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

(Incorporated in Bermuda with limited liability)

(Stock code: 451)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board (the “**Board**”) of directors (the “**Directors**”) of GCL New Energy Holdings Limited (the “**Company**” or “**GCL New Energy**”) presents the unaudited condensed interim consolidated financial information (“**Interim Financial Information**”) of the Company and its subsidiaries (together, the “**Group**” or “**GCL New Energy**”) for the six months ended 30 June 2018.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2018	2017
	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited)
From continuing operations – Solar Energy Business		
Revenue	2,704	1,812
Profit attributable to owners of the Company	345	485
Adjusted EBITDA*	2,498	1,661
Adjusted profit attributable to owners of the Company*	558	549
	<i>RMB cents</i>	<i>RMB cents</i>
	(Unaudited)	(Unaudited)
Earnings per share		
From continuing operations		
– Basic and diluted	1.81	2.54

* The adjusted EBITDA and adjusted profit attributable to owners of the Company are non-IFRS measures, which may be defined differently from similar terms used by other companies. Both items excluded non-operating items, and please refer to the “Management discussion and analysis” section for details.

BUSINESS REVIEW

SOLAR ENERGY BUSINESS ACHIEVES SUSTAINABLE DEVELOPMENT

GCL New Energy has been committed to achieving sustainable development since the commencement of the solar energy business. Leveraging on its in-house development capabilities and adoption of innovative technologies, the Company succeed in maintaining its leading position as the world's second largest solar energy company. For the six months ended 30 June 2018 (the “**period**”), the Group's newly added installed capacity in China was approximately 1,099MW, together with the approximately 50MW large ground-mounted solar power plant project in Oregon, United States commenced operation, the total installed capacity of the Group increased by approximately 41% from the same period of last year to approximately 7,139MW. Grid-connected capacity has increased by approximately 605MW from end of last year to approximately 6,108MW. The sales volume of solar electricity was approximately 3,765 million kWh, with a significant year-on-year increase of 59%.

The National Development and Reform Commission (the “**NDRC**”), the Ministry of Finance (the “**Ministry of Finance**”) and the National Energy Administration (the “**NEA**”) jointly issued the Notice on Solar Power Generation Related Matters in 2018 (關於二零一八年光伏發電有關事項的通知)(the “**Notice**”) on 31 May 2018, which stated that the 2018 feed-in-tariffs (FITs) for utility-scale solar power plants to be adjusted after 30 June 2018. During the period, the Group's newly added installed capacity in China obtained the original tariff to successfully maintain the returns. As of 30 June 2018, the number of GCL New Energy's solar power plants in China increased to 205 from 128 in the same period of last year, spanning across 26 provinces, with more than approximately 89% of the total installed capacity located in zone 2 and 3, enjoying relatively higher tariff and minimizing curtailment risk. Besides, the installed capacity in regions heavily affected by solar power curtailment (such as Xinjiang and Ningxia) in zone 1 only accounted for less than approximately 5% of the Group's total installed capacity. Therefore, the impact of solar power curtailment on the Group is relatively minor.

Development and O&M costs continued to decline, expanded O&M business to increase sources of income

Being dedicated to drive its development with the advancing technologies, the Group further optimized the quality of development, construction, and operation and maintenance of its projects by leveraging on its competitiveness in technologies, while through the application of new technologies to strengthen its in-house development capabilities, and effectively control the development costs and improve the efficiency of its project systems. In the first half of 2018, the proportion of in-house developed solar power plants to the newly added installed capacity increased significantly to approximately 96%. By strengthening the scientific arrangement for procurement and formulating a systematic plan for supply chain in advance, the Group fully capitalized on scale economy. As a result, the average construction cost per watt for the solar power plants reduced by approximately 6% to approximately RMB5.9 in the first half of 2018 from approximately RMB6.3 in the same period of last year. As technologies development of the entire solar power industry continues to improve, costs are declining in every aspects of the solar power industry. It is expected that the average construction cost per watt for the solar power plants will drop further in the second half of 2018.

The Group currently has five regional operation and maintenance management centres providing real-time operation services with central monitoring and functional inter-connection to solar power plants, which not only greatly reduced electricity loss and operation and maintenance costs caused by equipment failure, but also improved the reliability and profitability of the entire life cycle of the solar power plants. The operation and maintenance costs decreased by approximately 9% from approximately RMB4.3 cents per kWh (excluding land costs) in the same period of last year to approximately RMB3.9 cents per kWh (excluding land costs). In addition, through the establishment of the regional operation centre, the Group further expanded its operation and maintenance services for external parties. During the period, in addition to providing operation and maintenance services for the approximately 388MW of solar power plant projects of the parent company, GCL-Poly Energy Holdings Limited (“**GCL-Poly**”), the Group also provided operation and maintenance services to other domestic solar energy companies regarding a total of approximately 521MW solar power plant projects, to generate a stable source of recurring income.

Cash flow is expected to improve with the scale projects included in the Subsidy Catalogue to further expand

As of 30 June 2018, the total capacity of GCL New Energy’s solar power plants included in the National Renewable Energy Tariff Surcharge Subsidy Catalogue (the “**Subsidy Catalogue**”) has reached 1,773MW, of which 441MW is entitled to the fourth to sixth batches of the Subsidy Catalogue, 1,142MW entitled to the seventh batch of the Subsidy Catalogue, and 190MW is entitled to solar power poverty alleviation projects under the Subsidy Catalogue. The Group expected the eighth batch of the Subsidy Catalogue to initiate application soon and is actively preparing for the application. With the capacity of the Group’s solar power plants included in the Subsidy Catalogue and settlements of the related receivables continue to increase, the liquidity is expected to be significantly improved.

Expanding financing channels to improve liquidity

The implementation of vigorous deleveraging measures in China and interest rates hike in the United States have brought challenges to financial market in the first half of 2018. During the period, GCL New Energy actively responded to such challenges by adopting a series of diversified financing measures and made great improvement in different aspects such as optimizing and adjusting its financial structures, replacing short-term financing by long-term financing and lowering debt.

The Group issued its first 3-year US\$500 million senior notes on 23 January 2018 with the net proceeds amounted to approximately US\$493 million. These issuance of notes was subscribed by many large well-known international investment institutions, and was oversubscribed substantially by about 7 times.

In addition, the Group adopted 5 to 10 years long-term finance leases to replace short-term construction funds for securing not only lower interest expenses but also longer use of funds. The Group further entered into finance lease agreements to obtain long-term finance leases with several financial institutions and increased the proportion of long-term loans to minimize the liquidity risk resulting from using short-term financing for long-term investment by raising the proportion of 3 to 5 years and over 5 years borrowings to approximately 36% and approximately 34%, respectively, while the proportion of 1 year borrowings was reduced to approximately 17%.

During the period, the Group maintained its gearing ratio at approximately 84% and with a series of debt reduction measures to be implemented in the second half of 2018, the gearing ratio is expected to drop further.

Developing overseas gradually

As the world's environmental awareness is rising, overseas solar energy markets are full of potentials and expanding overseas business has become a vital long-term development strategy for GCL New Energy. In the first half of 2018, approximately 26MW of the 50MW large ground-mounted solar power plants project of the Group in Oregon, United States was connected to the grid, together with the 83MW solar power plants project in North Carolina, United States and the distributed solar power plant projects in Japan, the Group's overseas total solar installed capacity was approximately 142MW. In addition, the Group is planning to construct an approximately 110MW large ground-mounted solar power plant project in Colorado, United States and is to be grid-connected in 2020. The project has entered into a long-term power purchase agreement with a local power company for an initial term of 10 years, subject to renewal of 5 years for 3 times with a term of 25 years in total.

CHANGE IN STABILITY, SEIZING ON THE DETERMINATION OF DEVELOPING NEW ENERGY OF CHINA

With the scale of solar energy capacity in China continues to grow, technology advancement and costs reduction have been accelerating. In order to promote a healthy and sustainable development of solar energy industry and prevent the renewable energy fund shortfall from further expanding, the NDRC, the Ministry of Finance and the NEA jointly issued the Notice on 31 May 2018 to put out new solar energy policy for adjusting the future development of the solar energy industry with an aim to restricting new construction quota, phasing out subsidy, lowering solar FITs and promoting competitiveness, paving the way for solar energy industry to a new stage of high-quality development.

The new policy decisively optimized the solar energy new capacity, to reasonably control the new capacity of utility-scale solar power plants and distributed solar power plants that needs subsidies and encourage the development of grid-parity solar power plants in order to enhance the quality of solar energy industry development. As new capacity that requires subsidies is limited, it is expected to relieve the government's pressure on subsidies and speed up the delayed subsidy payments, creating conditions for solving the renewable energy fund shortfalls for solar energy and the cash flow of the Group is expected to be further improved. Driven by the new policy, China is expected to achieve on-grid parity even earlier. The solar FITs in certain areas where the coal-fired FITs is relatively higher and possess abundant solar resources is anticipated to be comparable with coal-fired FITs in 2019 which means the Group will gradually rely much less on the government subsidies after 2019, lowering the gearing ratio and improving the cash flow with the longstanding delay of subsidies problem to be eventually settled.

In addition, since the scale of solar energy capacity has been growing extensively in the past few years, curtailment in certain regions remains relatively severe. Through regulating the pace of development, the new policy is anticipated to further enhance electricity consumption and effectively solve the curtailment issues in certain regions, leading the solar energy industry to a healthier long-term development.

Meanwhile, the new policy modifies the solar FITs mechanism and industry practices to effectively promote industry competitiveness, encourage technology progress, improve business environment, allowing the entire solar energy industry to become more market-oriented and developing in an orderly manner. The new policy is also anticipated to promote the implementation of supportive policies for the solar energy industry development by local governments, reducing non-technical costs of solar companies.

According to the new policy, the distribution of construction quota for utility-scale solar power plants has been under review and no construction quota is allocated in 2018. Concurrently, it is the Group's top priority for this year to "lower gearing" with development to be strategically slowed down which is completely in line with the new policy's main purpose of giving the solar industry a respite.

