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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 2020

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 2020.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2020	2019
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Revenue	**2,731**	3,173
Adjusted EBITDA*	**2,711**	2,821
Profit for the period	**191**	571
	RMB cents	*RMB cents*
Earnings per share		
– Basic and diluted	**0.22**	2.15

* *Earnings before finance costs, taxation, depreciation and amortisation, after adjusting non-operating items.*

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

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	2	**2,731,140**	3,172,984
Cost of sales		**(892,331)**	(1,031,728)
Gross profit		**1,838,809**	2,141,256
Other income	3	**236,003**	150,082
Administrative expenses			
– share-based payment expenses		**–**	(1,593)
– other administrative expenses		**(188,585)**	(372,702)
Other gains and losses, net	4	**(351,652)**	65,733
Bargain purchase from business combination		**–**	73,858
Share of profits (losses) of associates		**62,718**	(1,281)
Share of (losses) profits of joint ventures		**(327)**	1,941
Finance costs	5	**(1,311,611)**	(1,418,806)
Profit before tax		**285,355**	638,488
Income tax expense	6	**(94,447)**	(67,266)
Profit for the period	7	**190,908**	571,222
Other comprehensive income (expense):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**9,406**	(39)
Total comprehensive income for the period		**200,314**	571,183
Profit for the period attributable to:			
Owners of the Company		**42,304**	410,222
Non-controlling interests			
– Owners of perpetual notes		**81,900**	81,450
– Other non-controlling interests		**66,704**	79,550
		190,908	571,222

	NOTE	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Total comprehensive income for the period attributable to:			
Owners of the Company		**51,710**	410,183
Non-controlling interests			
– Owners of perpetual notes		**81,900**	81,450
– Other non-controlling interests		**66,704**	79,550
		200,314	571,183
		RMB cents **(Unaudited)**	*RMB cents* (Unaudited)
Earnings per share			
– Basic and diluted	9	**0.22**	2.15

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	NOTES	**30 June 2020** *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**31,763,017**	35,400,109
Right-of-use assets		**1,459,645**	1,513,943
Interests in associates		**1,076,002**	1,013,284
Interests in joint ventures		**3,301**	3,628
Amounts due from related companies		**91,951**	96,951
Other investments		**–**	100,000
Deposits, prepayment and other non-current assets		**1,346,407**	1,773,126
Contract assets		**735,076**	5,639,898
Pledged bank and other deposits		**693,485**	877,996
Deferred tax assets		**158,684**	162,807
		37,327,568	46,581,742
CURRENT ASSETS			
Trade and other receivables	10	**6,461,530**	4,958,918
Contract assets		**4,323,281**	–
Other loan receivables		**1,250**	14,250
Amounts due from related companies		**775,438**	959,302
Tax recoverable		**2,391**	5,284
Pledged bank and other deposits		**454,933**	823,279
Bank balances and cash		**667,346**	1,073,451
		12,686,169	7,834,484
Assets classified as held for sale		**2,842,334**	–
		15,528,503	7,834,484
CURRENT LIABILITIES			
Other payables and deferred income		**5,278,777**	5,968,129
Amounts due to related companies		**331,590**	593,474
Tax payable		**57,528**	32,925
Loans from related companies	11	**438,056**	646,111
Bank and other borrowings	12	**10,423,292**	11,522,908
Bonds and senior notes	13	**3,802,242**	271,742
Lease liabilities		**110,397**	66,122
		20,441,882	19,101,411
Liabilities directly associated with assets classified as held for sale		**1,596,622**	–
		22,038,504	19,101,411
NET CURRENT LIABILITIES		**(6,510,001)**	(11,266,927)
TOTAL ASSETS LESS CURRENT LIABILITIES		**30,817,567**	35,314,815

	NOTES	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Loans from related companies	11	**856,655**	918,073
Bank and other borrowings	12	**18,305,524**	19,410,173
Bonds and senior notes	13	–	3,470,542
Lease liabilities		**1,048,193**	1,095,460
Deferred income		**386,000**	387,531
Deferred tax liabilities		**51,238**	63,393
		20,647,610	25,345,172
NET ASSETS		**10,169,957**	9,969,643
CAPITAL AND RESERVES			
Share capital		**66,674**	66,674
Reserves		**6,431,622**	6,379,912
Equity attributable to owners of the Company		**6,498,296**	6,446,586
Equity attributable to non-controlling interests			
– owners of perpetual notes		**2,245,014**	2,163,114
– other non-controlling interests		**1,426,647**	1,359,943
TOTAL EQUITY		**10,169,957**	9,969,643

1A GENERAL INFORMATION

GCL New Energy Holdings Limited (the "Company") is incorporated in Bermuda as an 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 1707A, 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.

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 28 August 2020.

This Interim Financial Information has not been audited.

1B 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 the 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 2019.

As at 30 June 2020, the Group's current liabilities exceeded its current assets by approximately RMB6,510 million. In addition, as at 30 June 2020, the Group has entered into agreements which will involve capital commitments of approximately RMB669 million to construct solar power plants and financial guarantee provided to the associates and third parties for their bank and other borrowings.

As at 30 June 2020, the Group's total borrowings comprising bank and other borrowings, bonds and senior notes, loans from related companies and lease liabilities amounted to approximately RMB36,485 million. The amounts included bank and other borrowings, loans from a related company and lease liabilities classified as liabilities directly associated with assets classified as held for sales of RMB1,392 million, RMB87 million, and RMB22 million, respectively. For the remaining balance of approximately RMB34,984 million, RMB14,774 million will be due in the coming twelve months from the end of the reporting period, including bank and other borrowings of approximately RMB1,435 million, which shall be due after twelve months from the end of the reporting period in accordance with the scheduled repayment dates as set out in the respective loan agreements but are reclassified to current liabilities as a result of the inability to respect a loan covenant by GCL-Poly Energy Holdings Limited ("GCL-Poly"), the Group's parent company, the guarantor of certain bank borrowings and thereby triggered the cross default clauses of certain bank borrowings of the Group; accordingly, these bank borrowings became repayable on demand as at 30 June 2020. Subsequent to the end of the reporting period, GCL-Poly has fully repaid such bank borrowing. Notwithstanding this, accounting reclassification of long-term borrowings of approximately RMB1,435 million as current liabilities is still required at 30 June 2020 under applicable accounting standards because the bank borrowing was fully repaid subsequent to the end of the reporting period.

The Group's pledged bank and other deposits and bank balances and cash amounted to approximately RMB1,161 million (including pledged deposit of RMB5 million placed at an associate of ultimate holding company for its loans advanced to the Group, in which RMB2 million are classified as assets held for sale, and pledged deposits classified as assets held for sale of RMB8 million) and RMB737 million (including bank balances and cash classified as assets held for sale of RMB70 million) as at 30 June 2020, respectively. The financial resources available to the Group as at 30 June 2020 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, 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 2020. They are of the opinion that the Group will have sufficient working capital to meet its financial obligations, including those committed capital expenditures, that will be due in the coming twelve months from 30 June 2020, and the on-going covenants compliance upon successful implementation of the following measures which will generate adequate financing and operating cash inflows for the Group:

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

    On 18 November 2019, the Company and 中國華能集團有限公司 China Huaneng Group Co., Ltd.* ("China Huaneng") entered into a cooperation framework agreement (the "Cooperation Framework Agreement") regarding the disposal of (i) certain solar power plants of the Group in the People's Republic of China (the "PRC") (the "Power Plants"); or (ii) certain project companies of the Group which operate the Power Plants (the "Framework Disposal").

    On 21 January 2020, the Group entered into a series of six share transfer agreements with 華能工融一號(天津)股權投資基金合夥企業(有限合夥) Huaneng Gongrong No.1 (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* ("Hua Neng No. 1 Fund") and 華能工融二號(天津)股權投資基金合夥企業(有限合夥) Huaneng Gongrong No. 2 (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* ("Hua Neng No. 2 Fund"), pursuant to which the Group agreed to sell 60% and 40% of the equity interest in six wholly-owned subsidiaries of the Group to Hua Neng No. 1 Fund and Hua Neng No. 2 Fund, respectively, of which these subsidiaries own 7 solar power plants in the PRC with aggregate installed capacity of approximately 294MW, for a consideration in aggregate of RMB850,500,000 (the "Disposal"). Further details of the Disposal are set out in the announcement of the Company published on 21 January 2020. Pursuant to the Listing Rules, this transaction is considered as a major transaction of the Company, the Disposal has been approved by the shareholders of the Company in the special general meeting as well as the shareholders of the ultimate holding company, GCL-Poly, in an extraordinary general meeting on 21 May 2020.

