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)

PRELIMINARY ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020 AND RESUMPTION OF TRADING

FINANCIAL HIGHLIGHTS

	2020	2019
	RMB million	*RMB million*
Revenue	**4,935**	6,052
Adjusted EBITDA*	**4,388**	5,364
(Loss) profit attributable to owners of the Company	**(1,368)**	295
	RMB cents	*RMB cents*
(Loss) earnings per share		
– Basic and diluted	**(7.17)**	1.54

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

The audited consolidated results of the Group for the year ended 31 December 2020 (the "Reporting Period"), with comparative figures for the corresponding period in the previous year (the "Prior Reporting Period") are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	**2020** *RMB'000*	2019 *RMB'000*
Revenue	*3*	**4,935,189**	6,051,987
Cost of sales		**(1,803,746)**	(2,098,222)
Gross profit		**3,131,443**	3,953,765
Other income	*4*	**219,496**	306,882
Other gains and losses, net	*5*	**(1,220,488)**	(48,986)
Impairment loss on expected credit loss model, net of reversal	*5*	**(321,235)**	—
Administrative expenses			
— share-based payment expenses		**—**	(1,787)
— other administrative expenses		**(522,265)**	(693,151)
Bargain purchase from business combination		**—**	73,858
Share of profits of associates		**102,395**	49,096
Share of (losses) profits of joint ventures		**(493)**	24,391
Finance costs	*6*	**(2,450,370)**	(2,881,752)
(Loss) profit before tax		**(1,061,517)**	782,316
Income tax expense	*7*	**(156,362)**	(177,563)
(Loss) profit for the year	*8*	**(1,217,879)**	604,753
Other comprehensive (expense) income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(42,367)**	16,689
Total comprehensive (expense) income for the year		**(1,260,246)**	621,442

	NOTE	2020 RMB'000	2019 RMB'000
(Loss) profit for the year attributable to:			
Owners of the Company		**(1,368,354)**	294,688
Non-controlling interests			
— Owners of perpetual notes		**166,822**	162,000
— Other non-controlling interests		**(16,347)**	148,065
		(1,217,879)	604,753
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(1,410,721)**	311,377
Non-controlling interests			
— Owners of perpetual notes		**166,822**	162,000
— Other non-controlling interests		**(16,347)**	148,065
		(1,260,246)	621,442
		RMB cents	*RMB cents*
(Loss) earnings per share	*10*		
— Basic		**(7.17)**	1.54
— Diluted		**(7.17)**	1.54

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**25,363,172**	35,400,109
Right-of-use assets		**1,257,603**	1,513,943
Interests in associates		**1,205,898**	1,013,284
Interests in joint ventures		**3,135**	3,628
Amounts due from related companies		**40,529**	96,951
Other investment		—	100,000
Other non-current assets		**1,061,080**	1,773,126
Contract assets		**1,227,979**	5,639,898
Pledged bank and other deposits		**493,455**	877,996
Deferred tax assets		**142,212**	162,807
		30,795,063	46,581,742
CURRENT ASSETS			
Trade and other receivables	*11*	**8,961,551**	4,958,918
Other loan receivables		—	14,250
Amounts due from related companies		**357,296**	959,302
Tax recoverable		**2,777**	5,284
Pledged bank and other deposits		**250,551**	823,279
Bank balances and cash		**1,143,481**	1,073,451
		10,715,656	7,834,484
Assets classified as held for sale		**3,525,749**	—
		14,241,405	7,834,484
CURRENT LIABILITIES			
Other payables and deferred income		**4,688,437**	5,968,129
Amounts due to related companies		**312,194**	593,474
Tax payable		**19,951**	32,925
Loans from related companies	*12*	**788,668**	646,111
Bank and other borrowings	*13*	**12,392,695**	11,522,908
Bonds and senior notes	*14*	**3,261,099**	271,742
Lease liabilities		**88,927**	66,122
		21,551,971	19,101,411
Liabilities directly associated with assets classified as held for sale		**1,919,568**	—
		23,471,539	19,101,411
NET CURRENT LIABILITIES		**(9,230,134)**	(11,266,927)
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,564,929**	35,314,815

	NOTES	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Loans from related companies	*12*	**119,840**	918,073
Bank and other borrowings	*13*	**11,611,827**	19,410,173
Bonds and senior notes	*14*	**—**	3,470,542
Lease liabilities		**898,759**	1,095,460
Deferred income		**349,062**	387,531
Deferred tax liabilities		**48,560**	63,393
		13,028,048	25,345,172
NET ASSETS		**8,536,881**	9,969,643
CAPITAL AND RESERVES			
Share capital		**66,674**	66,674
Reserves		**4,969,191**	6,379,912
Equity attributable to owners of the Company		**5,035,865**	6,446,586
Equity attributable to non-controlling interests			
— Owners of perpetual notes		**2,329,936**	2,163,114
— Other non-controlling interests		**1,171,080**	1,359,943
TOTAL EQUITY		**8,536,881**	9,969,643

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

GCL New Energy Holdings Limited (the "Company") is incorporated in Bermuda as exempted company with limited liability. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Elite Time Global Limited, a company incorporated in the British Virgin Islands ("BVI"). Its ultimate holding company is GCL-Poly Energy Holdings Limited ("GCL-Poly"), a company incorporated in the Cayman Islands with shares listed on 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 ("Solar Energy Business").

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

2. BASIS OF PREPARATION

The Group incurred a net loss of approximately RMB1,218 million for the year ended 31 December 2020, and as of that date, the Group's current liabilities exceeded its current assets by approximately RMB9,230 million. In addition, as at 31 December 2020, the Group has entered into agreements which will involve capital commitments of approximately RMB135 million to construct solar power plants and financial guarantee provided to the associates and third parties for their bank and other borrowings.

As at 31 December 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 RMB30,930 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 RMB1,713 million, RMB3 million and RMB52 million, respectively. For the remaining balance of approximately RMB29,162 million, RMB16,531 million will be due in the coming twelve months from the end of the reporting period, including bank and other borrowings of approximately RMB4,541 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 triggering of the cross default clauses in several banks of the Group given the Group's involvement in several litigation cases either as a defendant or a guarantor relating to claims by relevant claimants exceeded the limit of litigation amounts stipulated in the financial covenants by certain bank borrowings, the default of repayment of certain of the Group's bank and other borrowings and the default of repayment of a bank borrowing by GCL-Poly, the guarantor of the Group's certain bank borrowings. Accordingly, these bank and other borrowings became repayable on demand as at 31 December 2020.

As at 31 December 2020, the Group's (i) pledged bank and other deposits (including pledged bank and other deposits classified as assets held for sale of RMB44 million) and (ii) bank balances and cash (including bank balances and cash classified as assets held for sale of RMB48 million) amounted to approximately RMB788 million and RMB1,191 million, respectively.

The financial resources available to the Group as at 31 December 2020 and up to the date of approval of these consolidated financial statements for issuance may not be sufficient to satisfy the above capital expenditure requirements together with the repayment of borrowings. The Group is undergoing the process of negotiations with respective borrowers for extension or renewal of the defaulted bank and other borrowings and as of the date of these consolidated financial statements, the Group has not received any request from any borrowers to accelerate the repayments of bank and other borrowings. The Group is actively pursuing additional financing including, but not limited to, equity financing from issuance of new shares, extension of payment date for bank and other borrowings that are due for maturity and divesting certain of its existing power plant projects in exchange for cash proceeds.

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 31 December 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 31 December 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) Financing through the issuance of the Company's shares

On 19 February 2021, the Company successfully issued 2,000 million shares with net cash proceeds of approximately HK$895 million (equivalent to RMB753 million).

(ii) Financing through the extension of maturity of senior notes

On 1 February 2021, the Group announced that the failure of repayment of the senior notes with principal amount of USD500 million which constituted the event of default under the terms of indenture. On 9 February 2021, the Group announced that holders of the senior notes of approximately USD459 million, which representing 91.85% of the outstanding aggregate principal amount of the senior notes, had validly submitted their respective executed irrevocable accession deeds for exchanging the senior notes for new notes with an extended maturity and terms as stipulated in the amended and restated restructuring support agreement (the "RSA"). The Group has commenced the application of passing of the RSA under the Court of the Bermuda. The Group expects all relevant documents will be submitted to the Court of the Bermuda in mid-April 2021 and targets to execute the RSA by June 2021.

(iii) Financing through divesting of certain power plants

The Group continues to implement business strategies, among others, to transform its heavy asset business model to a light-asset model by divesting certain of its existing power plant projects in exchange for cash proceeds and to improve the Group's indebtedness position.

(a) During the current year, the Group entered into share transfer agreements with various independent third parties to dispose 48 subsidiaries (the "Disposal Projects") at consideration in aggregate of RMB3,356 million, of which 21 subsidiaries with consideration of RMB1,894 million were disposed as at 31 December 2020, 8 subsidiaries with consideration of RMB510 million have been classified as held for sale and 19 subsidiaries with consideration of RMB952 million have been approved for disposals subsequent to the end of the reporting period, respectively. Consideration of RMB1,341 million arising from disposal of 21 subsidiaries of the Disposal Projects and consideration of RMB79 million arising from disposal of a subsidiary which classified as held for sale were received during the current year. The remaining disposals and consideration of RMB1,936 million (including consideration receivables from subsidiaries disposed during the year) are expected to be completed and received in the coming twelve months from 31 December 2020.