The new policy reflected that the country is firm, clear and determined towards the development of new energy and the Group is having confidence in the national renewable energy strategy. As a leading solar energy company, the Group will keep up with the industry momentum and grasp the opportunities arise amid the challenges ahead.

DEEPENING REFORM AND EMERGING STRONGER TO SEIZE THE OPPORTUNITIES

The Group will continue to adopt innovative, revolutionary and insightful measures to persistently enhance its management strategy and optimize its structure in order to make the most flexible and appropriate preparation amid of the challenges ahead.

Pursue strategic cooperation, accelerate the light assets transformation and promote diversified financing channels

At the beginning of 2018, GCL New Energy has set “lower gearing” as its top strategic priority for the year. In order to effectively lower gearing, the Group will adopt diversified and innovative financing models at the level of domestic holding companies and regional companies in order to fully enhance its comprehensive financing capabilities.

As domestic centralized management enterprises (the “**Central Enterprises**”) and local state-owned enterprises (the “**State-owned Enterprises**”) have competitive advantages in different aspects such as financing, the Group will extend its strategic cooperation with the Central Enterprises and the State-owned Enterprises at the level of domestic holding companies, and at the project level of provincial companies to form strong alliances and leverage on competitive advantages of each other to accelerate the introduction of capital, optimize the shareholders structure and fasten the development of co-develop solar projects, thereby enhancing profitability of projects.

Meanwhile, the Group will further accelerate the asset light transformation model with the provision of management services while creating strategic cooperation to complement competitive advantages of each other. By transferring the controlling interests of projects, the Group will be able to revolve the Company’s capital, reduce the Company’s debts and mitigate the pressure on project financing, while further improve the return on capital and collect stable fees annually by providing project management services.

Continue to develop innovative financing models

The Group will continue to actively extend its diversified and innovative financing models, such as medium-term notes, small-sized public funds, supply chain financing, and advanced payment from engineering, procurement and construction (“**EPC**”) contractors. In the first half of 2018, the Group has been approved to issue notes with an aggregate principal amount of not exceeding RMB3 billion in one or more tranches with a maturity of three years for each tranche, to institutional investors of the national interbank bond market in the PRC, and the Group is considering the issuance. A series of diversified and innovative financing solutions will help the Group to optimize the financing structure, increase the long-term facilities, and effectively use the long-term loan with lower interest rates to replace the short-term loan with higher interest rates.

Strengthen refined management and strictly control costs

In terms of management, the Group will closely monitor the market condition to make the best assessment for its development plan and further deepen its organizational structure reform. Through optimization and adjustment of business model, refined management, operation and maintenance costs control, income sources expansion and expenditure reduction to achieve efficiency improvement. In addition, the Group will solidly carry out its operation and management works, and by leveraging standard and refined management, to maximize its electricity generation, and reduce costs while improve efficiency, so as to enhance the safety level and reliability of its solar power plants. The Group will on top of its solid regional operation and maintenance platform to further expand its operation and maintenance outsourcing services for other companies to increase a stable source of income.

PROSPECT – SEIZE THE OPPORTUNITIES TO GROW IN TRANSITION

The solar energy industry will be filled with challenges and opportunities in 2018. The management of the Group will leverage on their thorough understanding and insight into solar energy industry to prudently plan its future development.

Grid Parity

The new policy is building a more stable foundation for the future development of the solar energy industry. With technology advancement of the entire solar industry and conversion ratio persistently improve, the solar energy generation cost is expected to drop further and accelerate the reach of grid parity, broadening the scale of solar energy market. Grid parity will not only change the energy structure, but also facilitate the business models and rules of the energy sector to become more mature, lowering project risks and gaining project return visibility. The advent of grid parity is anticipated to provide leading solar companies with advanced technology and remarkable management with more room for development.

In order to make better preparation for the advent of grid parity, the Group pays very close attention on various key elements such as financing costs, development and construction costs, as well as operation and maintenance costs. The Group is actively establishing strategic partnerships with large Central Enterprises to strengthen cooperation for securing advantages in financing, at the same time focus on propelling the planning of development and reserve in areas with suitable requirements such as land conditions, cost of financing, dispatch facilities and electricity consumption, to secure appropriate project reserve at lower costs.

With a view to assuring the economics of solar power plant projects, the Group leverages its competitive advantages in in-house developed technologies, through technological advancement to lower costs and enhance quality of development, as well as stepping up the research and technical reserves in new technologies such as photovoltaic + energy storage and solar thermal, with an aim to improving the project yields of the ground-mounted solar power plants equipped with energy storage systems.

Market-Oriented Transaction

Meanwhile, the level of solar energy market-oriented transaction is expected to further expand, and utility-scale solar power plants to be allocated through competitive bidding while the distributed solar power projects transaction to be further deepened. The Group is equipped with in-house development and technological competitive advantages to further reduce the development costs and facilitate the development of large corporate customers for distributed solar power plants without subsidy.

Prudent Overseas Development

In addition, since overseas projects have relatively stable cash flow and without the issue of subsidies delay, the Group will continue to grow its overseas business steadily and lay a solid foundation for its future development. The Group will ride on its competitive advantages, allocating resources prudently to focus on overseas markets with abundant resources, mature regulations and moderate level of risks. Through establishing strong cooperation with internationally influential partners and financial institutions to develop projects with relatively stable return and lower risks.

GCL New Energy is now progressing to a stable operational stage and will response proactively to the new business model and new market environment, through implementing effective strategies to adjust its structure and lower gearing with an aim to achieving grid parity and market-oriented transaction while steadily develop its overseas business. The Group will closely monitor the market condition to make the most assessment for its development, with a goal of maximizing the return on assets.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the period ended 30 June 2018, the revenue of the Group amounted to RMB2,704 million, representing an increase of 49% as compared to RMB1,812 million for the same period last year. Profit attributable to owners of the Company from continuing operations amounted to RMB345 million (six months ended 30 June 2017: RMB485 million). The profit attributable to owners of the Company during the periods ended 30 June 2018 and 30 June 2017 were as follows:

	30 June 2018 <i>RMB million</i>	30 June 2017 <i>RMB million</i>
Continuing operations (“ Solar Energy Business ”)	345	485
Discontinued operations (“ PCB Business ”)	<u>–</u>	<u>(4)</u>
Profit for the period attributable to owners of the Company	<u>345</u>	<u>481</u>
Adjusted profit attributable to owners of the Company (after excluding non-operating items*)	<u>558</u>	<u>549</u>

* The non-operating items are defined in the “Financial Review” section.

The decrease in profit in the Solar Energy Business during the period was mainly attributable to the combined effect of the following factors:

1. the increase in the generation volume of electricity of the solar power plants by 59%, from approximately 2,368 million kWh during the period ended 30 June 2017 to approximately 3,765 million kWh during the period ended 30 June 2018. The total installed capacity was increased by 41% from 5,079MW as at 30 June 2017 to 7,139MW as at 30 June 2018;
2. the increase in administrative expenses from RMB152 million to RMB250 million due to business expansion and less costs capitalised after power plants commenced operations;
3. the increase in finance costs from RMB607 million to RMB1,062 million due to increase in interest bearing debts to fund expansion from RMB26,797 million as at 30 June 2017 to RMB37,372 million as at 30 June 2018;
4. the increase in unrealised non-cash exchange loss to RMB209 million (2017: RMB18 million) mainly due to the appreciation of USD and HKD denominated indebtedness against RMB; and
5. the increase in profits shared by other non-controlling interests of RMB76 million.

On 30 December 2016, the Group entered into a sale and purchase agreement to dispose of the entire interest in the PCB Business. The disposal was completed on 2 August 2017. Accordingly, the Group's PCB Business were classified as discontinued operations during the period ended 30 June 2017.

Capacity and Electricity Generation

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

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

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

30 June 2018
(RMB million)

Revenue

Representing:

Electricity sales	1,070
Tariff adjustment – government subsidies received and receivable	<u>1,709</u>
Total of subsidiaries	2,779
Less: effect of discounting tariff adjustment receivables to present value ⁽³⁾	<u>(75)</u>
Total revenue of the Group	<u><u>2,704</u></u>

- (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 solar power plants was accounted for under “Share of profits of joint ventures” in the unaudited condensed consolidated statement of profit and loss and other comprehensive income.
- (3) Certain portion of the tariff adjustment (government subsidies) will be recovered after twelve months from the reporting date. The tariff adjustment was adjusted for the significant financing component based on effective interest rates ranged from 3.06% to 3.49% per annum.

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

Financial Review

After completion of the disposal of PCB Business on 2 August 2017, the Group retained one single reportable segment i.e. the Solar Energy Business. PCB Business is classified as discontinued operations. The following table sets forth the financial highlights of the Group's profit from continuing operations – Solar Energy Business:

	For the period ended		
	30 June 2018 <i>RMB million</i>	30 June 2017 <i>RMB million</i>	% of changes
Revenue	2,779	1,850	50%
Effect of discounting tariff adjustment (government subsidies)	<u>(75)</u>	<u>(38)</u>	<u>97%</u>
Revenue, after discounting	<u>2,704</u>	<u>1,812</u>	<u>49%</u>
Gross profit	1,857	1,282	45%
Adjusted EBITDA*	<u>2,498</u>	<u>1,661</u>	<u>50%</u>
Profit for the periods from continuing operations attributable to:			
Owners of the Company	345	485	(29%)
Non-controlling interests			
– Owners of perpetual notes	66	65	2%
– Other non-controlling interests	<u>78</u>	<u>2</u>	<u>N/A</u>
	<u>489</u>	<u>552</u>	<u>(11%)</u>

* Adjusted EBITDA is defined as earnings before finance costs, taxation, depreciation and amortisation and non-operating items including changes in fair value on convertible bonds and foreign exchange loss.

Revenue

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

In terms of revenue generated by tariff zone from the PRC, for the period ended 30 June 2018, approximately 17%, 28% and 55% of revenue were generated from zone 1, zone 2 and zone 3 respectively (2017: zone 1 of 21%, zone 2 of 26% and zone 3 of 53%). In consistent with our prevailing strategy, the 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 some regions in zone 1 area.