    The Group and China Huaneng are actively working together under the Cooperation Framework Agreement to explore other solar power plant assets for the Framework Disposal and will enter into other definitive agreements in respect of and in compliance with the Measures for the Supervision

* *English name for identification purpose only*

and Administration of State-Owned Assets (國有資產監督管理辦法) in the PRC, the relevant laws and regulations and the Listing Rules, in due course. As at 30 June 2020, the disposal of one of the six wholly-owned subsidiaries has been completed, four of them have been completed by the date of approval of these unaudited condensed interim consolidated financial statements, and the remaining one is expected to be completed in the second half of 2020.

On 29 June 2020, the Group also entered into a share transfer agreements with 國開新能源科技有限公司 CDB New Energy Technology Co., Ltd.,* ("CDB New Energy"), an independent third party, to sell its 75% interest in 金湖正輝太陽能電力有限公司 Jinhu Zhenghui Photovoltaic Co., Ltd.* ("Jinhu") for a consideration in aggregate of RMB136,624,000 (the "Divestment"). Jinhu has a solar power plant project with installed capacity of approximately 100MW in operation. The Divestment is completed in July 2020; and

(ii) The Group still owns 175 solar power plants with an aggregate grid connected capacity of approximately 5.3GW upon completion of the Disposal and Divestment. Those operational solar power plants are expected to generate operating cash inflows to the Group within the coming twelve months from the date of these unaudited condensed interim consolidated financial statements.

By taking the above measures, the Directors believe that the Group has sufficient working capital to meet the financial obligations when they fall due in the foreseeable future and the on-going loan covenants compliance.

After taking into account the Group's business prospects, internal resources, estimated proceeds from the Disposal and Divestment, the available committed and uncommitted financing facilities and arrangements, and transformation to light-asset model, and the Framework Disposal under the Cooperation Framework Agreement 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 above, and the Group's and GCL-Poly's on-going compliance with its borrowing covenants. 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 for issuance, and other short-term or long-term financing; and successful transformation to light-asset model and the completion of the Disposal and Divestment, and the Framework Disposal in relation to other solar power plant assets, for cash proceeds and elimination of the related borrowings 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 values, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these unaudited condensed interim consolidated financial statements.

* *English name for identification purpose only*

2. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of electricity which is recognised at a point in time. Substantially, all of the revenue is derived from electricity sales to local grid companies in the PRC for the six months ended 30 June 2020 and 2019.

For sales of electricity, the Group generally entered into power purchase agreements with local grid companies with a term of one to five years which stipulate the price of electricity per watt hour. Revenue is recognised when control of the electricity has transferred, being at the point when electricity has generated and transmitted to the customers and the amount included RMB1,650,067,000 (six months ended 30 June 2019: RMB1,913,087,000) tariff adjustment recognised during the period. The Group generally grants credit period of approximately one month from date of invoice in accordance with the relevant power purchase agreements between the Group and the respective local grid companies. The Group will complete the remaining performance obligations in accordance with the relevant terms as stipulated in the power purchase agreements and the remaining aggregated transaction price will be equal to the quantity of electricity that can be generated and transmitted to the customers times the stipulated price per watt hour.

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 to the respective state grid companies and then the local grid companies for settlement to the solar power companies. Effective from March 2012 and prior to January 2020, 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* (可再生能源電價附加補助資金管理暫行辦法). Caijian [2013] No. 390 Notice issued in July 2013 simplified the procedures of settlement of the tariff adjustment.

In January 2020, the Several Opinions on Promoting the Healthy Development of Non-Hydro Renewable Energy Power Generation (Caijian [2020] No. 4)* (《關於促進非水可再生能源發電健康發展的若干意見》) (財建[2020]4號) and the Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (Caijian [2020] No. 5)* (《財政部國家發展改革委國家能源局關於印發〈可再生能源電價附加資金管理辦法〉的通知》) (財建[2020]5號) (the "2020 Measures") were jointly announced by the Ministry of Finance, National Development and Reform Commission and National Energy Administration. In accordance with the new government policy as stipulated in the 2020 Measures, the PRC government will not announce new additions to the existing Renewable Energy Tariff Subsidy Catalogue* (可再生能源電價附加資金補助目錄, the "Catalogue") and has further simplified the application and approval process regarding the registration of tariff adjustments for non-hydro renewable energy power plant projects into the Renewable Energy Tariff Subsidy List (可再生能源發電補助項目清單, the "List"). The state grid companies will regularly announce the List based on the project type, time of grid connection and technical level of the solar power projects. All solar power plants already registered in the Catalogue will be enlisted in the List automatically. For those on-grid solar power projects which have already started operation but yet to register into the previous Catalogue and now, the List, these on-grid solar power projects are entitled to enlist into the List once they have met the conditions as stipulated on the Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金管理辦法) and completed the submission and application in the National Renewable Energy Information Management Platform (the "Platform").

* *English name for identification purpose only*

Tariff adjustments are recognised as revenue and due from grid companies in the PRC in accordance with the relevant power purchase agreements.

For those tariff adjustments that are subject to approval for registration in the List (2019: Catalogue) by the PRC government at the end of the reporting period, 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 and are included in contract assets. Management assessed 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. The contract assets are transferred to trade receivables upon the relevant power plant obtained the approval for registration in the Catalogue or when the relevant power plant is enlisted in the List since the release of the 2020 Measures.

Since certain of the tariff adjustments are yet to obtain approval for registration in the List (2019: Catalogue) by the PRC government, the management considers that it contains a significant financing component over the relevant portion of tariff adjustment until approval was obtained. For the six months ended 30 June 2020, the respective tariff adjustment was adjusted for this financing component based on an effective interest rate ranged from 2.45% to 2.98% per annum (six months ended 30 June 2019: 2.48% to 2.98% per annum) and the adjustments in relation to the revision of expected timing of tariff collection. As such, Group's revenue was adjusted by approximately RMB28 million (six months ended 30 June 2019: RMB89.3 million) and interest income amounting to approximately RMB161 million (six months ended 30 June 2019: RMB81.5 million) (note 3) was recognised.

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. Hence, no further segment information other than entity wide information was presented.

Geographical information

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

	Revenue from external customers	
	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
PRC	**2,691,744**	3,129,553
Other countries	**39,396**	43,431
	2,731,140	3,172,984

The Group's source of revenue is from sales of electricity generated by solar power plants in the PRC and United States of America (the "US") and Japan.

3. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Consultancy income *(Note a)*	**5,946**	8,934
Government grants:		
– Incentive subsidies *(Note b)*	**2,510**	3,757
– Investment Tax Credit	**7,222**	6,953
– Others	**1,804**	1,544
Interest arising from contracts containing significant financing component *(note 2)*	**160,840**	81,492
Interest income of financial assets at amortised costs:		
– Bank interest income	**14,090**	9,042
– Interest income from other loan receivables	**1,060**	55
– Interest income from loans to related companies	**–**	2,047
Management services income from		
– related companies	**24,470**	27,651
– third parties	**13,086**	5,851
Others	**4,975**	2,756
	236,003	150,082

Notes:

(a) Consultancy income represents consultancy fees earned from third parties for design and planning 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.

4. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Exchange losses, net *(Note a)*	**(75,615)**	(15,793)
Impairment losses on properties, plants and equipment *(Note b)*	**(42,596)**	–
Impairment loss on expected credit loss model, net of reversal	**(5,398)**	–
Loss on measurement of assets classified as held for sale to fair value less cost to sell	**(153,339)**	–
(Loss) gain on disposal of subsidiaries with solar power plant projects	**(87,738)**	46,263
Gain on disposal of joint ventures	**–**	35,263
Gain on early termination of a lease	**7**	–
Fair value change on other investment	**13,027**	–
	(351,652)	65,733

Notes:

(a) Exchange losses mainly arose from the bank and other borrowings and the senior notes, all are denominated in United States dollars ("US$") which appreciated against RMB.