(b) Subsequent to the end of the reporting period, the Group and an independent third party entered into a cooperation framework agreement (the "Cooperation Framework Agreement") regarding the disposal of 44 subsidiaries of the Group in the People's Republic of China (the "PRC"). In addition to the Cooperation Framework Agreement, the Group entered into 10 share transfer agreements with this independent third party to dispose of 10 subsidiaries at a consideration in aggregate of RMB1,615 million (the "First Batch Projects") and the Group is undergoing the negotiation in relation to the remaining 34 subsidiaries (the "Second Batch Projects") for the terms of share transfer agreements and the consideration of the Second Batch Projects has not yet been finalised. The First Batch Projects and the Second Batch Projects are planned to be completed by the end of first half of year 2021 and second half of year 2021, respectively and the consideration of the both projects are expected to be received in the coming twelve months from 31 December 2020.

(iv) Others

Upon the completion of the Disposal Projects and the First Batch Projects and the Second Batch Projects, the Group will own 114 solar power plants with an aggregate grid connected capacity of approximately 2.8GW. 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 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 and the on-going loan covenants compliance.

3. 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 years ended 31 December 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 customer and the amount included RMB2,905,309,000 (2019: RMB3,623,057,000) tariff adjustment recognised during the current year. Except for receivables and contract assets relating to tariff adjustment, the Group generally grants credit period of approximately one month to customers 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-owned grid companies for settlement to the solar power companies. Effective from March 2012, the application, approval and settlement of the tariff adjustment are subject to certain procedures as promulgated by Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加輔助資金管理暫行辦法). Caijian [2013] No. 390 Notice issued in July 2013 further simplified the procedures of settlement of the tariff adjustment.

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 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").

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.

* *English name for identification only*

Since certain of the tariff adjustments were yet to obtain approval for registration in the List (2019: Catalogue) by the PRC government, the management considered that it contained a significant financing component over the relevant portion of tariff adjustment until the derecognition of the trade receivables. For the current year, the respective tariff adjustment was adjusted for this financing component based on an effective interest rate ranged from 1.99% to 2.36% per annum (2019: 2.55% to 3.01% per annum) and the adjustment in relation to revision of expected timing of tariff collection. As such, the Group's revenue was adjusted by approximately RMB212 million (2019: RMB151 million) and interest income amounting to approximately RMB77 million (2019: RMB118 million) (note 4) 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

The Group's operations are located in the PRC, Japan and the United States of America ("US").

Information about the Group's revenue from external customers is presented based on the location of the operations and customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		**Non-current assets**	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**4,849,482**	5,959,721	**28,878,257**	43,955,008
Other countries	**85,707**	92,266	**1,240,610**	1,388,980
	4,935,189	6,051,987	**30,118,867**	45,343,988

Note: Non-current assets excluded those relating to financial instruments (including pledged bank and other deposits, other investment and amounts due from related companies) and deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

For the year ended 31 December 2020, the revenue from grid companies under common control of the State Grid Corporation of China in total accounted for 98% (2019: 98%) of the Group's revenue. For the purpose of presenting further information about major customers and considering the extent of economic integration between grid companies, the sales to a subsidiary of State Grid Corporation of China which accounted for over 10% of the total revenue from external customers is as follows:

	2020	2019
	RMB'000	*RMB'000*
Customer A	**1,017,386**	915,648

4. OTHER INCOME

	2020	2019
	RMB'000	*RMB'000*
Consultancy income *(Note a)*	**23,716**	32,111
Compensation income	**3,798**	6,615
Government grants		
— Incentive subsidies *(Note b)*	**7,577**	8,331
— Energy Income Credit	**14,078**	14,159
— Others	**265**	1,860
Interest arising from contracts containing significant financial component	**77,100**	118,218
Interest income of financial assets at amortised cost:		
— Bank interest income	**19,708**	21,654
— Interest income from other loan receivables	**3,174**	682
— Interest income from loans to related companies	**—**	2,047
Management services income		
— related companies	**47,132**	53,040
— third parties	**17,717**	15,790
Others	**5,231**	32,375
	219,496	306,882

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 and the conditions attached thereto were fully complied with.

5. OTHER GAINS AND LOSSES, NET/IMPAIRMENT LOSS ON EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2020	2019
	RMB'000	*RMB'000*
Exchange gain (losses), net	**306,605**	(94,370)
Impairment loss on property, plant and equipment	**(1,137,851)**	(57,235)
Loss on measurement of assets classified as held for sale to fair value less cost to sell	**(207,836)**	—
Gain on disposal of property, plant and equipment	**—**	43,006
(Loss) gain on disposal of solar power plant projects	**(218,004)**	26,926
Gain on disposal of joint ventures	**—**	35,263
Fair value change on other investment	**13,027**	—
Gain on early termination of leases	**23,571**	7
Loss on disposal of right-of-use assets	**—**	(2,583)
	(1,220,488)	(48,986)
Impairment loss on expected credit loss model, net of reversal:		
— Trade receivables	**(10,000)**	—
— Contract assets	**(5,398)**	—
— Other receivables	**(304,587)**	—
— Other loan receivables	**(1,250)**	—
	(321,235)	—

6. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest on financial liabilities at amortised cost:		
Bank and other borrowings	**2,005,506**	2,345,024
Bonds and senior notes	**266,317**	244,417
Loans from related companies	**127,751**	265,188
Lease liabilities	**63,606**	67,838
Total borrowing costs	**2,463,180**	2,922,467
Less: amounts capitalised in the cost of qualifying assets	**(12,810)**	(40,715)
	2,450,370	2,881,752

There is no borrowing costs capitalised during the year ended 31 December 2020 on the general borrowing pool. Borrowing costs capitalised for the year ended 31 December 2019 arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.8% per annum to expenditure on qualifying assets.

7. INCOME TAX EXPENSE

	2020	2019
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("EIT"):		
Current tax	**143,198**	129,436
Over-provision in prior years	**(3,253)**	(6,090)
	139,945	123,346
PRC dividend withholding tax	**14,578**	49,495
Deferred tax	**1,839**	4,722
	156,362	177,563

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 and its relevant regulations, are entitled to tax holidays of 3-year full exemption followed by 3-year 50% exemption commencing from their respective years in which their first operating incomes were derived. For the years ended 31 December 2019 and 2020, certain subsidiaries of the Company engaged in solar photovoltaic projects had their first year of the 3-year 50% exemption period.

PRC withholding income tax of 10% shall be levied on the dividends declared by the companies established in the PRC to their foreign investors out of their profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated or operated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations is taxed at 8.25%, and profits above HK$2 million is taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group for the current year. No provision for taxation in Hong Kong Profits Tax was made as there is no assessable profit for both reporting periods.

The Federal and State income tax rate in the US are calculated at 21% and 8.84% respectively for both years. No provision for taxation in US Federal and State income tax were made as there is no assessable profit for both reporting periods.

8. (LOSS) PROFIT FOR THE YEAR

	2020	2019
	RMB'000	*RMB'000*
(Loss) profit for the year has been arrived at after charging:		
Auditor's remuneration	**3,961**	4,362
Depreciation of:		
— Property, plant and equipment	**1,363,384**	1,642,170
— Right-of-use assets	**95,998**	91,901
Staff costs (including directors' remuneration but excluding share-based payments)		
— Salaries, wages and other benefits	**241,444**	328,611
— Retirement benefit scheme contributions *(Note)*	**26,881**	66,376
Share-based payment expenses (administrative expenses in nature)		
— Directors and staff	**—**	1,693
— Consultancy services	**—**	94

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

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

10. (LOSS) EARNINGS PER SHARE

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

(Loss) earnings figures are calculated as follows:

	2020	2019
	RMB'000	*RMB'000*
(Loss) profit for the year attributable to owners of the Company and for the purpose of basic and diluted (loss) earnings per share	**(1,368,354)**	294,688

Number of shares	**2020**	2019
	'000	*'000*
Number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**19,073,715**	19,073,715

Diluted (loss) earnings per share did not assume the exercise of the share options since any exercise would result in decrease in loss per share in current year (2019: the exercise price is higher than the average share price).

11. TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables *(Note a)*	**7,231,113**	3,049,935
Prepayments and deposits	**118,154**	90,103
Other receivables		
— Amounts due from former subsidiaries *(Note b)*	**108,562**	—
— Consultancy service fee receivables	**12,137**	11,762
— Consideration receivable from disposal of subsidiaries	**372,082**	277,116
— Advance to non-controlling interest shareholders	**18,750**	21,546
— Receivables for modules procurement	**63,376**	287,044
— Refundable value-added tax	**498,123**	741,358
— Dividend receivables	**217,774**	13,530
— Interest receivables	**33,015**	95,488
— Others	**603,052**	371,036
	9,276,138	4,958,918
Less: Allowance for credit loss		
— trade	**(10,000)**	—
— non-trade	**(304,587)**	—
	(314,587)	—
	8,961,551	4,958,918

Notes:

(a) As 1 January 2019, trade receivables from contract with customers amounted to approximately RMB2,981,150,000.

