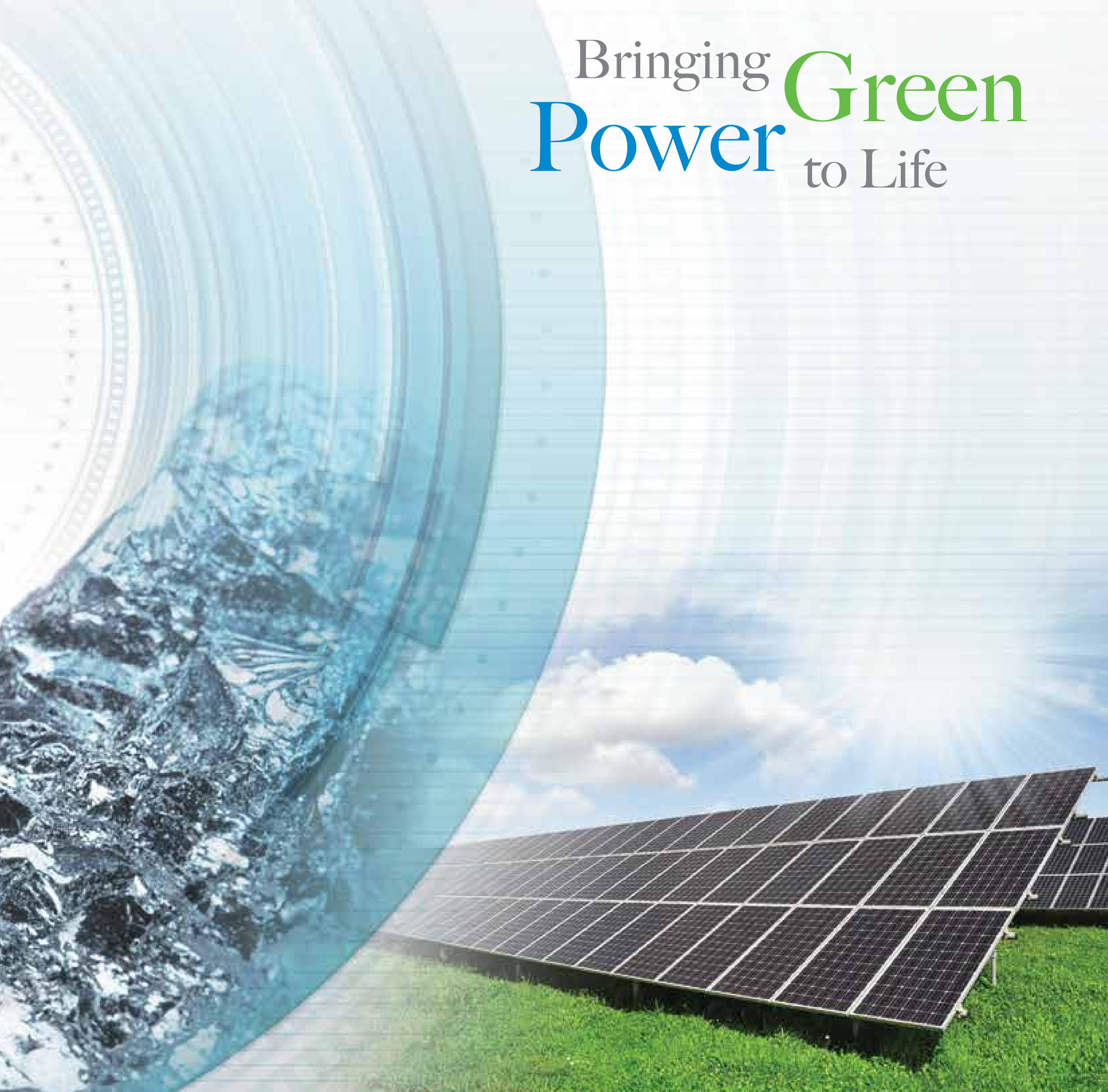
GCL-Poly Energy Holdings Limited
保利協鑫能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3800)

Interim Report 2019



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Financial Highlights

	Six months ended 30 June 2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)	Change RMB'000	% of change
Revenue				
Sales of wafer	**4,535,386**	6,993,557	(2,458,171)	-35.1%
Sales of electricity	**3,421,501**	2,955,691	465,810	15.8%
Sales of polysilicon	**1,263,455**	518,551	744,904	143.7%
Processing fees	**310,133**	412,829	(102,696)	-24.9%
Others (mainly comprising the sales of silicon rods, ingots and modules)	**471,360**	150,952	320,408	212.3%
	10,001,835	11,031,580	(1,029,745)	-9.3%
(Loss) profit attributable to owners of the Company	**(997,530)**	382,013	(1,379,543)	-361.1%

	RMB cents	RMB cents	Change RMB cents	% of change
(Loss) earnings per share				
— Basic	**(5.51)**	2.08	(7.59)	-364.9%
— Diluted	**(5.51)**	2.08	(7.59)	-364.9%

	RMB million	RMB million	Change RMB million	% of change
Adjusted EBITDA*	**3,795**	4,671	(876)	-18.8%

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

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)	Change RMB'000	% of change
Extracts of unaudited condensed consolidated statement of financial position				
Equity attributable to owners of the Company	**21,442,982**	21,865,556	(422,574)	-1.9%
Total assets	**113,184,665**	112,493,764	690,901	0.6%
Bank balances and cash, pledged and restricted bank deposits*	**11,941,589**	10,836,690	1,104,899	10.2%
Indebtedness (bank and other borrowings, lease liabilities/obligations under finance leases, notes and bonds payables, and loans from related companies)	**63,985,013**	62,588,163	1,396,850	2.2%
Key financial ratios				
Current ratio	**0.54**	0.54	—	—
Quick ratio	**0.52**	0.52	—	—
Net debt to equity attributable to owners of the Company	**242.7%**	236.7%	6%	2.5%

* Amount includes bank balances and cash classified as assets held for sale of nil (31 December 2018: RMB44,873,000) and a deposit pledged at a related company of RMB142,061,000 (31 December 2018: RMB142,194,000).

Chairman's Statement

Dear Shareholders,

The escalation of tension in global trading markets has sent shocks to the international financial markets since the beginning of 2019. The whole PV industry is again undergoing widespread instability due to sudden changes of solar policies in different countries. The external landscape is growing more and more intricate. However, in line with rising global temperature, record-breaking hot summers have been recorded in different places across the world. Therefore, solid demands have again become more prominent as grid-parity is realized in the end market for PV materials. We are delighted to see that the global demand is in steady rise in total. The market is becoming more evenly distributed globally. This brings the PV industry into a new phase of global innovation and relaunch. While the PRC, United States, India and other countries in Europe, the Americas and Asia contributed greatly to the growth of the global PV industry, emerging markets such as Mexico, Brazil, Saudi Arabia, Iran and Egypt are also bringing in new demands, making more pronounced the long tail effect in the development of the global PV market. **We believe that the year 2019 will be a key turning point for the PRC's PV production industry as it enters a phase of quality development, inaugurating a new era of grid-parity in the truest sense of the term.**

Following the drastic change in industry policy after May 31 2018, the PRC's PV manufacturing industry was in a reform phase marked by production capacity reconfiguration and elimination of low efficient capacities. Thankfully, in Q2 this year, NEA announced the Circular on the Construction of Wind and PV Power Generation Projects in 2019, specifying concrete policy agendas and laying out a series of practical details. It reaffirmed the fact that the PRC's PV industry already inaugurated a period of development characterized by market-led, unsubsidised quality enhancement and optimisation aiming for grid parity. As reforms of the energy industry are being rolled out at a faster pace, the ubiquity of energy and its interconnection with other material networks become more prominent as a new feature. We believe that these policies and reform trends bring about challenges as well as opportunities for leaping development. We adhere to the principle of sparing no good timing to pass and no opportunities as they arise. We use our best efforts to explore different practical modes of reform in different ways, making timely adjustment to our strategic layout at industry down cycle. **We believe that faced by the challenges from both the policy and the market, GCL-Poly has made solid efforts for adaptive preparation and transformative strategy anticipating our next round of robust development. We have become more resilient and stronger in our immunity.**

Business Review for the First Half of 2019

During the first half of 2019, GCL-Poly's total production of polysilicon and wafer were 36,592 MT and 14,658 MW respectively. As of 30 June 2019, GCL-Poly recorded a revenue of RMB10,002 million, representing a decrease of 9.3% as compared with the same period in 2018; gross profit was approximately RMB2,354 million, representing a decrease of 29.2% as compared with the same period in 2018; losses from continuing operations attributable to owners of the Company amounted to approximately RMB998 million and basic loss per share were approximately RMB5.51 cents.

During the period, GNE's total PV installed capacity was approximately 7,182 MW, an increase of 0.6% as compared with that at the same period in 2018. Total revenue from PV power generation business was approximately RMB3,173 million, representing an increase of 17.3% as compared with the same period in 2018. Profit attributable to shareholders of the GNE Group amounted to approximately RMB410 million and basic earnings per share were approximately RMB2.15 cents.

Revamping Our Strategy and Repositioning Our Advantages

We believe that the PV production industry will continue to undergo structural adjustment, industry-wide reconfiguration, and faster rollouts of innovations in both technology and the business model. **To better grasp the new opportunities in historic development of the industry, GCL-Poly makes its best efforts, discerns opportunities and seize them as they arise, and reposition our multiple advantages.**

First of all, we are supported by the best R&D, production and sales team in the industry for silicon materials with access with to proprietary silicon materials technology developed over a decade's experience of stable production and operation of polysilicon materials and bolstered by the silicon-methane fluidized bed (FBR) technology team and equipment acquired from SunEdison in 2017; on the back of the low-cost silicon materials production bases in Xinjiang incubated in recent years, as well as the FBR production in Xuzhou which is capable of industrial-scale mass production, we firmly believe that our principal business of PV and higher-end semiconductor silicon materials can be conducted in a more refined manner with a higher level of industrialization and at lower cost; During the first half of 2019, the first phase of GCL-Poly Xinjiang's 60,000 ton polysilicon project ramped up to full capacity. With quality meeting world-class standards, its products are totally capable of fulfilling the corporate objective of replacing imported counterparts. In the future, while continuing to develop world-class polysilicon bases, we will also actively explore a diverse range of options in capital activities, and the possibility of asset reorganization to facilitate a return to the Mainland market for financing should not be ruled out.

Second, in ingot and wafer cutting, we insist on the dual-track development of both quasi-mono and mono wafer to maintain and expand our market share. In so doing, we can provide a more diversified product mix with better cost efficiency for our downstream customers. Our GCL-Poly quasi-mono wafer, a product of our dedicated in-house R&D effort for almost 8 years, has received strong market recognition upon its launch and been applied in scale as a mainstream wafer product. The Company has entered into sales agreements with a number of downstream customers and will increase its monthly shipment volume from the ten-million pieces to the hundred-million pieces in the second half of the year. As end-users' recognition of our quasi-mono wafers increases, our quasi-mono wafer capacity will increase to 10GW to satisfy the ever-growing market demands. Meanwhile, the Company has further deepened its cooperation with Zhonghuan, a leading mono-wafer producer, and raised the collaboration to the level of a strategic alliance for mutually complementary benefits. On the back of sound rapport and cooperation developed in previous periods, a 25GW mono-wafer production base will built, which will become the world's largest high-efficiency PV mono wafer production base upon completion. GCL-Poly will leverage this project to reinforce its competitiveness in mono wafer products and improve its product mix. In the meantime, the project will alleviate the undersupply of PV materials in the global market and fill the void of premium production capacity, making a major effort to drive grid parity for the global PV industry and enhance the competitiveness of solar energy in global energy transformation.

Once again, we are of the view that, in the era of grid parity, in order to improve module performance and reduce the production costs along the industry chain, we should put our hope in large-size wafers, in addition to resorting ongoing technological progress for higher efficiency in battery conversion. Larger sizes are helpful to enhance the absolute power output of module, as well as lowering the unit per watt production cost of cell and module. Currently, some manufacturers, notably GCL-Poly, are capable of mass production and supply of 210 mm quasi mono wafers. The performance of a PERC cell made of quasi mono wafers is similar to that of those based on mono wafer, with a difference of less than 0.2% in conversion efficiency. There are the advantages of lower oxygen content, lower LeTID, and a larger area. In terms of power output, quasi mono wafer is also comparable to mono wafer plus PERC, being capable of output at the same grade. At the dawn of the era of grid parity, the superior cost effectiveness of quasi mono wafers has been widely accepted and recognized by solar farms.

Full Optimisation of Asset Composition and Enhancement of Asset Value

GCL-Poly has also set the improvement of its debt asset structure by reducing the gearing ratio of the listed company to a reasonable and safe range as a main objective of the holding company. Our specific implementation plan is as follows: first, the goal of reducing debt and recouping cash flow at the holding company level has been swiftly achieved through the disposal of the incubate assets and assets from non-principal operations; **for example, the holding company announced the "agreement of potential disposal of approximately 51% of the entire issued share capital of GCL New Energy to China Huaneng Group" on 4 June 2019, with the aim of disposing of the controlling interests in GCL New Energy within the year to directly recoup the investment gain of the listed company and swiftly achieved the goal of debt reduction and deleveraging for the listed company.** Second, through the investment of reusable assets in relevant industries or projects, the reusable value of existing assets has been realised for value preservation. During the first half of 2019, the Company announced "Joint Establishment of Investment Fund with Leshan Government", "Joint Establishment of Investment Funds with Xuzhou City Industrial Development Guidance Fund Co., Ltd.* (徐州市產業發展引導基金有限公司) and Xuzhou Economic and Technological Development Zone Jinlong Lake City Investment Co., Ltd.* (徐州經濟技術開發區金龍湖城市投資有限公司)" and **"Disposal of 31.5% Equity Interests in Xinjiang GCL" (as disclosed in the announcement, the consideration for the transaction is approximately RMB2.5 billion, which will recognize approximately RMB1.6 billion disposal gain (excluding any tax effect) for the Company); in an effort to expedite the introduction of capital to achieve our goals in corporate transformation and industry upgrade.** Moreover, the Company is in discussion with the Xuzhou Municipal Government on more intensive cooperation in capacity upgrade, involving a proposed transfer of fixed assets with a worth of not less than RMB3.5 billion to the cooperative project in further optimisation of its asset structure.

Subsidiary GCL New Energy announced during the first half of 2019 the disposal of controlling stakes in over 1GW solar energy plants to Wuling Electric and Shanghai Rongyao New Energy, respectively, to make turnovers for the company's capital, reduce its indebtedness and alleviate its project financing pressure while further increasing its rate of capital return.

Outlook

Energy is fundamental to national economy and social development. After the Eighteenth National Congress, General Secretary Xi Jinping proposed "Four Revolutions, One Cooperation" as the new strategy for energy security in the face of new changes to the energy supply and demand as well as global energy development trends. It represented an important inspiration for energy development in the new era and illuminated the direction for transitions from old to new forms of energy development. Under the guidance of this energy strategy, New Energy, including solar energy, will undergo even faster reforms in a bid to reach world-class standards, and has become a major impetus for the revolution in our energy production and consumption. **As a leading PV power generation company, GCL-Poly remains focused on Solar Material business by leveraging its existing advantages, satisfaction of market demand, energy technology innovation, energy conservation and emission reduction as well as introduction of highly efficient new products. Meanwhile, GCL-Poly will facilitate disposal of assets, introduce of new business and optimization of existing business by reusing existing assets and developing assets at incubation period with an aim to enhance asset value.**

* *English name for identification only*

In the past, cooperation, innovation and mutually beneficial engagement encouraged epoch-changing transitions of the solar energy industry. Cost has been greatly reduced while market application has become more and more variegated, as solar energy becomes more and more important in global energy sector. Consensus is being cemented that solar energy will become the most important alternative energy source in the near future. Going forward, considering the global energy reform and upcoming energy development trends, there is great prospect for global solar energy industry. Having been through technological advancement, industry upgrade, market transformation and re-composition, the solar energy market will head into a new era with more strength, stability and order. Despite all possible difficulties and obstacles on the way of upgrade and development for the solar industry, we are firmly convinced that solidarity is the key to success. We are grateful for the kindred spirits who have fought and struggled in unison with GCL-Poly, and we shall continue our work cautiously and pro-actively at the same time, in high morale and great modesty. We aim high but remain down on earth. In unity we make greater ventures and overcome struggles.

Finally, I sincerely thank the Company's Board of Directors, management team and all staff for their hard work in the first half of 2019. I am deeply grateful to the Company's shareholders and partners for their powerful support.

CEO's Review of Operations 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 2019: as of 30 June 2019, GCL-Poly recorded revenue of RMB10,002 million, representing a 9.3% decrease as compared with the same period in 2018. Gross profit was approximately RMB2,354 million, representing a 29.2% decrease as compared with the same period in 2018. Loss attributable to shareholders of the Company amounted to approximately RMB998 million and basic loss per share was approximately RMB5.51 cents. In the first half of 2019, the Company completed a total production of 36,592MT of polysilicon, and a total production of 14,658MW wafer.

As of 30 June 2019, GNE's total grid-connected installed capacity was 7,182MW, an increase of 0.6% as compared with the same period of last year. In terms of results, GNE's total revenue in the first half of 2019 was approximately RMB3,173 million, up by 17.3% period on period. Profit attributable to shareholders of the GNE Group amounted to approximately RMB410 million and basic earnings per share were approximately RMB2.15 cents.

After reconfiguration of the industry and repositioning of the market, a key transitional phase has begun where product cycle turns over at a faster pace. GCL-Poly constantly reflects on its business practice and take proactive approaches to tackling its challenges. We ceaselessly seek breakthrough and pursue excellence. We optimize our assets and launch new products to enhance our competitiveness and secure our industry-leading position.

Capacities Released As Scheduled, Further Reducing Cost

GCL-Poly Xinjiang polysilicon base Phase I has ramped up its production by the first half of 2019, quickly increasing the capacity by 48,000T. With minimal capital expenditure, Xinjiang polysilicon's annual production capacity will quickly scale up to 60,000T. The Xinjiang polysilicon base will further reduce production cost and become a new growth driver for GCL-Poly. The product quality of the Xinjiang polysilicon base meets world-class standards and can satisfy the N-type materials which could be a perfect fit for the raw materials required for Continuous Czocharlski process (CCz). It will achieve multiple goals including low operating cost, high performance efficiency, high product quality, low carbon emission and high environmental efficiency with zero emission. In the future, it can replace imported products and GCL-Poly aims to obtain market share in the high-end market.

Planning Ahead to Seize Pricing Power, Quasi-mono Wafer to Increase Shipment Volume in Second Half of the Year

As the arrival of the grid-parity era raises the bar for the technological level and product quality required for the PV industry, the market is leaning on highly efficient products with lower cost. GCL-Poly timed the launch of its quasi-mono wafer products to this trend after almost 8 years of intense research as a highly competitive option for an ever-diversifying PV material market. Standing the trial of time, the quasi-mono wafer has gained recognition and appreciation from the market owing to its multiple strengths, including lower production cost, higher conversion efficiency, lower deterioration, more flexible sizing to satisfy customized designs, more concentrated distribution of electricity resistance, and high compatibility with the production of PREC cells.

Currently, major pricing information websites have already included quotations of the quasi-mono wafers, marking the quasi-mono wafer products' entry to the mainstream product catalogue. There remains substantial room for cost reduction for quasi-mono wafer. With increased production cost will be further lowered. As of the first half of 2019, GCL-Poly has already contracted with multiple manufacturers of downstream components. Product sales increased on a monthly basis. Gross profit margin from quasi-mono wafer products rose at a significant rate. A number of first-tier cell manufacturers have completed the rehaul of a number of quasi-mono wafer assembly lines. As end users' recognition of quasi-mono wafer products increases, the product could see its monthly shipment volume rise from the 10-million level to over the 100-million level in the second half of the year. The Company plans to ramp up its quasi-mono wafer capacity to 10GW within the year to satisfy the ever increasing market demand, and the economies of scale will further reduce our production cost.

Deepen Partnership with Leading Mono Wafer Player

Besides many years of intensive work in the polysilicon sector, GCL-Poly is also developing a strong presence in the mono wafer market. During the period, we forged closer partnership with Tianjin Zhonghuan by scaling up our strategic alliance and exploring our mutual complementarity. Based on our well-coordinated cooperation, we developed a closer relationship and expanded our mono ingot production base. The project will become the largest high-efficient PV mono ingot production base in the world after its completion. GCL-Poly will leverage on this to strengthen its competitiveness in mono wafer products and improve its product mix. Through our joint-investment and cooperation in the whole industry chain from polysilicon to wafer cutting, GCL-Poly and Tianjin Zhonghuan obtained stronger authority and influence in the industry. Meanwhile, the project will also mitigate the supply shortage of PV materials in the global market and fill in the gap in quality production capacity. It will encourage grid-parity in the global PV industry and enhance the competitiveness of PV energy amid global energy restructuring.