Gross Profit

The Group's gross profit margin for the period ended 30 June 2018 was 68.7%, as compared to 70.8% for the period ended 30 June 2017. The decrease in gross profit margin was mainly due to tariff cut for the projects connected to the grid after 30 June 2017.

The cost of sales mainly consisted of depreciation, which accounted for 83% (2017: 86%) of cost of sales, with the remaining costs being operation and maintenance costs of solar power plants. The decrease in depreciation percentage was mainly due to the drop in construction costs by 6% from approximately RMB6.3 per watt in the first half of 2017 to approximately RMB5.9 per watt in the first half of 2018. As the construction cost of solar power plant is depreciated over 25 years, the drop in construction costs cannot fully offset the drop in tariff price.

Other Income

During the period ended 30 June 2018, other income mainly included imputed interest on discounting effect on tariff adjustment receivables (i.e. Interest arising from contracts containing significant financing component) of RMB57 million (2017: RMB20 million), management services income for managing and operating solar power plants owned by the parent company, GCL-Poly, of RMB19 million (2017: RMB18 million) and bank interest income of RMB14 million (2017: RMB15 million).

Other administrative Expenses

The other administrative expenses mainly included staff costs, rental expenses and legal and professional fees. Other administrative expenses increased by 64%, from RMB152 million for the period ended 30 June 2017 to RMB250 million for the period ended 30 June 2018. The increase in other administrative expenses was mainly due to the increase in salaries expenses driven by the expansion of Solar Energy Business and less costs capitalised after the solar power plants commenced operations.

Loss on change in fair value of convertible bonds

During the period ended 30 June 2018, the Group recognized a fair value loss of approximately RMB4 million (2017: RMB46 million) as a result of settlement of the convertible bond of a nominal value of HK\$775 million (equivalent to approximately RMB648 million) issued on 27 May 2015 and subsequent re-measurement of fair value of the convertible bond of a nominal value of HK\$200 million (equivalent to approximately RMB167 million) issued on 20 July 2015. The fair value of the convertible bonds were based on a valuation report issued by an independent professional qualified valuer.

Other gains and losses, net

During the period ended 30 June 2018, the net loss amounted to RMB159 million (2017: RMB18 million). The loss in 2018 was contributed by the unrealised non-cash exchange loss of RMB209 million, mainly arising from the appreciation of HKD and USD denominated indebtedness against the reporting currency in RMB, which was partly offset by gain on disposal of solar power plant projects of RMB33 million.

Finance Costs

	For the period ended	
	30 June 2018	30 June 2017
	<i>RMB million</i>	<i>RMB million</i>
Total borrowing costs	1,182	787
Less: Interest expenses capitalised	(120)	(180)
	<u>1,062</u>	<u>607</u>

Finance costs amounting to RMB1,182 million for the period ended 30 June 2018 (2017: RMB787 million) represented an increase of 50% compared with same period last year. The increase was mainly due to the significant increase in average borrowing balance as a result of the capital expenditure for expansion of solar power plants. The operation of solar power plants is capital intensive and high gearing in nature.

The capitalised interest for the period ended 30 June 2018 amounted to RMB120 million (2017: RMB180 million), which represented interest capitalised during construction period of solar power plants. The amount of capitalised interest expenses did not increase in line with the increase in average borrowings balance because the borrowing costs ceased to be capitalised when the solar power plants commenced operations. As a result of ceased capitalisation of interest costs for completed projects, the increase in non-capitalized finance costs is proportionately higher than the increase in average borrowing balance for the period.

Although the total finance costs increased, the average borrowing interest rate for new and existing borrowings was gradually decreasing from 6.8% in 2017 to 6.5% in 2018. The decrease was mainly due to the drawn down of a large quantity of low-cost long-term project loans and long-term finance leases to replace high cost short-term bridge loans.

Income Tax (Expenses)/Credit

Income tax expenses for the period ended 30 June 2018 was RMB21 million, as compared to income tax credit RMB21 million for the period ended 30 June 2017. The income tax expenses mainly represents tax expenses arising from several solar power plants, which had passed the three year's exemption period for the PRC income tax. Most of our solar power plants are exempted from the PRC income tax for three years starting from the first year when the solar power plants operate and generate taxable income, followed by 50% reduction for the next three years. The income tax credit for the previous period was mainly attributable to deferred tax asset recognized as a result of the increase in unrealized profit of intercompany modules sales transactions caused by our expansion.

Profits attributable to other non-controlling interests

Profits attributable to other non-controlling interests increased significantly from RMB2 million for the period ended 30 June 2017 to RMB78 million for the period ended 30 June 2018, mainly because of the capital injection from a strategic investor to 蘇州協鑫新能源投資有限公司 (“**Suzhou GCL New Energy**”), a major subsidiary of the Company holding majority of solar power plants in China for 7.18% interest in Suzhou GCL New Energy.

	For the period ended	
	30 June 2018	30 June 2017
	<i>RMB million</i>	<i>RMB million</i>
Adjusted profit attributable to owners of the Company		
Profits attributable to the owners of the Company	345	485
Add: Non-operating items:		
Changes in fair value on convertible bonds	4	46
Non-cash foreign exchange loss	209	18
Adjusted profit attributable to the owners of the Company	558	549

For the period ended
30 June 2018 30 June 2017
RMB million *RMB million*

Adjusted Net Profit and Adjusted EBITDA margin

Profit for the period from continuing operations	489	552
Add: Non-operating items:		
Changes in fair value on convertible bonds	4	46
Non-cash foreign exchange loss	<u>209</u>	<u>18</u>
Adjusted net profit	702	616
Add: Finance costs	1,062	607
Income tax expenses (credit)	21	(21)
Depreciation and amortization	<u>713</u>	<u>459</u>
Adjusted EBITDA	2,498	1,661
Adjusted EBITDA margin	<u>92.4%</u>	<u>91.7%</u>

For the purpose of results analysis, several items were excluded in the calculation of earnings before interest expense, tax, depreciation, amortisation and exceptional item (“**EBITDA**”). The adjusted net profit, adjusted EBITDA and adjusted profit attributable to owners of the Company above are non-IFRS measures, which may be defined differently from similar terms used by other companies.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the period ended 30 June 2018 (2017: Nil).

Property, Plant and Equipment

Property, plant and equipment increased significantly from RMB38,104 million as at 31 December 2017 to RMB41,534 million as at 30 June 2018. This was mainly attributable to the increase in the total installed capacity of solar power plants (excluding joint ventures) from 5,812MW as at 31 December 2017 to 6,961MW as at 30 June 2018.

Deposits, Prepayment and Other Non-current Assets

As at 30 June 2018, non-current portion for deposits, prepayments and other non-current assets mainly included approximately RMB2,469 million (31 December 2017: RMB2,716 million) for refundable value-added tax, approximately RMB700 million (31 December 2017: RMB543 million) deposits paid for EPC contracts and constructions and approximately RMB3,036 million (31 December 2017: RMB1,836 million) of tariff adjustment receivables (i.e. tariff adjustments related to solar power plants yet to obtain approval for registration on the Renewable Energy Tariff Subsidy Catalogue), which was classified as contract assets under International Financial Reporting Standard 15 *Revenue from Contracts with Customers* (“IFRS 15”), expected to be received after twelve months. There is a substantial increase in tariff receivables expected to be received after twelve months because some solar power plants were waiting for registration into the coming 8th batch or after of subsidies catalogue which is not yet open for registration.

Contract assets

Contract assets represent tariff adjustment receivables (government subsidies) solar power plants yet to obtain approval for registration in the Subsidy Catalogue. This item was included in “Deposits, prepayment and other non-current assets” in 2017.

Trade and Other Receivables

As at 30 June 2018, trade and other receivables of RMB5,326 million (31 December 2017: RMB4,228 million) mainly included trade receivables of RMB3,563 million (31 December 2017: RMB2,794 million) and refundable value-added tax of RMB904 million (31 December 2017: RMB712 million.)

Breakdown of tariff adjustment (government subsidies) receivables is as follow:

Tariff receivables (government subsidies)	Batch of subsidies	Capacity (MW)	30 June 2018 RMB million	31 December 2017 RMB million
– Current	6th batch or before	441	685	409
– Current	7th batch	1,142	2,226	1,999
– Current	Poverty alleviation project	190	139	–
		1,773	3,050	2,408
– Non-current	To be registered for the 8th batch or after	5,188	3,036	1,836
Total		<u>6,961</u>	<u>6,086</u>	<u>4,244</u>

Bills and Other Payables and Deferred Income

Bills and other payables and deferred income increased from RMB10,851 million as of 31 December 2017 to RMB11,100 million as of 30 June 2018. Bills and other payables and deferred income mainly consisted of payables for purchase of plant and machinery and construction of RMB6,982 million (31 December 2017: RMB7,678 million), bills payable of RMB2,315 million (31 December 2017 RMB2,058 million) and receipt in advance of RMB912 million (31 December 2017: RMB47 million) from certain EPC contractors in relation to the module procurement by the Group.

Liquidity and Financial Resources

The Group adopts a prudent treasury management policy to maintain sufficient working capital to cope with daily operations and meet our future development demands for capital. The funding for all its operations has been centrally reviewed and monitored at the Group level. The indebtedness of the Group mainly comprises bank and other borrowings, bonds and senior notes payable, loans from related companies and convertible bonds. The cash flow activities for the Group are summarised as follows:

	For the period ended	
	30 June 2018	30 June 2017
	<i>RMB million</i>	<i>RMB million</i>
Net cash generated from operating activities	321	501
Net cash used in investing activities	(2,851)	(4,408)
Net cash generated from financing activities	434	<u>2,967</u>

The net cash from operating activities during the period ended 30 June 2018 was RMB321 million, decreased from RMB501 million of the same period last year. The decrease was mainly attributable to the cash inflow from operating activities from discontinued PCB Business of RMB59 million and net receipts of RMB132 million from providing solar modules procurement services during the period ended 30 June 2017. Both activities did not happen in 2018, so excluding the effect mentioned above, the net cash from operating activities increased from RMB310 million during the period ended 30 June 2017 to RMB321 million during the period ended 30 June 2018.

The net cash used in investing activities during the year ended 30 June 2018 primarily arose from payments and deposit paid for the acquisition and development of solar power plant projects.