For sales of electricity in the PRC, the Group generally grants credit period of approximately one month to 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 grid companies.

Trade receivables include bills received amounting to RMB153,398,000 (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 one 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:

	2020	2019
	RMB'000	*RMB'000*
Unbilled *(Note)*	**6,717,763**	2,524,359
0–90 days	**140,905**	128,953
91–180 days	**144,999**	17,814
Over 180 days	**64,048**	146,316
	7,067,715	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 List (2019: Catalogue). The Directors expect the unbilled tariff adjustments would be generally billed and settled within one 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:

	2020	2019
	RMB'000	*RMB'000*
0–90 days	**948,875**	504,582
91–180 days	**283,537**	401,488
181–365 days	**1,051,020**	677,679
Over 365 days	**4,434,331**	940,610
	6,717,763	2,524,359

As at 31 December 2020, included in these trade receivables are debtors with aggregate carrying amount of RMB271,495,000 (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.

(b) The amount represents amounts due from former subsidiaries of which the Group disposed entire interests during the year ended 31 December 2020. The amounts are non-trade in nature, unsecured, non-interest bearing and recoverable on demand.

12. LOANS FROM RELATED COMPANIES

	2020	2019
	RMB'000	*RMB'000*
Loans from:		
— companies controlled by Mr. Zhu Yufeng and his family *(Note a)*	**908,508**	1,173,643
— an associate of ultimate holding company *(Note b)*	**—**	390,541
	908,508	1,564,184
Analysed as:		
Current	**788,668**	646,111
Non-current	**119,840**	918,073
	908,508	1,564,184

Notes:

(a) As at 31 December 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)*, 江蘇協鑫建設管理有限公司 Jiangsu GCL Construction Management Limited* 江蘇協鑫房地產有限公司 Jiangsu GCL Real Estate Limited* and 阜寧協鑫房地產開發有限公司 Funing Property Development Limited* in total amounted to RMB908,508,000 (2019: RMB1,173,643,000). These loans are unsecured, interest bearing ranging from 8% to 12% (2019: bearing at 8% per annum) per annum and repayable from 2020 through 2021. Approximately RMB788,668,000 (2019: RMB597,243,000) of the outstanding loans are repayable within twelve months from the end of the reporting period.

(b) As at 31 December 2019, loans from 芯鑫融資租賃有限責任公司 Xinxin Finance Leasing Company Limited* ("Xinxin"), an associate of GCL-Poly amounted to approximately RMB390,541,000 and out of which, balance of approximately RMB181,130,000 was 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. The remaining balance of approximately RMB209,411,000 is secured by certain property, plant and equipment held by the Group and interest bearing at 7.81% per annum.

As at 31 December 2019, approximately RMB48,868,000 of the outstanding loans are repayable within twelve months from the end of the reporting period, with the remainder of approximately RMB341,673,000 having a repayment term of eight years.

During the current year, GCL-Poly disposed the entire equity interests in Xinxin and such balance has been reclassified to as other borrowings as at 31 December 2020.

* *English name for identification only*

13. BANK AND OTHER BORROWINGS

	2020	2019
	RMB'000	*RMB'000*
Bank loans	**7,664,067**	13,925,160
Other loans	**16,340,455**	17,007,921
	24,004,522	30,933,081
Secured	**22,163,914**	28,257,285
Unsecured	**1,840,608**	2,675,796
	24,004,522	30,933,081
The maturity of bank borrowings is as follows*:		
Within one year	**1,594,124**	2,205,184
More than one year, but not exceeding two years	**687,038**	1,348,590
More than two years, but not exceeding five years	**1,559,293**	5,107,949
More than five years	**1,595,371**	2,922,858
	5,435,826	11,584,581
The carrying amount of bank loans that are repayable on demand due to breach of loan covenants# (Shown under current liabilities)	**2,228,241**	2,340,579
Less: Amounts due within one year shown under current liabilities	**(3,822,365)**	(4,545,763)
Amounts due after one year	**3,841,702**	9,379,397
Analysed as:		
Fixed-rate borrowings	**1,529,472**	2,742,440
Variable-rate borrowings	**6,134,595**	11,182,720
	7,664,067	13,925,160

	2020	2019
	RMB'000	*RMB'000*
The maturity of other borrowings is as follows*:		
Within one year	**4,445,158**	6,977,145
More than one year, but not exceeding two years	**1,796,182**	1,637,273
More than two years, but not exceeding five years	**3,850,805**	5,179,539
More than five years	**2,123,138**	3,213,964
	12,215,283	17,007,921
The carrying amount of other borrowings that are repayable on demand due to breach of loan covenants# (Shown under current liabilities)	**4,125,172**	—
Less: Amounts due within one year shown under current liabilities	**(8,570,330)**	(6,977,145)
Amounts due after one year	**7,770,125**	10,030,776
Analysed as:		
Fixed-rate borrowings	**6,410,937**	5,520,722
Variable-rate borrowings	**9,929,518**	11,487,199
	16,340,455	17,007,921

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

During the current year, the default on the repayment of a bank borrowing by GCL-Poly, the Group's involvement in certain litigation cases relating to claims by relevant claimants exceeded the limit of litigation amounts stipulated in the financial covenants of certain bank borrowings and the Group's default in certain bank and other borrowings (2019: breach of restrictive financial covenants of a borrowing by GCL-Poly) have triggered the cross default clauses of certain of the Group's bank and other borrowings as set out in the respective loan agreements between the Company and several banks and financial institutions. Accordingly, bank and other borrowings of the Group amounting to RMB4,541 million (2019: RMB1,597 million) is reclassified from non-current liabilities to current liabilities as at 31 December 2020. The management of the Group considers that the claims arising from the litigation will not have material impact to the Group as majority of the claims have been provided and included in payables for purchase of plant and machinery and construction costs as at 31 December 2020.

\# *Scheduled repayment terms for the bank borrowings that are repayable on demand due to breach of loan covenants:*

	2020	2019
	RMB'000	*RMB'000*
Within one year	**212,083**	743,168
More than one year, but not exceeding two years	**234,667**	522,911
More than two years, but not exceeding five years	**1,042,851**	990,600
More than five years	**738,640**	83,900
	2,228,241	2,340,579

\# *Scheduled repayment terms for the other borrowings that are repayable on demand due to breach of loan covenants:*

	2020	2019
	RMB'000	*RMB'000*
Within one year	**1,600,206**	—
More than one year, but not exceeding two years	**302,175**	—
More than two years, but not exceeding five years	**1,386,432**	—
More than five years	**836,359**	—
	4,125,172	—

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are analysed as follows:

	2020	2019
Fixed-rate borrowings		
RMB borrowings	**4.35% to 18%**	4% to 13%
US$ borrowing	**1.72% to 5%**	2.5% to 9.94%
HK$ borrowings	**9.75%**	9.75%
Variable-rate borrowings		
RMB borrowings	**100% to 180% of Benchmark Borrowing Rate of The People's Bank of China ("Benchmark Rate")**	100% to 180% of Benchmark Rate
US$ borrowings	**LIBOR +3.25% to 4.3%**	LIBOR +2.39% to 4.3%

The Group's borrowings denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2020	2019
	RMB'000	*RMB'000*
US$	**1,371,177**	1,312,683
HK$	**181,152**	197,076

Included in other loans are RMB11,211 million (2019: RMB12,001 million) in which the Group entered into financing arrangements with financial institutions with lease terms ranging from 1 year to 12 years (2019: 2 years to 14.5 years), with legal title of the respective equipment transferred to the financial institutions. The Group continued to operate and manage the relevant equipment during the lease term without any involvement from the financial institutions, and the Group is entitled to purchase back the equipment at a minimal consideration upon maturity of respective leases, except for one of the financing arrangements with a financial institution that the Group can either exercise the early buyout option granted to the Group to purchase back the relevant equipment at a pre-determined price at the end of the seventh year of the lease term, or to purchase back the equipment from this financial institution at fair value upon the end of the lease period. Despite the arrangement involves a legal form of a lease while it does not constitute a sale and leaseback transaction, the Group accounted for the arrangement as a collateralised borrowing at amortised cost using effective interest method under

IFRS 9/IAS 39 in prior years before application of IFRS 16, in accordance with the substance of the arrangement. The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transactions constitute a sale.