Improving Balance Sheet and Increasing Cash Inflow

To better optimize our capital structure and revitalize our asset in an effort to encourage corporate transformation, GCL-Poly announced in late June the disposal of 31.5% of shareholding in Xinjiang GCL by its subsidiary Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd. ("Jiangsu Zhongneng") to Xuzhou Zhongping GCL Industrial Upgrading Equity Investment Fund LLP ("Xuzhou Fund"). This measure will significantly improve GCL-Poly's liquidity and profitability and reduce its gearing ratio, ensuring that corporate capital is expensed in the service of its business functions. In the future, Jiangsu Zhongneng's polysilicon production capacity can model itself after this transaction. We will consider to deconsolidate other assets through the Leshan Fund and help the Company's future development. Meanwhile, we actively forged strategic partnership with large state-owned enterprises. During the period, announcement was made on the proposed disposal of 51% of share capital in GNE to Hua Neng Group to further improve our gearing structure. The transaction is viewed as an example in expansion combined with reformed hybrid ownership in the energy sector, by which both parties will enjoy complementarity and synergy in terms of capital, resources, technology, policy, branding and personnel.

Reducing Gearing Ratio towards Asset Light Model, GNE's Diversified Development to Seize Market Opportunities

During the reporting period, GNE forged alliances with domestic and overseas enterprises and made accelerated progress in its business globalization. Diversified, innovative funding methods were adopted at the level of its domestic holding company and regional companies, with a particular focus on modes with high turnover and equity cooperation O&M services were also expanded in an effort to improve our asset structure and financing structure. During the period, GNE completed the disposal of domestic holding company and solar project companies. The disposal of the controlling shareholding for over 1GW Solar Farms to Wuling Electric and Shanghai Rongyao New Energy, respectively, was completed. Besides obtaining cash flow, debt was also off balance sheet, which reduced our indebtedness and alleviated the financing.

Outlook

Since the beginning of 2019, the PV industry has been in the course of recovery with active market demands. On 30 May 2019, NEA announced the Proposal of Construction Work for Photovoltaic Power Generation Projects in 2019, with a confirmed subsidy budgeted at RMB3 billion, clarifying the allocation mode and bidding scheme for competitive bidding projects and transitional measures from previous policies and related treatments were specified. The new policy reassured the market that the supportive stance of the government towards the PV industry remains unchanged. Subsidiary on the basis of a bidding mechanism could encourage technology innovations and elimination of low efficient capacity. Production cost will fall at a faster pace, promoting healthy and orderly development of the industry.

According to the latest statistics from the NEA, in the second half of 2019 the PRC's PV competitive bidding projects amounted to 22.8GW, with newly installed capacity at 40–45GW for the year. As non-subsidized projects mature, the domestic PV demand will boom in the second half of 2019 with grid-parity reaching a phase of explosive and intense development, seeing a new wave of demand. In the meantime, while overseas markets such as the US and Europe — traditional markets enter peak season shortly, emerging markets such as India, Turkey, Saudi Arabia, the Middle East, South America and Southeast Asia are in active growth as well. Prominent growth in demands from the overseas market is expected. The domestic and overseas markets will be benefited by these trends and create synergy to ramp up the PV industry chain. Annual installed capacity is expected to exceed 120GW for 2019.

The past year was the "darkness before dawn" for GCL-Poly with daybreak looming in the horizon. We will consolidate ourselves and become more in sync with the market rhythm as well as the new policies. Combining a series of strategic transformation and capital activities, we are committed to our goals of reducing cost and improving efficiency. We will strengthen our core businesses while expanding market share and improving competitiveness. We shall overcome our current hardship and see the fruition of our labor.

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

2019 is a year to rectify. Solar product was affected by the issuance of Notice on Matters Related to Photovoltaic Power Generation ("531 PV New Policy") issued by the PRC government in 2018, its selling price in 2019 is still under pressure, the performance of Solar Material business was greatly impacted accordingly. Although the New Energy business contributed more profit during the period, this could not off set the loss from the Solar Material business.

Results of the Group

For the period ended 30 June 2019, the revenue and gross profit of the Group were approximately RMB10,002 million and RMB2,354 million, respectively, representing a decrease of 9.3% and 29.2% respectively as compared with approximately RMB11,032 million and RMB3,327 million in the corresponding period in 2018.

The Group recorded a loss attributable to the owners of the Company of approximately RMB998 million as compared to profit attributable to owners of the Company of approximately RMB382 million in 2018.

Placing of new shares

During the period under review, the Company placed 1,511,000,000 shares at a price of HK$0.45 per share, raising approximately RMB588 million after deducting placing commission and related expenses. The net proceeds have been used for repayment of borrowings.

Segment Information

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

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

b) Solar Farm business — manages and operates 371 MW Solar Farms, of which 18 MW is located in the United States and 353 MW is located in the PRC. These Solar farms were constructed or acquired by the Group prior to obtaining a controlling stake in GCL New Energy Holdings Limited ("GNE Group or 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 operations by business segments:

	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Revenue RMB million	Segment (loss) profit RMB million	Adjusted EBITDA[3] RMB million	Revenue RMB million	Segment profit RMB million	Adjusted EBITDA[3] RMB million
Solar Material Business	6,580	(1,311)	671	8,065	256	1,979
Solar Farm Business	249	64	218	263	68	223
Corporate/intersegment transactions[1]	N/A	N/A	21	N/A	N/A	11
Sub-total	6,829	(1,247)	910	8,328	324	2,213
New Energy Business[2]	3,173	554	2,885	2,704	466	2,458
Total	10,002	(693)	3,795	11,032	790	4,671

1. The corporate items that are not a reportable segment primarily included unallocated income, unallocated expenses and intersegment transactions.

2. The segment profit from operations of the New Energy business includes reported net profit of GNE Group of approximately RMB571 million (six months ended 30 June 2018: RMB489 million) and allocated corporate expenses of approximately RMB17 million (six months ended 30 June 2018: RMB23 million).

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

Business Structure

The Group owns 62.28% equity interest in GNE. GNE is a listed company in Hong Kong (Stock code: 0451). Except for 371MW 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 and the perpetual notes receivable from GNE as non-current assets, the effect of de-consolidated GNE Group as at 30 June 2019 would be as follows:

	The Group RMB million	**GNE Group** RMB million	**Deconsolidated adjustment** *(note)* RMB million	**The effect of De-consolidated GNE Group** RMB million
Total assets	113,185	61,692	(5,316)	56,809
Total liabilities	86,547	51,503	(843)	35,887
Bank balances and cash, pledged and restricted bank deposits	11,800	2,970	—	8,830
Pledged deposit at related companies	142	8	—	134
Subtotal	**11,942**	**2,978**	**—**	**8,964**
Indebtedness				
Bank and other borrowings	52,377	33,582	—	18,795
Obligations under finance leases	1,169	—	—	1,169
Notes and bonds payables	4,971	3,976	—	995
Loan from related companies	4,095	3,458	(481)	1,118
Lease liabilities*	1,373	1,262	—	111
Subtotal	**63,985**	**42,278**	**(481)**	**22,188**
Net indebtedness (Post-IFRS 16 Basis)#	**52,043**	**39,300**	**(481)**	**13,224**
Net indebtedness (Pre-IFRS 16 Basis)#	**50,670**	**38,038**	**(481)**	**13,113**

\# Following the adoption of IFRS 16 on 1 January 2019, the Group has applied IFRS 16 basis in the current interim period ("Post-IFRS 16 basis"). In order to allow a like-for-like comparison with indebtedness amount for the previous report, a presentation with IAS 17 basis ("Pre-IFRS 16 basis") has been disclosed for illustrative purpose.

* Lease liability has been recognised as a result of implementation of IFRS 16, which were previously disclosed as operating lease commitments at Pre-IFRS 16 basis.

Note:

Deconsolidation adjustments included:

1. The Group's cost of investment in GNE amounted to be RMB2,365,304,000.
2. The GNE's perpetual notes of RMB1,800,000,000 subscribed by the subsidiaries of the Group.
3. The transaction balances with GNE Group, mainly include loan of RMB481,229,000, amount due from GNE Group, net and other eliminations.

As at 30 June 2019, the Company and certain subsidiaries of the Company guaranteed bank and other borrowings of certain subsidiaries of GNE amounted to RMB3,383 million.

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 also produces wafer by using polysilicon that are produced by the Group. In the solar industry supply chain, wafers are further processed by downstream manufacturers to produce solar cells and modules.

Polysilicon

As at 30 June 2019, the annual production capacity of polysilicon of the Group's Xuzhou base remained at the level of 70,000 MT. Due to the Xinjiang base (phase 1) has started the production since the beginning of 2019, the Group's total production capacity increased by 48,000 MT to 118,000 MT during the period. During the six months ended 30 June 2019, the Group produced approximately 36,592 MT of polysilicon, representing an increase of 3.4% as compared to 35,374 MT for the corresponding period in 2018.

Wafer

As at 30 June 2019, the Group's annual wafer production capacity increase to 35 GW. During the six months ended 30 June 2019, the Group produced approximately 14,658 MW of wafers, representing an increase of 10.7% from 13,239 MW for the corresponding period in 2018.

Ingot Monosilicon ("quasi-mono wafer")

The Group has firmly implemented the strategy of developing both mono wafers and multi-wafers. At present, quasi-mono wafer is widely recognised in the market and large-scale applications of quais-mono wafer are available. The launch of new generation of "quasi-mono wafer G4" product is expected in the year. With numerous outstanding advantages of quasi-mono wafer, including low production cost, high conversion rate, low lumen depreciation, flexible size, great fulfilment of the requirement for customisation, more concentrated distribution of resistivity as well as production techniques of highly adaptable PERC solar cells, the quasi-mono wafer is widely recognised and highly recommended. Given the increase in production volume of ingot monosilicon, there is still an enormous room for cost reduction. As production cost will further decline significantly, such cost advantage will be more noticeable.

In addition, on-going scale expansion of production capacity of mono wafer and closer strategic alliance and cooperation with upstream and downstream manufacturers allow the Group to establish the largest production base of highly effective mono wafer for the solar energy in the world.

Sales Volume and Revenue

During the six months ended 30 June 2019, the Group sold 20,731 MT of polysilicon and 14,737 MW of wafers, representing an increase of 295.9% and 21.8% respectively, as compared with 5,237 MT of polysilicon and 12,098 MW of wafer for the corresponding period in 2018.

The average selling prices (excluding tax) of polysilicon and wafer were approximately RMB60.9 (equivalent to US$9.01) per kilogram and RMB0.423 (equivalent to US$0.062) per W respectively for the six months ended 30 June 2019. The corresponding average selling prices of polysilicon and wafer for the six months ended 30 June 2018 were approximately RMB99.0 (equivalent to US$15.4) per kilogram and RMB0.700 (equivalent to US$0.110) respectively.

Revenue from external customers of the Solar Materials business amounted to approximately RMB6,580 million for the period ended 30 June 2019, representing a decrease of 18.4% from RMB8,065 million for the corresponding period in 2018. Notwithstanding the increase in the sales volume of both polysilicon and wafers, the drop in average selling prices following the implementation of the 531 PV New Policy in 2018 led to the decrease in revenue.

Cost and Segment Result

The Group's polysilicon and wafer production costs mainly depend on its ability to control raw material costs, lower energy consumption, achieve economies of scale in its operations and streamline production processes. Benefited from the decrease in cost of raw material, the commencement in production from Xinjiang factory and further increase in production volume, the overall manufacturing cost decreased. The Group will continue to push forward cost reduction and control measures.

Despite the increase in sales volume of polysilicon and wafer by 295.9% and 21.8% and the substantial decrease in manufacturing cost, average selling prices of polysilicon and wafers dropped by 38.5% and 39.6% respectively following the implementation of the 531 PV New Policy, resulting in Segment result of the Solar Material business decreased to a loss of RMB1,311 million for the period ended 30 June 2019 from a profit of RMB256 million for the period ended 30 June 2018. Significant decrease in performance of Solar Material business.

Solar Farm Business

Overseas Solar Farms

As at 30 June 2019, the Solar Farm business includes 18 MW of solar farms in the United States. Besides, 150 MW solar farms in South Africa, which was partnered with CAD Fund, commenced operation in 2014 with the total effective ownership of 9.7% owned by the Group.

PRC Solar Farms

As at 30 June 2019, the Solar Farm business also includes 10 solar farms in the PRC and its installed capacity and attributable installed capacity were remained unchanged at 353.0 MW and 289.3 MW, respectively.

Sales Volume and Revenue

For the six month ended 30 June 2019, the electricity sales volume of Solar Farm business in overseas and the PRC were 14,413 MWh and 246,999 MWh respectively (2018: 16,236 MWh and 253,623 MWh, respectively).

For the six month ended 30 June 2019, revenue for Solar Farm business was approximately RMB249 million (2018: RMB263 million).

New Energy Business

As at 30 June 2019, the aggregated installed capacity of GNE Group was 7,182 MW (31 December 2018: 7,309 MW). Details of capacity, electricity sales volume and revenue for the six months ended 30 June 2019 are set out below.

Subsidiaries by provinces	Tariff Zones	Number of solar power 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)
Inner Mongolia	1	11	358	358	335	0.75	252
Ningxia	1	6	233	233	165	0.72	118
Qinghai	1	3	107	107	82	0.83	68
Xinjiang	1	2	81	81	61	0.67	41
	Zone 1	**22**	**779**	**779**	**643**	**0.75**	**479**
Shaanxi	2	18	1,018	1,018	737	0.71	521
Yunnan	2	8	279	272	193	0.60	116
Hebei	2	5	255	255	187	0.72	135
Qinghai	2	6	179	179	123	0.68	84
Shanxi	2	1	107	107	65	0.87	57
Sichuan	2	2	85	85	73	0.78	57
Jilin	2	4	51	51	44	0.76	33
Liaoning	2	3	47	47	33	0.71	24
Xinjiang	2	2	47	47	31	0.75	23
Gansu	2	2	39	39	25	0.70	18
Inner Mongolia[4]	2	—	—	—	46	0.65	30
	Zone 2	**51**	**2,107**	**2,100**	**1,557**	**0.70**	**1,098**
Henan	3	14	584	584	396	0.74	291
Jiangsu	3	41	565	565	326	0.77	252
Anhui	3	12	410	410	241	0.83	200
Shanxi	3	9	405	405	282	0.69	194
Guizhou	3	6	234	221	107	0.81	86
Hebei	3	9	230	230	159	0.89	142
Shandong	3	7	220	220	149	0.76	113
Guangdong	3	8	219	112	53	0.81	43
Jiangxi	3	5	192	192	76	0.98	74
Hubei	3	4	165	165	99	0.83	82
Guangxi	3	3	160	157	57	0.79	45
Hunan	3	5	101	101	37	0.86	32
Hainan	3	3	80	75	46	0.84	39
Zhejiang	3	3	62	62	25	1.19	30
Fujian	3	3	55	46	16	0.79	13
Shanghai	3	1	7	7	3	1.28	4
Shaanxi	3	1	6	6	3	0.66	2
	Zone 3	**134**	**3,695**	**3,558**	**2,075**	**0.79**	**1,642**
Subtotal		**207**	**6,581**	**6,437**	**4,275**	**0.75**	**3,219**
Japan		1	4	4	2	2.23	4
US		2	134	134	100	0.39	39
Total of Subsidiaries		**210**	**6,719**	**6,575**	**4,377**	**0.74**	**3,262**

Subsidiaries by provinces	Tariff Zones	Number of solar power 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)
Joint ventures/associates[2]							
PRC		5	458	458	197	0.83	164
Japan		3	5	5	3	2.15	7
Total		**218**	**7,182**	**7,038**	**4,577**	**0.75**	**3,433**

	Revenue (RMB million)
Representing:	
Electricity sales	1,260
Tariff adjustment — government subsidies received and receivables	2,002
Total of subsidiaries	3,262
Less: effect of discounting tariff adjustment to present value[3]	(89)
Total revenue of GNE Group	3,173

(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) Revenue from joint ventures and associates were accounted for under "Share of (losses)/profits of joint ventures" or "Share of profits of associates" in the consolidated statement of profit and loss and other comprehensive income.

(3) Certain portion of the tariff adjustment (government subsidies) receivables will be recovered after twelve months from the reporting date. The tariff adjustment receivables are discounted at an effective interest rate ranging from 2.48% to 2.98% per annum.

(4) The subsidiaries were disposed of during the period ended 30 June 2019.

Most of the Solar farms of the GNE Group are located in China and almost all of the revenue is contributed by the subsidiaries of State Grid. The State Grid is a State-owned enterprise in China, which possesses low default risk. Therefore, the Directors considered that the credit risk of trade receivables was minimal and no provision for impairment was considered necessary for the six months period ended 30 June 2019 and for the year ended 31 December 2018.

Revenue

During the six months ended 30 June 2019, the revenue of GNE Group comprised sales of electricity and related tariff adjustment (i.e. government subsidies) amounting to approximately RMB3,262 million (2018: RMB2,779 million), net of effect of discounting the tariff adjustment to its present value of approximately RMB89 million (2018: RMB75 million). The significant increase in revenue was mainly attributable to the increase in sales of electricity of the solar power farms by 22% as a result of intensive developments of solar power plants in 2018 and full grid-connected capacity in 2019. The average tariff (net of tax) for the PRC was approximately RMB0.74/kWh (2018: RMB0.76/kWh). The decrease in average tariff was mainly due to the tariff cut introduced by the government adopted from 1 July 2018 and competitive bidding tariff for some of our projects.

In terms of revenue generated by tariff zone from the PRC for the six months ended 30 June 2019, approximately 15%, 34% and 51% of revenue were generated from zone 1, zone 2 and zone 3 respectively (2018: 17% for zone 1, 28% for zone 2 and 55% for zone 3). In consistent with our prevailing strategy, GNE Group focused more on developing solar power plants 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.

Gross Profit

GNE Group's gross margin for the six months ended 30 June 2019 was 67.5%, as compared to 68.7% for the six months ended 30 June 2018. The slight decrease in gross margin was mainly due to tariff cut introduced by the government for the projects connected to the grid after 30 June 2018.

The cost of sales mainly consisted of depreciation, which accounted for 85.9% (2018: 83.2%) of cost of sales, with the remaining costs being operation and maintenance costs of solar farm.

Financial resources of GNE Group

The net cash from operating activities during the six months ended 30 June 2019 was RMB1,009 million, representing a 214% increase from RMB321 million of the same period last year. The substantial increase in net cash from operating activities was mainly due to the cash received from sale of electricity and tariff adjustments for solar power farms registered to the 7th batch of subsidy catalogue.

The net cash used in investing activities during the six months ended 30 June 2019 primarily arose from payments and deposit paid for the acquisition and development of solar power farm projects.

For the six months ended 30 June 2019, GNE Group's main source of funding was cash generated from financing activities amounting to RMB700 million, which mainly included the net effect of (1) newly raised bank and other borrowings of RMB4,227 million, (2) proceeds from loans from related parties of RMB604 million, (3) repayment of bank and other borrowings of RMB2,661 million and (4) interest payment of RMB1,351 million.

Outlook

The Group's outlook and likely future developments of the Group's business, is set out in the Chairman's Statement and CEO's Review of Operations and Outlook of this Report.

Financial Review

Revenue

Revenue for the six months ended 30 June 2019 amounted to approximately RMB10,002 million, representing a decrease of 9.3% as compared with approximately RMB11,032 million for the corresponding period in 2018. The decrease was mainly affected by downward average selling price adjustment for wafer products, which lead to a significantly drop in revenue in Solar Material business, partly offset by increase in sales volume of both polysilicon and wafer and growth in revenue from GNE Group.

Gross Profit Margin

The Group's overall gross profit margin for the six month ended 30 June 2019 was 23.5%, as compared with 30.2% for the corresponding period in 2018.

Gross profit margin for the Solar Material business decreased from 16.2% for the six months ended 30 June 2018 to 0.9% for the six months ended 30 June 2019. The decrease was mainly attributable to the decrease in the average selling price for wafer, partially offset by the reduction of production costs.

Solar Farm business has a gross profit margin of 54.1% for the period ended 30 June 2019, 1.4 percentage points lower than the corresponding period in 2018.

The gross profit margin for the New Energy business was 67.5% for the six month ended 30 June 2019 and 68.7% for the corresponding period in 2018. The decrease in gross profit margin was mainly due to the tariff cut for the projects connected to the grid after 30 June 2018.

Other Income

For the six months ended 30 June 2019, other income mainly comprised bank and other interest income and interest arising from contracts containing significant financing components of approximately RMB128 million (six months ended 30 June 2018: RMB115 million), sales of scrap materials of approximately RMB78 million (six months ended 30 June 2018: RMB95 million), forfeitures of deposits from customers of approximately RMB73 million (six months ended 30 June 2018: nil), government grants of approximately RMB69 million (six months ended 30 June 2018: RMB113 million), and management and consultancy fee income of approximately RMB53 million (six months ended 30 June 2018: RMB6 million).

Distribution and Selling Expenses

Distribution and selling expenses increased from approximately RMB51 million for the six- month period ended 30 June 2018 to approximately RMB70 million for the six month period ended 30 June 2019.

Administrative Expenses

Administrative expenses amounted to approximately RMB1,134 million for the six-month period ended 30 June 2019, representing an increase of 31.7% from approximately RMB861 million for the corresponding period in 2018. Increase in administrative expenses was primarily due to full period effect for salaries expenses after rapid expansion in 2018 from New Energy business during the period.