For the period ended 30 June 2018, the Group's main source of funding was cash generated from financing activities amounting to RMB434 million, which mainly included the net effect of newly raised indebtedness and repayment of loan principal and interests. The decrease in cash generated from financing activities compared with last period was mainly due to increase in repayment of loan principal and interest during the period, as a result of expansion over recent years.

Indebtedness and gearing ratio

Solar Energy Business is a capital intensive industry. The business requires substantial capital investments for developing and constructing solar power plants. Thus, the average gearing ratio for the solar energy industry is relatively high. The Group normally funds the capital expenditure for building solar power plants by advance payment from EPC contractors, long term finance leases and equity, whereas most of the long term bank loans from domestic banks are only available for the repayment of bridging finance after grid connection.

Once the construction of solar power plants is completed and connected to the grid, the plants will generate steady cash inflow to the Group. In view of this relatively low risk characteristic of solar power plants, domestic banks generally provide long-term bank loans of 10 to 15 years at relatively low interest rates, and finance 70% to 80% of the total capital expenditures after the completion of construction. Thus, the average gearing ratio for the solar energy industry is relatively high.

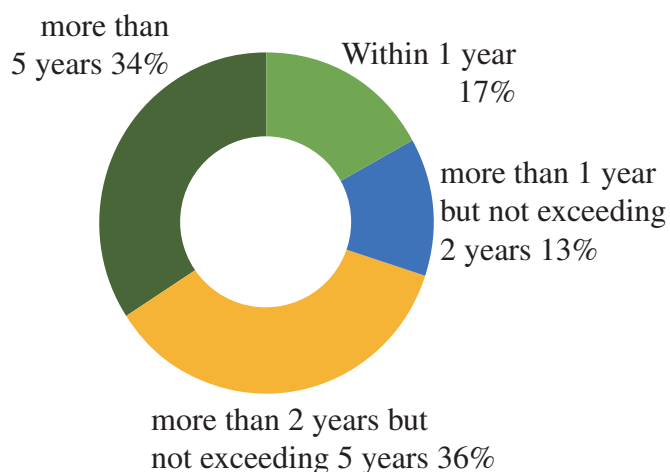
Because of the nature of the solar energy industry in the PRC, the Group was in net current liabilities position of approximately RMB9,054 million as at 30 June 2018. To address the net current liabilities position, the Group has taken several measures to generate sufficient cash inflow to the Group, which were set out in Note 1A of the unaudited condensed interim consolidated financial information.

We believe that the Group has sufficient working capital to meet the financial obligations when they fall due. After taking into account the Group's business prospects, internal resources and measures, the audit committee of the Company believes that the Group has sufficient working capital to meet the financial obligations when they fall due and it is appropriate to prepare the condensed interim consolidated financial statements on a going concern basis.

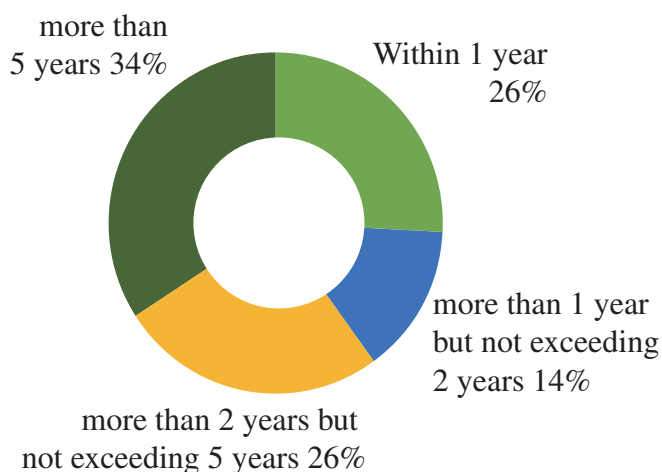
The Group monitors capital on the basis of two gearing ratios. The first ratio is calculated as net debts divided by total equity and second ratio is calculated as total liabilities divided by total assets. The gearing ratio as at 30 June 2018 and 31 December 2017 were as follows:

	30 June 2018 <i>RMB million</i>	31 December 2017 <i>RMB million</i>
Non-current indebtedness		
Loans from a related company	210	–
Bank and other borrowings	26,831	25,482
Bonds and senior notes	3,901	883
	<u>30,942</u>	<u>26,365</u>
Current indebtedness		
Loans from related companies	1,096	1,072
Bank and other borrowings	5,142	7,068
Convertible bonds	192	925
	<u>6,430</u>	<u>9,065</u>
Total indebtedness	37,372	35,430
Less: cash and cash equivalents	(2,128)	(4,197)
Pledged bank and other deposits	(1,423)	(2,243)
Pledged deposits at a related company	(22)	–
Net debts	<u>33,799</u>	<u>28,990</u>
Total equity	<u>9,282</u>	<u>8,796</u>
Net debts to total equity	<u>364%</u>	<u>330%</u>
Total liabilities	<u>48,961</u>	<u>46,638</u>
Total assets	<u>58,243</u>	<u>55,434</u>
Total liabilities to total assets	<u>84.1%</u>	<u>84.1%</u>

The Group's debt maturity profile is summarised as follow:



30 June 2018



31 December 2017

Indebtedness repayable more than one year increased to 83% of total indebtedness as at 30 June 2018 from 74% as at 31 December 2017, thereby lowering the risk of using short-term financing for long-term investment and improving short-term liquidity. With the issuance of three-year USD notes, indebtedness repayable in three to five years increased to 36% of total indebtedness as at 30 June 2018 from 26% as at 31 December 2017.

The Group's banking and other facilities were summarised as follows:

	30 June 2018	31 December 2017
	<i>RMB million</i>	<i>RMB million</i>
Total banking and other facilities granted	38,038	46,705
Facilities utilised	<u>(36,647)</u>	<u>(44,137)</u>
Available facilities	<u><u>1,391</u></u>	<u><u>2,568</u></u>

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

	30 June 2018	31 December 2017
	<i>RMB million</i>	<i>RMB million</i>
Renminbi (“ RMB ”)	31,480	31,990
Hong Kong dollars (“ HK\$ ”)	192	925
United States dollars (“ US\$ ”)	5,519	2,320
Euro dollars (“ Euro ”)	116	126
Japanese Yen (“ JPY ”)	65	69
	<u>37,372</u>	<u>35,430</u>

Use of Proceeds

The Company conducted below fund raising activities and actual use of proceeds:

<u>Date of announcement/ prospectus</u>	<u>Events</u>	<u>Net proceeds and intended use</u>	<u>Actual use of proceeds</u>
24 January 2018	Issuance of US\$500 million senior notes	The net proceeds of approximately US\$493 million were intended to be applied as follows: (i) Development of business operations; (ii) Repayments of financial Borrowings; and (iii) Other general corporate purposes	The proceeds were fully utilised as intended.

Pledge of Assets

As at 30 June 2018, the following assets were pledged for bank and other facilities granted to the Group:

- property, plant and equipment of RMB26,380 million (31 December 2017: RMB26,720 million);
- bank and other deposits (including deposits placed at a related company) of RMB1,445 million (31 December 2017: RMB2,243 million);
- rights to collect the sales of electricity for certain subsidiaries. As at 30 June 2018, the trade receivables and contract assets of those subsidiaries amounted to RMB6,212 million (31 December 2017: RMB4,193 million); and
- prepaid lease payments of RMB13,601 million (31 December 2017: Nil).

Contingent Liabilities

The Group did not have any other significant contingent liabilities as at 30 June 2018.

Capital Commitments

As at 30 June 2018, the Group's capital commitments in respect of construction commitments related to solar power plants, and commitment to invest in joint ventures contracted for but not provided amounted to approximately RMB5,594 million and RMB243 million, respectively (31 December 2017: RMB3,626 million and RMB243 million, respectively).

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures in the course of the Period

For the period ended 30 June 2018, the Group acquired several subsidiaries, which is engaged in solar power plant business in the PRC of aggregated 40MW. The construction of the solar power plant project has been completed as at the date of acquisitions. Thus, the acquisition is classified as business combination.

On 20 May 2018, Suzhou GCL New Energy, a subsidiary of the Group, entered into a share transfer agreement with an independent third party. Pursuant to the agreement, Suzhou GCL New Energy agreed to sell 100% equity interest of Inner Mongolia Xinjing Photovoltaic Electric Power Co., Ltd.* (內蒙古鑫景光伏發電有限公司) which owned a solar power plant of 21MW at a consideration of RMB22,000,000.

On 9 February 2018, the Group entered into an interest transfer agreement with an independent third party to sell 50% interest of ADSolar No.3 Godo Kaisha and Himeji Tohori Taiyo-No-Sato No.1 Godo Kaisha which owned a solar power plant project of 12 MW in Japan. The Group retained 50% interest of the project after completion and classified as a joint venture accordingly.

Save as disclosed above, there were no other significant investments during the period ended 30 June 2018, or plans for material investments as at the date of this report, nor were there other material acquisitions and disposals of subsidiaries during the period ended 30 June 2018.

EVENTS AFTER THE REPORTING PERIOD

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

On 9 August 2018, the Group entered into finance lease agreements with 北銀金融租賃有限公司 (“**Beijing Financial Leasing**”) for a term of 8 years at an aggregate estimated rent of approximately RMB482 million and pay an asset management fee of RMB35 million. Details of the transaction have been set out in the Company’s announcement on 9 August 2018.

* *English name for identification only*

RISK FACTORS AND RISK MANAGEMENT

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

1. Policy risk

Policies made by the government have a pivotal role in the solar power industry. Any alternation in the preferential tax policies, on-grid tariff subsidies, generation dispatch priority, incentives, upcoming issuance of renewable quotas, 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 Company will follow rules set out by the government strictly, and will pay close attention to policy makers in order to foresee any disadvantageous movements.

2. *Grid curtailment risk*

With the growth in power generating capacity outpaced electricity consumption growth, it has led to utilization decline for power generating capacity particularly in certain provinces. 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, the Company 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.