(b) The impairment loss arose from the termination of constructing certain in-progress solar power projects during the six months ended 30 June 2020. In current period, having considered the financial resources of the Group, and considered that the equipment costs related to certain solar power plants, which are still in preliminary stage, will not generate future economic returns to the Group, and therefore the management determined to suspend these projects and the relevant equipment costs in these projects are fully impaired.

5. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on financial liabilities at amortised cost:		
Bank and other borrowings	**1,101,679**	1,153,106
Bonds and senior notes	**124,677**	132,198
Loans from related companies	**65,141**	125,313
Lease liabilities	**33,552**	35,159
Total borrowing costs	**1,325,049**	1,445,776
Less: amounts capitalised in the cost of qualifying assets	**(13,438)**	(26,970)
	1,311,611	1,418,806

There is no borrowing costs capitalised during the current interim period arose on general borrowing pool. Borrowing costs capitalised during the six months period ended 30 June 2019 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.39% per annum to expenditure on qualifying assets.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax ("EIT"):		
Current tax	**84,993**	66,368
PRC dividend withholding tax	**7,158**	4,150
Deferred tax	**2,296**	(3,252)
Total	**94,447**	67,266

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 solar photovoltaic projects, under the EIT Law, are entitled to tax holidays of 3-year full exemption followed by 3-year 50% exemption commencing from their respective years in which their first operating incomes were derived. For the six months ended 30 June 2020 and 30 June 2019, certain subsidiaries of the Company engaged in the solar photovoltaic projects are in the 3-year 50% exemption period. Certain of such subsidiaries of the Group have completed the 3-year full exemption period or 3-year 50% exemption period in current period.

No provision for taxation in Hong Kong Profits Tax, and US Federal and state income tax were made as there is no assessable profit in Hong Kong and US, respectively, for both reporting periods.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No deferred taxation has been provided for in the unaudited condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries for six months ended 30 June 2020 (six months ended 2019: nil) and no deferred tax has been provided for the remaining RMB1,957,159,000 (six months ended 2019: RMB2,772,728,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. During the period ended 30 June 2020, withholding tax of RMB7,158,000 (six months ended 2019: RMB4,150,000) are charged to profit or loss for the dividends declared and paid by the PRC subsidiaries of RMB143,164,000 (six months ended 2019: RMB83,000,000).

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Depreciation of:		
– Property, plant and equipment	**708,227**	858,294
– Right-of-use assets	**46,076**	44,209
Staff costs (including directors' remuneration but excluding share-based payments)		
– Salaries, wages and other benefits	**123,537**	195,629
– Retirement benefit scheme contributions *(Note)*	**15,609**	37,610
Share-based payment expenses (administrative expenses in nature)		
– Directors and staff	**–**	1,513
– Consultancy services	**–**	80

Note: The decrease in retirement benefit scheme contributions is mainly due to decrease in social insurance contribution following the local governments's social insurance concession policy during the outbreak of COVID-19.

8. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the six months ended 30 June 2020, nor has any dividend been proposed since the end of the reporting period (six months ended 30 June 2019: Nil).

9. EARNINGS PER SHARE

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

Earnings figures are calculated as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company and for the purpose of basic and diluted earnings per share	**42,304**	410,222

	Six months ended 30 June	
	2020	2019
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of ordinary shares for the purpose of basic and diluted earnings per share:	**19,073,715**	19,073,715

10. TRADE AND OTHER RECEIVABLES

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**4,529,742**	3,049,935
Prepayment and deposits	**114,665**	90,103
Other receivables		
– Advance to Borrowers	**–**	13,530
– Consultancy services fee receivables	**15,212**	11,762
– Consideration receivable from disposal of subsidiaries	**306,612**	277,116
– Advance to non-controlling interest shareholder	**21,546**	21,546
– Receivables for modules procurement	**229,284**	287,044
– Refundable value-added tax	**641,442**	741,358
– Dividend receivables	**36,496**	–
– Others	**566,531**	466,524
	6,461,530	4,958,918

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.

Trade receivables include bills received amounting to RMB108,117,000 (31 December 2019: RMB232,493,000) held by the Group for future settlement of trade receivables, of which certain bills issued by third parties are further endorsed by the Group with recourse for settlement of payables for purchase of plant and machinery and construction costs, or discounted to banks for cash. The Group continues to recognise their full carrying amount at the end of both reporting periods. All bills received by the Group are with a maturity period of less than 1 year.

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

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unbilled *(note)*	**4,156,250**	**2,524,359**
0–90 days	**128,560**	**128,953**
91–180 days	**15,124**	**17,814**
Over 180 days	**121,691**	**146,316**
	4,421,625	**2,817,442**

Note: The amount represents unbilled basic tariff receivables for solar power plants operated by the Group, and tariff adjustment receivables of those solar power plants already registered in the Catalogue/List. The Directors expect the unbilled tariff adjustments would be generally billed and settled within 1 year from end of the reporting date.

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

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0–90 days	**670,006**	504,582
91–180 days	**336,485**	401,488
181–365 days	**791,537**	677,679
Over 365 days	**2,358,222**	940,610
	4,156,250	2,524,359

As at 30 June 2020, included in these trade receivables are debtors with aggregate carrying amount of RMB181,136,000 (31 December 2019: RMB203,943,000) which are past due as at the end of the reporting date. These trade receivables relate to a number of customers represented the local grid companies in the PRC, for whom there is no recent history of default. The Group does not hold any collaterals over these balances.

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

11. LOANS FROM RELATED COMPANIES

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Loans from:		
– companies controlled by Mr. Zhu Yufeng and his family *(Note a)*	**1,007,447**	1,173,643
– an associate of ultimate holding company *(Note b)*	**287,264**	390,541
	1,294,711	1,564,184
Analysed as:		
Current	**438,056**	646,111
Non-current	**856,655**	918,073
	1,294,711	1,564,184

Notes:

(a) As at 30 June 2020, loans from 協鑫集團有限公司 GCL Group Limited*, 南京鑫能陽光產業投資基金企業（有限合夥）Nanjing Xinneng Solar Property Investment Fund Enterprise (Limited Partnership)* ("Nanjing Xinneng"), 江蘇協鑫建設管理有限公司 Jiangsu GCL Construction Management Limited* ("Jiangsu GCL Construction") and 江蘇協鑫房地產有限公司 Jiangsu GCL Real Estate Limited* ("Jiangsu GCL Real Estate") in total amounted to RMB1,007,447,000 (31 December 2019: RMB1,173,643,000). These loans are unsecured, interest bearing ranging from 8% to 12% (31 December 2019: range at 8%) per annum and repayable from 2020 through 2021. Approximately RMB384,840,000 (31 December 2019: RMB597,243,000) of the outstanding loans are repayable within twelve months from the end of the reporting period.

(b) As at 30 June 2020, loans from Xinxin, an associate of GCL-Poly amounted to approximately RMB287,264,000 (31 December 2019: RMB390,541,000) and out of which, balance of approximately RMB80,240,000 (31 December 2019: RMB181,130,000) is secured by a pledged deposit, and certain property, plant and equipment held by the Group, interest bearing ranged from 6% to 8.58% per annum and repayable from 2020 through 2026 as at 30 June 2020 and 31 December 2019. The remaining balance of approximately RMB207,024,000 (31 December 2019: RMB209,411,000) is secured by certain property, plant and equipment held by the Group and interest bearing at 7.81% per annum.

Approximately RMB53,216,000 (31 December 2019: RMB48,868,000) of the outstanding loans are repayable within twelve months from the end of the reporting period, with the remainder of approximately RMB234,048,000 (31 December 2019: RMB341,673,000) having a repayment term of eight years.