Other Expenses, Gains and Losses, Net

The other expenses, the gains and losses, net represents net expenses of approximately RMB458 million for the six-month period ended 30 June 2019 (six month period ended 30 June 2018: net expenses of approximately RMB762 million). The net expenses for the current period mainly comprises of impairment loss on property, plant and equipment of approximately RMB280 million (six month period ended 30 June 2018: nil), research and development costs of approximately RMB299 million (six month period ended 30 June 2018: RMB357 million), loss on disposal of property, plant and equipment of RMB27 million (six month period ended 30 June 2018: RMB4 million), loss on fair value change of held for trading investments of RMB17 million (six month period ended 30 June 2018: RMB23 million), net exchange loss of approximately RMB7 million (six month period ended 30 June 2018: RMB239 million), gain on disposal of solar farm projects and joint ventures of approximately RMB82 million (six month period ended 30 June 2018: RMB33 million), bargain purchase from business combination of approximately RMB74 million (six month ended 30 June 2018: nil), and gain on fair value change of other financial assets at fair value through profit or loss of approximately RMB14 million (six month period ended 30 June 2018: RMB32 million).

Finance Costs

Finance costs for the six-month period ended 30 June 2019 were approximately RMB1,982 million, increased by 24.7% as compared to approximately RMB1,590 million for the corresponding period in 2018. Increase was mainly related to less expenses being capitalized and the higher average borrowing balance from GNE Group during the period.

Share of Results of Associates and Joint Ventures

The Group's share of profit of associates for the six-month period ended 30 June 2019 was approximately RMB141 million, mainly contributed by an associate, Inner Mongolia Zhonghuan — GCL Solar Material Co., Ltd.* ("Mongolia Zhonghuan — GCL") (內蒙古中環協鑫光伏材料有限公司).

The Group's share of loss of joint ventures for the six-month period ended 30 June 2019 was approximately RMB25 million, mainly contributed by the share of loss from "江蘇鑫華半導體材料科技有限公司", partly offset by the contribution of joint venture in South Africa.

Income Tax Expense

Income tax expense for the six-month period ended 30 June 2019 was approximately RMB6 million, representing a decrease of 93.4% as compared with approximately RMB91 million for the corresponding period in 2018. A decrease was mainly due to the loss from the Solar Material business being recorded in the first half of 2019.

(Loss) Profit attributable to Owners of the Company

Loss attributable to owners of the Company amounted to approximately RMB998 million for the six-month period ended 30 June 2019 as compared with a profit of approximately RMB382 million for the corresponding period in 2018. Loss for the period was mainly due to the loss arising from Solar Material business during the period, which was partially offset by the increase in profit contributed by the New Energy business.

Adjusted EBITDA and Adjusted EBITDA Margin

	2019 RMB million	2018 RMB million
For the six months ended 30 June:		
(Loss) profit for the period	(751)	564
Adjust for non-operating or non-recurring items:		
Impairment loss of property, plant and equipment	280	—
(Gain) loss on fair value change of convertible bonds receivable	(9)	5
Loss on fair value change of convertible bonds payables	—	45
Loss on fair value change of held for trading investments	17	23
Loss on deemed disposal of an associate	—	78
Impairment loss on goodwill	—	75
Bargain purchase from business combination	(74)	—
Gain on fair value change of other financial assets at fair value through profit or loss	(14)	(32)
Loss on fair value change of derivative financial instruments, net	7	3
Exchange losses (gains), net	7	239
	(537)	1,000
Add:		
Finance costs	1,982	1,590
Income tax expense	6	91
Depreciation and amortisation	2,344	1,990
Adjusted EBITDA	3,795	4,671
Adjusted EBITDA Margin	37.9%	42.3%

Note 1: As the impact on rental expenses from pre-IFRS 16 basis is immaterial, the pre-IFRS 16 basis's EBITDA will not be disclosed.

Property, Plant and Equipment

Property, plant and equipment decreased from RMB71,000 million as at 31 December 2018 to RMB66,643 million as at 30 June 2019. Decrease in property, plant and equipment was mainly attributable to decrease from GNE Group and increase in depreciation and impairment during the period. In addition, certain property, plant and equipment was reclassified to right-of-use after the adoption of IFRS 16.

Deposits, Prepayments and Other Non-current Assets

Non-current portion for deposits, prepayments and other non-current assets decreased from RMB3,728 million as at 31 December 2018 to RMB2,737 million as at 30 June 2019. The is due to decrease in refundable value-added tax and decrease in deposit paid for EPC contracts and constructions.

Right-of-use Assets

The Group has applied IFRS 16 and recognized right-of-use assets since 1 January 2019. As at 30 June 2019, the right-of-use assets amounted to RMB4,923 million (31 December 2018: Nil).

Contract Assets

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

Contract assets were increased from RMB4,236 million as at 31 December 2018 to RMB5,175 million as at 30 June 2019, because some solar farms were waiting for registration in the coming 8th batch or after of Subsidy Catalogue which is not yet open for registration.

Interests in Associates

Interests in associates increased when compared to 31 December 2018 mainly because of increase in profit contribution from Mongolia Zhonghuan — GCL during the period.

Trade and Other Receivables

Trade and other receivables increased from RMB13,309 million as at 31 December 2018 to RMB14,901 million as at 30 June 2019. The increase was mainly due to an increase in unbilled tariff adjustment receivables on electricity under GNE group; and partly offset by a decrease in bills received held by the Group for further settlement of trade receivables.

Trade and Other Payables

Trade and other payables decreased from RMB20,959 million as at 31 December 2018 to RMB20,675 million as at 30 June 2019. The decrease was mainly due to significant decrease in construction payables during the period.

Liquidity and Financial Resources

As at 30 June 2019, the total assets of the Group were about RMB113.2 billion, of which the aggregate restricted and unrestricted cash and bank balances amounted to approximately RMB11.9 billion. The bank and other interest received for the six months ended 30 June 2019 was approximately RMB0.08 billion.

For the six months ended 30 June 2019, the Group's main source of funding was cash generated from operating activities. The net cash from operating activities was RMB4.3 billion, compared with RMB1.8 billion in the corresponding period in 2018. The increase is mainly attributable to the increase in working capital from Solar Material business and cash subsidy received from the GNE Group.

For the six months ended 30 June 2019, the net cash used in investing activities was approximately RMB4.1 billion (six months ended 30 June 2018: RMB6.4 billion), primarily related to purchase of property, plant and equipment of approximately RMB2.8 billion, which was mainly attributable to GNE Group of approximately RMB2.6 billion and increase in pledged and restricted bank deposits of RMB1.7 billion.

For the six months ended 30 June 2019, the net cash used in financing activities was approximately RMB0.7 billion (six months ended 30 June 2018: net inflow RMB1.9 billion). The cash used mainly related to interest paid of RMB1.7 billion, partly offset by net proceeds of placing of new shares of RMB0.6 billion from the Company and cash inflow from net of new bank loans and repayment of RMB0.3 billion.

The Directors have given careful consideration to the going concern status of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately RMB23,789 million as at 30 June 2019 and the Group had cash and cash equivalents of RMB3,539 million against the Group's total borrowings (comprising bank and other borrowings, lease liabilities, notes and bonds payables and loans from related companies) amounted to approximately RMB63,985 million. For the remaining balance of the Group's total borrowings, approximately RMB29,937 million will be due in the coming twelve months.

In order to improve liquidity, the Group continues to pay close attention in managing the Group's cash position and conducts on-going negotiations with banks to ensure that the existing facilities will be successfully renewed and additional banking facilities are obtained when necessary. The Directors are of the opinion that, taking into account the registered short-term commercial paper and corporate bonds that are available for issuance, undrawn banking, renewal of existing banking facilities, the Group's cash flow projection for the coming year, and the successful implementation of measures of GNE Group as described in Note 1 "Basis of Preparation" to the condensed consolidated financial statements, 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 condensed consolidated financial statements on a going concern basis.

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

Indebtedness

	As at 30 June 2019 RMB Million	As at 31 December 2018 RMB Million
Current liabilities		
Bank and other borrowings — due within one year	**27,245.3**	25,288.8
Obligations under finance leases — due within one year	**401.2**	277.1
Notes payables — due within one year	**1,551.5**	984.4
Indebtedness associated with assets classified as held for sale	**—**	873.0
Loans from related parties — due within one year	**626.1**	508.0
	29,824.1	27,931.3
Lease liabilities — due within one year	**113.1**	—
	29,937.2	27,931.3
Non-current liabilities		
Bank and other borrowings — due after one year	**25,131.9**	26,477.1
Obligations under finance leases — due after one year	**767.9**	951.3
Notes and bonds payables — due after one year	**3,418.6**	4,136.7
Loans from related parties — due after one year	**3,469.4**	3,091.8
	32,787.8	34,656.9
Lease liabilities — due after one year	**1,260.0**	—
	34,047.8	34,656.9
Total indebtedness	**63,985.0**	62,588.2
Less: Pledged and restricted bank deposits and bank balances and cash (including bank balances and cash classified as assets held for sale)	**(11,941.6)**	(10,836.7)
Net indebtedness (Post-IFRS 16 Basis)	**52,043.4**	51,751.5
Net indebtedness (Pre-IFRS 16 Basis)	**50,670.3**	51,751.5

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

	As at 30 June 2019 RMB Million	As at 31 December 2018 RMB Million
RMB	**55,146.7**	53,364.2
USD	**8,301.0**	9,047.1
EUR	**106.0**	111.4
JPY	**65.3**	65.5
HKD	**366.0**	—
	63,985.0	62,588.2

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

	As at 30 June 2019 RMB Million	As at 31 December 2018 RMB Million
Secured	**42,608.9**	40,330.5
Unsecured	**9,768.3**	11,435.4
	52,377.2	51,765.9
Maturity profile of bank and other borrowings		
On demand or within one year	**27,245.3**	25,288.9
After one year but within two years	**5,016.7**	4,617.5
After two years but within five years	**12,317.5**	10,723.8
After five years	**7,797.7**	11,135.7
Group's total bank and other borrowings	**52,377.2**	51,765.9

Bank and other borrowings are denominated in the following currencies:

	As at 30 June 2019 RMB Million	As at 31 December 2018 RMB Million
HKD	**366.0**	—
RMB	**47,255.3**	46,341.8
USD	**4,587.0**	5,247.2
EUR	**103.6**	111.4
JPY	**65.3**	65.5
	52,377.2	51,765.9

As at 30 June 2019, RMB bank and other borrowings carried floating interest rates with reference to the Benchmark Borrowing Rate of The People's Bank of China. USD bank and other borrowings carried interest rates with reference to the London Interbank Offer Rate.

The notes payables bear interest at a rate of 4.15%–7.5% per annum (31 December 2018: 4.15%–7.5%).

Key Financial Ratios of the Group

	As at 30 June 2019	As at 31 December 2018
Current ratio	**0.54**	0.54
Quick ratio	**0.52**	0.52
Net debt to equity attributable to owners of the Company (Post-IFRS 16 basis) *(Note)*	**242.7%**	236.7%
Net debt to equity attributable to owners of the Company (Pre-IFRS 16 basis)	**236.3%**	236.7%

Note:

As at 30 June 2019, the net debt of GNE was approximately RMB39,300 million and the net debt to equity attributable to owners of GNE was 600.3%. For illustration purpose, if purely excluding GNE Group's net debt of RMB38,819 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 (Post-IFRS 16 basis) 61.7%.

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

Subsequent event update

The Group is required to comply with certain restrictive financial and other covenants and undertaking requirements.

As at 30 June 2019, the Group was not able to meet a financial covenant requirement as stipulated in the relevant loan agreement, and thereby triggered the cross default clauses in several other bank borrowings. On discovery of the breach, the Directors informed the lender and commenced renegotiations of the terms of the bank borrowing with the relevant bank and the waiver of strict compliance on the financial ratio has been obtained before the announcement date.

As at 30 June 2019, negotiations have not been concluded and the bank borrowing was classified as current liabilities as at 30 June 2019 under applicable accounting standards, despite the fact that waiver has been granted by the relevant bank and such bank borrowings will be due and repayable after 1 July 2019 in accordance with the repayment terms.

On 1 August 2019, the Group obtained waivers on financial covenant ratios for the relevant bank borrowings. As part of an undertaking, the repayment schedules of such bank borrowing have been amended accordingly. The below condensed consolidated statement of financial position of the Group at 30 June 2019 is presented for illustrative purpose.

	At 30 June 2019 RMB'000	Adjustments upon obtained waiver RMB'000	For illustrative purpose adjusted financial position RMB'000
NON-CURRENT ASSETS			
Pledged and restricted bank deposits	**1,041,209**	3,319	1,044,528
Other non-current assets	**84,420,322**		84,420,322
	85,461,531		85,464,850
CURRENT ASSETS			
Pledged and restricted bank deposits	**7,219,041**	(3,319)	7,215,722
Bank balances and cash	**3,539,278**		3,539,278
Other current assets	**16,964,815**		16,964,815
	27,723,134		27,719,815
CURRENT LIABILITIES			
Bank and other borrowings — due within one year	**27,245,269**	(4,762,245)	22,483,024
Obligations under finance leases — due within one year	**401,253**		401,253
Lease liabilities — due within one year	**113,095**		113,095
Notes payables — due within one year	**1,551,465**		1,551,465
Loans from related companies	**626,121**		626,121
Other current liabilities	**21,574,568**		21,574,568
	51,511,771		46,749,526
NET CURRENT LIABILITIES	**(23,788,637)**		(19,029,711)
TOTAL ASSETS LESS CURRENT LIABILITIES	**61,672,894**		66,435,139
NON-CURRENT LIABILITIES			
Bank and other borrowings — due after one year	**25,131,879**	4,762,245	29,894,124
Obligations under finance leases — due after one year	**767,864**		767,864
Lease liabilities — due after one year	**1,260,066**		1,260,066
Notes and bonds payables — due after one year	**3,418,630**		3,418,630
Loans from related companies	**3,469,371**		3,469,371
Other non-current liabilities	**987,456**		987,456
	35,035,266		39,797,511
NET ASSETS	**26,637,628**		26,637,628

Policy risk

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

Credit Risk

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

Credit risk on sales of polysilicon and wafer products is not significant as the major customers are listed entities with good repayment history. In order to minimize the credit risk, the Group reviews the recoverable amount of each individual trade receivables periodically to ensure that adequate expected credit losses are made. Credit risk of sales of electricity is also not significant as most of the revenue is obtained from the subsidiaries of State Grid Corporation of China (the "State Grid"). The State Grid is a state-owned enterprise in China, which possesses low default risk.

Grid curtailment risk

With the growth in power generating capacity outpaced electricity consumption growth, it has led to utilization decline for power generating capacity across the country since 2014. Although solar power has a higher dispatch priority over conventional power generation in China, given electricity generated from areas with rich solar energy resources cannot be fully consumed in the provinces, and the excess electricity cannot be transmitted to other regions with higher power demand given limited power transmission capacity, grid curtailment has become an issue with high degree of concern for solar power. In this regard, GNE mainly focuses on developing solar power projects in regions with well-developed inter-province power transmission network or with strong domestic power demand such as zone 2 and 3, hence, minimizing grid curtailment risk.

Risk associated with tariff

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

Risk related to high gearing ratio

The New Energy business under the Group is a capital intensive industry, which highly relies on external financing in order to fund for the construction of Solar Farm while the recovery of capital investment takes a long period of time. To cope with the gearing risk, GNE Group and the Group will pay close attention to the market dynamics, and to avoid any unfavorable changes to the Company. Additionally, the Company is constantly seeking alternative financing tools and pursing asset-light model to optimize the finance structure and lower its gearing ratio.

Risk related to interest rate

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

Foreign Currency Risk

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

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

Risk related to disputes with joint venture partners

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

Pledge of Assets/Lease Liabilities with Right-of-use Assets

As at 30 June 2019, the following assets were pledged for certain bank and other borrowings, lease liabilities/ obligations under finance leases, issuance of bills, short-term letters of credit for trade and other payables granted to the Group:

- Property, plant and equipment of RMB33.2 billion (31 December 2018: RMB40.4 billion)
- Aircraft of nil (31 December 2018: RMB0.2 billion)
- Right-of-use assets of RMB0.5 billion (31 December 2018: nil)
- Prepaid lease payments of nil (31 December 2018: RMB0.4 billion)
- Trade receivables and contract assets of RMB7.0 billion (31 December 2018: RMB9.8 billion)
- Pledged and restricted bank deposits of RMB8.3 billion (31 December 2018: RMB6.6 billion)
- Deposit paid to a related company of RMB0.1 billion (31 December 2018: RMB0.1 billion)

In addition lease liabilities of approximately RMB2.5 billion are recognised into related right-of-use assets of approximately RMB3.8 billion as at 30 June 2019.

Capital Commitments

As at 30 June 2019, the Group's capital commitments in respect of purchase of property, plant and equipment contracted for but not provided amounted to RMB1,966 million respectively (31 December 2018: RMB2,893 million).

Contingencies

Financial guarantees contracts

As at 30 June 2019 and 31 December 2018, the Company and certain of its subsidiaries guaranteed bank and other borrowings of certain subsidiaries of GNE amounted to RMB3,383 million and RMB2,971 million, respectively.

Contingent liability

As at 30 June 2019 and 31 December 2018, the Group and the Company did not have any significant contingent liabilities.

Material Acquisitions and Disposals of Subsidiaries, Associated Companies and Joint Ventures

Acquisitions

Material Acquisition by the Group

1) On 12 April 2019, Zhongneng Polysilicon Technology Development Co., Ltd.* (江蘇中能硅業科技發展有限公司) ("Jiangsu Zhongneng"), an indirect non-wholly owned subsidiary of the Company, entered into the Limited Partnership Agreement with the Partners in relation to, among other matters, the establishment of the Investment Fund in the PRC and the subscription of its interest therein.

   Pursuant to the Limited Partnership Agreement, the total capital commitment to the Investment Fund is approximately RMB3.35 billion (equivalent to approximately HK$3.91 billion), of which RMB1.35 billion (equivalent to approximately HK$1.58 billion) is to be contributed by Jiangsu Zhongneng as a Limited Partner.

2) On 31 May 2019, Jiangsu Zhongneng entered into the Cooperation Agreements in relation to the establishment of Leshan Polysilicon Photovoltaic Information Industry Investment Fund* (樂山多晶硅光電信息產業基金) (the "Fund"). The other parties to the Cooperation Agreements are: (a) Leshan Gaoxin Investment Development (Group) Limited* (樂山高新投資發展（集團）有限公司) ("Leshan"), (b) Suzhou Zeye Investment Co., Ltd. (蘇州澤業投資有限公司) ("Zeye Investment"), (c) Zeye New Energy Holdings Limited* (澤業新能源控股有限公司) ("Zeye Holding") and (d) Shanghai Zhongping Guohao Assets Management Co., Ltd* (上海中平國瑀資產管理有限公司) ("Zhongping Guohao").

   Under the Cooperation Agreements, the total capital commitment for the Fund is intended to be between RMB4 billion and RMB4.5 billion, of which: (a) Leshan intends to contribute RMB1.5 billion; (b) Jiangsu Zhongneng intends to contribute RMB500 million; (c) Zeye Investment intends to contribute RMB500 million to RMB1 billion; and (d) a nominee of Zhongping Guohao intends to contribute RMB1.5 billion (of which RMB1 billion will be contributed by Jiangsu Zhongneng).

Material Acquisition by the GNE Group

1) For the period ended 30 June 2019, the GNE Group acquired two subsidiaries, which are engaged in solar power plant business in the PRC of approximately 135MW at a total consideration of approximately RMB264 million. The construction of the solar power farm projects has been completed as at the dates of acquisitions. Thus, the acquisitions are classified as business combination.

Disposals

Disposal by the Group

1) On 3 June 2019, Elite Time Global Limited, a wholly owned subsidiary of the Company, entered into a cooperation intent agreement with China Hua Neng Group Hong Kong Limited in relation to the possible sale of 9,727,594,875 ordinary shares in the share capital of GNE, representing approximately 51% of the entire issued share capital of GNE ("Possible Transaction").

   Completion of the Possible Transaction (if materialised and completed) will (a) constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. The Company will make further announcement(s) in accordance with the Listing Rules as and when appropriate; and (b) lead to a change in control of GNE and a mandatory general offer under Rule 26.1 of The Hong Kong Code on Takeovers and Mergers.

2) On 26 June 2019, Jiangsu Zhongneng, entered into a share purchase agreement with Xuzhou Zhongping GCL Industrial Upgrading Equity Investment Fund LLP* (徐州中平協鑫產業升級股權投資基金（有限合夥）) and Xinjiang GCL New Energy Materials Technology Co., Ltd.* (新疆協鑫新能源材料科技有限公司) ("Xinjiang GCL") in relation to the sale of 31.5% of the equity interests in Xinjiang GCL (the "Sale Shares") for a consideration of RMB2,490,849,900 (equivalent to approximately HK$2,831,058,159).

   Subject to the review of the Company's auditor, based on the consideration net of the 31.5% of the net asset value of Xinjiang GCL transferred, the Group currently expects to record a gain of approximately RMB1.6 billion (equivalent to approximately HK$1.8 billion), excluding tax impact, arising from the above disposal. Closing under the Share Purchase Agreement is subject to the fulfilment or (if applicable) waiver of the conditions precedent on announcement dated on 26 June 2019.