3. *Risk associated with tariff*

Power tariff is one of the key earning drivers for the Company. Any adjustment in tariff might have an impact on the profitability of new solar power projects. Given China's 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 minimise this risk, the Company will continue to fasten technology development and implement cost control measures in order to lower development cost for new projects. In addition, thanks to economies of scale, the Company will continuously lower operating and maintenance costs of solar power plants.

4. *Risk related to high gearing ratio*

Solar power generating business is a capital intensive industry, which highly relies on external financing in order to fund for the construction of solar power plant while the recovery of capital investment takes a long period of time. To cope with the gearing risk, the Company is seeking strategic investors on the listed company, domestic holding company and project levels, thereby aiming at lower its gearing ratio below 80%.

5. *Risk related to interest rate*

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

6. *Foreign currency risk*

As most of our solar power plants are located in the PRC, substantial revenues, capital expenditures, assets and liabilities are denominated in RMB. Apart from using RMB loans to finance for project development in the PRC, the Company also uses foreign currencies such as US dollars notes to inject into projects in the form of equity. As the Company has not purchased any foreign currency derivatives or related hedging instruments to hedge for foreign currencies loans, any changes in foreign currency to RMB will have impact on the Company's operating results. However, the Company is considering adopting hedging instruments to minimize this risk by balancing costs and the debt maturity of 3 years.

7. *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.

EMPLOYEE AND REMUNERATION POLICIES

We consider our employees to be our most important resource. As at 30 June 2018, the Group had approximately 2,255 employees (31 December 2017: 2,341 employees in Hong Kong, the PRC and overseas). Employees are remunerated with reference to individual performance, working experience, qualification and the prevailing industry practice. Apart from basic remuneration and the statutory retirement benefit scheme, employee benefits include discretionary bonuses, with share options granted to eligible employees. Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and share option expenses) for the period ended 30 June 2018 were approximately RMB159 million (30 June 2017: approximately RMB110 million).

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

For the six months ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Continuing operations			
Revenue	3	2,704,185	1,812,113
Cost of sales		<u>(846,887)</u>	<u>(530,593)</u>
Gross profit		1,857,298	1,281,520
Other income	4	126,454	89,433
Administrative expenses			
– share-based payment expenses		(6,916)	(17,575)
– other administrative expenses		(249,862)	(151,523)
Loss on change in fair value of convertible bonds	14	(3,888)	(46,253)
Other gains and losses, net		(159,380)	(18,107)
Share of profits of joint ventures		7,998	414
Finance costs	5	<u>(1,062,458)</u>	<u>(606,626)</u>
Profit before tax		509,246	531,283
Income tax (expense) credit	6	<u>(20,667)</u>	<u>20,567</u>
Profit for the period from continuing operations	7	488,579	551,850
Discontinued operations			
Loss for the period from discontinued operations	16	<u>–</u>	<u>(4,184)</u>
Profit for the period		488,579	547,666
Other comprehensive income:			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value loss on financial liabilities designated as at fair value through profit or loss (“FVTPL”) attributable to changes in credit risk		(108)	–
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation		<u>15,736</u>	<u>2,152</u>
Other comprehensive income for the period		<u>15,628</u>	<u>2,152</u>
Total comprehensive income for the period		<u>504,207</u>	<u>549,818</u>
Profit for the period attributable to:			
Owners of the Company			
– from continuing operations		345,241	485,015
– from discontinued operations		<u>–</u>	<u>(4,184)</u>

	Six months ended 30 June	
	2018	2017
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
	345,241	480,831
Profit for the period attributable to non-controlling interests from continuing operations		
– Owners of perpetual notes	65,700	65,315
– Other non-controlling interests	77,638	1,520
	<u>488,579</u>	<u>547,666</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	360,869	482,983
Non-controlling interests		
– Owners of perpetual notes	65,700	65,315
– Other non-controlling interests	77,638	1,520
	<u>504,207</u>	<u>549,818</u>
	<i>RMB cents</i>	<i>RMB cents</i>
	(Unaudited)	(Unaudited)
Earnings per share	9	
From continuing and discontinued operations		
– Basic and diluted	<u>1.81</u>	<u>2.52</u>
From continuing operations		
– Basic and diluted	<u>1.81</u>	<u>2.54</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		41,533,779	38,104,300
Prepaid lease payments		103,550	113,094
Interest in an associate		1,000	1,000
Interests in joint ventures		88,992	63,261
Amounts due from related companies		196,641	151,700
Other investments		100,000	100,000
Deposits, prepayment and other non-current assets	<i>10</i>	3,671,415	5,518,674
Contract assets	<i>11B</i>	3,036,350	–
Pledged bank and other deposits		639,159	515,005
Deferred tax assets		164,701	146,275
		49,535,587	44,713,309
CURRENT ASSETS			
Trade and other receivables	<i>11A</i>	5,326,074	4,227,637
Other loan receivables		251,989	118,989
Other investments		–	240,040
Amounts due from related companies		213,403	206,581
Prepaid lease payments		2,203	2,082
Tax recoverable		1,140	1,042
Pledged bank and other deposits		784,129	1,728,068
Bank balances and cash		2,128,153	4,196,596
		8,707,091	10,721,035
CURRENT LIABILITIES			
Bills and other payables and deferred income	<i>12</i>	11,100,239	10,851,194
Amounts due to related companies		214,426	102,784
Tax payable		17,232	7,052
Loans from related companies		1,096,280	1,071,876
Bank and other borrowings	<i>13</i>	5,141,361	7,067,596
Convertible bonds	<i>14</i>	191,902	925,642
		17,761,440	20,026,144
NET CURRENT LIABILITIES		(9,054,349)	(9,305,109)
TOTAL ASSETS LESS CURRENT LIABILITIES		40,481,238	35,408,200

		30 June 2018	31 December 2017
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Loans from related companies		209,587	–
Bank and other borrowings	<i>13</i>	26,831,391	25,482,406
Bonds and senior notes	<i>15</i>	3,901,714	882,760
Deferred income	<i>12</i>	210,523	211,613
Deferred tax liabilities		46,283	35,479
		31,199,498	26,612,258
NET ASSETS		9,281,740	8,795,942
CAPITAL AND RESERVES			
Share capital		66,674	66,674
Reserves		5,921,981	5,554,196
Equity attributable to owners of the Company		5,988,655	5,620,870
Equity attributable to non-controlling interests			
– owners of perpetual notes		1,931,785	1,866,085
– other non-controlling interests		1,361,300	1,308,987
TOTAL EQUITY		9,281,740	8,795,942

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	321,042	501,212
INVESTING ACTIVITIES		
Interest received	11,924	19,390
Payments for construction and purchase of property, plant and equipment and land use rights	(3,955,076)	(4,580,773)
Acquisition of subsidiaries	10,988	284
Settlement of payables to vendors of solar power plants	(8,165)	(14,196)
Capital injection to joint ventures	(3,630)	(33,040)
Capital refunded from a joint venture	–	2,330
Repayment from third parties	–	10,919
Proceeds from disposal of property, plant and equipment	–	1,480
Loan to a joint venture	–	(5,000)
Withdrawal of pledged bank and other deposits	1,435,448	397,035
Placement of pledged bank and other deposits	(637,798)	(266,780)
Investment in asset management plans	–	(300,050)
Proceeds from redemption of asset management plans	256,830	–
Advance to related parties	(262)	–
Repayment from related parties	318	281
Proceeds from disposal of subsidiaries	38,802	–
Deposits received from disposal of PCB Business (defined in note 16)	–	109,874
Deposits received from disposal of solar power plant projects	–	250,600
NET CASH USED IN INVESTING ACTIVITIES	(2,850,621)	(4,407,646)
FINANCING ACTIVITIES		
Interest paid	(1,224,552)	(743,098)
Distributions paid to holders of perpetual notes	–	(65,315)
Proceeds from bank and other borrowings	4,182,672	7,026,283
Repayment of bank and other borrowings	(4,381,251)	(3,614,206)
Proceeds from loans from an associate of ultimate holding company	215,000	–
Repayment of loans from an associate of ultimate holding company	(268,815)	–
Proceeds from loans from fellow subsidiaries	–	1,000,000
Repayment of loan from a fellow subsidiary	(1,071,876)	(600,000)
Proceeds from loan from ultimate holding company	691,691	–
Proceeds from issuance of senior notes	3,166,950	–
Transaction costs paid for the issuance of senior notes	(47,681)	–
Repurchase of bonds	(250,000)	–
Redemption of convertible bonds	(701,348)	–
Acquisition of additional interest in an existing subsidiary	–	(2,559)
Repayment to related parties	(4,646)	(13,123)
Advance from related parties	149,740	37
Repayment of obligations under finance leases	–	(21,431)
Capital contribution by non-controlling interests	16,090	–
Dividend paid to non-controlling interests	(38,389)	–
NET CASH FROM FINANCING ACTIVITIES	433,585	2,966,588

Six months ended 30 June	
2018	2017
RMB'000	RMB'000
(Unaudited)	(Unaudited)

NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(2,095,994)</u>	<u>(939,846)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	4,196,596	3,853,083
Effect of exchange rate changes on the balance of bank balances and cash held in foreign currencies	<u>27,551</u>	<u>6,800</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Represented by		
– bank balances and cash	2,128,153	2,796,585
– bank balances and cash classified as assets held for sale	<u>–</u>	<u>123,452</u>
	<u>2,128,153</u>	<u>2,920,037</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

GCL New Energy Holdings Limited (the “**Company**”) is incorporated in Bermuda as exempted company with limited liability. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business is at Unit 1701B-1702A, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

The Company is an investment holding company. Its subsidiaries (hereinafter together with the Company collectively referred to as the “**Group**”) are principally engaged in the sale of electricity, development, construction, operation and management of solar power plants (“**Solar Energy Business**”). The Group was also engaged in the manufacturing and selling of printed circuit boards (“**PCB Business**”) before its disposal during the year ended 31 December 2017 (note 16) which has been presented as discontinued operations.

This Interim Financial Information is presented in Renminbi (“**RMB**”), unless otherwise stated. This Interim Financial Information has been approved for issuance by the Board on 29 August 2018.

This Interim Financial Information has not been audited.