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

14. BONDS AND SENIOR NOTES

	2020	2019
	RMB'000	*RMB'000*
Bonds *(Note a)*	—	271,742
Senior notes *(Note b)*	**3,261,099**	3,470,542
	3,261,099	3,742,284

Notes:

(a) On 3 August 2017 and 7 December 2017, the Group completed the first tranche and second tranche of the non-public issuance of green bonds amounting to RMB375,000,000 and RMB560,000,000, respectively, for a term of 3 years with a fixed interest rate of 7.5% per annum. Part of the second tranche amounting to RMB50,000,000 was subscribed by the Group via an external trust. As at 31 December 2019, the first tranche and second tranche of the non-public green bonds, amounting to RMB1,000,000 and RMB76,500,000 have been acquired by the Group, respectively.

During the year ended 31 December 2019, 江蘇中能硅業科技發展有限公司 Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.*, a fellow subsidiary of the Group, also purchased part of the first tranche and second tranche of the non-public green bonds through secondary market with a face value of RMB99,000,000 and RMB173,500,000, respectively.

In July 2019, RMB275,000,000 out of the first tranche of the non-public green bonds of RMB375,000,000 and RMB310,000,000 out of the second tranche of the non-public green bonds of RMB560,000,000 were redeemed by the Group upon maturity while the holders of the remaining first and second tranche of the non-public green bonds exercised their option to extend the maturity of the bonds to July 2020 and December 2020, respectively.

During the current year, the Group redeemed the remaining first and second tranches of the non-public green bonds, amounting to RMB100,000,000 and RMB250,000,000, respectively.

(b) On 23 January 2018, the Group issued senior notes of US$500 million (equivalent to RMB3,167 million), which bear interest at 7.1% per annum and mature on 30 January 2021. The net proceeds of the notes issuance, after deduction of underwriting discounts and commissions and other expenses, amounted to approximately US$493 million (equivalent to RMB3,119 million).

Subsequent to the end of reporting period, the Group defaulted the settlement of the senior notes, details are disclosed in note 15(a).

* *English name for identification only*

15. EVENTS AFTER REPORTING PERIOD

The following events took place subsequent to the end of the reporting period:

(a) On 1 February 2021, the Group announced that the failure of repayment of the senior notes with principal amount of USD500 million (equivalent to RMB3,262 million) constitutes the event of default under the terms of indenture.

On 9 February 2021, the Company announced that holders of the senior notes of approximately USD459 million, which representing 91.85% of the outstanding aggregate principal amount of the senior notes, had validly submitted their respective executed accession deeds for exchanging the senior notes for new notes with an extended maturity and terms as stipulated in the RSA. Under the RSA, 5% of the original principal amount of USD25 million (the "Upfront Consideration") will be repaid to the holders of the senior notes upon the date of approval of the RSA. The original principal amount and all accrued and unpaid interest on the senior notes less the Upfront Consideration will be settled through issuance of new senior notes, which are interest bearing at 10% p. a. and the whole principal will be matured on 30 January 2024. The Group has commenced the application of passing the RSA under the Court of the Bermuda. The Group expects to submit all relevant documents to the Court of the Bermuda in April 2021 and targets to execute the RSA by June 2021. RSA will be mandatorily effective to those holders who are against the RSA upon the RSA has been passed in the Court of the Bermuda.

(b) On 10 February 2021, the Group announced that a placing agreement has been entered into among the Elite Time Global Limited, a wholly-owned subsidiary of GCL-Poly, the Company and the placing agents under which up to a total of 2,000 million of new shares of the Company to be issued (the "Transaction"). The Transaction has been completed on 17 and 19 February 2021 and net proceed of the Transaction, after taking into account all related costs, fees, expenses and commission of the Transaction, is approximately HK$895 million (equivalent to RMB753 million).

(c) On 22 November 2020, the Group entered in a series of five share transfer agreements with 徐州國投環保能源有限公司 Xuzhou State Investment & Environmental Protection Energy Co., Ltd.* ("Xuzhou State Investment") to sell its equity interests in five subsidiaries at consideration in aggregate of RMB312,700,000 and repayment of corresponding interest in shareholder's loan as at the date of disposal. All five share transfer agreements have been approved in the special general meeting on 15 January 2021 and disposals of one subsidiary have been completed as of the date of these consolidated financial statements. The Group and Xuzhou State Investment mutually agreed to reduce the consideration from RMB312,700,000 to RMB307,870,000 during the current year. The Directors are still assessing the financial impact of the disposals.

(d) On 19 November 2020, the Group entered in a series of fourteen share transfer agreements with 華能工融一號（天津）股權投資基金合夥企業有限公司 Hanneng 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公司 Hanneng Gongrong No.2 (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* ("Hua Neng No.2 Fund") to sell its equity interests in fourteen subsidiaries at consideration in aggregate of RMB666,654,000 and repayment of corresponding interest in shareholder's loan as at the date of disposal. All fourteen share transfer agreements have been approved in the special general meeting on 10 February 2021 and disposals of four subsidiaries have been completed as of the date of these consolidated financial statements. The Group and Hua Neng No.1 Fund and Hua Neng No.2 Fund mutually agreed to reduce the consideration from RMB666,654,000 to RMB644,399,000 during the current year. The Directors are still assessing the financial impact of the disposal.

(e) Subsequent to the end of the reporting period, the disposals of 湖北省麻城金伏太陽能電力有限公司 Hubei Macheng Photovoltaic Power Company Limited* ("Hubei Macheng") and 寧夏中衛協鑫光伏電力有限公司 Ningxia Zhongwei Photovoltaic Power Company Limited* ("Ningxia Zhongwei") with the consideration in aggregate of RMB194,648,000 have been completed. The Directors are still assessing the financial impact of the disposal.

(f) Subsequent to the end of the reporting period, the disposals of 合肥建南電力有限公司 Hefei Jiannan Power Company Limited* ("Hefei Jiannan") and 合肥久陽新能源有限公司 Heifei Jiuyang GCL New Energy Company Limited* ("Hefei Jiuyang") with the consideration in aggregate of RMB105,567,000 have been completed. The Directors are still assessing the financial impact of the disposal.

(g) Subsequent to the end of the reporting period, the disposals of 神木國泰農牧發展有限公司 Shenmu Guotai Development Limited* ("Shenmu Guotai") has been completed. The Directors are still assessing the financial impact of the disposal.

(h) Subsequent to the end of the reporting period, the Group entered in a share transfer agreement with 北京聯合榮邦新能源科技有限公司 Beijing United Rongbang New Energy Technology Co., Ltd* ("Beijing United Rongbang") to sell its equity interests in 烏拉特後旗源海新能源有限責任公司 Wulate Houqi Yuanhai New Energy Ltd* ("Wulate Houqi Yuanhai") at consideration in aggregate of RMB52,550,000 and repayment of corresponding interest in shareholder's loan as at the date of disposal. The disposal of Wulate Houqi Yuanhai has not yet been completed as of the date of these consolidated financial statements. The Directors are still assessing the financial impact of the disposal.

(i) Subsequent to the end of the reporting period, 140,994,462 share options (the "Existing Share Options") have been cancelled after obtaining the consent of the grantees of the Existing Share Options.

On 26 February 2021, the Company has granted to certain eligible persons (the "New Grantees"), being certain employees of the Company and its subsidiaries, subject to acceptance by the New Grantees, a total of 381,318,750 share options (the "New Share Options") to subscribe for 381,318,750 ordinary shares of HK0.0041\dot{6}$ each in the share capital of the Company (upon exercise in full and subject to adjustment in accordance with the New Share Option Scheme and Rule 17.03(13) of the Listing Rules) under the New Share Option Scheme, part of which shall be in exchange for the cancellation of the Existing Share Options. The Directors are still assessing the financial impact of the grant of the New Share Options.

(j) Subsequent to the end of the reporting period, the Group entered into several share transfer agreements with 中國三峽資產管理有限公司 China Three Gorges Asset Management Co., Ltd ("China Three Gorges Asset Management") to dispose of its equity interest in several subsidiaries at consideration in aggregate of RMB1,615 million and the repayment of corresponding interest in shareholder's loan. The subsidiaries operate solar power plant projects with in aggregate capacity of approximately 790MW in Henan and Shanxi, the PRC. The disposal is not completed on the date of this report and the Directors are still assessing the financial impact of the disposal.

* *English name for identification only.*

CHAIRMAN AND PRESIDENT'S STATEMENT

Dear shareholders and investors,

In 2020, the world experienced challenges on an unprecedented scale. The global outbreak of the 2019 novel coronavirus ("COVID-19") epidemic, international political turmoil and frequent natural disasters have hit hard the global production and economic activities on the scale of which the world has not witnessed in over a century. Despite the impact from various aspects, under the strong leadership of the Chinese government, China has made remarkable strategic achievements in the prevention and control of the COVID-19 epidemic, and overcome challenges from devastating floods and turned economic growth from negative to positive. Meanwhile, with its unremitting efforts and dedication, GCL New Energy overcame the challenges brought by the changes in environment with concerted efforts and accomplished its annual target.