Material Disposal by the GNE Group

1) On 24 October 2018, Suzhou GCL New Energy entered into share transfer agreements with CGN Solar Energy Development Co., Ltd.* (中廣核太陽能開發有限公司), an independent third party, to sell 80% equity interests in Linzhou Xinchuang* (林州市新創太陽能有限公司). Besides, on 30 December 2018, the GNE Group entered into share transfer agreements with China Three Gorges New Energy Company Limited* (中國三峽新能源有限公司), an independent third party, to sell 100% equity interest of several wholly-owned subsidiaries. During the period ended 30 June 2019, the disposals of the above subsidiaries are completed.

2) On 28 March 2019, the GNE Group announced that it has entered into share transfer agreements with 五凌電力有限公司 ("Wuling Power Corporation Ltd."*), a subsidiary of China Power Investment Corporation, for the disposal of 55% equity interest in 汝州協鑫光伏電力有限公司 (Ruzhou GCL Photovoltaic Power Co. Ltd.*) ("Ruzhou"), 江陵縣協鑫光伏電力有限公司 (Jiangling Xian GCL Solar Power Co., Ltd.*) ("Jiangling") and 新安縣協鑫光伏電力有限公司 (Xinan Xian GCL Solar Power Co., Ltd.*) ("Xinan") for consideration in aggregate of approximately RMB355 million. Ruzhou GCL, Jiangling Xian and Xinan operates a number of solar power plants with a capacity of approximately 280MW in the PRC. The disposals are completed during the period ended 30 June 2019.

Save as disclosed above, there were no other significant investments during the period ended 30 June 2019, or plans for material investments as at the date of this report, nor were there other material acquisitions and disposals during the period ended 30 June 2019.

Events after the Reporting Period

1) On 26 July 2019, Suzhou GCL Technology Development Co., Ltd ("Suzhou GCL Technology"), Tianjin Zhonghuan Semiconductor Co., Ltd. ("Tianjin Zhonghuan") and Inner Mongolia Zhonghuan GCL Solar Material Co., Ltd. ("Inner Mongolia Zhonghuan GCL") entered into a supplemental agreement further to the Capital Increase Agreement.

   Suzhou GCL Technology shall transfer the rights and obligations attaching to part of its Capital Contribution under the Capital Increase Agreement, being RMB320,000,000, to Tianjin Zhonghuan, reducing the Capital Contribution by Suzhou GCL Technology from RMB800,000,000 to RMB480,000,000, and increasing the Capital Contribution by Tianjin Zhonghuan from RMB800,000,000 to RMB1,120,000,000.

   Upon the completion of the Transfer and upon the payment of the Transferred Capital Contribution, Tianjin Zhonghuan will be entitled to the shares corresponding to the Transferred Capital Contribution, being 5.07% of equity interests in the registered capital of Inner Mongolia Zhonghuan GCL.

2) Reference is made to the announcement on 23 May 2019 and the circular dated 28 June 2019 in relation to the disposal of 70% equity interest in a number of subsidiaries of the GNE Group of which these subsidiaries own 19 operational solar power plants in the PRC with an aggregate installed capacity of approximately 977MW. This transaction is approved by the shareholders of the Company in the special general meeting, and also the shareholders of GCL-Poly in the extraordinary meeting, respectively, on 19 July 2019. The Disposal is expected to complete in second half of 2019.

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 including but not limited to 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 2019 (six months ended 30 June 2018: nil).

* *English name for identification only*

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 37 to 107, which comprise the unaudited condensed consolidated statement of financial position as of 30 June 2019 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 the Group incurred a net loss of approximately RMB751 million during the six-month period ended 30 June 2019, and as of that date, the Group's current liabilities exceeded its current assets by approximately RMB23,789 million, a portion of which is contributed by 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 RMB11,296 million and which has entered into agreements to construct solar farms which will involve capital commitments of approximately RMB568 million. In addition, at 30 June 2019, the Group was not able to meet a financial covenant in respect of a bank borrowing in the amount of approximately RMB1,358 million as stipulated in the loan agreement. Further, the inability to respect the covenant requirement has triggered the cross default clauses in several other bank borrowings of the Group totalling approximately RMB6,418 million. Subsequent to the end of the reporting period, the Group has obtained consent from the relevant lender to waive the financial covenant concerned and not to demand for immediate repayment of the bank borrowing; and accordingly, the cross default clauses on the relevant bank borrowings are remedied. Notwithstanding this, reclassification of long-term borrowings of approximately RMB4,762 million as current liabilities is still required at 30 June 2019 under applicable accounting standard because the bank waiver was obtained subsequent to the end of the reporting period.

The Company is undertaking a number of financing plans and other measures as described in note 1 to the unaudited condensed interim consolidated financial statements in order to ensure it is able to meet its commitments in the next twelve months. The directors of the Company are of the opinion that based on the assumptions that these financing plans and other measures as set forth in note 1 to the unaudited condensed interim consolidated financial statements can be successfully executed, the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future. However, the likelihood of successful implementation of these financing plans and other measures, including the Group's on-going compliance with its borrowing covenants, and 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

6 August 2019

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	NOTES	Six months ended 30 June 2019 RMB'000 (Unaudited)	 2018 RMB'000 (Unaudited)
Revenue	*3*	**10,001,835**	11,031,580
Cost of sales		**(7,647,662)**	(7,704,471)
Gross profit		**2,354,173**	3,327,109
Other income	*4*	**441,325**	386,762
Distribution and selling expenses		**(70,263)**	(51,126)
Administrative expenses		**(1,133,581)**	(861,401)
Finance costs	*5*	**(1,982,234)**	(1,589,997)
Impairment losses under expected credit loss model, net of reversal	*17*	**(12,574)**	148,293
Other expenses, gains and losses, net	*6*	**(457,720)**	(762,349)
Share of profits of associates		**140,625**	43,604
Share of (losses) profits of joint ventures		**(24,665)**	13,562
(Loss) profit before tax		**(744,914)**	654,457
Income tax expense	*7*	**(6,448)**	(90,936)
(Loss) profit for the period	*8*	**(751,362)**	563,521
Other comprehensive expense:			
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		**(17,738)**	(44,410)
Financial liabilities designated as at fair value through profit or loss attributable to changes in credit risk		**—**	(108)
		(17,738)	(44,518)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(1,242)**	9,171
Cumulative loss reclassified to profit or loss on sale of investments in debt instruments measured at fair value through other comprehensive income upon disposal		**3,540**	—
		2,298	9,171
Other comprehensive expense for the period		**(15,440)**	(35,347)
Total comprehensive (expense) income for the period		**(766,802)**	528,174

For the six months ended 30 June 2019

	NOTE	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		**(997,530)**	382,013
Non-controlling interests		**246,168**	181,508
		(751,362)	563,521
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(1,012,953)**	340,771
Non-controlling interests		**246,151**	187,403
		(766,802)	528,174
		RMB cents (Unaudited)	RMB cents (Unaudited)
(Loss) earnings per share	*10*		
— Basic		**(5.51)**	2.08
— Diluted		**(5.51)**	2.08

Unaudited Condensed Consolidated Statement of Financial Position

At 30 June 2019

	NOTES	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**66,643,155**	70,999,823
Right-of-use assets	*11*	**4,922,956**	—
Prepaid lease payments		**—**	1,106,622
Investment properties		**68,133**	70,460
Other intangible assets		**750,556**	801,307
Interests in associates	*12*	**2,269,780**	1,814,544
Interests in joint ventures	*13*	**769,948**	777,596
Other financial assets at fair value through profit or loss	*14*	**337,513**	315,918
Equity instruments at fair value through other comprehensive income		**73,510**	90,716
Convertible bonds receivable	*15*	**83,289**	76,001
Deferred tax assets		**332,913**	364,041
Deposits, prepayments and other non-current assets	*16A*	**2,737,467**	3,727,632
Contract assets	*16B*	**5,175,191**	4,236,405
Amounts due from related companies	*18*	**255,911**	302,628
Pledged and restricted bank deposits		**1,041,209**	935,469
		85,461,531	85,619,162
CURRENT ASSETS			
Inventories	*19*	**957,015**	992,027
Trade and other receivables	*16A*	**14,901,129**	13,309,008
Amounts due from related companies	*18*	**785,552**	934,216
Prepaid lease payments		**—**	26,647
Other financial assets at fair value through profit or loss	*14*	**221,208**	220,328
Debt instruments at fair value through other comprehensive income		**—**	65,606
Held for trading investments		**69,822**	108,408
Tax recoverable		**30,089**	116,199
Pledged and restricted bank deposits		**7,219,041**	5,638,363
Bank balances and cash		**3,539,278**	4,075,791
		27,723,134	25,486,593
Assets classified as held for sale	*20*	**—**	1,388,009
		27,723,134	26,874,602

At 30 June 2019

	NOTES	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	21	**20,675,340**	20,959,225
Amounts due to related companies	18	**480,768**	578,092
Loans from related companies	18	**626,121**	508,000
Contract liabilities		**167,938**	195,985
Bank and other borrowings			
— due within one year	22	**27,245,269**	25,288,840
Lease liabilities/obligations under finance leases			
— due within one year		**514,348**	277,138
Notes payables			
— due within one year	23	**1,551,465**	984,453
Derivative financial instruments	24	**32,468**	26,011
Deferred income		**54,149**	57,495
Tax payables		**163,905**	121,907
		51,511,771	48,997,146
Liabilities associated with assets classified as held for sale	20	**—**	935,463
		51,511,771	49,932,609
NET CURRENT LIABILITIES		**(23,788,637)**	(23,058,007)
TOTAL ASSETS LESS CURRENT LIABILITIES		**61,672,894**	62,561,155
NON-CURRENT LIABILITIES			
Contract liabilities		**189,201**	197,411
Loans from related companies	18	**3,469,371**	3,091,789
Bank and other borrowings			
— due after one year	22	**25,131,879**	26,477,062
Lease liabilities/obligations under finance leases			
— due after one year		**2,027,930**	951,261
Notes and bonds payables			
— due after one year	23	**3,418,630**	4,136,665
Deferred income		**662,085**	691,003
Deferred tax liabilities		**136,170**	183,457
		35,035,266	35,728,648
NET ASSETS		**26,637,628**	26,832,507

At 30 June 2019

	NOTE	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
CAPITAL AND RESERVES			
Share capital	25	**1,742,850**	1,610,009
Reserves		**19,700,132**	20,255,547
Equity attributable to owners of the Company		**21,442,982**	21,865,556
Non-controlling interests		**5,194,646**	4,966,951
TOTAL EQUITY		**26,637,628**	26,832,507

The unaudited condensed interim consolidated financial statements on pages 37 to 107 were approved and authorised for issue by the board of directors on 6 August 2019 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 2019

	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)*	Capital redemption reserve RMB'000	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	Accumulated profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018 (Audited)	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 *(note 27)*	–	–	–	–	–	–	–	–	–	–	–	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 *(note 25)*	–	–	–	(144,620)	–	–	–	–	–	–	–	–	–	–	(144,620)	–	(144,620)
Purchase of shares under share award scheme *(note 27)*	–	–	(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

For the six months ended 30 June 2019

	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)*	Capital redemption reserve RMB'000	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	Accumulated profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019 (Audited)	1,610,009	9,802,168	(236,629)	—	22,202	(38,212)	—	(619,157)	67,251	3,328,374	(2,074,777)	171,642	(24,007)	9,856,692	21,865,556	4,966,951	26,832,507
Exchange differences arising from translation of financial statements of foreign operations	—	—	—	—	—	—	—	—	—	—	—	—	(1,225)	—	(1,225)	(17)	(1,242)
Cumulative loss reclassified to profit or loss on sale of investments in debt instruments measured at FVTOCI upon disposal	—	—	—	—	—	3,540	—	—	—	—	—	—	—	—	3,540	—	3,540
Fair value loss on investments in equity instruments at FVTOCI	—	—	—	—	—	(17,738)	—	—	—	—	—	—	—	—	(17,738)	—	(17,738)
(Loss) profit for the period	—	—	—	—	—	—	—	—	—	—	—	—	—	(997,530)	(997,530)	246,168	(751,362)
Total comprehensive (expense) income for the period	—	—	—	—	—	(14,198)	—	—	—	—	—	—	(1,225)	(997,530)	(1,012,953)	246,151	(766,802)
Recognition of share-based payment expenses in respect of share options *(note 27)*	—	—	—	—	—	—	—	—	—	—	—	1,045	—	—	1,045	1,593	2,638
Exercise of share options	9	60	—	—	—	—	—	—	—	—	—	(18)	—	—	51	—	51
Forfeitures of share options	—	—	—	—	—	—	—	—	—	—	—	(1,892)	—	3,384	1,492	(1,492)	—
Issue of new shares *(note 25)*	132,832	464,912	—	—	—	—	—	—	—	—	—	—	—	—	597,744	—	597,744
Transaction costs attributable to the issue of new shares	—	(9,953)	—	—	—	—	—	—	—	—	—	—	—	—	(9,953)	—	(9,953)
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	66,000	66,000
Dividend declared to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(84,557)	(84,557)
Transfer to reserves	—	—	—	—	—	—	—	—	—	205,363	—	—	—	(205,363)	—	—	—
At 30 June 2019 (Unaudited)	1,742,850	10,257,187	(236,629)	—	22,202	(52,410)	—	(619,157)	67,251	3,533,737	(2,074,777)	170,777	(25,232)	8,657,183	21,442,982	5,194,646	26,637,628

For the six months ended 30 June 2019

Notes:

(i) For the six months ended 30 June 2018, the Company paid in total of RMB66,532,000 to a trustee ("Trustee") to purchase 100,000,000 shares of the Company in the market pursuant to the Share Award Scheme (the "Scheme") established on 16 January 2017 ("Adoption Date") by the board of directors of the Company (the "Directors"). As at 30 June 2019, all the shares were held by the Trustee. For details, please refer to note 27(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 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, that is attributable to changes in credit risk of the convertible bonds and is transferred to accumulated profits on redemption.

(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 and (iii) change of interests in existing subsidiaries arising from restructuring.

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	NOTES	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES		**4,253,587**	1,782,039
NET CASH USED IN INVESTING ACTIVITIES			
Interest received		**82,730**	40,952
Proceeds from disposal of property, plant and equipment		**—**	28,442
Payments for construction and purchase of property, plant and equipment and land use rights		**(2,843,115)**	(5,976,127)
Payments for right-of-use assets		**(12,967)**	—
Addition of convertible bonds receivable		**—**	(80,334)
Investments in associates		**(5,000)**	(424,540)
Investments in joint ventures		**(89,222)**	(3,630)
Dividend received from a joint venture		**9,689**	5,618
Proceeds from disposal of joint ventures		**53,780**	—
Addition of other financial assets at FVTPL		**(15,000)**	(100)
Proceeds from redemption of other financial assets at FVTPL		**—**	256,830
Proceeds from disposal of debt instruments at FVTOCI		**68,142**	31,965
Addition of debt instruments at FVTOCI		**—**	(12,659)
Addition of equity instruments at FVTOCI		**—**	(31,860)
Withdrawal of pledged and restricted bank deposits		**4,423,945**	3,710,531
Placement of pledged and restricted bank deposits		**(6,110,108)**	(3,938,716)
Advances to related companies		**(38,268)**	(97,910)
Repayment from related companies		**180,741**	7,915
Repayment from third parties		**4,540**	—
Settlement of consideration payables for acquisition of subsidiaries with solar farms		**(110,299)**	(8,165)
Settlement of consideration receivables from disposal of subsidiaries with solar farm projects		**5,192**	—
Net cash inflow from acquisition of subsidiaries	*29*	**29,669**	10,988
Proceeds from disposal of subsidiaries with solar farms projects	*30*	**242,990**	38,802
		(4,122,561)	(6,441,998)

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		
Interest paid	**(1,729,612)**	(1,533,452)
Interest paid for convertible bonds payables	**—**	(39,451)
New bank and other borrowings raised	**7,171,138**	13,189,387
Repayment of bank and other borrowings	**(6,835,448)**	(11,820,923)
Repayment of lease liabilities/obligations under finance leases	**(248,007)**	(352,100)
Repayment of notes and bonds payables	**(188,832)**	(250,000)
Proceeds from issuance of notes payables	**—**	3,166,950
Proceeds from re-sell of bonds issued	**299,900**	—
Repurchase of bonds issued	**(280,493)**	—
Transaction costs paid for the issue of notes payables	**—**	(47,681)
Redemption of convertible bonds payable	**—**	(701,348)
Proceeds of loans from related companies	**896,392**	—
Repayment to loans from related companies	**(400,553)**	—
Advances from related companies	**58,339**	850,273
Repayment to related companies	**(42,261)**	(391,008)
Contribution from non-controlling interests	**66,000**	80,090
Dividends paid to non-controlling interests	**(79,523)**	(56,463)
Proceeds from exercise of share options	**51**	249
Proceeds from issue of new shares	**597,744**	—
Transaction costs attributable to issue of new shares	**(9,953)**	—
Purchase of shares under the Scheme	**—**	(66,532)
Payment for repurchase of shares	**—**	(144,620)
	(725,118)	1,883,371
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(594,092)**	(2,776,588)
CASH AND CASH EQUIVALENTS AT 1 JANUARY, represented by		
Bank balances and cash	**4,075,791**	10,673,203
Bank balances and cash classified as held for sale	**44,873**	—
	4,120,664	10,673,203
Effect of exchange rate changes on the balance of bank balances and cash held in foreign currencies	**12,706**	22,399
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by		
Bank balances and cash	**3,539,278**	7,919,014

1. Basis of Preparation

The unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). 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 2018.

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 RMB23,789 million as at 30 June 2019 and it has incurred a net loss of approximately RMB751 million for the six-month period then ended. The Group had cash and cash equivalents of approximately RMB3,539 million against the Group's total borrowings (comprising loans from related companies, bank and other borrowings, lease liabilities and notes and bonds payables) amounted to approximately RMB63,985 million, out of which approximately RMB29,937 million will be due in the coming twelve months.

Included in the Group's bank borrowings is a loan of approximately RMB1,358 million that the Group has not been able to meet a financial covenant as stipulated in the relevant loan agreement. The relevant bank borrowing is due after one year in accordance with the original repayment terms. In addition, the inability to respect the covenant requirement has triggered the cross default clauses in several other bank borrowings of approximately RMB6,418 million. Among this, approximately RMB3,404 million of the bank borrowings are repayable after one year in accordance with the original repayment terms. Subsequent to the end of the reporting period, the Group has obtained consent from the relevant lender to waive the financial covenant concerned and not to demand for immediate repayment of the bank borrowing; and accordingly, the cross default clauses on the relevant bank borrowings are then remedied. Notwithstanding this, reclassification of long-term borrowings of approximately RMB4,762 million as current liabilities is still required at 30 June 2019 under applicable accounting standard because the bank waiver was obtained subsequent to the end of the reporting period. As a result, in the Group's unaudited condensed consolidated statement of financial position as at 30 June 2019, net current liabilities of approximately RMB23,789 million, rather than net current liabilities of approximately RMB19,027 million, were recorded.

GNE, whose shares are listed on the Stock Exchange, is a subsidiary of the Company. As at 30 June 2019, the Company and certain subsidiaries of the Company guaranteed bank and other borrowings of GNE and its subsidiaries (collectively referred to as "GNE Group") amounted to approximately RMB3,383 million. The Directors have noted 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 RMB11,296 million. In addition, as at 30 June 2019, GNE Group has entered into agreements to construct solar farms which will involve capital commitments of approximately RMB568 million. In the event that GNE Group is successful in expanding the investments in the existing solar farms in the coming twelve months from 30 June 2019, additional cash outflows will be required to settle further committed capital expenditure.

1. Basis of Preparation (continued)

As at 30 June 2019, GNE Group's total borrowings comprising bank and other borrowings, lease liabilities, bonds and notes payables, loans from the Company and related companies amounted to approximately RMB42,279 million, out of which approximately RMB11,322 million will be due in the coming twelve months from the end of the reporting period, including bank borrowings of approximately RMB1,963 million, which shall be due after twelve months from the end of reporting period in accordance with the scheduled repayment dates as set out in the respective loan agreements but are reclassified to current liabilities as a result of the inability to respect the covenant requirement by the Company, the guarantor of certain bank borrowings of GNE Group and thereby triggered the cross default of these bank borrowings. GNE Group's pledged and restricted bank deposits and bank balances and cash amounted to approximately RMB2,011 million and RMB959 million as at 30 June 2019, respectively. The financial resources available to GNE Group as at 30 June 2019 and up to the date of approval of these unaudited condensed interim consolidated financial statements for issuance may not be sufficient to meet its financial obligations, including the above capital expenditure requirements. GNE Group is 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 2019. 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 2019.

In July 2018, 保利協鑫（蘇州）新能源有限公司 (GCL-Poly (Suzhou) New Energy Limited*,"GCL-Poly Suzhou") received a notice from the China Securities Regulatory Commission to accept its registration of a total amount of RMB1.5 billion corporate bonds. 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 in June 2019, GCL-Poly Suzhou has been given AA+ rating. The Group intends to issue the corporate bonds as and when required to meet its funding needs. In view of the nature 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.

