed and the Share Award Scheme purchased an aggregate of 100,000,000 shares from the market at a total consideration of approximately HK$81,385,000.

For the six months ended 30 June 2018, the Company bought-back 232,424,000 shares ("June Repurchased Shares") at the total consideration of HK$176,274,190 (excluding commission fee and etc.) and at the highest and lowest prices of HK$0.78 and HK$0.73 per share respectively. June Repurchased Shares were cancelled by the Company on 13 July 2018.

In July 2018, the Company also bought-back 30,000,000 shares ("July Repurchased Shares") at the total consideration of HK$20,304,620 (excluding commission fee and etc.) and at the highest and lowest prices of HK0.69 and HK0.67 per share respectively. July Repurchased Shares are expected to be cancelled by end of August 2018.

Other than disclosed above, during the six months ended 30 June 2018, 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 2018, 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.

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 April 2018 and 29 August 2018 (being the date of approval of this report) are set out below:

Directors' Updated Biographical Details

Name of Director	Details of Change	Effective Date
Wong Man Chung, Francis	appointed as an independent non-executive director of Qeeka Home (Cayman) Inc. and its shares are listed on the Hong Kong Stock Exchange on 12 July 2018	4 June 2018
	Resigned as an independent non-executive director of Kunming Dianchi Water Treatment Co., Ltd.	18 August 2018

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 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 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 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 ("Facility Agreement I"). The Facility Agreement I is scheduled to be fully repaid within 36 months after the first loan is made under it.

Under the terms of the Facility Agreement I, 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 I and all amounts outstanding under the Facility Agreement I to any lender would become immediately due and payable in full on demand by the agent on behalf of such lender.

On 6 December 2017, the Company, as borrower entered into a facility agreement with the Bank as lender relating to a US$200,000,000 term loan facility ("Facility Agreement II"). The Facility Agreement II is scheduled to be fully repaid approximately 36 months after the first loan is made under it.

By the terms of the Facility Agreement II, if Mr. Zhu Gongshan and his family is no longer the single largest shareholder of the Company, the Bank may by notice to the Company, immediately cancel the Facility Agreement II and declare the outstanding loans together with accrued interest and all other amounts accrued under the Facility Agreement II, and all relevant security documents, to be immediately due and payable.

On 4 June 2018, the Company, as borrower entered into a facility agreement with a bank, as lender relating to a term loan facility of US$50,000,000 ("Facility Agreement III"). The Facility Agreement III is scheduled to be fully repaid approximately 12 months from the date of drawdown.

By the terms of the Facility Agreement III, if Mr. Zhu Gongshan is no longer the largest ultimate shareholder of the Company, the lender may by notice to the Company, cancel the Facility Agreement III and declare the outstanding loans, together with accrued interest and all other amounts accrued under the finance documents, would become immediately due and payable.

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
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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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