Last year, there were times we felt frustrated and confused, but we never retreated. In spite of the difficulties we encountered, GCL New Energy has steadfastly tackled and taken a great step forward on the road of transformation from scale operation to asset-light management. During the year ended 31 December 2020, the Group announced the disposal of solar power plants with installed capacity of nearly 2GW, from which the Group will recover approximately RMB6.8 billion in cash and effectively reduce the debt scales by approximately RMB9.5 billion. In addition, together with the completion of the top-up placing with net proceeds of approximately HK$895 million in early 2021, the Group's liquidity will be improved significantly.

Since 2018, the Group has been resolutely pursuing the strategic asset-light transformation by vigorously introducing new strategic investors with state-owned enterprises directly owned by the State Council (the "Central Enterprises") and other state-owned enterprises (the "State-owned Enterprises") background, including China Huaneng Group Co., Ltd (中國華能集團有限公司), State Power Investment Corporation Guizhou Jinyuan Weining Energy Co., Ltd. (國家電投集團貴州金元威寧能源股份有限公司), Beijing United Rongbang, Xuzhou State Investment & Environmental Protection Energy Co., Ltd. (徐州國投環保能源有限公司), 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) ("China Three Gorges New Energy"), Wuling Power Corporation Ltd. (五凌電力有限公司), Shanghai Rongyao New Energy Co., Ltd. (上海榕耀新能源有限公司), to develop the solar power plant asset-light business, accelerate the introduction of capital, reduce financing costs, and continue to reduce the size of debts.

To achieve a new leap in the future development of GCL New Energy, we will continue to focus on strategic transformation, streamline and enhance competitiveness, and move forward in an asset-light model in 2021. In pursuit of the goal of "adjusting structure, reducing debts and maintaining balance", the Company will accelerate the disposal of solar power plant assets and enhance cooperation with Central Enterprises and State-owned

Enterprises strategic investors. The Group intends to dispose of approximately 2GW of solar power plant assets in 2021, and the Group also announced on 31 March 2021 and 1 April 2021 respectively that it has entered into various share purchase agreements with China Three Gorges Asset Management Co., Ltd. (三峽資產管理有限公司) ("Three Gorges Asset Management"), a company wholly-owned by China Three Gorges Group Co., Ltd. (中國長江三峽集團有限公司) ("China Three Gorges Group"), pursuant to which GCL New Energy will dispose its entire equity interests in companies holding solar power plants with a total capacity of approximately 790MW. These two transactions will generate a cash flow of approximately RMB2.3 billion to GCL New Energy and reduce its debts by approximately RMB5.5 billion. The cash proceeds from the transactions will also be used to further repay its debts, which is expected to reduce the Company's gearing level by approximately 3 percentage point, and the Group will also realize a gain of approximately RMB98 million upon completion of the disposal of these two batches of solar power plants. The Group has maintained strategic cooperation with subsidiaries of China Three Gorges Group since 2018, and as from now GCL New Energy and Three Gores Asset Management will further explore other cooperation opportunities not only in existing solar power plants in China but also new solar power plants to be developed and others. Both parties are proactively promoting the cooperation, and planning to reach and execute more disposals and joint development agreements in the near future. The cooperation will enable the Group accelerate the transformation and upgrade towards an asset-light model, promote the development of high-quality solar power grid parity projects with low cost in the future, providing a greater catalyst for further seeking other cooperation opportunities.

In the field of solar energy development and power operation, GCL New Energy has distinguished advantages. Leveraging on its established development strength, scientific research capabilities and extensive experience in intelligent operation, avail the deployment of solar power whole-industry-chain by GCL Group, the cooperation between GCL New Energy and the Central Enterprises and State-owned Enterprises strategic investors will provide impetus for our development in conjunction with external capital, and help both parties to fully utilize the respective edges and synergize the respective strength. The partnership emphasizes the establishment of the "development-build-transfer" "half-asset-light and half-asset-heavy" cyclic mode, and "focus on pilot development projects, innovative development, joint development with external parties", to build a new mode of open and win-win joint development of solar power plants. It is expected to become a new model of reform and innovative cooperation and industrial joint collaboration between Central Enterprises and State-owned Enterprises and private enterprises.

During the year, GCL New Energy not only took a big step forward in the transformation towards an asset-light model, but also made a significant breakthrough in debt restructuring. More than 91% of the holders of US$500 million 7.1% senior notes due 2021 (the "Existing Notes") gave their support to the Company's proposed restructuring plan of Bermuda Scheme. After going through all official Bermuda court procedures, GCL New Energy will obtain a debt extension of up to 3 years, as well as deferred payment of part of the cash interests. This will greatly improve the Company's short-term cash flow and alleviate the financing pressure. Meanwhile, in February 2021, the Group completed a top-up placing of 2 billion shares at HK$0.455 per share to various professional, institutional and other investors, with net proceeds of approximately HK$895 million, which is intended to be used for repayment of existing borrowings and for general corporate purposes. This represents the support of bond investors and equity investors to the Group and their confidence in the future development of the Company.

In addition, the scale of the Group's capacity being included in the National Renewable Energy Tariff Surcharge Subsidy Catalogue ("National Subsidy Catalogue") continues to expand. As at 31 December 2020, the total capacity of the Group's solar power plants included in the National Subsidy Catalogue has reached approximately 3,594MW, of which approximately 934MW, approximately 2,539MW and approximately 121MW are included in the seventh or previous batches, the eighth batch and photovoltaic poverty alleviation project subsidy catalogue, respectively. The Group expects that the size of solar power plants to be included in the National Subsidy Catalogues and receipt of related receivables will continue to increase, bringing significant improvement to the cash flow.

GCL New Energy has experienced high and low times in the journey of development, but we have overcome them successfully, and the strategic transformation towards an asset-light model is a long-term plan that requires continuous improvement during implementation. At present, GCL New Energy's strategic transformation to an asset-light model has entered a fast track and the cashflow and debt issue has been improved. We understand that we can only break through the development bottleneck and seize the great development opportunities brought by energy transformation in China if we persist in innovation, reform and build a dynamic growth model.

The energy transformation in China is at its critical stage. During the past year, President Xi Jinping has advocated environmental protection, green living and clean energy development in several major domestic and international occasions. At the United Nations General Assembly in New York on 22 September 2020, President Xi Jinping made a long-term pledge that "China will increase its initiative and contribution, adopt more vigorous policies and measures, with an aim to reach the CO2 emissions peak before 2030 and achieve carbon neutrality before 2060".

Amid the "30–60" dual carbon targets, energy transformation and optimization of energy structure are being accelerated, and according to the 14th Five-Year Plan, it is widely expected by the market that China will maintain an annual average of 50–60GW of newly installed solar capacity, maintaining its leadership around the world, indicating an increasingly clear trend of the rapid development of new energy in China. The 14th Five-Year Plan emphasizes the active promotion of the development of new energy industries, including new technologies, new applications, new growth in various aspects, including power generation, trading, storage and consumption, as well as the "integration of source, network, load and storage" and other new integrated business patterns, exploring new business models for electricity and energy services, and establishing an energy production and consumption pattern with multi-source energy services, dynamic balance between supply and demand and highly efficient allocation. The new development pattern will be accelerated, and high-quality development will be implemented in an in-depth manner.

At this critical stage of energy transformation, the solar power generation industry is embracing promising opportunities for development. GCL New Energy must seize the new opportunities and speed up strategic transformation and upgrade as soon as possible. As an affiliate of the GCL Group, we have 30 years of management experience in the power industry, which is a synergistic advantage in the solar power industry chain. We firmly believe that with our innovation capability in actively tackling changes, our decisiveness, our cohesion and our visionary planning, we will be able to work together to build a sustainable "asset-light and highly profitable" solar power enterprise and play the role of the practitioner and promoter in "bringing green energy to life". We will embrace changes and make progress, and in 2021, we will attain new milestones through joint efforts and meet the challenges ahead. Finally, on behalf of the Board of Directors of the Company, I would like to take this opportunity to express our sincerest gratitude to all of our colleagues for their devotion and commitment together with GCL New Energy in the past year.

Zhu Yufeng
Chairman and President

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the year ended 31 December 2020, loss attributable to owners of the Company for the year was RMB1,368 million, as compared to profit attributable to owners of the Company of RMB295 million in 2019. The increase in loss for the year was mainly attributable to the combined effect of the followings:

1. the grid connected capacity decreased from 5.6GW as at 31 December 2019 to 4.8GW as at 31 December 2020, representing a decrease of approximately 14% in our business scale. Our electricity sales volume and revenue of the Group decreased proportionally by 14% and 18%, respectively. The drop in our business scale led to a decrease in gross profit by RMB822 million, from RMB3,954 million in the Previous Reporting Period to RMB3,131 million in the current period. The gross profit margin was 63.5% for the year ended 31 December 2020, as compared to 65.3% for the year ended 31 December 2019;

2. the decrease in administrative expenses by 25%, from RMB695 million to RMB522 million, mainly due to reduction in our business scale and costs cutting measures of the Group;

3. an increase in exchange gain of RMB401 million, mainly caused by the depreciation of USD denominated indebtedness against RMB;

4. a loss on disposal of subsidiaries of RMB218 million for the year ended 31 December 2020, as compared to gain on disposal of property, plant and equipment, subsidiaries and joint ventures of RMB105 million for the year ended 31 December 2019; and

5. impairment loss on expected credit loss model RMB321 million, impairment of property, plant and equipment and loss on measurement of assets classified as held for sale to fair value less cost to sell of approximately RMB1,346 million (2019: Nil).