In June 2019, 江蘇中能硅業科技發展有限公司 (Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.*, "Jiangsu Zhongneng"), a non-wholly owned subsidiary of the Company, entered into a share transfer agreement with 徐州中平協鑫產業升級股權投資基金(有限合伙) (Xuzhou Zhongping GCL Industrial Upgrading Equity Investment Fund LLP*, "Zhongping GCL"), regarding the sale of its 31.5% equity interest in Xinjiang GCL New Energy Materials Technology Co., Limited ("Xinjiang GCL") to Zhongping GCL, for a consideration of approximately RMB2,491 million in cash. Further details of this sale are set out in the announcement of the Company dated 26 June 2019.

In addition, 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 have also noted the measures being undertaken by GNE Group to improve their liquidity position, which include:

(i) Subsequent to 30 June 2019, GNE Group successfully obtained new borrowings of approximately RMB310 million from banks and other financial institutions in the People's Republic of China (the "PRC");

* English name for identification only

1. Basis of Preparation (continued)

(ii) 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 interbank bond market in the PRC and public offering bonds with an aggregate principal amount of not exceeding RMB3,000 million in Shenzhen Stock Exchange in the PRC before their expiry date in June 2020 and September 2020, respectively. It is expected that the notes and bonds will be issued in one or more tranches and that each tranche of the notes and bonds shall have a maturity of three years. GNE Group is also negotiating with banks and other financial institutions for credit facilities;

(iii) GNE Group is implementing business strategies, among others, to transform its heavy-asset business model to a light-asset model by (i) divesting certain of its existing wholly-owned solar farm projects in exchange for cash proceeds and to improve GNE Group's indebtedness position; and (ii) striving for providing solar farm operation and maintenance services to those divested solar farms for additional operating cashflow to GNE Group;

(iv) On 22 May 2019, GNE Group entered into a series of seven share purchase agreements with 上海榕耀新能源有限公司 (Shanghai Rongyao New Energy Co., Ltd*), an independent third party, in which GNE Group is going to sell 70% equity interest in a number of subsidiaries of GNE Group of which these subsidiaries own 23 operational solar farms in the PRC with an aggregate installed capacity of approximately 977MW, for a consideration in aggregate of RMB1,740,616,700 (the "Disposal"). Pursuant to the Listing Rules, this transaction was considered as a major transaction of the Company, and it was subject to the approval by the shareholders of GNE in the special general meeting as well as the shareholders of the Company in an extraordinary general meeting, respectively. Subsequent to the current interim period, this transaction was approved by the shareholders of GNE in the special general meeting, and also the shareholders of the Company in the extraordinary general meeting, respectively, on 19 July 2019. The Disposal is expected to complete in second half of 2019. Further details of the Disposal are set out in the circular of the Company to its shareholders dated 28 June 2019;

(v) On 3 June 2019, Elite Time Global Limited, a wholly-owned subsidiary of the Company, entered into a non-legal binding cooperation intent agreement with China Hua Neng Group Hong Kong Limited ("China Hua Neng"), a subsidiary of China Huaneng Group Co., Ltd., being a state-owned enterprise in the PRC, regarding the possible sale of 9,727,594,875 ordinary shares in the share capital of GNE, representing approximately 51% of the entire issued share capital of GNE as at the date of approval of these unaudited condensed interim consolidated financial statements for issuance. Upon the completion of the proposed transaction, China Hua Neng will become the controlling shareholder of GNE Group; and

(vi) GNE Group still owns 187 solar farms with an aggregate grid connected capacity of approximately 5.6GW upon completion of the Disposal. Those operational solar farms are expected to generate operating cash inflows to GNE Group within the coming twelve months from the date of these unaudited condensed interim consolidated financial statements.

Taking into account the registered corporate bonds that are available for issuance, proceeds from the sale of Xinjiang GCL, undrawn banking facilities, renewal of existing banking facilities, the Group's cash flow projections for the coming twelve months, and the successful implementation of measures of GNE Group as described above, the Directors are of the opinion that 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.

* English name for identification only

1. Basis of Preparation (continued)

Notwithstanding the above, significant uncertainties exist as to whether the Group and GNE Group can achieve the plans and measures described above to generate adequate cash inflow as scheduled. The sufficiency of the Group's working capital to satisfy its present requirements for at least the next twelve months from the date of approval of these unaudited condensed interim consolidated financial statements for issuance is dependent on the Group's ability to generate adequate operating cash flows and financing cash flows through successful renewal of its bank borrowings upon expiries, compliance with the covenants under the borrowing agreements or obtaining waiver from the relevant banks if the Group is not able to satisfy any of the covenant requirements, successful securing of the financing from banks with repayment terms beyond twelve months from the date of approval of these unaudited condensed interim consolidated financial statements for issuance, and other short-term or long-term financing, as well as the successful implementation of measures of GNE Group as described above. 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 realisable values, 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

During the current interim period, the Group made certain acquisitions and disposals and the details are set out in 29 and 30, respectively. In addition, the Group applied IFRS 16 *Leases* for the first time in the current period which resulted in recognition of additional right-of-use assets and lease liabilities as set out in note 2.

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 IFRS Standards, the accounting policies and methods of computation used in the unaudited condensed interim consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2018.

Application of new and amendments to IFRS Standards

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRS Standards issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's unaudited condensed interim consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to International Accounting Standard ("IAS") 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2015–2017 Cycle

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

2. Principal Accounting Policies (continued)

2.1 Impacts and changes in accounting policies on application of IFRS 16 *Leases*

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 *Leases* ("IAS 17") and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combination on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification or acquisition date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individually leases within the portfolio.

The Group also applies practical expedient not to separate non-lease components from lease component for all classes of underlying assets, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2. Principal Accounting Policies (continued)

2.1 Impacts and changes in accounting policies on application of IFRS 16 *Leases* (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Any adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2. Principal Accounting Policies (continued)

2.1 Impacts and changes in accounting policies on application of IFRS 16 *Leases* (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) when the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

2. Principal Accounting Policies (continued)

2.1 Impacts and changes in accounting policies on application of IFRS 16 *Leases* (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value.

Sale and leaseback transactions

The Group acts as a seller-lessee

The Group applies the requirements of IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") to assess whether sale and leaseback transaction constitutes a sale by the Group as a seller-lessee. For a transfer that does not satisfy the requirements as a sale, the Group accounts for the transfer proceeds as loans from a related company and other loans within the scope of IFRS 9.

2. Principal Accounting Policies (continued)

2.1 Impacts and changes in accounting policies on application of IFRS 16 *Leases* (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into, modified or arising from business combination on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

For the six months ended 30 June 2019

2. Principal Accounting Policies (continued)

2.1 Impacts and changes in accounting policies on application of IFRS 16 *Leases* (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

On transition, the Group has made the following adjustments upon application of IFRS 16:

The Group recognised additional lease liabilities of RMB1,470,026,000 and the related right-of-use assets of RMB1,470,026,000 at 1 January 2019 by applying IFRS16.C8(b)(ii) transition. When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.68%.

	Note	**At 1 January 2019** RMB'000
Operating lease commitments disclosed as at 31 December 2018		2,409,877
Lease liabilities discounted at relevant incremental borrowing rates		1,493,188
Less: Recognition exemption — short-term leases		(3,321)
Recognition exemption — leases with lease term ends within 12 months of the date of initial application		(19,841)
Lease liabilities relating to operating leases recognised upon application of IFRS 16		1,470,026
Add: Obligations under finance leases recognised at 31 December 2018	*(c)*	1,228,399
Lease liabilities as at 1 January 2019		2,698,425
Lease liabilities		
Current		383,605
Non-current		2,296,388
Lease liabilities under liabilities associated with assets classified as held for sale		18,432
		2,698,425

2. Principal Accounting Policies (continued)

2.1 Impacts and changes in accounting policies on application of IFRS 16 *Leases* (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

The Carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		1,470,026
Reclassified from prepaid rent	*(a)*	484,227
Reclassified from prepaid lease payments	*(b)*	1,135,097
Amounts included in property, plant and equipment under IAS 17		
— Assets previously under finance leases	*(c)*	2,031,808
		5,121,158
By class:		
Leasehold land		2,851,178
Plant and machinery		1,820,856
Aircraft		210,952
Buildings		64,831
Rooftops		137,212
Others		36,129
		5,121,158
Represented by:		
Right-of-use assets		5,093,890
Right-of-use assets under assets classified as held for sale		27,268
		5,121,158

2. Principal Accounting Policies (continued)

2.1 Impacts and changes in accounting policies on application of IFRS 16 *Leases* (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

As a lessee (continued)

(a) Prepaid rent for parcels of land in the PRC in which the Group leased from third parties under operating leases were classified as prepayments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid rent for parcels of land and prepaid rent for parcels of land classified as held for sale amounting to approximately RMB2,826,000, RMB474,393,000 and RMB7,008,000, respectively, were reclassified to right-of-use assets.

(b) Upfront payments for leasehold land in the PRC in which the Group obtained relevant land use right certificate were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments and the prepaid lease payments classified as held for sale amounting to approximately RMB26,647,000, RMB1,106,622,000 and RMB1,828,000, respectively were reclassified to right-of-use assets.

(c) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 of approximately RMB2,031,808,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of approximately RMB277,138,000 and RMB951,261,000 to lease liabilities as current and non-current liabilities, respectively at 1 January 2019.

The transition to IFRS 16 has no material impact to the Group's accumulated profits at 1 January 2019.

Sales and leaseback transactions

(d) The Group acts as a seller-lessee

In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of IFRS 16, the Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale. During the period, the Group entered into several sale and leaseback transactions in relation to certain machinery and equipment of the Group and the transactions do not satisfy the requirement as a sale in accordance with those contracts, and the Group has right to repurchase the relevant assets. As a result, the buyer-lessors do not obtain control of the assets as the contracts limit its ability to direct the use of and to obtain substantially all of the remaining benefits from the assets. Accordingly, the Group accounts for the transfer proceeds of approximately RMB98,500,000 and RMB1,498,473,000 as loans from a related company and other loans, respectively, within the scope of IFRS 9.

2. Principal Accounting Policies (continued)

2.1 Impacts and changes in accounting policies on application of IFRS 16 *Leases* (continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (continued)

The following adjustments were made to the amounts recognised in the unaudited condensed interim consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 31 December 2018** RMB'000	**Adjustments** RMB'000	**Carrying amounts at 1 January 2019** RMB'000
Non-current assets				
Property, plant and equipment	*(c)*	70,999,823	(2,031,808)	68,968,015
Prepaid lease payments	*(b)*	1,106,622	(1,106,622)	—
Deposits, prepayments and other non-current assets	*(a)*	3,727,632	(474,393)	3,253,239
Right-of-use assets		—	5,093,890	5,093,890
Current assets				
Trade and other receivables	*(a)*	13,309,008	(2,826)	13,306,182
Prepaid lease payments	*(b)*	26,647	(26,647)	—
Assets classified as held for sale				
— Right-of-use assets		—	27,268	27,268
— Other non-current assets	*(a)*	97,335	(7,008)	90,327
— Prepaid lease payments	*(b)*	1,828	(1,828)	—
Current liabilities				
Lease liabilities/obligations under finance leases	*(c)*	277,138	106,467	383,605
Liabilities associated with assets classified as held for sale				
— Lease liabilities		—	18,432	18,432
Non-current liabilities				
Lease liabilities/obligations under finance leases	*(c)*	951,261	1,345,127	2,296,388

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

2. Principal Accounting Policies (continued)

2.2 Critical judgements in applying accounting policies

The Directors made the following critical judgement on application of IFRS 16.

Determination on lease term of contracts with renewal options

The Group applies judgment to determine the lease term in connection with certain lease contracts in which it is a lessee that include renewal option. The leases are related to land leases where the solar farms are erected. The solar farms have useful life of twenty-five years while the lease agreement for land entered into by the Group with the landlord contains a lease term of twenty years plus a renewal option of five to ten years. Accordingly, the management of the Group considered that the Group has a significant economic incentive and it is reasonably certain for the Group to exercise the renewal option, in order to operate the solar farm until the end of its useful life.

3. Revenue and Segment Information

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

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

(b) Solar farm business — manages and operates 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.

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 2019

	Solar material business RMB'000 (Unaudited)	Solar farm business RMB'000 (Unaudited)	New energy business RMB'000 (Unaudited) *(Note)*	Total RMB'000 (Unaudited)
Segment revenue	6,580,334	248,517	3,172,984	10,001,835
Segment (loss) profit	(1,311,006)	63,551	554,096	(693,359)
Elimination of inter-segment profit				(81,450)
Unallocated income				26,164
Unallocated expenses				(22,369)
Gain on fair value change of convertible bonds receivable *(note 15)*				9,599
Loss on fair value change of held for trading investments *(note 6)*				(17,197)
Share of profit of an associate				10,536
Share of profits of joint ventures				2,422
Gain on fair value change of financial assets at FVTPL *(note 6)*				14,292
Loss for the period				(751,362)

3. Revenue and Segment Information (continued)

Segment revenue and results (continued)

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)*	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				(49,848)
Loss on fair value change of convertible bonds receivable *(note 15)*				(4,766)
Loss on fair value change of convertible bonds issued by the Company				(40,768)
Loss on fair value change of held for trading investments *(note 6)*				(23,109)
Loss on deemed disposal of an associate *(note 6)*				(77,894)
Share of loss of an associate				(1,050)
Share of profits of joint ventures				5,775
Gain on fair value change of financial assets at FVTPL				3,459
Profit for the period				563,521

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss) profit of each respective segment excluding unallocated income, unallocated expenses (including certain exchange loss 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, share of profits (losses) of certain interests in an associate and joint ventures, and change in fair value of certain financial assets at FVTPL. This is the measure reported to the chief operating decision maker 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 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Segment assets		
Solar material business	46,064,564	45,991,159
Solar farm business	3,640,320	3,653,291
New energy business	61,602,602	61,109,942
Total segment assets	111,307,486	110,754,392
Other financial assets at FVTPL	414,400	391,925
Equity instruments at FVTOCI	73,510	90,716
Debt instruments at FVTOCI	—	65,606
Held for trading investments	69,822	108,408
Convertible bonds receivable	83,289	76,001
Interests in associates	373,128	362,286
Interests in joint ventures	190,545	98,728
Unallocated bank balances and cash	607,637	532,387
Unallocated corporate assets	64,848	13,315
Consolidated assets	113,184,665	112,493,764
Segment liabilities		
Solar material business	33,139,445	32,286,905
Solar farm business	1,930,462	1,994,059
New energy business	51,414,884	51,339,150
Total segment liabilities	86,484,791	85,620,114
Unallocated corporate liabilities	62,246	41,143
Consolidated liabilities	86,547,037	85,661,257

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, corporate bank balances and cash and other assets (including certain other financial assets at FVTPL, equity instruments at FVTOCI, debt instruments at FVTOCI, held for trading investments, convertible bonds receivable and certain interests in associates and joint ventures) of the management companies and investment holdings companies; and

- All liabilities are allocated to operating segments, other than unallocated corporate liabilities of the management companies and investment holdings companies.

Disaggregation of revenue

Six months ended 30 June 2019

Segments	Solar material business RMB'000 (Unaudited)	Solar farm business RMB'000 (Unaudited)	New energy business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services				
Sales of wafer	4,535,386	—	—	4,535,386
Sales of electricity *(Note)*	—	248,517	3,172,984	3,421,501
Sales of polysilicon	1,263,455	—	—	1,263,455
Processing fees	310,133	—	—	310,133
Others (comprising the sales of silicon rods and ingots)	471,360	—	—	471,360
Total	6,580,334	248,517	3,172,984	10,001,835
Geographic markets				
The PRC	6,008,040	229,439	3,129,553	9,367,032
Others	572,294	19,078	43,431	634,803
Total	6,580,334	248,517	3,172,984	10,001,835
Timing of revenue recognition				
A point in time	6,270,201	248,517	3,172,984	9,691,702
Over time	310,133	—	—	310,133
Total	6,580,334	248,517	3,172,984	10,001,835

3. Revenue and Segment Information (continued)

Disaggregation of revenue (continued)

Six months ended 30 June 2018

Segments	Solar material business RMB'000 (Unaudited)	Solar farm business RMB'000 (Unaudited)	New energy business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services				
Sales of wafer	6,993,557	—	—	6,993,557
Sales of electricity *(Note)*	—	251,506	2,704,185	2,955,691
Sales of polysilicon	518,551	—	—	518,551
Processing fees	412,829	—	—	412,829
Others (comprising the sales of ingots and modules)	139,187	11,765	—	150,952
Total	8,064,124	263,271	2,704,185	11,031,580
Geographic markets				
The PRC	6,066,872	232,587	2,681,855	8,981,314
Others	1,997,252	30,684	22,330	2,050,266
Total	8,064,124	263,271	2,704,185	11,031,580
Timing of revenue recognition				
A point in time	7,651,295	263,271	2,704,185	10,618,751
Over time	412,829	—	—	412,829
Total	8,064,124	263,271	2,704,185	11,031,580

Note: Sales of electricity included approximately RMB2,081,860,000 (six months ended 30 June 2018: RMB1,804,062,000) 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 settlement arrangement of tariff are disclosed in note 16B.

4. Other Income

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income		
— bank and other interest income	**46,120**	53,525
— debt instruments at FVTOCI	**393**	4,612
Interest arising from contracts containing significant financing component *(Note a)*	**81,492**	56,907
Government grants *(Note b)*	**68,868**	113,267
Sales of scrap materials	**77,977**	94,917
Management and consultancy fee income	**52,561**	5,978
Rental income	**24,968**	16,407
Forfeitures of deposits from customer	**72,613**	—
Others	**16,333**	41,149
	441,325	386,762

Notes:

(a) Since certain of the tariff adjustments are yet to obtain approval for registration in the Renewable Energy Tariff Subsidy Catalogue (the "Catalogue") by the PRC government, the management considers that it contains a significant financing component over the relevant portion of tariff adjustment until approval was obtained. For the six months ended 30 June 2019, the respective tariff adjustment was adjusted for this financing component based on an effective interest rate ranged from 2.48% to 2.98% (six months ended 30 June 2018: 3.06% to 3.49%) per annum and the adjustment in relation to the revision of expected timing of tariff collection. As such, the Group's revenue was adjusted by approximately RMB89.3 million (six months ended 30 June 2018: RMB75.4 million) and interest income amounting to approximately RMB81.5 million (six months ended 30 June 2018: RMB56.9 million) was recognised.

(b) Government grants include (i) subsidies received from the relevant PRC government 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 2018. Approximately US$1,027,000 (equivalent to approximately RMB6,953,000) (six months ended 30 June 2018: RMB3,668,000) of the ITC benefit was recognised in profit or loss for the six months ended 30 June 2019 as a government grant income and included in other income.

5. Finance Costs

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on financial liabilities at amortised cost		
— bank and other borrowings	**1,610,661**	1,346,238
— notes and bonds payables and senior notes	**182,925**	249,544
— loans from related companies	**135,100**	72,310
Interest on lease liabilities/obligations under finance leases	**85,420**	54,745
Total borrowing costs	**2,014,106**	1,722,837
Less: interest capitalised	**(31,872)**	(132,840)
	1,982,234	1,589,997

Borrowing costs capitalised during the period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.39% (six months ended 30 June 2018: 7.2%) per annum to expenditure on qualifying assets.

6. Other Expenses, Gains and Losses, Net

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Research and development costs	**298,878**	356,710
Exchange loss, net	**6,997**	238,887
(Gain) loss on fair value change of convertible bonds receivable *(note 15)*	**(9,599)**	4,766
Loss on fair value change of convertible bonds payables	**—**	44,656
Gain on fair value change of other financial assets at FVTPL	**(14,292)**	(32,112)
Loss on fair value change of held for trading investments	**17,197**	23,109
Loss on fair value change of derivative financial instruments *(note 24)*	**6,457**	2,624
Impairment loss on goodwill	**—**	75,359
Impairment loss on property, plant and equipment *(note 11)*	**280,000**	—
Loss on disposal of property, plant and equipment	**27,466**	3,641
Bargain purchase from business combination *(note 29)*	**(73,858)**	—
Gain on disposal of solar farm projects *(note 30)*	**(46,263)**	(33,185)
Gain on disposal of joint ventures *(note 13)*	**(35,263)**	—
Loss on deemed disposal of an associate	**—**	77,894
	457,720	762,349

For the six months ended 30 June 2019

7. Income Tax Expense

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax ("EIT")		
Current tax	**84,155**	133,767
Overprovision in prior periods	**(39,642)**	(29,478)
PRC dividend withholding tax	**—**	34,663
	44,513	138,952
USA Federal and State Income Tax		
Current tax	**20**	236
Underprovision in prior periods	**2**	3
	22	239
Deferred tax	**(38,087)**	(48,255)
	6,448	90,936

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. The overprovision of EIT in prior periods arose mainly as a result of completion of tax clearance procedures by certain PRC subsidiaries with the respective tax authorities.

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 in solar photovoltaic projects, under the EIT Law, are entitled to tax holidays of 3-year full exemption followed by 3-year 50% exemption commencing from their respective years in which their first operating incomes were derived. For the six months ended 30 June 2019, certain subsidiaries of GNE engaged in the solar photovoltaic projects had their first or second year of the 3-year 50% exemption period.

7. Income Tax Expense (continued)

Federal and State tax rate in the USA are calculated at 21% and 8.84%.

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 of profits of the qualifying group entity is taxed at 8.25%, and profits above HK$2 million is taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates is insignificant to the unaudited condensed interim consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax was made as there were no assessable profit for both periods.