1A. BASIS OF PREPARATION

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“**IAS 34**”) Interim Financial Reporting issued by International Accounting Standards Board (“**IASB**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”). The unaudited condensed interim consolidated financial statements do not include all the information required for a complete set of financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2017.

As at 30 June 2018, the Group’s current liabilities exceeded its current assets by approximately RMB9,054 million. In addition, as at 30 June 2018, the Group has entered into agreements to construct solar power plants and capital injection to joint ventures which will involve capital commitments of approximately RMB5,838 million. In the event that the Group is successful in securing more solar power plant investments or expanding the investments in the existing solar power plants in the coming twelve months from 30 June 2018, additional cash outflows will be required to settle further committed capital expenditure.

As at 30 June 2018, the Group’s total borrowings comprising bank and other borrowings, convertible bonds, bonds and senior notes, and loans from related companies amounted to approximately RMB37,372 million, out of which approximately RMB6,430 million will be due in the coming twelve months provided that the covenants under the borrowing agreements are satisfied. The Group’s pledged bank and other deposits and bank balances and cash amounted to approximately RMB1,423 million and RMB2,128 million as at 30 June 2018, respectively. The financial resources available to the Group as at 30 June 2018 and up to the date of approval of these unaudited condensed interim consolidated financial statements for issuance may not be sufficient to satisfy the above capital expenditure requirements. The Group is actively pursuing additional financing including, but not limited to, equity and debt financing and bank borrowings.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the directors of the Company (the "**Directors**") have reviewed the Group's cash flow projections which cover a period of not less than twelve months from 30 June 2018. They are of the opinion that the Group will have sufficient working capital to meet its financial obligations, including those committed capital expenditures relating to the solar power plants, that will be due in the coming twelve months from 30 June 2018 upon successful implementation of the following measures which will generate adequate financing and operating cash inflows for the Group:

- (i) Subsequent to 30 June 2018, the Group successfully obtained new borrowings of approximately RMB1,132 million, including other loan of RMB360 million mentioned in (ii), from banks and other financial institutions in the PRC and HK;
- (ii) On 9 August 2018, the Group entered into certain agreements regarding a sales and leaseback arrangement with 北銀金融租賃有限公司 ("**Beijing Financial Leasing**"). Pursuant to the agreements, the Group sold to Beijing Financial Leasing certain assets at a consideration of RMB360 million, which is classified as other loan, and leased back the equipment for a term of 8 years at an estimated total rent of RMB482.1 million. In addition, the Group will pay Beijing Financial Leasing an asset management fee of RMB34.6 million. Details of the transaction have been set out in the announcement of the Company dated 9 August 2018. In addition, the Group is currently negotiating with several banks in both Hong Kong and the PRC for additional financing. The Group also received letters of intent from certain other financial institutions which indicated that these financial institutions preliminarily agreed to offer credit facilities to the Group. The Group is also seeking other form of financing to improve liquidity;
- (iii) On 22 November 2017, the 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. It is expected that the notes will be issued in one or more tranches and that each tranche of the notes shall have a maturity of three years. The Group is also negotiating with other private investors for additional financing in the form of equity or debt or a combination of both;
- (iv) The Group is implementing business strategies, among others, to transform its heavy-asset business model to a light-asset model by (i) partnering with other third-party strategic investors by setting up joint ventures for divesting certain of its existing wholly-owned power plant projects in exchange for cash proceeds or co-investing into new projects to reduce future capital expenditure requirement to the Group; and (ii) striving for providing plant operation and maintenance services to those divested power plants for additional operating cashflow to the Group;
- (v) On 20 November 2017, the Company entered into a non-legally binding co-operation framework agreement with Taiping Financial Holdings Company Limited, an overseas investment platform of China Taiping Insurance Group, pursuant to which Taiping Financial Holdings Company Limited agreed that it or its affiliated companies will lead the establishment of an investment fund with a fund size of approximately HK\$8,000 million (equivalent to RMB6,410 million), for the purpose of investing in the Company; and

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

By taking the above measures, the Directors believe that the Group has sufficient working capital to meet the financial obligations when they fall due.

After taking into account the Group's business prospects, internal resources, the available committed and uncommitted financing facilities and arrangements, equity issuance and transformation to light asset model as mentioned above, the Directors are satisfied that it is appropriate to prepare these unaudited condensed interim consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group can achieve the plans and measures described in (ii) to (vi) above. 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 financing and operating cash flows through successful renewal of its bank borrowings upon expiry, 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, and other short-term or long-term financing and equity issuance; successful transformation to light-asset model; and the completion of the construction of the solar power plants to generate adequate cash inflows as scheduled. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these unaudited condensed interim consolidated financial statements.

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

1B. SIGNIFICANT EVENTS AND TRANSACTIONS

The Group made certain acquisitions and entered into agreements to sell solar power plant projects during the current interim period.

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 International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the unaudited condensed interim consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2017.

Application of new and amendments to IFRSs

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

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

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

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

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

The Group recognised revenue from the sales of electricity upon electricity is generated and transmitted. In addition, tariff adjustments are recognised as revenue based on the management’s assessment and judgement that all of the Group’s operating power plants have qualified and met all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plants.

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

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

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

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

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

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

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

Variable consideration

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

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

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

Existence of significant financing component

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

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

2.1.2 Summary of effects arising from initial application of IFRS 15

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

		Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under IFRS 15 at 1 January 2018
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current Assets				
Deposits, prepayment and other non-current assets	<i>(a)</i>	5,518,674	(1,836,092)	3,682,582
Contract assets	<i>(a)</i>	–	1,836,092	1,836,092
Current Assets				
Trade and other receivables	<i>(a)</i>	4,227,637	(1,998,978)	2,228,659
Contract assets	<i>(a)</i>	–	1,998,978	1,998,978

Note:

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

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

Impact on the unaudited condensed interim consolidated statement of financial position

		As reported	Adjustments	Amounts without application of IFRS 15
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current Assets				
Deposits, prepayments and other non-current assets	<i>(b)</i>	3,671,415	3,036,350	6,707,765
Contract assets	<i>(b)</i>	<u>3,036,350</u>	<u>(3,036,350)</u>	<u>–</u>

Note:

- (b) As at 30 June 2018, adjustments represented tariff adjustments related to solar power plants yet to obtain approval for registration in the Catalogue, such amounts are classified as contract assets upon application of IFRS 15.

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

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments

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

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

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

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

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

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

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect cash flow; and
- the contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTPL

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

The Directors reviewed and assessed the Group’s financial assets as at 1 January 2018 based on the facts and circumstances that existed at the date. Changes in classification and measurement on the Group’s financial assets and the impacts thereof are detailed in Note 2.2.2.

Impairment under ECL model

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

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

The Group always recognises life time ECL for trade receivables and contract assets, including those with significant financing component.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

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

Significant increase in credit risk

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

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

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

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

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

Measurement and recognition of ECL

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

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

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

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. No impairment allowance was recognised at 1 January 2018 and the results of the assessment and the impact thereof are detailed in Note 2.2.2.

Classification and measurement of financial liabilities

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

2.2.2 Summary of effects arising from initial application of IFRS 9

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

	Notes	Available- for-sale RMB'000	Financial assets at FVTPL required by IFRS 9 RMB'000	Amortised cost (previously classified as loans and receivables) RMB'000	Contract assets RMB'000	Retained earnings RMB'000	Financial liabilities at FVTPL credit risk reserve RMB'000
Closing balance at							
31 December 2017							
– IAS 39		340,040	–	12,059,560	–	209,766	–
Effect arising from initial application of IFRS 15		–	–	(3,835,070)	3,835,070	–	–
Effect arising from initial application of IFRS 9:							
Reclassification							
From available-for-sale	(a)	(340,040)	340,040	–	–	–	–
Remeasurement							
Impairment under ECL model	(b)	–	–	–	–	–	–
Adjustment to retained earnings attributable to changes in the credit risk of financial liabilities designated as at FVTPL	(c)	–	–	–	–	10,445	(10,445)
Opening balance at 1 January 2018		–	340,040	8,224,490	3,835,070	220,211	(10,445)

(a) Available-for-sale investments (“AFS”)

From AFS investments to financial assets at FVTPL

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

(b) Impairment under ECL model

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

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

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

(c) Financial liabilities designated as at FVTPL

Convertible notes issued by the Company designated as at FVTPL qualified for designation as measured at FVTPL under IFRS 9. However, the amount of change in the fair value of these financial liabilities that is attributable to changes in the credit risk of those liabilities (excluding the change in fair value of the derivative components) will be recognised in OCI with the remaining fair value change recognised in profit or loss. Related fair value losses attributable to changes in the credit risk of those liabilities of RMB10,445,000 were transferred from the retained earnings to financial liabilities at FVTPL credit risk reserve on 1 January 2018.

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

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

	31 December 2017			1 January 2018
	(Audited)	IFRS 15	IFRS 9	(Restated)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current Assets				
Deposits, prepayments and other non-current assets	5,518,674	(1,836,092)	–	3,682,582
Contract assets	–	1,836,092	–	1,836,092
Other investments classified as AFS	100,000	–	(100,000)	–
Other investments classified as financial assets at FVTPL	–	–	100,000	100,000
Others with no adjustments	<u>39,094,635</u>	<u>–</u>	<u>–</u>	<u>39,094,635</u>
	<u>44,713,309</u>	<u>–</u>	<u>–</u>	<u>44,713,309</u>
Current Assets				
Trade and other receivable	4,227,637	(1,998,978)	–	2,228,659
Contract assets	–	1,998,978	–	1,998,978
Other investments classified as AFS	240,040	–	(240,040)	–
Other investments classified as financial assets at FVTPL	–	–	240,040	240,040
Others with no adjustments	<u>6,253,358</u>	<u>–</u>	<u>–</u>	<u>6,253,358</u>
	<u>10,721,035</u>	<u>–</u>	<u>–</u>	<u>10,721,035</u>
Current Liabilities	20,026,144	–	–	20,026,144
Net Current Liabilities	(9,305,109)	–	–	(9,305,109)
Total Assets less Current Liabilities	<u>35,408,200</u>	<u>–</u>	<u>–</u>	<u>35,408,200</u>
Capital and Reserves				
Share Capital	66,674	–	–	66,674
Equity attributable to owners of the Company				
– Reserves	5,217,290	–	(10,445)	5,206,845
– Retained earnings	336,906	–	10,445	347,351
Non-controlling interests	<u>3,175,072</u>	<u>–</u>	<u>–</u>	<u>3,175,072</u>
Total Equity	<u>8,795,942</u>	<u>–</u>	<u>–</u>	<u>8,795,942</u>
Non-current Liabilities	<u>26,612,258</u>	<u>–</u>	<u>–</u>	<u>26,612,258</u>

3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sale of electricity which is recognised at a point in time. 99.7% (six months ended 30 June 2017: 99.5%) of revenue is derived from electricity sales to state grid companies for the six months ended 30 June 2018.