BUSINESS REVIEW

Capacity and Electricity Generation

As at 31 December 2020, the aggregate installed capacity of grid-connected solar power plants of the Group, including subsidiaries, joint ventures and associates, was 6,636MW (31 December 2019: 7,145MW). Details of capacity, electricity sales volume and revenue for the year ended 31 December 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	9	358	359	570	0.76	431
Qinghai	1	3	107	107	151	0.82	124
Xinjiang	1	—	—	—	68	0.73	50
Ningxia	1	3	113	113	258	0.66	170
		15	**578**	**579**	**1,047**	**0.74**	**775**
Qinghai	2	6	179	179	237	0.66	156
Xinjiang	2	2	51	47	62	0.74	46
Shaanxi	2	17	1,017	1,017	1,468	0.69	1,014
Yunnan	2	8	282	279	390	0.62	243
Jilin	2	4	51	51	77	0.75	58
Sichuan	2	2	85	85	120	0.74	89
Liaoning	2	3	60	47	86	0.59	51
Gansu	2	2	40	39	47	0.72	34
		44	**1,765**	**1,744**	**2,487**	**0.68**	**1,691**
Jiangsu	3	36	449	433	567	0.85	481
Jiangxi	3	3	101	101	172	0.96	164
Shaanxi	3	1	6	6	5	0.66	3
Hebei	3	1	30	21	29	0.45	13
Hubei	3	4	183	165	176	0.80	141
Hainan	3	2	55	55	100	0.84	83
Zhejiang	3	2	63	61	56	1.02	57
Shandong	3	6	181	169	209	0.82	171
Anhui	3	7	260	257	446	0.82	367
Henan	3	13	527	515	719	0.75	536
Guizhou	3	5	235	234	231	0.81	187
Guangdong	3	9	232	147	175	0.75	131
Hunan	3	5	102	101	89	0.84	75
Guangxi	3	—	—	—	167	0.78	131
Fujian	3	3	56	56	58	0.82	48
Shanghai	3	1	7	7	7	0.98	7
		98	**2,487**	**2,328**	**3,206**	**0.81**	**2,595**
Subtotal		**157**	**4,830**	**4,651**	**6,740**	**0.75**	**5,061**
US		2	134	134	201	0.43	86
Total of Subsidiaries		**159**	**4,964**	**4,785**	**6,941**	**0.74**	**5,147**
Associates[2]							
PRC		29	1,672	1,654	1,821	0.77	1,410
Total		**188**	**6,636**	**6,439**	**8,762**	**0.75**	**6,557**

	Revenue *(RMB million)*
Electricity sales	2,030
Tariff adjustment — government subsidies received and receivable	3,117
Total of subsidiaries	5,147
Less: effect of discounting tariff adjustment to present value(3)	(212)
Total revenue of the Group	**4,935**

(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 associates was accounted for under "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 1.99% to 2.36% 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 year ended 31 December 2020, the revenue of the Group comprised sales of electricity and related tariff adjustment (i.e. government subsidies) amounting to approximately RMB4,935 million (2019: RMB6,052 million), net of effect of discounting the tariff adjustment to its present value of approximately RMB212 million (2019: RMB151 million). The decrease in revenue was mainly attributable to the disposal of solar power plants during 2020. The grid connected capacity decreased from 5.6GW as at 31 December 2019 to 4.8GW as at 31 December 2020. The average tariff (net of tax) for the PRC was approximately RMB0.75/kWh (2019: RMB0.78/kWh).

In terms of revenue generated by tariff zone from the PRC for the year ended 31 December 2020, approximately 15%, 34% and 51% of revenue were generated from zone 1, zone 2 and zone 3 respectively (2019: 15%, 31% and 54%, respectively). In line with our prevailing strategy, the Group is more focused 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 profit margin for the year ended 31 December 2020 was 63.5%, as compared to 65.3% for the year ended 31 December 2019. The cost of sales mainly consisted of depreciation, which accounted for 78.7% (2019: 80.6%) of the cost of sales, with the remaining costs being operation and maintenance costs of solar power plants.

Other Income

During the year ended 31 December 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 RMB77 million (2019: RMB118 million), management services income for managing and operating solar power plants of RMB65 million (2019: RMB69 million) and bank interest income of RMB20 million (2019: RMB22 million).

Other gains and losses, net/Impairment on expected credit loss, net

During the year ended 31 December 2020, the net loss amounted to RMB1,220 million (2019: RMB49 million). The net loss for 2020 was mainly due to impairment of property, plant and equipment of RMB1,138 million (2019: RMB57 million), loss on measurement of assets classified as held to sale to fair value less cost to sell of RMB208 million (2019: Nil), loss on disposal of solar power plant projects of RMB218 million (2019: gain on disposal of property, plant and equipment, solar power plant projects and joint ventures of RMB105 million), and exchange gain of RMB307 million (2019: exchange losses of RMB94 million), mainly arising from the depreciation of USD denominated indebtedness against the reporting currency in RMB. Impairment loss on expected credit loss model amounted to RMB321 million (2019: Nil) which reflects changes in credit risk during 2020.

Administrative Expenses

The administrative expenses mainly included staff costs, rental expenses and legal and professional fees. Administrative expenses decreased by 25% to RMB522 million for the year ended 31 December 2020 (2019: RMB695 million). The decrease in administrative expenses was mainly due to drop in our business scale and other cost cutting measures.

Bargain purchase from business combinations

During the year ended 31 December 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 year ended 31 December 2020.

Share of profits of associates

For the year ended 31 December 2020, share of profits of associates amounted to RMB102 million (2019: RMB49 million), mainly representing the share of profits from several partly-held solar power plants. During 2019 and 2020, the Group disposed of the controlling equity interest of these solar power plants.

Finance Costs

	For the years ended	
	31 December 2020	31 December 2019
	RMB million	*RMB million*
Total borrowing costs	**2,463**	2,923
Less: Interest expenses capitalized	**(13)**	(41)
	2,450	2,882

For the year ended 31 December 2020, total borrowing costs decrease by 16% as compared with same period of last year. The decrease was mainly due to decrease in average borrowing balance as a result of disposal of solar power plants. Interest-bearing debts has decreased from RMB37,401 million as at 31 December 2019 to RMB30,930 million as at 31 December 2020. There was a decrease in the average borrowing interest rate from approximately 7.4% in 2019 to approximately 7.2% in 2020.

Income Tax Expenses

Income tax expenses for the year ended 31 December 2020 was RMB156 million (2019: RMB178 million). There is a decrease in income tax expenses mainly because the disposal of solar power plants during 2020. 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.

Loss/profit attributable to other non-controlling interests

Loss attributable to other non-controlling interests amounted to RMB16 million for the year ended 31 December 2020 (2019: profit of RMB148 million).

Earnings before interest expense, tax, depreciation and amortization

	For the years ended	
	31 December 2020	31 December 2019
	RMB million	*RMB million*
Adjusted EBITDA margin		
(Loss)/profit for the year	**(1,218)**	605
Add: Finance costs	**2,450**	2,882
Income tax expenses	**156**	178
Depreciation and amortization	**1,459**	1,734
	2,847	5,399
Add/(less): Non-operating items		
Exchange (gains) losses, net	**(307)**	94
Impairment losses on properties, plants and equipment	**1,138**	57
Impairment loss on expected credit loss model, net of reversal	**321**	—
Gain on disposal of properties, plants and equipment	**—**	(43)
Loss on measurement of assets classified as held for sale to fair value less cost to sell	**208**	—
Loss (gain) on disposal of subsidiaries with solar power plant projects	**218**	(27)
Gain on early termination of lease	**(24)**	(7)
Fair value change on other investment	**(13)**	—
Gain on disposal of joint ventures	**—**	(35)
Bargain purchase from business combination	**—**	(74)
Adjusted EBITDA	**4,388**	5,364
Adjusted EBITDA margin	**88.9%**	88.6%

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

Property, Plant and Equipment

Property, plant and equipment was RMB25,363 million as at 31 December 2020 and RMB35,400 million as at 31 December 2019. The decrease was mainly due to the disposal of solar power plants in 2020.

Other Non-current Assets

As at 31 December 2020, other non-current assets was RMB1,061 million (31 December 2019: RMB1,773 million), which mainly included approximately RMB981 million (31 December 2019: RMB1,716 million) of refundable value-added tax. The decrease was mainly due to the disposal of solar power plants in 2020.

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 RMB1,228 million as at 31 December 2020, as some solar power plants entered into the project list of subsidy for renewable energy power plants (the "Subsidy List") (also known as the eighth batch of Subsidy Catalogue) in 2020.