Taxation arising from other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Group's subsidiaries, associates and joint ventures that are tax residents in the PRC are subject to the PRC dividend withholding tax of 5% or 10% for those non-PRC 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. Net reversal for deferred taxation of approximately RMB58,785,000 in respect of withholding tax on undistributed profits has been credited to profit or loss (six months ended 30 June 2018: RMB6,758,000) during the current interim period. For the six months ended 30 June 2018, approximately RMB34,663,000 (six months ended 30 June 2019: nil) has been credited to profit or loss upon payment.

8. (Loss) Profit for the Period

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss) profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	**2,186,081**	2,061,029
Depreciation of investment properties	**2,327**	2,327
Depreciation of right-of-use assets	**149,105**	—
Amortisation of prepaid lease payments	**—**	13,822
Amortisation of other intangible assets	**50,751**	48,160
Total depreciation and amortisation	**2,388,264**	2,125,338
Less: amounts absorbed in opening and closing inventories, net	**(44,496)**	(135,149)
	2,343,768	1,990,189
Less: amounts absorbed in inventories sold, including opening inventories	**(1,985,115)**	(1,769,567)
	358,653	220,622

9. Dividends

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

10. (Loss) Earnings per share

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss) earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share		
— (Loss) profit for the period attributable to owners of the Company	**(997,530)**	382,013
Effect of dilutive potential ordinary shares:		
— Adjustment to the share of profit of GNE Group attributable to the Company based on dilution arising on convertible bonds issued by GNE	**—**	(545)
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(997,530)**	381,468

	Six months ended 30 June	
	2019	2018
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**18,115,551**	18,353,251
Effect of dilutive potential ordinary shares:		
— Share options issued by the Company	**—**	4,275
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**18,115,551**	18,357,526

For the six months ended 30 June 2019, the weighted average number of ordinary shares for the purpose of calculation of basic loss per share has been adjusted for the effect of 322,998,888 ordinary shares purchased by the Trustee from the market pursuant to the Scheme.

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 322,998,888 ordinary shares purchased by the Trustee from the market pursuant to the Scheme and 232,424,000 shares repurchased by the Company during the period.

Diluted loss per share for the six months ended 30 June 2019 did not assume the exercise of share options granted by the Company and share options granted by GNE, since the exercise price of the relevant share options is higher than the share price of the respective entities for the six months ended 30 June 2019.

10. (Loss) Earnings per share (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.

11. Movements In Property, Plant and Equipment and Right-of-use Assets

During the six months ended 30 June 2019, the Group spent approximately RMB346 million (six months ended 30 June 2018: RMB3,705 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 RMB37 million (six months ended 30 June 2018: RMB2,867 million) on technological improvement and other production facilities to enhance the wafer and polysilicon production efficiency. As at 30 June 2019, the constructions are still in progress.

In addition, during the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately RMB36 million (six months ended 30 June 2018: RMB37 million) for proceeds receivable of approximately RMB9 million (six months ended 30 June 2018: RMB28 million), resulting in a loss of approximately RMB27 million (six months ended 30 June 2018: RMB4 million).

Due to the continuing unfavourable market conditions during the current interim period, the polysilicon faced a stronger than expected price pressure and the production plant of polysilicon within the solar material business segment incurred continuous loss during the six months ended 30 June 2019 and its financial performance is less satisfactory than expected. With the impairment indicators identified, the Directors conducted a review of the recoverable amounts of the property, plant and equipment of the relevant asset groups as at 30 June 2019.

The recoverable amounts of the property, plant and machinery belonging to the production plant of polysilicon in the solar material business segment are determined based on a value in use calculation by the Directors on the production plant in relation to the production of polysilicon of the solar material business segment as at 30 June 2019. The calculation uses cash flow projections covering the useful lives of those property, plant and equipment in relation to the production of polysilicon based on financial budgets approved by management. Key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows include discount rate, budgeted sales and gross margin. Such estimation is based on past performance and management's expectations for the market. In the opinion of the Directors, the fair value less costs to sell of the property, plant and machinery in relation to the production of polysilicon is lower than the value in use. As the recoverable amount of the relevant asset groups is lower than their carrying amount, an impairment loss of approximately RMB280,000,000 (six months ended 30 June 2018: nil) is recognised on property, plant and equipment in relation to the production of polysilicon accordingly.

Leases are negotiated and rentals are fixed for terms ranging from 1 to 34 years for parcels of land and ranging from 1 to 5 years for the office premises and staff quarters for both periods. The lease agreements entered into between the landlords and the Group include renewal options at the discretion of the respective group entities for further 5 to 10 years from the end of the leases with fixed rental.

11. Movements In Property, Plant and Equipment and Right-of-use Assets (continued)

During the current interim period, the Group entered into several new lease agreements for the use of lands, buildings, staff quarters and motor vehicles for terms ranging from 2 to 50 years. The Group is required to make fixed annually payments, except for full payment of approximately RMB12,967,000 was made for certain leases. On lease commencement, the Group recognised approximately RMB32,753,000 of right-of-use assets and approximately RMB19,786,000 of lease liabilities.

12. Interests in Associates

Same as disclosed in the Company's 2018 annual report, there is no material change for the six months ended 30 June 2019, except for:

(a) During the six months ended 30 June 2019, the Group entered into a partnership agreement with six independent investors for 40.27% equity interest in Zhongping GCL for a consideration of RMB1,350,000,000. Pursuant to the partnership agreement of Zhongping GCL, two-third of the votes of the investment committee is required to direct the relevant activities. The Group is entitled to two out of eight voting rights of the investment committee. The Directors consider that the Group can exercise significant influence over Zhongping GCL and it is therefore classified as an associate of the Group. During the current interim period, the Group has contributed RMB5,000,000 out of the total consideration of RMB1,350,000,000.

(b) There are additions of associates as a result of the disposal of GNE Group's 80% equity interest in Linzhou Xinchuang (as defined in note 20) in February 2019, and 55% equity interest in each of 汝州協鑫光伏電力有限公司 (Ruzhou GCL Photovoltaic Power Co. Ltd.*, "Ruzhou"), 新安縣協鑫光伏電力有限公司 (Xinan Xian GCL Solar Power Co., Ltd.*, "Xinan") and 江陵縣協鑫光伏電力有限公司 (Jiangling Xian GCL Solar Power Co., Ltd.*, "Jiangling") in April 2019 to independent third parties. After above-mentioned disposal, GNE Group retains 20% equity interest in Linzhou Xinchuang and 45% equity interest in Ruzhou, Xinan and Jiangling. GNE Group retains significant influence on these companies upon completion of the relevant disposals. Details are set out in note 30.

* English name for identification only

13. Interests in Joint Ventures

Same as disclosed in the Company's 2018 annual report, there is no material change for the six months ended 30 June 2019, except for:

(a) During the current interim period, both the Group and the joint venture partner each further injected US$13,000,000 (equivalent to approximately RMB89,222,000) to MIT GCL Investment Limited, a joint venture which the Group acquired 50% equity interest in August 2018 and the relevant activities required unanimous consent from both parties.

(b) During the current interim period, GNE Group acquired 100% equity interest of 金湖正輝太陽能電力有限公司 (Jinhu Zhenghui Photovoltaic Co., Ltd.*, "Jinhu") and 山東萬海電力有限公司 (Shandong Wanhai Solar Power Co., Ltd.*, "Wanhai") from 西安中民協鑫新能源有限公司 (Xi'an Zhongmin GCL New Energy Company Limited*, "Zhongmin GCL"), a joint venture of GNE. Upon completion of these acquisitions in March 2019, Jinhu and Wanhai become wholly-owned subsidiaries of GNE Group. Details are set out in note 29. Zhongmin GCL is also disposed of by GNE Group in March 2019.

(c) GNE Group disposed of its 50% joint venture interest in both AD Solar No. 3 Godo Kaisha and Himeji Tohori Taiyo-No-Sato No. 1 Godo Kaisha ("Himeji") to an independent third party in January 2019. As a result of the abovesaid disposals, a gain of approximately RMB35,263,000 is recognised during the current interim period.

* English name for identification only

14. Other Financial Assets at Fair Value Through Profit or Loss

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Current assets		
Other financial assets at FVTPL:		
Unlisted investments *(Note a)*	**221,208**	220,328
Non-current assets		
Other financial assets at FVTPL:		
Unlisted investments *(Note b)*	**193,192**	171,597
Asset management plans *(Note c)*	**100,000**	100,000
Unlisted equity investments *(Note d)*	**44,321**	44,321
	337,513	315,918

Notes:

(a) The unlisted investments represent the financial products issued by a financial institution in Hong Kong. The return is guaranteed by the financial institution with specified rate of return of 7% per annum. The Directors consider the fair values of the unlisted investments, which are based on the prices provided by the financial institution, i.e. the prices they would pay to redeem the financial products at the end of the reporting period, approximate to their carrying value.

(b) The Group invested in the form of interests as limited partners, which hold a portfolio of unlisted equity 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. The unlisted investments mainly made up of private entities incorporated in the PRC and liquid financial assets (including cash and cash equivalents).

(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 is 7.50% per annum.

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

15. Convertible Bonds Receivable

In 2018, the Group subscribed for the convertible bonds issued by Asia Energy Logistics Group Limited, whose shares are listed on the Stock Exchange, with principal amount of HK$100,000,000 (equivalent to approximately RMB80,334,000). The convertible bonds carry interest at 5.5% per annum payable semi-annually and mature on 2 March 2021. The fair value of the convertible bonds receivable at 30 June 2019 was determined with reference to a valuation prepared by an independent professionally qualified valuer, DTZ Cushman & Wakefield Limited. There is a gain on fair value change of approximately RMB9,599,000 (six months ended 30 June 2018: loss on fair value change of approximately RMB4,766,000) recognised in profit or loss in the current interim period.

16A. Deposits, Prepayments and Other Non-Current Assets/Trade and Other Receivables

Deposits, prepayments and other non-current assets

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Deposits for acquisitions of property, plant and equipment	**48,263**	85,688
Consideration receivable *(note 30)*	**307,943**	307,943
Prepayments for engineering, procurement and constructions ("EPC") contracts and constructions *(Note)*	**308,219**	671,189
Refundable value-added tax	**2,046,456**	2,160,282
Prepaid rent for parcels of land	**—**	474,393
Others	**26,586**	28,137
	2,737,467	3,727,632

Note: Prepayments 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.

16A. Deposits, Prepayments and Other Non-Current Assets/Trade and Other Receivables (continued)

Trade and other receivables

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Trade receivables *(Note a)*	**11,477,494**	9,964,781
Other receivables	**552,562**	555,999
Refundable value-added tax	**1,495,177**	1,680,839
Consideration receivables	**518,225**	170,686
Receivables for modules procurement	**66,743**	147,577
Other loan receivables *(Note b)*	**15,710**	20,250
Advance to Borrowers (as defined in *Note b*)	**88,692**	16,932
Prepayments	**686,526**	751,944
	14,901,129	13,309,008

Notes:

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

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

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Within 3 months	**828,918**	573,358
3 to 6 months	**62,760**	20,365
Over 6 months	**113,194**	127,683
	1,004,872	721,406

For sales of electricity, 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.

16A. Deposits, Prepayments and Other Non-Current Assets/Trade and Other Receivables (continued)

Trade and other receivables (continued)

Notes: (continued)

(a) (continued)

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

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Unbilled *(Note)*	**3,449,503**	2,454,010
Within 3 months	**497,244**	337,718
3 to 6 months	**127,826**	252,612
Over 6 months	**734,025**	370,786
	4,808,598	3,415,126

Note: Amount represents unbilled basic tariff adjustment receivables for solar farms operated by the Group, and tariff adjustment receivables of those solar farms already registered in the Catalogue. The Directors expect the unbilled tariff adjustments would be billed and settled within one year from the end of the reporting period.

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

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
0–90 days	**1,030,938**	346,782
91–180 days	**311,672**	635,985
181–365 days	**687,011**	873,117
over 365 days	**1,419,882**	598,126
	3,449,503	2,454,010

As at 30 June 2019, trade receivables include bills received amounting to approximately RMB5,664,024,000 (31 December 2018: RMB5,828,249,000) held by the Group for future settlement of trade receivables, of which certain bills issued by third parties of approximately RMB2,828,192,000 and RMB1,079,124,000 (31 December 2018: RMB2,270,573,000 and RMB1,935,537,000) are further endorsed by the Group with recourse for settlement of payables for purchase of plant and machinery, construction costs and trade payables and discounted to banks for financing with recourse, respectively. The Group continues to recognise their full carrying amount at the end of the 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 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.

16A. Deposits, Prepayments and Other Non-Current Assets/Trade and Other Receivables (continued)

Trade and other receivables (continued)

Notes: (continued)

(b) 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. As at 30 June 2019, the outstanding balance is approximately RMB15,710,000 (31 December 2018: RMB20,250,000). The loans are repayable within twelve months from 30 June 2019 and carry interest ranging from 6% to 12% (31 December 2018: 6% to 12%) per annum.

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

16B. Contract Assets

The contract assets primarily relate to the portion of tariff adjustments for the electricity sold to the local state grid companies in the PRC in which the relevant on-grid solar farms are still pending for registration to the Catalogue. 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 Group considers the settlement terms contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the relevant counterparties.

Any amount previously recognised as contract assets is reclassified to trade receivables at the point at which it is registered in the Catalogue. The balances as at 30 June 2019 and 31 December 2018 are classified as non-current as they are expected to be received after twelve months from the end of the reporting period.

For the six months ended 30 June 2019

17. Impairment Assessment on Financial Assets and Other Items Subject to Expected Credit Loss ("ECL") Model

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Impairment loss recognised (reversed), net in respect of		
— trade receivables — goods and services	**(25,184)**	(148,293)
— amounts due from related companies (trade related)	**37,758**	—
	12,574	(148,293)

The basis of determining the inputs and assumptions and the estimation techniques used in the unaudited condensed interim consolidated financial statements for the six months ended 30 June 2019 for assessment of ECL are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

The Group reversed the impairment allowance for trade receivables of approximately RMB27,720,000 (six months ended 30 June 2018: RMB149,251,000) resulting from subsequent settlement during the current interim period.

For amounts due from related companies (trade related), debtors with significant balances with gross carrying amounts of approximately RMB475,028,000 as at 30 June 2019 were assessed individually and loss allowance of approximately RMB37,758,000 (six months ended 30 June 2018: nil) was recognised for the current interim period.

During the current interim period, the Directors are of the opinion that the ECL on other financial assets and other items subject to ECL is insignificant.

18. Balances with Related Companies

The related companies included associates and joint ventures of the Group and companies controlled by Mr. Zhu Gongshan, the chairman of the Group, and his family members which hold in aggregate approximately 32% (31 December 2018: 34%) of the Company's share capital as at 30 June 2019 and exercises significant influence over the Company.

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Amounts due from related companies		
— Trade related *(Note a)*	**432,393**	605,420
— Non-trade related *(Note e)*	**31,740**	145,579
	464,133	750,999
Amounts due from associates		
— Non-trade related *(Note b)*	**568,630**	324,691
Amounts due from joint ventures		
— Trade related *(Note a)*	**442**	379
— Non-trade related *(Note c)*	**8,258**	160,775
	8,700	161,154
	1,041,463	1,236,844
Analysed for reporting purposes as:		
— Current assets	**785,552**	934,216
— Non-current assets	**255,911**	302,628
	1,041,463	1,236,844

18. Balances with Related Companies (continued)

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Amounts due to related companies		
— Trade related *(Note d)*	**136,430**	120,071
— Non-trade related *(Note e)*	**191,395**	68,640
	327,825	188,711
Amounts due to associates		
— Trade related *(Note d)*	**26,489**	180,607
— Non-trade related *(Note e)*	**18,841**	7,815
	45,330	188,422
Amounts due to a joint venture		
— Trade related *(Note d)*	**107,613**	166,216
— Non-trade related *(Note e)*	**—**	34,743
	107,613	200,959
Current liabilities	**480,768**	578,092
Loans from:		
— an associate *(Note f)*	**1,523,249**	1,621,949
— companies controlled by Mr. Zhu Gong Shan and his family *(Note g)*	**2,572,243**	1,977,840
	4,095,492	3,599,789
Analysed for reporting purposes as:		
— Current liabilities	**626,121**	508,000
— Non-current liabilities	**3,469,371**	3,091,789
	4,095,492	3,599,789

18. Balances with Related Companies (continued)

Notes:

(a) The amounts are unsecured, non-interest bearing and the credit period is normally within 30 days (31 December 2018: 30 days).

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

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Within 3 months	**1,283**	163,249
3 to 6 months	**272**	399,286
More than 6 months	**431,280**	43,264
	432,835	605,799

(b) The amounts are unsecured, non-interest bearing and recoverable on demand, except a deposit of approximately RMB142,061,000 (31 December 2018: RMB142,194,000) pledged for the loans from 芯鑫融資租賃有限責任公司 (Xinxin Finance Leasing Company Limited*, "Xinxin"), an associate of the Group, with repayment terms of 3 to 8 years.

(c) As at 31 December 2018, GNE Group had an amount due from Jinhu amounting to RMB64,000,000 and a loan to Jinhu of RMB38,815,000 with maturity date on 31 December 2022 and interest bearing at a fixed rate of 6% per annum. During the current interim period, Jinhu became a wholly-owned subsidiary of GNE (note 29).

During the year ended 31 December 2018, GNE Group entered into a loan agreement with Himeji to finance its operations for JPY102,270,000 (equivalent to approximately RMB6,331,000 as of 31 December 2018). The loan was unsecured and interest-bearing at a fixed rate of 1% per annum. Himeji was disposed of by GNE Group in January 2019 and this loan is settled by the acquirer as part of the consideration on disposal date.

(d) The amounts are unsecured, non-interest bearing and the credit period is normally within 30 days (31 December 2018: 30 days).

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 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Within 3 months	**85,865**	341,761
3 to 6 months	**62,526**	69,350
More than 6 months	**122,141**	55,783
	270,532	466,894

(e) The amounts are unsecured, non-interest bearing and recoverable/repayable on demand.

* English name for identification only

18. Balances with Related Companies (continued)

Notes: (continued)

(f) The amounts represent the advances from Xinxin arising from several financing arrangements. Advances of approximately RMB361,121,000 (31 December 2018:RMB508,000,000) are secured, interest-bearing and repayable within one year, and are therefore classified as current liabilities. The remaining advances of approximately RMB1,162,128,000 (31 December 2018: RMB1,113,949,000) are secured and interest-bearing with repayment terms of 3 to 8 years, and are therefore classified as non-current liabilities. These advances are secured by cash deposits of approximately RMB142,061,000 (31 December 2018: RMB142,194,000) and carry interest ranging from 6% to 8.58% per annum.

(g) As at 30 June 2019, loans from 協鑫集團有限公司 (GCL Group Limited*), 南京鑫能陽光產業投資基金企業（有限合夥）(Nanjing Xinneng Solar Property Investment Fund Enterprise (Limited Partnership)*) and 江蘇協鑫房地產有限公司 (Jiangsu GCL Properties Limited*) in total amounted to RMB2,572,243,000 (31 December 2018: RMB1,977,840,000), These loans are unsecured, interest bearing at 8% per annum and repayable from 2019 through 2021. Approximately RMB265,000,000 of the outstanding loans are repayable within twelve months from the end of the reporting period.

19. Inventories

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Raw materials	**348,625**	281,278
Work in progress	**194,883**	258,117
Semi-finished goods *(Note)*	**194,343**	271,787
Finished goods	**218,372**	180,055
Solar modules	**792**	790
	957,015	992,027

Note: Semi-finished goods mainly represented polysilicon.

During the six months ended 30 June 2019, cost of inventories of approximately RMB6,519,046,000 (30 June 2018: RMB6,683,408,000) recognised as cost of sales included write-down of inventories of approximately RMB19,711,000 (30 June 2018: RMB114,158,000) because the cost of certain inventories were lighter than their net realisable values.

* English name for identification only

20. Assets Classified as Held for Sale/Liabilities Associated with Assets Classified as Held for Sale

Disposal of solar farms

(a) 林州市新創太陽能有限公司 (Linzhou City Xinchuang Solar Company Limited*, "Linzhou Xinchuang")

On 24 October 2018, GNE Group entered into a share transfer agreement with 中廣核太陽能開發有限公司 (CGN Solar Energy Development Co., Ltd*, "CGN Solar"), an independent third party, pursuant to which GNE Group agreed to sell and CGN Solar agreed to purchase 80% equity interest of Linzhou Xinchuang at consideration of RMB93,488,000 and the repayment of the corresponding interest in shareholder's loan as at the date of completion of disposal. Linzhou Xinchuang operates solar farm projects in Linzhou, the PRC ("Linzhou Project").

GNE Group guaranteed that for the three-year period following the completion under the equity transfer agreement, Linzhou Project shall generate an average on-grid electricity per year of not less than the guaranteed amount, being 73.1 million kWh ("Guaranteed Amount") and is adjusted in accordance with the degradation rate of the solar panels from 30 June 2018 to the completion date. In the event that the Linzhou Project fails to reach the aforesaid target, GNE Group shall make up the loss suffered by CGN Solar and such guarantee shall extend for a period of three years. As the average annual on-grid electricity generated by the project in the past two years well exceeded 73.1 million kWh, in the opinion of the directors of GNE, the fair value of the guarantee is insignificant as at the completion date on 15 February 2019 and 30 June 2019.