Sales of electricity included RMB1,634,353,000 (six months ended 30 June 2017: RMB1,161,790,000) tariff adjustment received and receivable from the state grid companies in the PRC based on the prevailing nationwide government policies on renewable energy for solar power plants.

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

The Directors considers the electricity sales contract contains a significant financing component. For the six months ended 30 June 2018, the respective tariff adjustment was adjusted for this financing component based on an effective interest rate ranged from 3.06% to 3.49% per annum (six months ended 30 June 2017: 2.59% to 3.27% per annum) and the Group’s revenue was adjusted by approximately RMB75.4 million (six months ended 30 June 2017: RMB38.5 million) and interest income amounting to approximately RMB56.9 million (six months ended 30 June 2017: RMB20.5 million) (note 4) was recognised.

On 30 December 2016, the operating segment regarding the PCB Business of the Group was contracted to be sold and accordingly has been presented as discontinued operations. This disposal was completed during the year ended 31 December 2017. The Group’s chief operating decision maker (“**CODM**”), being the executive directors of the Company, regularly reviews revenue by provinces; however, no other discrete information was provided. In addition, the CODM reviewed the consolidated results when making decisions about allocating resources and assessing performance.

Details of the discontinued operations are described in note 16.

Geographical information

Information about the Group’s revenue from continuing operations from external customers is presented based on the location of the operations and customers.

**Revenue from external customers
six months ended**

	30 June 2018 RMB'000	30 June 2017 RMB'000
PRC	2,681,855	1,797,915
Other countries	<u>22,330</u>	<u>14,198</u>
	<u>2,704,185</u>	<u>1,812,113</u>

4. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	13,764	15,232
Consultancy fees income (<i>Note a</i>)	3,052	1,143
Compensation income	3,308	2,027
Government grants – incentive subsidies (<i>Note b</i>)	11,346	8,849
Government grant – Investment Tax Credit (“ITC”) (<i>note 12c</i>)	3,668	–
Imputed interest on discounting effect on tariff adjustment receivables	–	20,475
Interest arising from contracts containing significant financing component (<i>note 3</i>)	56,907	–
Interest income from other loan receivables	3,052	12,826
Interest income from loan to a joint venture	4,542	3,548
Management services income from related companies	18,949	18,354
Others	<u>7,866</u>	<u>6,979</u>
	<u>126,454</u>	<u>89,433</u>

Notes:

- (a) Consultancy fees income represents consultancy fees earned from third parties for design and planning service for constructing solar power plants.
- (b) Incentive subsidies were received from the relevant PRC government for improvement of working capital and financial assistance to the operating activities. The subsidies were granted on a discretionary basis during the period and the conditions attached thereto were fully complied with.

5. FINANCE COSTS

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Interest on:		
Bank and other borrowings	996,118	763,202
Bonds and senior notes	122,815	–
Loans from related companies	<u>63,870</u>	<u>23,854</u>
Total borrowing costs	1,182,803	787,056
Less: amounts capitalised in the cost of qualifying assets	<u>(120,345)</u>	<u>(180,430)</u>
	<u><u>1,062,458</u></u>	<u><u>606,626</u></u>

Borrowing costs capitalised during the period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.20% (six months ended 30 June 2017: 8.01%) per annum to expenditure on qualifying assets.

6. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
PRC Enterprise Income Tax (“EIT”):		
Current tax	30,824	9,478
Overprovision in prior periods	<u>–</u>	<u>(21)</u>
	30,824	9,457
Deferred tax	<u>(10,157)</u>	<u>(30,024)</u>
Total	<u><u>20,667</u></u>	<u><u>(20,567)</u></u>

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

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period. No provision for Hong Kong Profits Tax was made as there is no assessable profits for both reporting periods.

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 qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The two-tiered profits tax rates regime will be applicable to the Group for its annual reporting periods ending on or after 1 April 2018.

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

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Continuing operations		
Profit for the period has been arrived at after charging:		
Amortisation of prepaid lease payments	1,092	1,166
Depreciation of property, plant and equipment	711,992	457,500
Operating lease rental in respect of properties	61,430	29,624
Staff costs (including directors’ and chief executive’s remuneration but excluding share-based payments)		
– Salaries, wages and other benefits	132,280	79,959
– Retirement benefit scheme contributions	19,771	12,874
Share-based payment expenses (Administrative expenses in nature)		
– Directors and staff	5,628	14,098
– Consultancy services	1,288	3,477
	<u>1,288</u>	<u>3,477</u>

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2018, nor has any dividend been proposed since the end of the reporting period (six months ended 30 June 2017: Nil).

9. EARNINGS PER SHARE

For continuing operations

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company	345,241	480,831
Add: Loss for the period from discontinued operations attributable to owners of the Company	<u>—</u>	<u>4,184</u>
Profit for the period attributable to owners of the Company from continuing operations	345,241	485,015
Effect of dilutive potential ordinary shares:		
Loss on changes in fair value of convertible bonds	<u>3,888</u>	<u>—</u>
Profit for the purpose of diluted earnings per share	<u>349,129</u>	<u>485,015</u>

	Six months ended 30 June	
	2018	2017
	'000	'000
	(Unaudited)	(Unaudited)
Average number of ordinary shares for the purposes of calculation of basic and diluted earnings per share	19,073,715	19,073,715
Effect of dilutive potential ordinary shares:		
Convertible bonds	<u>265,252</u>	<u>—</u>
	<u>19,338,967</u>	<u>19,073,715</u>

Diluted earnings per share did not assume (i) the exercise of the share options for both the six months ended 30 June 2018 and 2017, since the exercise price is higher than the average share price for both reporting periods nor (ii) the conversion of convertible bonds for the six months ended 30 June 2017 since their assumed conversion has an anti-dilutive effect on earnings per share.

For continuing and discontinued operations

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

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Profit for the purposes of calculation of basic earnings per share		
Profit for the period attributable to owners of the Company	345,241	480,831
Effect of dilutive potential ordinary shares:		
Loss on changes in fair value of convertible bonds	3,888	—
Profit for the purpose of diluted earnings per share	<u>349,129</u>	<u>480,831</u>

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

From discontinued operations

For the six months ended 30 June 2017, basic and diluted loss per share for the discontinued operations is RMB0.02 cent per share, based on the loss for the period from the discontinued operations attributable to owners of the Company of RMB4,184,000 and the denominators detailed above for both basic and diluted loss per share.

10. DEPOSITS, PREPAYMENT AND OTHER NON-CURRENT ASSETS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
	Prepayments paid for EPC contracts and constructions (<i>Note</i>)	700,218
Refundable value-added tax	2,469,274	2,715,802
Deposits paid for acquisitions of solar power plant projects	1,032	1,032
Prepaid rent for parcels of land	478,181	378,849
Trade receivables (<i>note 11A</i>)	—	1,836,092
Others	22,710	43,598
	<u>3,671,415</u>	<u>5,518,674</u>

Note: Prepayments for the engineering, procurement and constructions (“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 construction.

11A. TRADE AND OTHER RECEIVABLES

	30 June 2018	31 December 2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables	3,562,681	4,630,459
Prepayments and deposits	283,228	209,473
Other receivables		
– Advance to borrowers of other loans	150,440	115,981
– Consultancy service fee receivables	15,539	13,228
– Interest receivables	32,260	29,193
– Receivables for modules procurement	115,697	164,004
– Refundable value-added tax	904,097	711,635
– Others	262,132	189,756
	<u>5,326,074</u>	<u>6,063,729</u>
Analysed as:		
Current	5,326,074	4,227,637
Non-current trade receivables (<i>note 10</i>)	<u>–</u>	<u>1,836,092</u>
	<u>5,326,074</u>	<u>6,063,729</u>

Trade receivables represent receivables for electricity sales and the balance at 31 December 2017 included tariff adjustment receivables to be received from the state grid companies.

The Directors expected certain part of the tariff adjustment receivables will be recovered after twelve months from the reporting date. Tariff adjustments are discounted at an effective interest rate ranged from 3.44% to 3.55% per annum as at 31 December 2017.

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

The following is an aged analysis of trade receivables, which is presented based on the invoice date at the end of the reporting period:

	30 June 2018	31 December 2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Unbilled (<i>note</i>)	3,212,307	4,365,887
0 – 90 days	151,658	106,472
91 – 180 days	32,497	24,488
Over 180 days	103,430	47,630
	<u>3,499,892</u>	<u>4,544,477</u>

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

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

Included in these trade receivables are debtors with aggregate carrying amount of RMB174,826,000 (31 December 2017: RMB104,964,000) which are past due as at the end of the reporting period. The Group does not hold any collateral over these balances.

Total bills received amounting to RMB62,789,000 (31 December 2017: RMB85,982,000) are held by the Group for future settlement of trade receivables due from debtors, of which certain bills receivable issued by third parties are further endorsed by the Group with recourse for settlement of payables for purchase of plant and machinery and construction costs. The Group continues to recognise their full carrying amount at the end of both reporting periods and details are disclosed in note 12.

All bills receivables of the Group are with a maturity period of less than 1 year and not yet due at the end of the reporting period.

Advance to borrowers of other loans are non-trade in nature unsecured, non-interest bearing and repayable on demand.

Receivables for modules procurement comprise modules procurement cost and commission earned by the Group and the Group allows credit period of 180 days to 1 year.