Trade and Other Receivables

As at 31 December 2020, trade and other receivables of RMB8,962 million (31 December 2019: RMB4,959 million) mainly included trade and bills receivables of RMB7,221 million (31 December 2019: RMB3,050 million), refundable value-added tax of RMB498 million (31 December 2019: RMB741 million) and consideration receivables from disposal of subsidiaries of RMB372 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 31 December 2020** *(MW)*	**31 December 2020** ***RMB million***	31 December 2019 *RMB million*
Trade receivables				
— Current	Poverty alleviation project	**121**	**4**	155
— Current	7th batch or before	**934**	**1,350**	2,441
— Current	Subsidy list in 2020 (a.k.a the 8th batch)*	**2,539**	**5,458**	—
Sub-total		**3,594**	**6,812**	2,596
Contract assets				
— Non-current	To be registered	**1,236**	**1,228**	5,640
Total		**4,830**	**8,040**	8,236

Other Payables and Deferred Income

Other payables and deferred income decreased from RMB5,968 million as at 31 December 2019 to RMB4,688 million as at 31 December 2020. Other payables and deferred income mainly consisted of payables for purchase of plant and machinery and construction of RMB3,194 million (31 December 2019: RMB4,540 million).

Liquidity and Financial Resources

The Group adopts a prudent treasury management policy to maintain sufficient working capital to cope with daily operations. 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 31 December 2020, bank balances and cash of the Group were approximately RMB1,191 million, including bank balances and cash of RMB48 million, for projects classified as held for sale (2019: RMB1,073 million). For the year ended 31 December 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 RMB9,230 million as at 31 December 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 2 to the consolidated financial statements.

As at 31 December 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 RMB30,930 million. The amounts included bank and other borrowings, loans from related companies and lease liabilities classified as liabilities directly associated with assets classified as held for sales of RMB1,713 million, RMB3 million and RMB52 million, respectively. For the remaining balance of approximately RMB29,162 million, RMB16,531 million will be due in the coming twelve months from the end of the reporting period, including bank and other borrowings of approximately RMB4,541 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 triggering of the cross default clauses in several banks of the Group given the Group's involvement in several litigation cases in the People's Republic of China (the "PRC") either as a defendant or a guarantor, the default of repayment of certain of the Group's bank and other borrowings and the default of repayment of a bank borrowing by GCL-Poly, the guarantor of the Group's certain bank borrowings. Accordingly, these bank and other borrowings became repayable on demand as at 31 December 2020.

The financial resources available to the Group as at 31 December 2020 and up to the date of approval of these consolidated financial statements for issuance may not be sufficient to satisfy the above capital expenditure requirements together with the repayment of borrowings. The Group is undergoing the process of negotiations with respective borrowers for extension or renewal of the defaulted bank and other borrowings and as of the date of these consolidated financial statements, the Group has not received any request from any borrowers to accelerate the repayments of bank and other borrowings. The Group is actively pursuing additional financing including, but not limited to, equity financing from issuance of new shares, extension of payment date for bank and other borrowings that are due for maturity and divesting certain of its existing power plant projects in exchange for cash proceeds.

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 31 December 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 31 December 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.

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 31 December 2020 and 31 December 2019 were calculated as follows:

	31 December 2020 *RMB million*	31 December 2019 *RMB million*
Non-current indebtedness		
Loans from related companies	**120**	918
Bank and other borrowings	**11,612**	19,410
Bonds and senior notes	**—**	3,471
Lease liabilities	**899**	1,095
	12,631	24,894
Current indebtedness		
Loans from related companies	**789**	646
Bank and other borrowings	**12,392**	11,523
Bonds	**3,261**	272
Lease liabilities	**89**	66
	16,531	12,507
Indebtedness for solar power plants projects classified as held for sale		
Loan from a related company — due within one year	**3**	—
Bank and other borrowings — due within one year	**198**	—
Bank and other borrowings — due after one year	**1,515**	—
Lease liabilities	**52**	—
	1,768	—
Total indebtedness	**30,930**	37,401
Less: Cash and cash equivalents		
— continuing operations	**(1,143)**	(1,073)
— projects classified as held for sale	**(48)**	—
Pledged bank and other deposits		
— continuing operations	**(744)**	(1,701)
— projects classified as held for sale	**(44)**	—
Pledged deposits at a related company		
— continuing operations	**—**	(8)
— projects classified as held for sale	**—**	—
Net debts	**28,951**	34,619
Total equity	**8,537**	9,970
Net debts to total equity	**339%**	347%
Total liabilities	**36,499**	44,446
Total assets	**45,036**	54,416
Total liabilities to total assets	**81.0%**	81.7%

In February 2021, the Group obtained a net proceed of HK$895 million through placing of its shares. If the net proceed of HK$895 million is added to the bank balances and the equity of the Group as at 31 December 2020, the "net debts to total equity ratio" and "the total liabilities to total assets ratio" could have been lowered to 297% and 79.5%, respectively. Although the Group has no committed borrowing facilities (2019: RMB824 million) as at 31 December 2020, the placing and subscription of shares enhanced the liquidity position of the Group.

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

	31 December 2020	31 December 2019
	RMB million	*RMB million*
Renminbi ("RMB")	**26,054**	31,922
Hong Kong dollars ("HK$")	**181**	197
United States dollars ("US$")	**4,695**	5,282
	30,930	37,401

Fund raising activities

The Company has no fund raising activities during the year ended 31 December 2020.

Pledge of Assets

As at 31 December 2020, the following assets were pledged for bank and other facilities granted to the Group:

— property, plant and equipment of RMB14,938 million (31 December 2019: RMB21,027 million);

— bank and other deposits (including deposits for projects classified as held for sale and deposits placed at a related company) of RMB788 million (31 December 2019: RMB1,709 million);

— rights to collect the sales of electricity for certain subsidiaries. As at 31 December 2020, the trade receivables and contract assets of those subsidiaries amounted to RMB7,823 million (31 December 2019: RMB4,143 million); and

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

Besides, lease liabilities of RMB988 million (31 December 2019: RMB1,162 million) are recognized in respect of right-of-use assets amounting to RMB1,258 million (31 December 2019: RMB1,395 million) as at 31 December 2020 due to the adoption of IFRS 16 since 1 January 2019.

Financial Guarantees provided to related companies and third parties

As at 31 December 2020, the Group provided guarantees to its associates for certain of their bank and other borrowings with a maximum amount of RMB3,050 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 RMB1,385 million (31 December 2019: RMB540 million) as at 31 December 2020.

Capital and Other Commitments

As at 31 December 2020, the Group's capital commitments in respect of construction commitments related to solar power plants contracted for but not provided amounted to approximately RMB135 million (2019: RMB377 million).

Material disposals

During 2020, the Group has entered into some share transfer agreements with certain third parties to dispose solar power plants. The disposals are summarised as below:

Agreements date in 2020	Name of buyers	Percentage of disposed equity interest	Capacity	Consideration	Disposal status
			(MW)	*(RMB million)*	
January	CNI (Nanjing) Energy Development Company Limited* (中核（南京）能源發展有限公司)	100%	40	77	Completed in 2020
January	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）) (collectively, the "Huaneng Funds") (i.e. Huaneng First Phase Disposals)	100%	294	851	Completed in 2020
June	China Development Bank New Energy Technology Co., Ltd.* (國開新能源科技有限公司)	75%	100	137	Completed in 2020
September	Huaneng Funds (i.e. Huaneng Second Phase Disposals)	100%	403	576	70MW completed in 2020
November	Xuzhou State Investment & Environmental Protection Energy Co., Ltd.* (徐州國投環保能源有限公司) ("Xuzhou First Phase Disposals")	67%-100%	174	276	130MW completed in 2020
November	Huaneng Funds (i.e. Huaneng Third Phase Disposals)	51%-100%	430	667	To be completed in 2021
November	Xuzhou State Investment & Environmental Protection Energy Co., Ltd.* (徐州國投環保能源有限公司) ("Xuzhou Second Phase Disposals")	50%-100%	217	313	To be completed in 2021
December	Beijing United Rongbang* (北京聯合榮邦新能源科技有限公司（京能）)	100%	50	211	To be completed in 2021
December	State Power Investment Corporation Guizhou Jinyuan Weining Energy Co., Ltd.* (國家電投集團貴州金元威寧能源股份有限公司)	68%-100%	185	291	To be completed in 2021
Total			**1,893**	**3,399**	

* *English name for identification purpose only*

Save as disclosed above, there were no other significant investments during the year ended 31 December 2020, or plans for material investments as at the date of this report, nor were there other material acquisitions and disposals of subsidiaries during the year ended 31 December 2020.

Events After the Reporting Period

(a) On 1 February 2021, the Group announced that the failure of repayment of the senior notes with principal amount of USD500 million (equivalent to RMB3,262 million) constitutes the event of default under the terms of indenture.