In addition, GNE Group has granted a put option to CGN Solar, pursuant to which GNE Group has agreed that if the Linzhou Project fails to generate an average annual on-grid electricity reaching 70% of the Guaranteed Amount during the three-year period, GNE Group shall repurchase the 80% equity interest in Linzhou Xinchuang from CGN Solar at a repurchase price to be agreed between both parties and replace all advancement from CGN Solar to Linzhou Xinchuang with its loan. As the average annual on-grid electricity generated by the project in the past two years well exceeded the aforesaid 70% requirement, in the opinion of the directors of GNE, the fair value of the option is considered insignificant as at the completion date on 15 February 2019 and 30 June 2019.

Besides, CGN Solar has granted GNE Group a put option, pursuant to which CGN Solar has agreed to grant GNE Group the right, but not an obligation, to request CGN Solar to purchase the remaining 20% equity interest in Linzhou Xinchuang upon the aforesaid guarantees being fulfilled. As the purchase price will be referenced to the fair value of Linzhou Project at the date of purchase of the remaining 20% equity interest in Linzhou Xinchuang by CGN Solar, in the opinion of the directors of GNE, the fair value of the option is considered insignificant as at the completion date on 15 February 2019 and 30 June 2019. Details of this transaction are set out in the announcement of GNE dated 24 October 2018. The disposal is completed on 15 February 2019, and GNE Group recognised a gain on disposal amounting to RMB4.9 million in the current interim period.

* English name for identification only

20. Assets Classified as Held for Sale/Liabilities Associated with Assets Classified as Held for Sale (continued)

Disposal of solar farms (continued)

(b) Wholly-owned subsidiaries of GNE Group, in Inner Mongolia, the PRC

On 30 December 2018, GNE Group entered into share transfer agreements with 中國三峽新能源有限公司(China Three Gorges New Energy Company Limited*, "China Three Gorges New Energy"), an independent third party, pursuant to which GNE Group agreed to sell and China Three Gorges New Energy agreed to purchase 100% equity interest of several wholly-owned subsidiaries of GNE Group for consideration in aggregate of RMB250,891,000. The wholly-owned subsidiaries of GNE Group operate a number of solar farm projects in Inner Mongolia, the PRC. The disposals are completed in May 2019 and a gain on disposal amounting to RMB17.9 million is recognised in current interim period.

As at 31 December 2018, the assets and liabilities attributable to these solar farm projects have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position.

As at 31 December 2018, the major classes of assets and liabilities of the disposal group are as follows:

	RMB'000 (Audited)
Property, plant and equipment	1,068,080
Prepaid lease payments	1,828
Other non-current assets	97,335
Trade and other receivables	175,893
Bank balances and cash	44,873
Total assets classified as held for sale	1,388,009
Other payables	(60,781)
Bank and other borrowings — due within one year	(36,344)
Other current liabilities	(1,582)
Bank and other borrowings — due after one year	(836,611)
Other non-current liabilities	(145)
Total liabilities associated with assets classified as held for sale	(935,463)
Net assets of solar farm projects classified as held for sale	452,546
Intragroup balances	(162,864)
Net assets of solar farm projects	289,682
Remaining net assets of Liuzhou Project held by GNE Group	(24,259)
Net assets to be disposed of	265,423

* English name for identification only

20. Assets Classified as Held for Sale/Liabilities Associated with Assets Classified as Held for Sale (continued)

Disposal of solar farms (continued)

The following is an aged analysis of trade receivables presented based on the invoice date at 31 December 2018, which approximated the respective revenue recognition date:

	RMB'000 (Audited)
0–90 days	82,190
91–180 days	74,631
	156,821

For the electricity sale business, GNE Group generally granted 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 contract between GNE Group and the respective local grid companies.

The carrying amounts of the above borrowings are repayable*:

	RMB'000 (Audited)
Within one year	36,344
More than one year, but not exceeding two years	54,375
More than two years, but not exceeding five years	238,125
More than five years	544,111
	872,955
Less: bank and other borrowings — due within one year	(36,344)
Bank and other borrowings — due after one year	836,611

* The repayable amounts of bank and other borrowings are based on scheduled repayment dates set out in the respective loan agreements.

21. Trade and Other Payables

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Trade payables *(Note a)*	**7,511,945**	5,793,158
Construction payables *(Note a)*	**10,667,581**	12,764,026
Payables to vendor of solar farms	**140,778**	98,758
Other payables	**947,139**	742,089
Salaries and bonus payable	**378,204**	475,625
Dividend payables to non-controlling shareholders of subsidiaries	**21,999**	16,965
Other tax payables	**80,000**	175,229
Interest payables	**290,691**	217,514
Advances from EPC contractors *(Note b)*	**195,515**	196,001
Accruals	**441,488**	479,860
	20,675,340	20,959,225

Notes:

(a) Included in the trade payables, construction payables and payables to vender of solar farms are approximately RMB3,519,204,000 (31 December 2018: RMB2,557,898,000), RMB3,416,540,000 (31 December 2018: RMB2,872,807,000) and RMB47,905,000 (31 December 2018: nil), respectively, in which the Group issued bills to relevant creditors for settlement and remained outstanding at the end of the reporting period, and endorsed bills with recourse with an aggregate amount of approximately RMB2,828,192,000 (31 December 2018:RMB2,270,573,000). All these bills are with a maturity period of less than one year.

(b) The advance presents 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.

The credit period for trade payables is within 3 to 6 months (31 December 2018: 3 to 6 months).

The following is an aged analysis of trade payables (excluding bills presented by the Group for settlement and endorsed to bank with recourse) presented based on the invoice date at the end of the reporting period:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Within 3 months	**2,033,046**	1,862,007
3 to 6 months	**1,765,531**	1,246,563
More than 6 months	**194,164**	126,690
	3,992,741	3,235,260

22. Bank and Other Borrowings

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Bank loans	**36,546,897**	37,021,174
Other loans	**15,830,251**	14,744,728
	52,377,148	51,765,902
Representing:		
Secured	**42,608,927**	40,330,546
Unsecured	**9,768,221**	11,435,356
	52,377,148	51,765,902
The carrying amount of bank loans that are repayable on demand due to inability to respect loan covenants *(Note)*	**7,776,052**	8,203,098
The carrying amount of remaining bank loans and other loans	**44,601,096**	43,562,804
	52,377,148	51,765,902
Less: amounts due within one year or repayable on demand due to inability to respect loan covenants (shown under current liabilities)	**(27,245,269)**	(25,288,840)
Amounts due after one year	**25,131,879**	26,477,062

During the current interim period, the Group discounted bills with recourse in aggregated amount of approximately RMB1,318,585,000 (six months ended 30 June 2018: RMB710,694,000) to banks for short-term financing. At 30 June 2019, the associated borrowings amounted to approximately RMB1,079,124,000 (31 December 2018: RMB1,935,537,000). The related cash flows of these borrowings are presented as operating cash flows in the unaudited condensed interim consolidated statement of cash flows as the management considers the cash flows are in substance, the receipts from trade customers.

The Group is required to comply with certain restrictive financial covenants and undertaking requirements.

As at 30 June 2019, in respect of a bank borrowing with carrying amount of approximately RMB1,358 million, the Group was not able to meet the covenant requirement related to a financial ratio of the Group, and thereby triggered the cross default clauses in several other bank borrowings of approximately RMB6,418 million. On discovery of the breach, the Directors informed the lender and commenced renegotiation of the terms of the bank borrowing with the relevant banker which waiver on strict compliance on the financial ratio have been obtained on 1 August 2019. As at 30 June 2019, negotiation had not been concluded. Since the lender has not agreed to waive their right to demand immediate payment as at the end of the reporting period, the bank borrowings have been classified as current liabilities as at 30 June 2019 as required by applicable accounting standard, despite the fact that waiver has been granted by the relevant bank and in which approximately RMB4,762 million of the bank borrowings will be due and repayable after June 2020 in accordance with the original repayment terms.

22. Bank and Other Borrowings (continued)

As at 31 December 2018, in respect of another bank borrowings with carrying amounts of approximately RMB2,181 million, the Group is not able to meet certain of the covenant requirements primarily related to financial ratios of the Group, and thereby triggered the cross default clauses in several other bank borrowings of approximately RMB6,022 million. On discovery of the breach, the Directors informed the lenders and commenced renegotiations of the terms of the bank borrowings with the relevant bankers which waivers on strict compliance on the relevant financial covenant requirements have been obtained on 22 March 2019 and 27 March 2019. As at 31 December 2018, negotiations had not been concluded. Since the lenders have not agreed to waive their right to demand immediate payment as at the end of the reporting period, the bank borrowings have been classified as current liabilities as at 31 December 2018 as required by applicable accounting standard, despite the fact that waivers have been granted by the relevant banks and in which approximately RMB6,012 million of the bank borrowings will be due and repayable after 2019 in accordance with the original repayment terms.

Note: Scheduled repayment terms for the bank loans that are repayable on demand due to the inability to respect loan covenants are as follow:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Within one year	**3,013,807**	2,191,567
More than one year, but not exceeding two years	**1,951,545**	3,324,789
More than two years, but not exceeding five years	**2,093,600**	2,131,798
More than five years	**717,100**	554,944
	7,776,052	8,203,098

23. Notes and Bonds Payables

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Principal amount of notes payables	**1,010,692**	1,207,517
Less: unamortised issuance costs	**(16,382)**	(20,796)
Net carrying amount	**994,310**	1,186,721
Non-public green bonds *(Note)*	**564,097**	536,334
Senior notes	**3,411,688**	3,398,063
	4,970,095	5,121,118
Less: amounts due within one year shown under current liabilities	**(1,551,465)**	(984,453)
Amounts due for settlement after one year shown under non-current liabilities	**3,418,630**	4,136,665

Note: During the current interim period, Jiangsu Zhongneng, a non-wholly owned subsidiary of the Company, purchased part of the first tranche and second tranche of the non-public green bonds through secondary market with a face value of RMB99,000,000 and RMB173,500,000, respectively.

As at 30 June 2019, the first tranche and second tranche of the non-public green bonds repurchased and held by the group entities, amounting to RMB100,000,000 and RMB300,000,000 (31 December 2018: RMB100,000,000 and RMB300,000,000) are held by the Group, respectively.

In July 2019, RMB275,000,000 out of the first tranche of the non-public green bonds issued of RMB375,000,000 was redeemed by GNE Group, the remaining RMB100,000,000 of the first tranche of the non-public green bonds were held by the Group.

24. 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"), a joint venture which is 50.98% held by the Group, pursuant to which the JV Partner is given a right to request the Group to repurchase its 49.02% equity interest in Jangsu Xinhua at a premium under certain circumstances and details are set out in notes to the Group's consolidated financial statements for the year ended 31 December 2018.

The Directors had recognised the put option of interests in Jiangsu Xinhua as derivative financial instruments and initially recognised at fair value with subsequent changes in fair value recognised in profit or loss. During the six months ended 30 June 2019, the Company remeasured the fair value with a loss on fair value change of the derivative financial instruments of approximately RMB6,457,000 (six months ended 30 June 2018: RMB2,624,000) recognised to profit or loss.

Details of the inputs and assumption adopted in the valuation are described in note 31.

25. Share Capital

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised		
At 1 January 2018 (Audited), 30 June 2018 (Unaudited), 1 January 2019 (Audited) and 30 June 2019 (Unaudited)	30,000,000	3,000,000
Issued and fully paid		
At 1 January 2018 (Audited)	18,592,021	1,859,202
Exercise of share options *(Note a)*	352	35
At 30 June 2018 (Unaudited)	18,592,373	1,859,237
Share repurchased and cancelled *(Note b)*	(262,424)	(26,242)
At 1 January 2019 (Audited)	18,329,949	1,832,995
Exercise of share options *(Note a)*	100	10
Issue of shares on placement *(Note c)*	1,511,000	151,100
At 30 June 2019 (Unaudited)	19,841,049	1,984,105

25. Share Capital (continued)

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Shown in the financial statements as	**1,742,850**	1,610,009

Notes:

(a) During the six months ended 30 June 2019, share option holders exercised their rights to subscribe for 100,000 (31 December 2018: 192,007 and 160,000) ordinary shares in the Company at HK$0.586 (31 December 2018: HK$0.586 and HK$1.16) per share, respectively, with net proceeds of approximately RMB51,000 (31 December 2018: RMB249,000).

(b) In 2018, Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	**Number of shares of HK$0.1 each**	**Price per share Highest** HK$	**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
July 2018	30,000,000	0.69	0.67	20,378	18,124
	262,424,000			197,283	162,744

In 2018, the Company repurchased and cancelled 262,424,000 shares of its own shares and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was charged against the share premium. An amount equivalent to the nominal value of the shares cancelled was transferred from accumulated profits to the capital redemption reserve.

(c) On 10 June 2019, the Company entered into a placing agreement with UBS AG Hong Kong Branch as placing agent (the "Placing Agent"), which is independent and not connected to the Company. Pursuant to the placing agreement, the Placing Agent agreed to place up to 1,511,000,000 placing shares to third parties independent of the Company and connected persons of the Company at HK$0.45 per placing share. The placing was completed on 18 June 2019, with net proceeds of approximately HK$669,104,000 (equivalent to approximately RMB587,791,000).

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

For the six months ended 30 June 2019

26. Pledge of Assets/Lease Liabilities with Right-of-use Assets

At 30 June 2019, the Group has pledged the following assets to secure credit facilities of the Group:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Bank and other borrowings secured by:		
Pledged and restricted bank deposits	**2,174,322**	2,563,058
Right-of-use assets	**500,748**	—
Prepaid leases payments	**—**	390,266
Property, plant and equipment	**31,101,379**	35,431,853
Trade receivables and contract assets	**5,907,002**	8,735,113
	39,683,451	47,120,290
Lease liabilities/obligations under finance leases secured by:		
Pledged and restricted bank deposits	**229,537**	222,160
Total	**39,912,988**	47,342,450

In addition, lease liabilities of approximately RMB2,542,278,000 are recognised with related right-of-use assets of approximately RMB3,766,047,000 as at 30 June 2019.

The carrying amount of property, plant and equipment as at 31 December 2018 includes (i) an aircraft; (ii) certain plant and machinery located in the PRC; and (iii) certain solar farms in the USA, which are held under finance lease arrangements of approximately RMB210,952,000, RMB1,624,395,000 and RMB277,233,000 respectively.

Certain subsidiaries pledged their fee collection rights in relation to the sales of electricity, and as at 30 June 2019, trade receivables and contract assets in respect of such fee collection rights pledged amounted to approximately RMB4,827,878,000 (31 December 2018: RMB6,889,576,000).

In addition to the pledged assets above, there are restricted bank deposits of approximately RMB5,856,391,000 (31 December 2018: RMB3,788,614,000) and trade receivables of approximately RMB1,103,375,000 (31 December 2018: RMB1,110,981,000) which have been restricted to secure issuance of bills and short term letters of credit for trade and other payables. As at 30 June 2019, the loans from a related company were secured by property, plant and equipment amounted to approximately RMB2,068,319,000 (31 December 2018: RMB3,102,494,000) and pledged deposits amounted to approximately RMB142,061,000 (31 December 2018: RMB142,194,000).

27. Share-based Payment Transactions

There is no material change relating to the share-based payment transactions for the six months ended 30 June 2019, except for the following:

(I) Equity-settled share option scheme

(i) Share Option Scheme of the Company

Movements 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 2019	Exercised	Forfeited	Transferred *(Note)*	Expired	Outstanding at 30 June 2019
Directors	HK$0.586	16.02.2009	01.04.2009 to 15.02.2019	4,028,680	–	–	(1,510,755)	(2,517,925)	–
	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	–	–	(705,019)	–	7,944,454
Employees and others	HK$0.586	16.02.2009	01.04.2009 to 15.02.2019	5,158,473	(100,000)	–	1,510,755	(6,569,228)	–
	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	20,752,738	–	(805,736)	–	–	19,947,002
	HK$2.867	24.03.2014	26.05.2014 to 23.03.2024	21,352,004	–	–	–	–	21,352,004
	HK$1.16	19.02.2016	15.03.2016 to 18.02.2026	83,278,131	–	(2,870,435)	–	–	80,407,696
	HK$1.324	29.03.2016	18.04.2016 to 28.03.2026	3,323,661	–	–	705,019	–	4,028,680
				164,422,440	(100,000)	(3,676,171)	–	(9,894,903)	150,751,366

Note: Mr. Ji Jun resigned as an executive director with effect from 1 February 2019 but he retains the position as a consultant of the Company. Upon resignation as an executive director, his entitlement of 1,510,755 share options and 705,019 share options granted on 16 February 2009 and 29 March 2016, respectively, were transferred from those held by directors to employees accordingly.

For the six months ended 30 June 2019

27. Share-based Payment Transactions (continued)

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

(ii) Share option scheme of GNE

	Exercise price	Date of grant	Exercise period	Number of share options Outstanding at 1 January 2019	During the period Forfeited	Outstanding at 30 June 2019
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	(8,052,800)	40,565,980
Employees and others providing similar services	HK$1.1798	23.10.2014	24.11.2014 to 22.10.2024	231,075,096	–	231,075,096
	HK$0.606	24.07.2015	24.07.2015 to 23.07.2025	211,758,442	–	211,758,442
				549,835,118	(8,052,800)	541,782,318

During the six months ended 30 June 2019, share-based payment expenses of approximately RMB2,638,000 (six months ended 30 June 2018: RMB10,155,000) have been recognised in profit or loss in respect of equity-settled share option scheme. In addition, certain share options granted to employees and Directors under Share Option Scheme of the Company have been forfeited after the vesting period due to resignation, and respective share options reserve of approximately RMB3,384,000 (six months ended 30 June 2018: RMB6,694,000) are transferred to the Group's accumulated profits from share options reserve and non-controlling interests.

(II) Equity-settled share award scheme

Share award scheme

For the purpose of the Scheme, the Company purchased its own ordinary shares through the Trust as follows:

Month of purchase	Number of ordinary shares	Aggregate consideration paid HK$'000	Equivalent aggregate consideration paid RMB'000
May 2017	182,998,888	163,258	141,692
June 2017	40,000,000	32,729	28,405
June 2018	100,000,000	81,385	66,532
	322,998,888	277,372	236,629

No award shares were granted for both periods.

27. Share-based Payment Transactions (continued)

(III) Cash-settled share award scheme

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

On 31 March 2017 ("Plan Date"), 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 2019 (Audited)	5,224,166
Exercised during the period	(1,557,130)
Forfeited during the period	(433,705)
Outstanding at 30 June 2019 (Unaudited)	3,233,331

In the opinion of the Directors, the fair value of the outstanding Class B Units as at 30 June 2019 is not higher than US$1. The Group has recorded liabilities of RMB20,410,000 (31 December 2018: RMB28,145,000) in its unaudited condensed consolidated statement of financial position as at 30 June 2019 and RMB3,335,000 (30 June 2018: RMB14,619,000) as share-based payment expenses during the current interim period in respect of the cash-settled share award. During the period ended 30 June 2019, certain US Grantees exercised their rights to sell the Class B units to GCL US II at US$1 per unit, resulting a payment of RMB11,011,000 (30 June 2018: nil).

28. Commitments

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Capital commitments		
Capital expenditure in respect of acquisitions of property, plant and equipment contracted for but not provided	1,965,772	2,893,232
Other commitments		
Commitment to contribute share capital to investments in joint ventures, associates and/or other investments contracted for but not provided	3,535,000	394,182
Commitment to contribute share capital to financial assets at FVTPL contracted for but not provided	80,000	95,000
	5,580,772	3,382,414

29. Acquisition of Subsidiaries

For the six months ended 30 June 2019, GNE Group had two business acquisitions due to business expansion for a controlling stake of certain companies at a total consideration of approximately RMB264,000,000.

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

On 19 September 2018 and 21 March 2019, 蘇州協鑫新能源投資有限公司 (Suzhou GCL New Energy Investment Limited*, "Suzhou GCL") entered into share transfer agreements with Zhongmin GCL. Pursuant to which, GNE Group agreed to repurchase 100% equity interest of Jinhu and Wanhai from Zhongmin GCL, a joint venture in which 32% of its shareholding was held by GNE Group at the date of acquisition at consideration of approximately RMB192,000,000 and RMB72,000,000, respectively. Jinhu and Wanhai each operate a solar farm project with installed capacity of 110MW and 35MW, respectively.

The acquisitions of Jinhu and Wanhai are completed in March 2019.

	Jinhu RMB'000	**Wanhai** RMB'000	**Total** RMB'000
Fair value of assets and liabilities recognised at the date of acquisition:			
Property, plant and equipment *(Note 1)*	741,478	258,885	1,000,363
Right-of-use assets	15,209	20,524	35,733
Trade receivables	154,526	56,038	210,564
Prepayments and other receivables	30,542	25,525	56,067
Bank balances and cash	23,107	6,562	29,669
Other payables	(166,469)	(71,344)	(237,813)
Deferred tax liabilities	(11,486)	(679)	(12,165)
Lease liabilities	(13,656)	(20,524)	(34,180)
Borrowings	(518,380)	(192,000)	(710,380)
Total fair value of identifiable net assets acquired	254,871	82,987	337,858
Consideration payable to the former owner	(192,000)	(72,000)	(264,000)
Bargain purchase gain recognised *(Note 2)*	62,871	10,987	73,858
Cash consideration paid	—	—	—
Bank balances and cash acquired	23,107	6,562	29,669
Net cash inflow	23,107	6,562	29,669

Notes:

1. The bargain purchase arose because the consideration paid by GNE Group was less than the fair value of the identifiable net assets of the underlying business acquired as determined by the independent professional valuer, mainly due to the vendor was in financial difficulties and was not able to repay the debt as it falls due.