* *English name for identification purpose only*

12. BANK AND OTHER BORROWINGS

	30 June 2020 *RMB'000* (Unaudited)	31 December 2019 *RMB'000* (Audited)
Bank loans	**11,223,661**	13,925,160
Other loans	**17,505,155**	17,007,921
	28,728,816	30,933,081
Secured	**26,976,728**	28,257,285
Unsecured	**1,752,088**	2,675,796
	28,728,816	30,933,081
The carrying amount of bank loans that are repayable on demand due to inability to respect loan covenants#	**2,249,793**	2,340,579
The carrying amount of the remaining bank loans and other loans	**26,479,023**	28,592,502
	28,728,816	30,933,081
Less: Amounts due within one year or repayable on demand due to inability to respect loan covenants (shown under current liabilities)	**(10,423,292)**	(11,522,908)
Amounts due after one year	**18,305,524**	19,410,173

At 30 June 2020 and 31 December 2019, GCL-Poly, being the guarantor of certain bank borrowings of the Group, was not able to meet a financial covenant as stipulated in the loan agreement of a bank borrowing. In addition, the inability to respect the covenant requirement at GCL-Poly has triggered the cross default clauses in several other bank borrowings of the Group. Accordingly, bank borrowings amounting to RMB1,435 million is reclassified from non-current liabilities to current liabilities as at 30 June 2020 (31 December 2019: RMB1,597 million). Subsequent to the end of the reporting period such bank borrowing has been fully repaid by GCL-Poly. Therefore, the Directors consider that such event of default did not have any material impact to the Group.

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

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**814,836**	743,168
More than one year, but not exceeding two years	**562,418**	522,911
More than two years, but not exceeding five years	**535,224**	990,600
More than five years	**337,315**	83,900
	2,249,793	2,340,579

13. BONDS AND SENIOR NOTES

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bonds	**271,946**	271,742
Senior notes	**3,530,296**	3,470,542
	3,802,242	3,742,284

Same as disclosed in the Group's 2019 annual report, there is no material change for the six months ended 30 June 2020, except for senior notes are classified as current liabilities as at 30 June 2020 as it will be matured on 30 January 2021.

In July 2020, the first tranche of the non-public green bonds of RMB100,000,000 was matured.

14. EVENTS AFTER REPORTING PERIOD

Other than disclosed elsewhere in the Interim Financial Information, the Group has no significant event after the end of the reporting period.

BUSINESS REVIEW

In the first half of 2020, the outbreak of the novel coronavirus pneumonia ("COVID-19") epidemic had a significant and unprecedented impact on the domestic and world economy. With the spread of the epidemic, many market players are facing unprecedented pressure. Confronted with the complicated and severe situation at home and abroad, GCL New Energy continued to actively move towards the clear goal of "lowering debt" and sustaining a stable cash flow to fully promote the implementation of strategic transformation through actively accelerated the development of asset disposal, and successfully strode a strategic step.

For the six months ended 30 June 2020 (the "Period"), after deducting the disposed assets, the total installed capacity of the Group was approximately 7,043MW, of which approximately 5,608MW was from subsidiaries and approximately 1,435MW was from joint ventures and associates. Its grid connected capacity was approximately 6,957MW, of which approximately 5,522MW was from subsidiaries and approximately 1,435MW was from joint ventures and associates. The sales volume of solar electricity was approximately 3,666 million kWh, representing a year-on-year decrease of approximately 16%. During the Period, the Group recorded a year-on-year decrease of approximately 14% and approximately 90% respectively in revenue and profit attributable to owners of the Company to approximately RMB2.731 billion and approximately RMB42 million, respectively.

Leaping forward in Strategic Transformation

GCL New Energy endeavored to accelerate the development of asset disposal in the first half of 2020, and successfully reached a cooperation agreement most favorable to both parties with China Huaneng Group Co., Ltd.* (中國華能集團有限公司) ("China Huaneng Group") to create a win-win situation. On 21 January 2020, the Group announced the first phase share purchase agreements with China Huaneng Group to dispose seven solar power plants with a total installed capacity of about 294MW. Under the first phase share purchase agreements, two indirectly-owned subsidiaries of the Group agreed to sell 60% of the sale shares to Huaneng Gongrong No. 1 (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* (華能工融一號(天津)股權投資基金合夥企業(有限合夥)) and 40% of the sale shares to Huaneng Gongrong No. 2 (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* (華能工融二號(天津)股權投資基金合夥企業(有限合夥)) at a total consideration of approximately RMB850 million. The net cash proceeds from this transaction (excluding estimated taxes and transaction costs and including consideration, total outstanding balance and dividends payable) is expected to be approximately RMB1.08 billion which GCL New Energy intends to use for repayment of its debt. As the project-related debts of approximately RMB1.58 billion will not be consolidated into the financial statements after completion of the transaction, the financial risk will be effectively reduced. In the first phase share purchase agreements, the transaction of six solar power plants has been completed and the remaining one is expected to be completed in September 2020.

* *English name for identification purpose only*

After completing the transaction, GCL New Energy and China Huaneng Group will further explore other cooperation opportunities and actively push forward the disposal of other batches of solar power plants as both parties intend to reach and execute more agreements on solar power plants disposal in the near future.

Since 2018, GCL New Energy has unswervingly promoted its strategic transformation, actively introduced strategic investors to develop the asset disposal of solar power plants, and gradually achieved satisfactory results. At the project level, in addition to the cooperation with China Huaneng Group, in 2018 and 2019, the Group disposed a total asset of approximately 1.6GW to CGN Solar Energy Development Co., Ltd.* (中廣核太陽能開發有限公司), China Three Gorges New Energy Co., Ltd.* (中國三峽新能源有限公司), Wuling Power Corporation Ltd.* (五淩電力有限公司) and Shanghai Rongyao New Energy Co., Ltd.* (上海榕耀新能源有限公司) to recover a total cash of approximately RMB2.65 billion (net of transaction costs) for the repayment of debts. As the debts related to such projects will no longer be consolidated, thereby reducing the scale of project-related debts by approximately RMB9.43 billion in aggregate. As the Group continued to provide operation and maintenance services for most of the disposed solar power plant projects, stable management fees are generated every year to increase its source of revenue. GCL New Energy reinforced the strategic cooperation with domestic centralized management enterprises and local state-owned enterprises. Through the strong alliances to leverage on the complementary advantages of the strategic partners to accelerate capital inflow and replace the related debts of the solar power plant projects, thereby reducing the financing costs and enhancing the yield of projects, which laid a solid foundation for embracing the enormous opportunities arising from solar power gird parity in the future.

Larger Capacity to be Included in the Subsidy Catalogue

China's solar power industry holds a leading position in the world. However, the substantial development of solar power capacities in the past few years and the increasingly expansion of subsidy shortfall of national renewable energy development fund have led to industry issues, such as delay of subsidy payment and so on. In order to promote the sustainable, healthy and orderly development of the solar power industry, the government initiated large-scale disbursements, expanded subsidy programs, and actively put more efforts to resolve the arrears of subsidies for solar power generation in the second half of 2020, which are expected to effectively refrain the subsidy shortfall of the national renewable energy development fund from further expanding and speed up the payment of delayed subsidies.

In July 2020, the Ministry of Finance ("MOF") issued the "Notice Regarding the Release of the Renewable Energy Electricity Price Supplementary Subsidy Budget in 2020*" (《關於下達二零二零年度可再生能源電價附加補助資金預算的通知》) (the "Notice"), announcing the budget arrangement, fund application, and fund allocation principles and methods for the renewable energy tariff surcharge subsidy in 2020. The Notice is a specific arrangement for the redemption of renewable energy subsidies and further clarifies the new

* *English name for identification purpose only*

methods and procedures based on the requirements of the two documents, being Several Opinions on Promoting the Healthy Development of Non-Hydro Renewable Energy Power Generation (《關於促進非水可再生能源發電健康發展的若干意見》) and the Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (《可再生能源電價附加資金管理辦法》), jointly issued by MOF, National Development and Reform Commission ("NDRC") and National Energy Administration ("NEA") in early 2020. According to the Notice, the total budget of the National Renewable Energy Tariff Surcharge Subsidy in 2020 is approximately RMB92.4 billion, with a year-on-year increase of 7%, of which approximately RMB47.3 billion will be allocated for the solar power projects, accounting for approximately 51%. Besides, the Notice also specifies the first seven batches of the National Renewable Energy Tariff Surcharge Subsidy Catalogue (the "Subsidy Catalogue") will be allocated the subsidy funds payable to each project in equal proportion. In order to ensure that the subsidy funds will be timely distributed on an annual basis, the subsidies will be allocated by the MOF to the State Grid Corporation of China ("State Grid"), China Southern Power Grid Co., Ltd and provincial finance departments in accordance with the annual surcharge income budget for renewable energy. And the grid enterprises will distribute the subsidies according to the sequence of the projects list. It is generally believed that optimizing the subsidy payment process is expected to allow subsidies to be released on a regular basis, and allocation of a massive amount of subsidy will enable the delay of subsidy payment of existing projects to be resolved soon, and gradually mitigate the cash flow pressure on solar power generators caused by the delay of subsidy payment.