On 9 February 2021, the Company announced that holders of the senior notes of approximately USD459 million, which representing 91.85% of the outstanding aggregate principal amount of the senior notes, had validly submitted their respective executed accession deeds for exchanging the senior notes for new notes with an extended maturity and terms as stipulated in the restated restructuring support agreement ("RSA"). Under the RSA, 5% of the original principal amount of USD25 million (the "Upfront Consideration") will be repaid to the holders of the senior notes upon the date of approval of the RSA. The original principal amount and all accrued and unpaid interest on the senior notes less the Upfront Consideration will be settled through issuance of new senior notes, which are interest bearing at 10% p. a. and the whole principal will be matured on 30 January 2024. The Group has commenced the application of passing the RSA under the Court of the Bermuda. The Group expects to submit all relevant documents to the Court of the Bermuda in April 2021 and targets to execute the RSA by June 2021. RSA will be mandatorily effective to those holders who are against the RSA upon the RSA has been passed in the Court of the Bermuda.

(b) On 10 February 2021, the Group announced that a placing agreement has been entered into among the Elite Time Global Limited, a wholly-owned subsidiary of GCL-Poly, the Company and the placing agents under which up to a total of 2,000 million of new shares of the Company to be issued (the "Transaction"). The Transaction has been completed on 17 and 19 February 2021 and net proceed of the Transaction, after taking into account all related costs, fees, expenses and commission of the Transaction, is approximately HK$895 million (equivalent to RMB753 million).

(c) On 22 November 2020, the Group entered in a series of five share transfer agreements with Xuzhou State Investment to sell its equity interests in five subsidiaries at consideration in aggregate of RMB312,700,000 and repayment of corresponding interest in shareholder's loan as at the date of disposal. All five share transfer agreements have been approved in the special general meeting on 15 January 2021 and disposals of one subsidiary have been completed as of the date of these consolidated financial statements. The Group and Xuzhou State Investment mutually agreed to reduce the consideration from RMB312,700,000 to RMB307,870,000 during the current year. The Directors are still assessing the financial impact of the disposals.

(d) On 19 November 2020, the Group entered in a series of fourteen share transfer agreements with Hua Neng No.1 Fund and Hua Neng No.2 Fund to sell its equity interests in fourteen subsidiaries at consideration in aggregate of RMB666,654,000 and repayment of corresponding interest in shareholder's loan as at the date of disposal. All fourteen share transfer agreements have been approved in the special general meeting on 10 February 2021 and disposals of four subsidiaries have been completed as of the date of these consolidated financial statements. The Group and Hua Neng No.1 Fund and Hua Neng No.2 Fund mutually agreed to reduce the consideration from RMB666,654,000 to RMB644,399,000 during the current year. The Directors are still assessing the financial impact of the disposals.

(e) Subsequent to the end of the reporting period, the disposals of Hubei Macheng and Ningxia Zhongwei with the consideration in aggregate of RMB194,648,000 have been completed.

(f) Subsequent to the end of the reporting period, the disposals of Hefei Jiannan and Hefei Jiuyang with the consideration in aggregate of RMB105,567,000 have been completed.

(g) Subsequent to the end of the reporting period, the disposals of Shenmu Guotai has been completed.

(h) Subsequent to the end of the reporting period, the Group entered in a share transfer agreement with Beijing United Rongbang to sell its equity interests in Wulate Houqi Yuanhai at consideration in aggregate of RMB52,550,000 and repayment of corresponding interest in shareholder's loan as at the date of disposal. The disposal of Wulate Houqi Yuanhai has not yet been completed as of the date of these consolidated financial statements.

(i) Subsequent to the end of the reporting period, 140,994,462 share options (the "Existing Share Options") have been cancelled after obtaining the consent of the grantees of the Existing Share Options.

On 26 February 2021, the Company has granted to certain eligible persons (the "New Grantees"), being certain employees of the Company and its subsidiaries, subject to acceptance by the New Grantees, a total of 381,318,750 share options (the "New Share Options") to subscribe for 381,318,750 ordinary shares of HK$\$0.0041\dot{6}$ each in the share capital of the Company (upon exercise in full and subject to adjustment in accordance with the New Share Option Scheme and Rule 17.03(13) of the Listing Rules) under the New Share Option Scheme, part of which shall be in exchange for the cancellation of the Existing Share Options. The Directors are still assessing the financial impact of the grant of the New Share Options.

(j) Subsequent to the end of the reporting period, the Group entered into several share transfer agreements with Three Gorges Asset Management to dispose of its equity interest in several subsidiaries at consideration in aggregate of RMB1,615 million and the repayment of corresponding interest in shareholder's loan. The subsidiaries operate solar power plant projects with in aggregate capacity of approximately 790MW in Henan and Shanxi, the PRC. The disposal is not completed on the date of this report.

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, solar power tariff may be lowered to the level of coal-fired power by near future and government subsidy for solar energy industry will finally be faded out. To minimise this risk, the Company will continue to increase the pace of 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 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 capital for new solar power project development, any interest rate changes will have an impact on the Company's capital expenditure and finance expenses, which in turn affect 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 of our 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 the exchange rate of 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 us into risks associated with the possibility that our joint venture partners having financial difficulties or having 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.

8. **Risk related to implement the debt restructuring plan**

The Existing Notes matured in January 2021. The Company proposed a debt restructuring plan and the necessary support from the holders of the Existing Notes were obtained to vote in favour of the restructuring. The Company expects to commence the process of implementing the restructuring plan on terms set forth in the amended and restated restructuring support agreement as soon as practicable.

If the restructuring plan is not approved by the Bermuda Court or otherwise does not become effective, it is likely that we will be unable to repay the principal outstanding on the Existing Notes which has been matured. This would trigger an event of default under the Existing Notes and a cross default and/or mandatory prepayment under the Group's other indebtedness.

EMPLOYEE AND REMUNERATION POLICIES

We consider our employees to be our most important resource. As at 31 December 2020, the Group had approximately 1,122 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 also include discretionary bonuses and share options granted to eligible employees. Total staff costs (including Directors' emoluments, retirement benefits schemes contributions and share option expenses) for the year ended 31 December 2020 was approximately RMB268 million (31 December 2019: RMB397 million).

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares listed on the Stock Exchange during the Reporting Period.

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 Reporting Period, the Company complied with the code provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for code provision A.2.1:

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. As Mr. Zhu Yufeng, being the Chairman of the Board, has taken up the role of the President of the Company since 7 December 2020, such practice deviates from the code provision. The Board believes that vesting the roles of both the Chairman and the President in the same person can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance. In addition, under the supervision of the Board which is comprised of three executive Directors, three non-executive Directors and five independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient supervision to protect the interests of the Company and the Shareholders.

AUDIT COMMITTEE AND FINANCIAL INFORMATION

The financial information in this announcement does not constitute the Group's consolidated financial statements for the year, but represents an extract from those consolidated financial statements. The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, and the annual results of the Group for the Reporting Period in conjunction with the external auditor of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

AUDIT OPINION

The auditor of the Group has issued an opinion with a material uncertainty related to going concern paragraph on the consolidated financial statements of the Group for the period under audit. An extract of the auditor's report is set out in the section headed "EXTRACT OF THE AUDITOR'S REPORT" below.

EXTRACT OF THE AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS Standards") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

The Group incurred a net loss of approximately RMB1,218 million for the year ended 31 December 2020, and as of that date, the Group's current liabilities exceeded its current assets by approximately RMB9,230 million. In addition, as at 31 December 2020, the Group has entered into agreements which will involve capital commitments of approximately RMB135 million to construct solar power plants and financial guarantee provided to the associates and third parties for their bank and other borrowings. During the current year, the cross default clauses in several banks of the Group have been triggered as a result of (i) GCL-Poly Energy Holdings Limited ("GCL-Poly"), its parent company and being the guarantor of certain bank borrowings of the Group, defaulted the repayment of its bank borrowing, (ii) the Group defaulted repayment of certain of its bank and other borrowings, and (iii) the Group's involvement in several litigation cases either as a defendant or a guarantor relating to claims by relevant claimants exceeded the limit of litigation amounts stipulated in the financial covenants of certain bank borrowings; and accordingly resulted in a reclassification of long-term borrowings of approximately RMB4,541 million to current liabilities as at 31 December 2020 under the applicable accounting standard. Moreover, on 1 February 2021, the Group announced that the failure of repayment of the senior note with principal amount of USD500 million which constituted the event of default under the terms of indenture.

The Group is undertaking a number of financing plans and other measures 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 ongoing compliance with their borrowing covenants, and along with other matters, 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 FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.gclnewenergy.com) and HKExnews (www.hkexnews.hk). The 2020 Annual 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.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021, pending the release of the financial results for the year ended 31 December 2020 of the Company contained in this announcement. Application has been made to the Stock Exchange for the resumption of trading in shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 7 April 2021.

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, 1 April 2021

As at the date of this announcement, the Board comprises Mr. Zhu Yufeng (Chairman), Mr. Liu Genyu and Ms. Hu Xiaoyan as executive directors; Ms. Sun Wei, Mr. Yeung Man Chung, Charles and Mr. Fang Jiancai 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.