2. Fair value of property, plant and equipment includes an amount of RMB58 million which represents fair value of relevant licences to operate the solar farms. Licences to operate solar farm is an intangible asset that meets the contractual-legal criterion for recognition separately from goodwill, even if GNE Group cannot sell or transfer the licences separately from the acquired solar farms. GNE Group recognised the fair value of the operating licenses and the solar farms as single assets for financial reporting purposes as the useful lives of those assets are similar.

* English name for identification only

29. Acquisition of Subsidiaries (continued)

Impact of acquisition on the results of the Group

Had the acquisitions as mentioned above been effected at the beginning of the period, total amounts of revenue and loss for the period of the Group would have been RMB10,035,726,000 and RMB741,752,000, respectively. Such pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed at the beginning of the period, nor is it intended to be a projection of future results.

In determining the above pro forma financial information, depreciation of the property, plant and equipment and right-of-use assets were 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 RMB48,287,000 and RMB24,152,000, respectively.

The fair value and gross contractual amount of trade and other receivables at the date of acquisition amounted to RMB234,290,000. The estimate at acquisition date of contractual cash flows not expected to be collected is insignificant.

Same as disclosed in the Company's 2018 annual report relating to the acquisition, the Group completed two asset acquisitions and four business acquisitions during the year ended 31 December 2018.

30. Disposal of Subsidiaries

(i) Linzhou Xinchuang

On 15 February 2019, the disposal of equity interest in Linzhou Xinchuang is completed. GNE Group retains 20% equity interest in Linzhou Xinchuang after the disposal. Details of this transaction are set out in note 20(a).

(ii) Wholly-owned subsidiaries in Inner Mongolia, the PRC

During the current interim period, the disposal of the wholly-owned subsidiaries in Inner Mongolia, the PRC are completed. Details of this transaction are set out in note 20(b).

(iii) Ruzhou, Xinan and Jiangling

On 28 March 2019, GNE Group announced that it has entered into share transfer agreements with 五凌電力有限公司 ("Wuling Power Corporation Ltd."*), a subsidiary of China Power Investment Corporation, for the disposal of 55% equity interest in Ruzhou, Jiangling and Xinan for consideration in aggregate of approximately RMB335 million. Ruzhou, Jiangling and Xinan operate a number of solar farms with approximately 280MW installed capacity in aggregate in the PRC. The disposals are completed in April 2019. Since GNE Group retains 45% equity interest in Ruzhou, Jiangling and Xinan and has significant influence, these companies are accounted for as associates.

* English name for identification only

30. Disposal of Subsidiaries (continued)

(iv) Shaoxing GCL Photovoltaic Power Co. Ltd. ("Shaoxing")

On 15 February 2019, GNE Group entered into a share transfer agreement with an independent third party. Pursuant to the agreement, GNE Group agreed to sell 100% equity interest of Shaoxing at a consideration of RMB500,000. The disposal is completed in April 2019.

	Linzhou Xinchuang	Wholly-owned subsidiaries in Inner Mongolia	Ruzhou, Xinan and Jiangling	Shaoxing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Consideration:					
Consideration received	73,488	142,402	110,900	500	327,290
Consideration receivable	20,000	108,489	224,242	—	352,731
	93,488	250,891	335,142	500	680,021
Analysis of assets and liabilities over which control was lost:					
Property, plant and equipment	426,929	672,087	1,552,416	3,734	2,655,166
Right-of-use assets	13,848	13,526	89,020	—	116,394
Other non-current assets	28,802	95,159	98,402	18	222,381
Trade and other receivables	80,088	124,213	410,272	—	614,573
Bank balances and cash	8,116	31,256	44,928	—	84,300
Trade and other payables	(29,545)	(64,433)	(44,517)	(2,272)	(140,767)
Bank and other borrowings	(221,198)	(647,410)	(1,317,785)	—	(2,186,393)
Lease liabilities	(12,608)	(5,938)	(82,915)	—	(101,461)
Intragroup (payables) receivables	(181,978)	14,489	(153,375)	(538)	(321,402)
Net assets disposed of	112,454	232,949	596,446	942	942,791
Gain on disposal of subsidiaries:					
Total consideration	93,488	250,891	335,142	500	680,021
Fair value of residual interest	23,859	—	285,174	—	309,033
Net assets disposed of	(112,454)	(232,949)	(596,446)	(942)	(942,791)
Gain (loss) on disposal	4,893	17,942	23,870	(442)	46,263
Net cash inflow arising on disposal:					
Cash consideration received	73,488	142,402	110,900	500	327,290
Less: bank balances and cash disposed of	(8,116)	(31,256)	(44,928)	—	(84,300)
	65,372	111,146	65,972	500	242,990

30. Disposal of Subsidiaries (continued)

Same as disclosed in the Company's 2018 annual report relating to the disposal, the Group completed disposal of Suzhou Kezhun Photovoltaoc Technology Co. Ltd. and four solar farm projects during the year ended 31 December 2018.

During the year ended 31 December 2018, the Group entered into a share transfer agreement with an independent third party to dispose of its entire 100% equity interest in 蘇州客准光伏科技有限公司 (Suzhou Kezhun Photovoltaic Technology Co. Ltd.*) at a consideration of RMB850,000,000. Pursuant to the share transfer agreement, part of the consideration amounting to RMB552,500,000 will be settled in four instalments by 30 June 2021. Accordingly, the amount is adjusted for the effects of time value of money using an effective interest rate of 10% per annum. Approximately RMB307,943,000 and RMB154,545,000 are recorded in non-current asset and current asset on the unaudited condensed consolidated statement of financial position.

31. Fair Value Measurements of Financial Instruments

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 performed 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, the put option of interests in Jiangsu Xinhua classified as derivative financial instruments, unlisted investments measured at financial assets at FVTPL, unlisted equity investments measured at financial assets at FVTPL and asset management plans investments held by GNE 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.

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 based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from 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).

* English name for identification only

For the six months ended 30 June 2019

31. 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

Financial assets/ financial liabilities	Fair value as at 30.06.2019 RMB'000 (Unaudited)	Fair value as at 31.12.2018 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)*	83,289	76,001	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 39.68% (31 December 2018: 44.51%) and discount rate of 27.28% (31 December 2018: 27.52%)	The higher the volatility, the higher the fair value. The higher the discount rate, the lower the fair value.
					Dividend yield 0% (31 December 2018: 0%), 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) Put option of interests in Jiangsu Xinhua classified as derivative financial instruments *(Note b)*	32,468	26,011	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 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 lower the fair value.
					Discount rate of 16% (31 December 2018: 16%).	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 of 90%, 10% and 0%, respectively (31 December 2018: 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.

31. 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 30.06.2019 RMB'000 (Unaudited)	Fair value as at 31.12.2018 RMB'000 (Audited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
3) Asset management plans investments held by GNE classified as financial assets at FVTPL *(Note c)*	100,000	100,000	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 2018: 7.5%).	The higher the estimated discount rate, the lower the fair value.
4) Listed equity securities classified as held for trading investments	69,822	108,408	Level 1	Quoted bid price in an active market.	N/A	N/A
5) Listed debt securities measured at debt instruments at FVTOCI	–	65,606	Level 1	N/A (31 December 2018: Quoted bid price in an active market)	N/A	N/A
6) Unlisted equity investments measured at financial assets at FVTPL	44,321	44,321	Level 3	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.
7) Listed equity investments measured at equity instruments at FVTOCI	73,510	90,716	Level 1	Quoted bid price in an active market.	N/A	N/A
8) Unlisted investments measured at financial assets at FVTPL	193,192	171,597	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 4.29x (31 December 2018: 4.29x) or P/E ratio of 21.19x — 91.95x (31 December 2018: 21.19x — 91.95x).	The higher the P/S or P/E ratio, the higher the fair value.
	221,208	220,238	Level 2	Quoted price from a third party financial institution which determined with reference to the value of underlying investments mainly comprised of listed shares.	N/A	N/A

For the six months ended 30 June 2019

31. 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)

Notes:

(a) If the share price volatility of the underlying shares was 5% higher/lower white all the other variables were held constant, the gain on change in fair value of the convertible bonds receivable would increase by approximately RMB142,000 (31 December 2018: the loss on change in fair value would decrease by approximately RMB244,000)/(decrease by approximately RMB103,000) (31 December 2018 the loss on change in fair value would increase by approximately RMB124,000).

If the discount rate used was multiplied by 95% or 105% while all the other variables were held constant, the gain on change in fair value of the convertible bonds receivable would increase by approximately RMB591,000 (31 December 2018: the loss on change in fair value would decrease by approximately RMB932,000)/decrease by approximately RMB581,000 (31 December 2018: the loss on change in fair value would increase by approximately RMB910,000).

(b) 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 decrease by approximately RMB4,671,000 (31 December 2018: RMB4,738,000)/increase by approximately RMB4,130,000 (31 December 2018: RMB4,190,000).

(c) 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 RMB687,000 (31 December 2018: RMB776,000)/decrease by approximately RMB681,000 (31 December 2018: RMB765,000), respectively.

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

Reconciliation of Level 3 fair value measurements

30 June 2019

	Convertible bonds receivable RMB'000	Put option of interests in Jiangsu Xinhua classified as derivative financial instruments RMB'000	Asset management plans investments held by GNE measured at financial assets at FVTPL RMB'000	Unlisted investments/ equity instruments measured at financial assets at FVTPL RMB'000	Total RMB'000
At 1 January 2019 (Audited)	76,001	(26,011)	100,000	215,918	365,908
Capital contribution	—	—	—	15,000	15,000
Gain (loss) in profit or loss	9,599	(6,457)	—	6,595	9,737
Receipt of interests	(2,311)	—	—	—	(2,311)
At 30 June 2019 (Unaudited)	83,289	(32,468)	100,000	237,513	388,334

31. Fair Value Measurements of Financial Instruments (continued)

Reconciliation of Level 3 fair value measurements (continued)

31 December 2018

	Convertible bonds receivable RMB'000	Convertible bonds issued by the Company RMB'000	Convertible bonds issued by GNE RMB'000	Put option of interests in Jiangsu Xinhua classified as derivative financial instruments RMB'000	Asset management plans investments held by GNE measured at financial assets at FVTPL RMB'000	Unlisted investments/ equity instruments 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)
Reclassification from available-for-sale investments	–	–	–	–	–	42,321	42,321
Purchase	80,334	–	–	–	–	2,100	82,434
(Loss) gain in profit or loss	(1,910)	(40,768)	(5,524)	(10,112)	16,790	39,808	(1,716)
Fair value attributable to changes in credit risk	–	–	(108)	–	–	–	(108)
Payment of interests	–	3,063	41,072	–	–	–	44,135
Receipt of interests	(2,423)	–	–	–	–	–	(2,423)
Redemption of convertible bonds	–	877,320	890,202	–	–	–	1,767,522
Redemption of asset management plans investments	–	–	–	–	(256,830)	–	(256,830)
At 31 December 2018 (Audited)	76,001	–	–	(26,011)	100,000	215,918	365,908

Of the total gains or losses for the period included in profit or loss, approximately RMB9,737,000 (31 December 2018: RMB44,576,000) related to put option of interests in Jiangsu Xinhua, convertible bonds receivable, unlisted investments/equity instruments measured at financial assets at FVTPL and asset management plans investments measured at financial assets at FVTPL held at the end of the reporting period and those fair value gains or losses are included in other expense, gains and losses, net.

All gains and losses included in other comprehensive income relate to equity instruments at FVTOCI and debt instruments at FVTOCI held at the end of the reporting period and are reported as changes of investments revaluation reserve.

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

31. Fair Value Measurements of Financial Instruments (continued)

Fair value of the Group's financial assets and liabilities that are not measured at fair value on a recurring basis

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.

32. 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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Transactions with companies in which Mr. Zhu Gongshan and his family have control:		
Consulting service fee expense	**(2,608)**	(11,126)
Management fee expenses	**(7,759)**	(10,869)
Purchase of steam	**(37,386)**	(4,597)
Purchase of coal	**(13,662)**	(411,818)
Purchase of raw water and desalted water	**(924)**	—
Purchase of energy service	**(16,631)**	—
Interest expense	**(85,082)**	—
Rental income	**14,975**	10,286
Sales of wafer	**—**	963,782
Transactions with joint ventures and associates:		
Purchase of polysilicon	**(1,601)**	(25,930)
Purchase of silicon rods	**(1,079,421)**	(831,843)
Interest expense	**(50,018)**	(32,204)
Sales of property, plant and equipment	**—**	11,704
Sales of raw materials	**5,059**	19,469

33. Major Non-cash Transactions

As disclosed in note 29, GNE Group acquired 100% equity interest of Jinhu and Wanhai from Zhongmin GCL in March 2019 with aggregate consideration of RMB264,000,000.

Subsequent to the acquisition date, GNE Group partially settled consideration of RMB204,904,000 to Zhongmin GCL by (i) cash payment of RMB86,999,000, (ii) issuance of bills of RMB47,905,000 and (iii) offset with amount due from Zhongmin GCL by RMB70,000,000.

For the remaining consideration payable of RMB59,096,000, GNE Group further entered into a multi-party debt settlement agreement with Zhongmin GCL, Jinhu, Wanhai, and 中民新能(上海)投資有限公司 (Zhongmin New Energy (Shanghai) Investment Company Limited*) on 1 April 2019, and approximately RMB41,682,000 of such remaining consideration has been settled among these parties pursuant to this multi-party debt settlement agreement. The remaining sum of RMB17,414,000 was settled by the Group in cash during the current interim period.

34. Events after the end of the Interim Period

Other than those disclosed elsewhere in the unaudited condensed interim consolidated financial statements, the Group has no significant event after the end of the reporting period.

* English name for identification only

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

As at 30 June 2019, 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** ***(note 3)***
Zhu Gongshan	6,370,388,156 *(note 1)*	–	–	–	6,370,388,156	32.11%
Zhu Zhanjun	–	–	3,400,000	2,719,359 *(note 2)*	6,119,359	0.03%
Zhu Yufeng	6,370,388,156 *(note 1)*	–	–	1,510,755 *(note 2)*	6,371,898,911	32.11%
Sun Wei	–	–	5,723,000	1,712,189 *(note 2)*	7,435,189	0.04%
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 6,370,388,156 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.

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 15 March 2016 to 28 March 2026 at an exercise price of HK$1.160 or HK$1.324 per share.

3 The total number of ordinary shares of the Company in issue as at 30 June 2019 is 19,841,049,207.

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 2019, is a subsidiary of the Company.

	Number of ordinary shares of GNE held					
Name of director/ chief executive	**Beneficiary of a trust**	**Corporate interests**	**Personal interests**	**Number of underlying shares**	**Total**	**Approximate percentage of issued share capital of GNE *(note 3)***
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 indirectly wholly-owned by GCL System Integration Technology Co., Ltd. ("GCL System Integration") and an aggregate of over 40% of the issued shares in GCL System Integration 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$1.1798 or HK$0.606 per share.

3. The total number of ordinary shares of GNE in issue as at 30 June 2019 is 19,073,715,441.

Save as disclosed above, as at 30 June 2019, 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.

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 13,571,074 option shares were lapsed, 100,000 option shares were exercised and there were 150,751,366 option shares outstanding as at 30 June 2019.

Details of the share options outstanding and movements under the Share Option Scheme of the Company during the period from 1 January 2019 to 30 June 2019 (the "Period") are as follows:

Name or category of participant	Date of grant *(note 1)*	Exercise period	Exercise Price per share (HK$)	Outstanding as at 1.1.2019	Granted during the period from 1.1.2019 to 30.6.2019	Lapsed or forfeited during the period from 1.1.2019 to 30.6.2019	Cancelled during the period from 1.1.2019 to 30.6.2019	Exercised during the period 1.1.2019 to 30.6.2019	Outstanding during the period from 1.1.2019 to 30.6.2019
Directors/chief executive and their associates									
Zhu Yufeng	16.2.2009	1.4.2009 to 15.2.2019	0.586	1,007,170	–	(1,007,170)	–	–	0
	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)	–	–	0
	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	6,669,228 *(note 2)*	–	(6,569,228) *(note 2)*	–	(100,000)	0
	24.4.2009	1.5.2009 to 23.4.2019	1.046	807,750	–	(807,750)	–	–	0
	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	20,752,738	–	(805,736)	–	–	19,947,002
	24.3.2014	26.5.2014 to 23.3.2024	2.867	21,352,004	–	–	–	–	21,352,004
	19.2.2016	15.3.2016 to 18.2.2026	1.16	83,278,131	–	(2,870,435)	–	–	80,407,696
	29.3.2016	18.4.2016 to 28.3.2026	1.324	3,021,510 *(note 2)*	–	–	–	–	3,021,510
Total				**164,422,440**		**(13,571,074)**		**(100,000)**	**150,751,366**

Note:

1) 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.

2) Mr. Ji Jun resigned as an executive director with effect from 1 February 2019 but he retains the position as a consultant of the Company. Upon resignation as an executive director, his entitlement of 1,510,755 share options and 705,019 share options granted on 16 February 2009 and 29 March 2016, respectively, were transferred from those held by directors to employees accordingly.

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 2019, 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. 8,052,800 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 1.1.2019	Granted during the period from 1.1.2019 to 30.6.2019	Lapsed or forfeited during the period from 1.1.2019 to 30.6.2019	Exercised during the period from 1.1.2019 to 30.6.2019	Outstanding as at 30.6.2019
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	253,220,296	–	–	–	253,220,296
	24.7.2015	24.7.2015 to 23.7.2025	0.606	250,814,522	–	(8,052,800)	–	242,761,722
Total				**549,835,118**		**(8,052,800)**		**541,782,318**

Please refer to the section "Share Option Scheme" of the 2019 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 2019, 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	32.11%

Notes:

1. An aggregate of 6,370,388,156 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.

2. The total number of ordinary shares of the Company in issue as at 30 June 2019 is 19,841,049,207.

Save as disclosed aforesaid, so far as is known to any Directors or chief executive of the Company, as at 30 June 2019, 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 2018 Annual Report. During the six months ended 30 June 2019, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules with the exception of the following area:

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 12 June 2019 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 2019, 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 2019:

- 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 2019, 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 2019, the Company has adopted the following measures in relation to significant risks:

- In response to liquidity risk arising from factors such as macro conditions, relevant departments within the Company will proactively follow up changes in policies and carry out stringent cost control measures;
- In response to risks with relation to product competition in photovoltaic market, the Company continues to optimise its business structure and enact a capacity plan catering to market needs;
- In response to production cost pressure caused by market volatility, the Company sustains a downward trend of production cost mainly through technique advance, production improvement, management enhancement as well as execution of a series of measures aimed at cost reduction and efficiency improvement.

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 2019.

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.

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 year.

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 27 to the unaudited condensed interim consolidated financial statements for the six months ended 30 June 2019.

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 27 to the unaudited condensed interim consolidated financial statements for the six months ended 30 June 2019.

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

On 10 June 2019, the Company and the placing agent entered into the placing agreement to place out 1,511,000,000 placing shares at a placing price of HK$0.45 per placing share with an aggregate value of approximately HK$680 million to no fewer than six independent placees. The placing was completed on 18 June 2019. Upon completion, the placing shares represent approximately 7.62% of the Company's issued share capital as enlarged by the placing.

Other than disclosed above, during the six months ended 30 June 2019, 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 2019, 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 four independent non-executive Directors, namely Mr. Yip Tai Him, Ir. Dr. Raymond Ho Chung Tai, Dr. Shen Wenzhong and Mr. Wong Man Chung, Francis. 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 28 March 2019 and 6 August 2019 (being the date of approval of this report) are set out below:

Directors' Updated Biographical Details

Name of Director	Details of Change	Effective Date
Mr. Yip Tai Him	Resigned as an independent non-executive director of Bisu Technology Group International Limited	12 April 2019
Ir. Dr. Ho Chung Tai Raymond	Retired as an independent non-executive director of China State Construction International Holdings Limited	3 June 2019

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.

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

Corporate Information

Chairman

Zhu Gongshan

Executive Directors

Zhu Gongshan
Zhu Zhanjun *(CEO)*
Zhu Yufeng
Sun Wei
Yeung Man Chung, Charles *(CFO 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
Wong Man Chung, Francis

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
Yeung Man Chung, Charles

Company Secretary

Yeung Man Chung, Charles

Authorized Representatives

Zhu Zhanjun
Yeung Man Chung, Charles

Auditor

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

Registered Office

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

Principal Place of Business in Hong Kong

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

Cayman Islands Principal Share Registrar and Transfer Office

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House
24 Shedden Road
P.O. Box 1586, Grand Cayman
KY1-1110, Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Legal Advisers to the Company

As to Hong Kong law

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55th Floor
One Island East
Taikoo Place, Quarry Bay
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As to Cayman Islands law

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