In addition, the "Notice on Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies*" (《關於開展可再生能源發電補貼項目清單有關工作的通知》) announced by the MOF in March 2020 clarified the conditions and application procedures for entering the first batch of project list of national financial subsidy for the renewable energy power generation in 2020. All solar power plant projects accepted for application must be connected to the grid by end of July 2017. Subsequently, the State Grid published an announcement in June 2020 on the first batch of project list of subsidy for renewable energy power generation in 2020. The installed capacity of the Group that is included in the project list of subsidy is about 1.5GW, including approximately 0.8GW that was included in the project list as of 30 June 2020. In addition, as of 30 June 2020, the total capacity of GCL New Energy's power plants included in the national Subsidy Catalogue has reached approximately 1,912MW, of which approximately 1,384MW is listed in the seventh batch of the Subsidy Catalogue or before, and approximately 528MW in the Subsidy Catalogue for solar power poverty alleviation projects. As the projects subsidy application is still in progress, the Group expects that more power plants will be included in the Subsidy Catalogue and more related receivables will be in collection.

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During the period, the gearing ratio of the Group decreased by approximately 1 percentage point to approximately 80.8% from the end of last year. With the Group's collection of the proceeds from the disposal of solar power plant projects, the expansion in scale of power plants included in the Subsidy Catalogue and the increase in related receivables, the liquidity is expected to be significantly improved.

Striving to Sustain a Stable Cash Flow

Impacted by COVID-19 epidemic along with the challenging financial market on the first half of 2020, GCL New Energy adopted all effective measures to further strengthen the overall management and use of funds, improve the efficiency of funds, and continuously optimize its financial structure in light of the adverse impact from various changes, so as to sustain a stable cash flow. During the period, as the Group's demand for new financing was significantly reduced and with the decrease in total interest-bearing debts due to the reduction in scale of solar power plants upon completion of asset disposal, the total finance cost decreased by approximately 8% year on year to RMB1.325 billion.

Grid Parity Bringing Incremental Market Potential

The government actively promotes energy revolution and resolutely develops a green, low-carbon, safe and efficient energy system, to optimize energy structure and achieve green and low-carbon development. The report of the 19th National Congress of CPC stated for the first time that "China's economy has shifted from a phase of rapid growth to a stage of high-quality development", a pivotal stage for transforming our growth model, improving our economic structure, and fostering new drivers of growth. The development of national renewable energy has achieved remarkable results during the "13th Five-Year Plan" period, with the installed capacity of solar power and technology leading the world. Driven by advancement of technology, the cost of solar power generation decreased rapidly and there remains potential for lowering cost of global solar power generation, meaning that solar power generation will soon achieve grid parity and has the potential to become the most competitive form of energy.

In July 2020, NEA announced the competitive bidding result of solar power generation projects, declaring supported installed capacity of 26GW and a total of approximately 434 projects were included in the scope of government bidding subsidies in 2020. The bidding result of solar power generation projects reflected that although the aggregate subsidies of solar power in 2020 was only about RMB1 billion, it was able to support projects with installed capacity of approximately 26GW, as compared to the aggregate subsidies of solar power of approximately RMB1.7 billion in 2019, which could only support projects with installed capacity of approximately 23GW, meaning that the efficacy of cost reduction in domestic solar power industry was obvious.

Given the subsidy bidding refers to a priority to support the projects with stronger tariff recession, in the condition of certain total subsidy capital amount and with grid parity as its important competitive condition, to promote tariff recession and expand market scale, therefore, the publication of the first batch of project list of grid parity in 2020 signified the reach of grid parity in China. The advent of grid parity will lower the risk of delayed subsidy payment and uncertainties of allocation incurred from investment in solar power plant projects, making the return of investment in solar power plants to be more predictable, the cash flow to be more stable and the project return to be more visible. The Group believes that the reach of grid parity will be a major turning point for the entire solar power industry and will fuel the expansion of solar capacity.

Meanwhile, NDRC and NEA published in August 2020 the list of solar grid parity projects in 2020, defining the capacity of solar grid parity projects amounts to 33.1GW. The installed capacity of solar parity projects not only exceeded market expectations, but also the installed capacity of subsidized bidding projects for the first time, marking the official advent of solar grid parity.

OUTLOOK

Due to the COVID-19 epidemic, global economy is in a downturn. But as the domestic epidemic is effectively controlled and economic incentive measures take effect, domestic economy is gradually getting rid of the impact of the epidemic. In July 2020, China Electricity Council issued the "National Power Supply and Demand Situation Analysis and Forecast Report in First Half of 2020" (《二零二零年上半年全國電力供需形勢分析預測報告》), revealing that the steady recovery of domestic economic operations in the second quarter of 2020 has brought significant increase in electricity consumption throughout the society. And the report predicts that the growth rate of electricity consumption in the second half of 2020 will be higher than that in the first half, and total electricity consumption will have a year-on-year increase of approximately 6%, total electricity consumption of the entire year will have a year-on-year increase of 2% to 3%. Although domestic industries were inevitably affected by the epidemic, GCL New Energy believes solar power industry will recover its former vitality in the near future as clean energy is the future development direction and solar power has been given priority to generate electricity and was guaranteed by a full-amount guaranteed buyout.

During the "13th Five-Year Plan" period, favorable policies promoted the rapid development of the solar power industry. However, due to national subsidy shortfall, a large number of existing solar power plants were not included in the Subsidy Catalogue in time. During the "14th Five-Year Plan" period, NEA will make every effort to promote the grid companies and other relevant departments and enterprises to complete the right confirmation of relevant projects as soon as possible and clarify the relevant subsidy issuing mechanism. Making every effort to promote the innovation of subsidy sources and payment mechanism, promoting the mixed ownership reform of state-owned enterprises and private enterprises to give full play to the role of financial institutions, while creating innovative financial products such as asset securitization of receivable, carbon market trading, pilot energy option trading, and issue new energy subsidy treasury bonds, etc., as well as promoting the launch of green electricity certificate transactions under the quota system for improvement of green energy consumption, and enhancing the social awareness and responsibility of new energy consumption so as to reduce the operating cost of new energy enterprises.

As the development of renewable energy is green, low-carbon emission and efficient, the utilization rate of renewable energy has been gradually improved, and the development of renewable energy such as solar power energy has been continuously promoted. China's solar power industry is currently in a transitional period to grid parity, the government has been implementing a series of policies to address the issues arising in the solar power industry to meet the needs of renewable energy development. In June 2020, NDRC and NEA jointly issued the Notice on the Renewable Energy Power Consumption Duties in Provincial Administrative Regions in 2020 (《關於各省級行政區域二零二零年可再生能源電力消納責任權重的通知》), which clearly requires provinces (regions and cities) to actively promote the construction of renewable energy power in their regions, and promote the market players accountable for consumption to actively perform duties of consumption and complete the task of renewable energy power consumption, and be resolute in the grid-connected consumption, trans-provincial and trans-regional transmission and all kinds of market transactions. With the establishment of a comprehensive guarantee mechanism of renewable energy consumption, it will be conducive to accelerate the construction of clean, low-carbon, safe and efficient energy system, promote the development of renewable energy, and strive for greater consumption of renewable energy. With benefits from the national policies, the rapid development of solar technology in the whole industry chain, the continuous improvement of cell efficiency and the continuous increase of module conversion efficiency, solar power generation has entered into high-quality development, which provides strong support for domestic solar power generation to reach grid parity, and the development of grid parity is unstoppable.