Consultancy service fee receivables and receivables for modules procurement are aged from 180 days to 1 year.

The Group always measures the loss allowance for trade receivables and contract assets including those with significant financing component at an amount equal to lifetime ECL. The ECL on trade receivables are assessed individually for debtors with significant balances, or estimated using a provision matrix for debtors which shared credit risk characteristics are by reference to past default experience of the debtor, adjusted for factors in relation to general economic conditions of the solar power industry and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

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

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

11B. CONTRACT ASSETS

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

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

12. BILLS AND OTHER PAYABLES AND DEFERRED INCOME

	30 June 2018	31 December 2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Bills payable	2,315,116	2,058,487
Payables for purchase of plant and machinery and construction costs (<i>Note a</i>)	6,982,081	7,677,662
Payables to vendors of solar power plant	97,458	105,533
Payables for modules procurement	12,916	32,324
Other tax payables	81,251	102,600
Other payables	305,807	465,862
Advance from EPC contractors (<i>Note b</i>)	911,785	47,510
Deferred income (<i>Note c</i>)	218,041	219,038
Dividend payable	3,046	–
Accruals		
– Staff costs	51,380	137,923
– Legal and professional fees	11,803	17,099
– Consultancy fees	94,263	92,564
– Others	225,815	106,205
	<u>11,310,762</u>	<u>11,062,807</u>
Analysed as		
Current	11,100,239	10,851,194
Non-current deferred income	210,523	211,613
	<u>11,310,762</u>	<u>11,062,807</u>

The Group has financial risk management policies in place to ensure settlement of payables within the credit time frame.

All bills payable of the Group is aged within 1 year and not yet due at the end of the reporting period.

Notes:

- a. Included in the amounts are obligations arising from endorsing bills receivable with recourse with an aggregate amount of RMB21,373,600 (31 December 2017: RMB8,965,000).
- b. The advance represents the amounts received from EPC contractors for module procurement, in which the module will be used in the construction of the Group's solar power plants.
- c. Pursuant to the relevant prevailing federal policies in the US, on or before 31 December 2019, taxpayers that construct or acquire qualified energy property are allowed to claim an energy ITC at 30% for the taxable year in which such property is originally placed in service by the taxpayer. The Directors analysed the facts and circumstances of the ITC and determined that it is of nature of a government grant that is provided to the Group in the form of tax benefits relating to construction or acquisition of qualified energy property.

Against this, the Group entered into an inverted lease arrangement for its qualified solar power plant projects in the US ("**Qualified Assets**") with a third party financial institution, which acts as a tax equity investor, and the arrangement allows the Group to pass its entitled ITC ("**ITC Benefit**") that constitutes the right to offset against future tax payables to the tax equity investor for cash receipts in exchange. During the year ended 31 December 2017, ITC Benefit of the Group related to the Qualified Assets amounted to US\$34,090,000 (equivalent to approximately RMB222,751,000) and was recognised as a government grant ("**Grant**") as there is a reasonable assurance that the relevant requirements for the tax benefit have been met. Pursuant to the arrangement, the ITC Benefit was passed on by the Group to the tax equity investor and accordingly the ITC Benefit was derecognised during that year. Approximately US\$568,000 (equivalent to approximately RMB3,668,000) (six months ended 30 June 2017: Nil) of the Grant was recognised in profit or loss for the six months ended 30 June 2018 as a government grant income and included in other income.

13. BANK AND OTHER BORROWINGS

	30 June 2018	31 December 2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Bank loans	17,756,655	18,355,613
Other loans	14,216,097	14,194,389
	<u>31,972,752</u>	<u>32,550,002</u>
Secured	29,170,335	28,947,949
Unsecured	2,802,417	3,602,053
	31,972,752	32,550,002
Less: Amounts due within one year (shown under current liabilities)	<u>5,141,361</u>	<u>7,067,596</u>
Amounts due after one year	<u>26,831,391</u>	<u>25,482,406</u>

14. CONVERTIBLE BONDS

	<i>RMB'000</i>
As at 1 January 2017 (Audited)	858,461
Payment of interests	(26,382)
Change in fair value charged to profit or loss	<u>46,253</u>
As at 30 June 2017 (Unaudited)	878,332
Payment of interests	(25,181)
Change in fair value charged to profit or loss	<u>72,491</u>
As at 31 December 2017 and 1 January 2018 (Audited)	925,642
Payment of interests	(36,388)
Change in fair value charged to profit or loss	3,888
Change in fair value charged to other comprehensive income	108
Redemption of Talent Legend Issue (defined below)	<u>(701,348)</u>
As at 30 June 2018 (Unaudited)	<u>191,902</u>

Note: Exchange gain of the convertible bonds of approximately RMB16,979,000 (six months ended 30 June 2017: loss of RMB23,355,000) has been recognised together with changes in fair value to profit or loss for the six months ended 30 June 2018.

On 27 May 2015 and 20 July 2015, the Company issued three-year convertible bonds at a nominal value of HK\$775,100,000 (equivalent to approximately RMB611,244,000) (“**Talent Legend Issue**”) and HK\$200,000,000 (equivalent to approximately RMB157,720,000) (“**Ivyrock Issue**”), respectively. Details of the major terms and conditions of the convertible bonds are set out in notes to the Group’s 2017 annual report.

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

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

The fair value of the convertible bonds were determined by an independent qualified valuer based on the Binomial Lattice Model.

The following assumptions were applied:

	Ivyrock Issue	
	30 June 2018	31 December 2017
Discount rate	16.78%	17.73%
Fair value of each share of the Company	HK\$0.320	HK\$0.550
Conversion price (per share)	HK\$0.754	HK\$0.754
Risk free interest rate	1.31%	1.01%
Time to maturity	0.05 year	0.55 year
Expected volatility	40.88%	63.28%
Expected dividend yield	0%	0%

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

15. BONDS AND SENIOR NOTES

Bonds

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

Senior Notes

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

16. DISCONTINUED OPERATIONS

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

The loss for the period ended 30 June 2017 from the discontinued PCB Business is set out below.

Analysis of loss for the period from discontinued operations

The results of the discontinued operations for the period ended 30 June 2017 were as follows:

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

Loss for the period from discontinued operations include the following:

	Six months ended 30 June 2017 RMB'000 (Unaudited)
Amortisation of deferred income on government grants	(77)
Amortisation of prepaid lease payments	87
Cost of inventories recognised as an expense (<i>note</i>)	679,010
Depreciation of property, plant and equipment	56,184
Operating lease rental in respect of properties	3,057
Staff costs (including directors' remuneration)	
– Salaries, wages and other benefits	112,332
– Retirement benefit scheme contributions	<u>9,392</u>

Note: For the six months ended 30 June 2017, staff costs and depreciation and amortisation of approximately RMB104,919,000 and RMB53,898,000, respectively, were capitalised as cost of inventories during the six months ended 30 June 2017.

Cash flows from discontinued operations:

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

17. COMMITMENTS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Capital commitments		
Construction commitments in respect of solar power plants contracted for but not provided	<u>5,594,249</u>	<u>3,625,741</u>
Other commitments		
Commitments to contribute share capital to joint ventures contracted for but not provided	<u>243,460</u>	<u>243,460</u>
	<u><u>5,837,709</u></u>	<u><u>3,869,201</u></u>

18. EVENTS AFTER REPORTING PERIOD

Other than the sales and leaseback arrangement entered into with Beijing Financial Leasing, and the redemption of Ivyrock Issue disclosed in note 1A(ii) and 14, respectively, to the unaudited condensed interim consolidated financial statements, the Group as a customer and 韓華新能源(啟東)有限公司 Hanwha Q CELLS (Qidong) Co., Ltd.* and 無錫尚德太陽能有限公司 Wuxi Suntech Power Co., Ltd.* as suppliers entered into module purchase framework agreements on 31 July 2018 for the supply and purchase of 100 MW of solar modules from each supplier at a unit price of not higher than RMB2.03 per watt and RMB2.0 per watt respectively for certain solar power plant projects of the Group at a total consideration of not higher than RMB203 million and RMB200 million respectively.

* English for identification only

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had redeemed, purchased or sold any of the redeemable securities or listed securities of the Company during the six months ended 30 June 2018.

CORPORATE GOVERNANCE PRACTICES

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2018, the Company complied the code provisions set out in the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for code provision E.1.2:

Code provision E.1.2 requires that the chairman of the Board should attend the annual general meeting. Mr. ZHU Yufeng, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 25 May 2018 as he had another business engagement. Ms. HU Xiaoyan, an executive Director of the Company, attended and took the chair of the meeting on behalf of the chairman of the Board and answered questions from the shareholders.

COMPLIANCE WITH MODEL CODE

The Board adopted its own model code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules. Having made specific enquiry, all Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2018.

AUDIT COMMITTEE

The audit committee of the Company has reviewed, with the management of the Group, the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters including a review of the Company's interim report and interim results for the six months ended 30 June 2018.

AUDITOR

The Company's external auditor, Deloitte Touche Tohmatsu, has conducted a review of the Interim Financial Information of the Group for the six months ended 30 June 2018 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.

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The following is an extract of the independent auditor's report on review of the Group's interim financial information for the six months period ended 30 June 2018 which has included material uncertainty related to going concern paragraph, but without qualification:

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 International Accounting Standard 34 "Interim Financial Reporting".

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 1A in the unaudited condensed interim consolidated financial statements, which indicates that as of 30 June 2018, the Group's current liabilities exceeded its current assets by RMB9,054 million. These events or conditions, along with other matters as set forth in Note 1A to the unaudited condensed interim consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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

Hong Kong, 29 August 2018

As at the date of this announcement, the Board comprises Mr. Zhu Yufeng (Chairman), Mr. Sun Xingping, Ms. Hu Xiaoyan and Mr. Tong Wan Sze as executive Directors; Ms. Sun Wei, Mr. Sha Hongqiu, Mr. Yeung Man Chung, Charles and Mr. He Deyong as non-executive Directors; and Mr. Wang Bohua, Mr. Xu Songda, Mr. Lee Conway Kong Wai, Mr. Wang Yanguo and Dr. Chen Ying as independent non-executive Directors.