As a leading solar energy company, the Group has strong scientific research capabilities and sound technical know-how in development and construction. Facing the new models and new markets brought about by grid parity, the Group will continue to deepen the promotion of management services business, actively introduce strategic partners, and take advantage of each other's complementary resource advantages in financing and other aspects to jointly develop grid parity projects based on the actual market conditions. Through joint development, entrusted development, share transfer, completion and resale, etc., it facilitates partnership in construction of different types of solar power plant projects with an aim to maximizing asset returns.

Meanwhile, the Group will expedite its asset disposal and continue to "lowering debt" and sustaining a stable cash flow as its development priority in the future. The Group expects that the first phase of share purchase transactions with China Huaneng Group will be completed in the second half of 2020. After the transaction is completed, the Group will further explore other cooperation opportunities with China Huaneng Group in the future, and actively promote other disposals. The Group will also actively cultivate other new strategic cooperation opportunities and explore more feasible cooperation with other state-owned enterprises. These measures are expected to enable the Group to effectively overcome the pressure on cash flow, strengthen its own corporate advantages, and lay a solid foundation for GCL New Energy to continue maintaining its leading position in the development of domestic green and clean energy.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the six months ended 30 June 2020, profit for the period was decreased by 67%, from RMB571 million in the same period of last year to RMB191 million in the current period. The decrease in profit for the period was mainly attributable to the combined effect of the following:

1. the grid connected capacity was decreased from 6.6GW as at 30 June 2019 to 5.5GW as at 30 June 2020, representing a decrease of 17% in our business scale. Our sales volume of electricity and the revenue of the Group were decreased proportionally by 16% and 14%, respectively. The drop in our business scale led to a decrease in gross profit by RMB302 million, from RMB2,141 million in the same period of last year to RMB1,839 million in the current period. The gross profit margin remained stable at 67.3%, as compared to 67.5% for the six months ended 30 June 2019;

2. the decrease in administrative expenses by 49%, from RMB373 million to RMB189 million, mainly due to drop in our business scale and costs cutting measures of the Group;

3. an increase in exchange loss of RMB60 million, from RMB16 million for the six months ended 30 June 2019 to RMB76 million for the six months ended 30 June 2020. The exchange loss is mainly caused by the appreciation of USD denominated indebtedness against RMB;

4. a loss on disposal of subsidiaries of RMB88 million for the six months ended 30 June 2020, as compared to gain on disposal of subsidiaries and joint ventures of RMB82 million for the six months ended 30 June 2019;

5. loss on measurement of assets classified as held for sale to fair value less cost to sell of approximately RMB153 million (2019: Nil); and

6. no bargain purchase was recognized for the six months ended 30 June 2020 but a bargain purchase from business combination of RMB74 million was recognized during the six months ended 30 June 2019.

BUSINESS REVIEW

Capacity and Electricity Generation

As at 30 June 2020, the aggregate installed capacity of grid-connected solar power plants of the Group, including subsidiaries, joint ventures and associates, was 7,043MW (31 December 2019: 7,145MW). Details of capacity, electricity sales volume and revenue for the six months ended 30 June 2020 are set out below.

Subsidiaries by provinces	Tariff Zones	Number of solar power plant	Aggregate Installed Capacity(1) *(MW)*	Grid-connected Capacity(1) *(MW)*	Electricity Sales Volume *(million kWh)*	Average Tariff (Net of Tax) *(RMB/kWh)*	Revenue *(RMB million)*
Inner Mongolia	1	11	359	359	293	0.76	223
Qinghai	1	3	107	107	77	0.81	62
Xinjiang	1	1	20	20	63	0.74	46
Ningxia	1	6	233	233	169	0.69	117
		21	**719**	**719**	**602**	**0.74**	**448**
Qinghai	2	6	179	179	123	0.64	79
Xinjiang	2	2	47	47	32	0.80	26
Shaanxi	2	18	1,018	1,018	786	0.70	548
Yunnan	2	8	279	279	207	0.65	134
Jilin	2	4	51	51	39	0.74	29
Sichuan	2	2	85	85	69	0.80	55
Liaoning	2	3	47	47	32	0.69	22
Gansu	2	2	39	39	29	0.74	21
		45	**1,745**	**1,745**	**1,317**	**0.69**	**914**
Jiangsu	3	40	543	543	325	0.85	276
Jiangxi	3	5	192	192	93	1.01	93
Shaanxi	3	1	6	6	3	0.66	2
Hebei	3	1	21	21	15	0.46	7
Hubei	3	4	165	165	90	0.86	77
Hainan	3	3	80	80	54	0.84	45
Zhejiang	3	3	62	62	27	1.02	28
Shandong	3	6	190	190	111	0.84	93
Anhui	3	11	390	390	230	0.79	182
Henan	3	14	584	584	386	0.74	287
Guizhou	3	6	235	235	118	0.81	95
Guangdong	3	8	219	133	76	0.78	60
Hunan	3	5	101	101	44	0.83	37
Guangxi	3	3	160	160	67	0.77	52
Fujian	3	3	55	55	27	0.79	21
Shanghai	3	1	7	7	3	0.99	3
		114	**3,010**	**2,924**	**1,669**	**0.81**	**1,358**
Subtotal		**180**	**5,474**	**5,388**	**3,588**	**0.76**	**2,720**
US		2	134	134	78	0.50	39
Total of Subsidiaries		**182**	**5,608**	**5,522**	**3,666**	**0.75**	**2,759**
Joint ventures and associates(2)							
PRC		28	1,435	1,435	802	0.78	622
Total		**210**	**7,043**	**6,957**	**4,468**	**0.76**	**3,381**

	Revenue *(RMB million)*
Representing:	
Electricity sales	1,081
Tariff adjustment – government subsidies received and receivable	1,678
Total of subsidiaries	2,759
Less: effect of discounting tariff adjustment to present value[3]	(28)
Total revenue of the Group	2,731

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

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

(3) Certain portions of the tariff adjustment (government subsidies) will be recovered after twelve months from the reporting date. The tariff adjustment is discounted at an effective interest rate ranging from 2.45% to 2.98% per annum.

Most of the solar power plants of the Group are located in China and almost all of the revenue is contributed by the subsidiaries of State Grid. The State Grid is a State-owned enterprise in China, which possesses low default risk. Therefore, the Directors considered that the credit risk of trade receivables was minimal.

FINANCIAL REVIEW

Revenue and Gross Profit

During the six months ended 30 June 2020, the revenue of the Group comprised sales of electricity and related tariff adjustment (i.e. government subsidies) amounting to approximately RMB2,731 million (2019: RMB3,173 million), net of effect of discounting the tariff adjustment to its present value of approximately RMB28 million (2019: RMB89 million). The decrease in revenue was mainly attributable to the disposal of solar power plants during 2019 and 2020. The grid connected capacity was decreased from 6.6GW as at 30 June 2019 to 5.5GW as at 30 June 2020. The average tariff (net of tax) for the PRC was approximately RMB0.76/kWh (2019: RMB0.74/kWh).

In terms of revenue generated by tariff zone from the PRC for the six months ended 30 June 2020, approximately 16%, 34% and 50% of revenue were generated from zone 1, zone 2 and zone 3 respectively (2019: 15%, 34% and 51%, respectively). In line 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 zone 1 area.

The Group's gross margin for the six months ended 30 June 2020 was 67.3%, as compared to 67.5% for the six months ended 30 June 2019. The cost of sales mainly consisted of depreciation, which accounted for 82.8% (2019: 85.9%) of the cost of sales, with the remaining costs being operation and maintenance costs of solar power plants.

Other Income

During the six months ended 30 June 2020, other income mainly included imputed interest on discounting effect on tariff adjustment receivables (i.e. interest arising from contracts containing significant financing component) of RMB161 million (2019: RMB81 million), management services income for managing and operating solar power plants of related companies of RMB24 million (2019: RMB28 million) and bank interest income of RMB14 million (2019: RMB9 million).

Administrative Expenses

The administrative expenses mainly included staff costs, rental expenses and legal and professional fees. Administrative expenses decreased by 49% to RMB189 million for the six months ended 30 June 2020 (2019: RMB373 million). The decrease in administrative expenses was mainly due to drop in our business scale and other cost cutting measures.

Other gains and losses, net

During the six months ended 30 June 2020, the net loss amounted to RMB352 million (2019: net gain of RMB66 million). The net loss for 2020 was mainly due to loss on measurement of assets classified as held to sale to fair value less cost to sell of RMB153 million (2019: Nil). The loss on disposal of solar power plant projects and joint ventures of RMB88 million (2019: gain on disposal of RMB82 million), and exchange losses of RMB76 million (2019: RMB16 million), mainly arising from the appreciation of USD denominated indebtedness against the reporting currency in RMB.

Bargain purchase from business combinations

During the six months ended 30 June 2019, the Group recognized a bargain purchase from business combinations of RMB74 million as the consideration paid by the Group was less than the fair value of the solar power plants acquired. The fair value was assessed by an independent professional valuer using estimated discounted cash flows generated by the solar power plant.

No bargain purchase was recognized for the six months ended 30 June 2020.

Share of profits (losses) of associates

Share of profits of associates amounted to RMB63 million (2019: losses of RMB1 million), mainly representing the share of profits from several partly held solar power plants. The Group disposed of majority of the equity interest of these solar power plants in 2019.

Finance Costs

	For the six months ended	
	30 June 2020	30 June 2019
	RMB million	*RMB million*
Total borrowing costs	**1,325**	1,446
Less: Interest expenses capitalized	**(13)**	(27)
	1,312	1,419

Total borrowing costs decrease by 8% as compared with same period of last year. The decrease was mainly due to the decrease in average borrowing balance as a result of the disposal of solar power plants. The interest-bearing debts has been decreased from RMB37,401 million as at 30 June 2019 to RMB36,485 million as at 30 June 2020. However, the effect of the drop in average borrowing balance was partly offset by the increase in the average borrowing rate from approximately 6.9% in 2019 to approximately 7.2% in 2020.

Income Tax Expenses

Income tax expenses for the six months ended 30 June 2020 was RMB94 million (2019: RMB67 million). There is an increase in income tax expenses because some solar power plants 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 a 50% reduction for the next three years.

Profit attributable to other non-controlling interests

Profit attributable to other non-controlling interests amounted to RMB67 million for the six months ended 30 June 2020 (2019: RMB80 million).

Earnings before interest expense, tax, depreciation and amortization

	For the six months ended	
	30 June 2020	30 June 2019
	RMB million	*RMB million*
Adjusted EBITDA margin		
Profit for the period	**191**	571
Add: Finance costs	**1,312**	1,419
Income tax expenses	**94**	67
Depreciation and amortization	**754**	903
	2,351	2,960
Add/(less): Non-operating items		
Exchange losses, net	**76**	16
Impairment losses on properties, plants and equipment	**43**	—
Loss on measurement of assets classified as held for sale to fair value less cost to sell	**153**	—
Loss (gain) on disposal of subsidiaries with solar power plant projects	**88**	(46)
Gain on disposal of joint ventures	**—**	(35)
Bargain purchase from business combination	**—**	(74)
Adjusted EBITDA	**2,711**	2,821
Adjusted EBITDA margin	**99.3%**	88.9%

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: Nil).

Property, Plant and Equipment

Property, plant and equipment was RMB31,763 million as at 30 June 2020 and RMB35,400 million as at 31 December 2019. The decrease was mainly due to the disposal of solar power plants in 2020.

Deposits, Prepayment and Other Non-current Assets

As at 30 June 2020, non-current portion for deposits, prepayments and other non-current assets was RMB1,346 million (31 December 2019: RMB1,773 million), which mainly included approximately RMB1,288 million (31 December 2019: RMB1,716 million) for refundable value-added tax.

Contract assets

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

Contract assets decreased from RMB5,640 million as at 31 December 2019 to RMB5,058 million as at 30 June 2020, because some solar power plants entered into the project list of subsidy for renewable energy power plants in 2020 (the "Subsidy List") (also known as the eighth batch of Subsidy Catalogue).

Trade and Other Receivables

As at 30 June 2020, trade and other receivables of RMB6,462 million (31 December 2019: RMB4,959 million) mainly included trade and bills receivables of RMB4,530 million (31 December 2019: RMB3,050 million), refundable value-added tax of RMB641 million (31 December 2019: RMB741 million) and consideration receivables from disposal of subsidiaries of RMB307 million (31 December 2019: RMB277 million).

Breakdown of tariff adjustment (i.e. government subsidies) receivables and contract assets are summarized as follows:

Tariff receivables and contract assets	**Batch of subsidies**	**Installed Capacity as at 30 June 2020** *(MW)*	**30 June 2020** ***RMB million***	31 December 2019 *RMB million*
Trade receivables				
– Current	Poverty alleviation project	**528**	**136**	155
– Current	7th batch or before	**1,384**	**2,286**	2,441
– Current	Subsidy list in 2020 (a.k.a the 8th batch)*	**843**	**1,685**	–
Sub-total		**2,755**	**4,107**	2,596
Contract assets				
– Non-current	Registering for the Subsidy list in 2020 (a.k.a the 8th batch)*	**1,731**	**3,212**	–
– Current and non-current	To be registered	**988**	**1,846**	5,640
Sub-total		**2,719**	**5,058**	5,640
Total		**5,474**	**9,165**	8,236

* As at the date of this announcement, solar power plant projects of approximately 1.5GW was included in the project list of subsidy for renewable energy power plants in 2020.

Other Payables and Deferred Income

Other payables and deferred income decreased from RMB5,968 million as of 31 December 2019 to RMB5,279 million as of 30 June 2020. Other payables and deferred income mainly consisted of payables for purchase of plant and machinery and construction of RMB3,646 million (31 December 2019: RMB4,540 million) and deferred income of RMB401 million (31 December 2019: RMB402 million).

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, lease liabilities and loans from related companies.

As at 30 June 2020, bank balances and cash of the Group were approximately RMB667 million (2019: RMB1,073 million). For the six months ended 30 June 2020, the Group's primary source of funding included cash generated from its operating activities and interest-bearing borrowings.

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.

Because of the nature of the solar energy industry in the PRC, the Group was in net current liabilities position of approximately RMB6,510 million as at 30 June 2020 (31 December 2019: 11,267 million). To address the net current liabilities position, the Group has taken several measures to generate sufficient cash inflow to the Group, which is set out in note 1B to the unaudited condensed interim consolidated financial statements.

Bank and other borrowings of approximately RMB1,435 million shall be due after twelve months from the end of the reporting period in accordance with the scheduled repayment dates as set out in the respective loan agreements but are reclassified to current liabilities as a result of the inability to respect a loan covenant by GCL-Poly Energy Holdings Limited ("GCL-Poly"), the Group's parent company, the guarantor of certain bank borrowings and thereby triggered the cross default clauses of certain bank borrowings of the Group. Accordingly, these bank borrowings became repayable on demand as at 30 June 2020. Subsequent to the end of the reporting period, GCL-Poly has fully repaid such bank borrowing. Therefore, the Directors consider that such event of default did not have any material adverse impact to the Group. Notwithstanding this, accounting reclassification of long-term borrowings of approximately RMB1,435 million as current liabilities is still required at 30 June 2020 under applicable accounting standards.

We believe that the Group has sufficient working capital to meet the financial obligations when they fall due and also the covenants. 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 within twelve months from the end of the reporting period, and it is appropriate to prepare the consolidated financial statements on a going concern basis.

The Group monitors capital based on two gearing ratios. The first ratio is calculated as net debts divided by total equity and the second ratio is calculated as total liabilities divided by total assets. The gearing ratio as at 30 June 2020 and 31 December 2019 were as follows:

	30 June 2020 *RMB million*	31 December 2019 *RMB million*
Non-current indebtedness		
Loans from related companies	**857**	918
Bank and other borrowings	**18,305**	19,410
Bonds and senior notes	**–**	3,471
Lease liabilities	**1,048**	1,095
	20,210	24,894
Current indebtedness		
Loans from related companies	**438**	646
Bank and other borrowings	**10,423**	11,523
Bonds	**3,802**	272
Lease liabilities	**111**	66
	14,774	12,507
Indebtedness for solar power plants projects classified as held for sale		
Loan from a related company – due within one year	**12**	–
Bank and other borrowings – due within one year	**743**	–
Loan from a related company – due after one year	**75**	–
Bank and other borrowings – due after one year	**649**	–
Lease liabilities	**22**	–
	1,501	–
Total indebtedness	**36,485**	37,401
Less: Cash and cash equivalents		
– continuing operations	**(667)**	(1,073)
– projects classified as held for sale	**(70)**	–
Pledged bank and other deposits		
– continuing operations	**(1,148)**	(1,701)
– projects classified as held for sale	**(8)**	–
Pledged deposits at a related company		
– continuing operations	**(3)**	(8)
– projects classified as held for sale	**(2)**	–
Net debts	**34,587**	34,619
Total equity	**10,170**	9,970
Net debts to total equity	**340%**	347%
Total liabilities	**42,686**	44,446
Total assets	**52,856**	54,416
Total liabilities to total assets	**80.8%**	81.7%

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

	30 June 2020 *RMB million*	31 December 2019 *RMB million*
Total banking and other facilities granted	**35,579**	36,283
Facilities utilized	**(35,305)**	(35,459)
Available facilities	**274**	824

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

	30 June 2020 *RMB million*	31 December 2019 *RMB million*
Renminbi ("RMB")	**30,924**	31,922
Hong Kong dollars ("HK$")	**201**	197
United States dollars ("US$")	**5,360**	5,282
	36,485	37,401

Fundraising activities

The Company has no fundraising activities during the six months ended 30 June 2020.

Pledge of Assets

As at 30 June 2020, the following assets were pledged for bank and other facilities granted to the Group:

– property, plant and equipment of RMB19,843 million (31 December 2019: RMB21,027 million);

– bank and other deposits (including deposits placed at a related company) of RMB1,161 million (31 December 2019: RMB1,709 million);

– rights to collect the sales of electricity for certain subsidiaries. As at 30 June 2020, the trade receivables and contract assets of those subsidiaries amounted to RMB8,173 million (31 December 2019: RM4,143 million); and

– right-of-use assets of RMB12 million (31 December 2019: RMB15 million).

Besides, lease liabilities of RMB1,181 million (31 December 2019: RMB1,162 million) are recognized in respect of right-of-use assets amounting to RMB1,329 million (31 December 2019: RMB1,395 million) as at 30 June 2020 due to the adoption of IFRS 16 since 1 January 2019.

Financial Guarantees provided to related companies and third parties

As at 30 June 2020, the Group provided guarantees to its associates for certain of their bank and other borrowings with a maximum amount of RMB5,369 million (31 December 2019: RMB5,369 million). Besides, the Group also provided financial guarantees to certain third parties for certain of their bank and other borrowings amounting to RMB110 million (31 December 2019: RMB540 million) as at 30 June 2020.

Capital and Other Commitments

As at 30 June 2020, the Group's capital commitments in respect of construction commitments related to solar power plants contracted for but not provided amounted to approximately RMB669 million (2019: RMB377 million).

Material disposals

In January 2020, the Group has entered into share transfer agreements with CNI (Nanjing) Energy Development Company Limited* （中核（南京）能源發展有限公司）, for the disposal of 100% equity interest in Fuyang Hengming Solar Power Company Limited*（阜陽衡銘太陽能電力有限公司）and Zhenjiang GCL New Energy Limited*（鎮江協鑫新能源有限公司）for an aggregate consideration of approximately RMB77 million. The two solar power plants have an aggregate installed capacity of approximately 40MW. The disposals were completed in the first half of 2020.

In January 2020, the Group entered into share purchase agreements with Huaneng Gongrong No.1 (Tianjin) Equity Investment Fund Partnership (Limited Partnership)*（華能工融一號（天津）股權投資基金合夥企業（有限合夥））and Huaneng Gongrong No.2 (Tianjin) Equity Investment Fund Partnership (Limited Partnership)*（華能工融二號（天津）股權投資基金合夥企業（有限合夥））for the disposal of 7 operational solar power plants in the PRC with an aggregate installed capacity of 294MW. One of the solar power plants with a capacity of 30MW has been completed during the six months ended 30 June 2020. The remaining disposals are expected to be completed in the second half of 2020.

In June 2020, the Group entered into a share purchase agreement with China Development Bank New Energy Technology Co., Ltd.* （國開新能源科技有限公司）, an independent third party, to sell 75% of the equity interest of Jinhu Zhenghui Photovoltaic Co., Ltd.*（金湖正輝太陽能電力有限公司） ("Jinhu") for a consideration of approximately RMB137 million (the "Divestment"). Jinhu has a solar power plant project with installed capacity of approximately 100MW in operation. The Divestment was completed in July 2020.

* *English name for identification purpose only*

Save as disclosed above, there were no other significant investments during the six months ended 30 June 2020, or plans for material investments as at the date of this announcement, nor were there other material acquisitions and disposals of subsidiaries during the six months ended 30 June 2020.

EVENTS AFTER THE REPORTING PERIOD

Other than disclosed elsewhere in the Interim Financial Information, the Group has no significant event after the end of the reporting period.

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 green certificates, laws and regulations would cause substantial impact on the solar power industry. Although the Chinese government has been supportive in aiding the growth of the renewable industry by carrying out a series of favorable measures, it is possible that these measures will be modified abruptly. In order to minimize risks, the 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 across the country since 2014. Although solar power has a higher dispatch priority over conventional power generation in China, given electricity generated from areas with rich solar energy resources cannot be fully consumed in the provinces, and the excess electricity cannot be transmitted to other regions with higher power demand given limited power transmission capacity, grid curtailment has become an issue with high degree of concern for solar power. In this regard, 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 National Development and Reform Commission (NDRC) targets to accelerate the technology development for solar energy 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 energy industry will finally 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.

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 will pay close attention to the market dynamics, and to avoid any unfavorable changes to the Company. Additionally, the Company is constantly seeking alternative financing tools and pursing asset-light model to optimize our finance structure and lower its gearing ratio.

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 an 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 denominated loans to finance project development in the PRC, the Company also uses foreign currencies such as US dollars 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.

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 2020, the Group had approximately 1,185 employees (31 December 2019: 1,460 employees) in 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 six months ended 30 June 2020 was approximately RMB139 million (30 June 2019: RMB235 million).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to promoting high standards of corporate governance through its continuous effort in enhancing 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 2020, the Company complied with 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**").

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 2020.

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 2020 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 2020 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 1B to the unaudited condensed interim consolidated financial statements, which indicates that (i) as at 30 June 2020, the Group's current liabilities exceeded its current assets by RMB6,510 million, and (ii) as set out in notes 31 and 33(f), as at 30 June 2020, the Group has entered into agreements which will involve capital commitments of approximately RMB669 million to construct solar power plants and financial guarantee provided to the associates and third parties for their bank and other borrowings. At 30 June 2020, GCL-Poly Energy Holdings Limited ("**GCL-Poly**"), its parent company and being the guarantor of certain bank borrowings of the Group, was not able to meet a financial covenant as stipulated in the loan agreement of a bank borrowing. In addition, the inability to respect the covenant requirement at GCL-Poly has triggered the cross default clauses in several other bank borrowings of the Group. Subsequent to the end of the reporting period such bank borrowing has been fully repaid by GCL-Poly. Notwithstanding this, accounting reclassification of long-term borrowings of approximately RMB1,435 million as current liabilities is still required at 30 June 2020 under applicable accounting standards because such bank borrowing was fully repaid subsequent to the end of the reporting period.

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

PUBLICATION OF 2020 INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Company (www.gclnewenergy.com) and HKExnews (www.hkexnews.hk). The 2020 Interim Report containing all the information as required by the Listing Rules will be despatched to the shareholders and made available for review on the same websites in due course.

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, 28 August 2020

As at the date of this announcement, the Board comprises Mr. Zhu Yufeng (Chairman), Mr. Mo Jicai and Ms. Hu Xiaoyan as executive Directors; Ms. Sun Wei, 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.