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國電科技環保集團股份有限公司

GUODIAN TECHNOLOGY & ENVIRONMENT GROUP CORPORATION LIMITED*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 01296)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

FINANCIAL HIGHLIGHTS

- For the year ended December 31, 2014, the Group's revenue was approximately RMB25,605.6 million, representing an increase of approximately 0.7% over that for the last year.

- For the year ended December 31, 2014, the Group's gross profit was approximately RMB4,278.2 million, representing an increase of approximately 12.8% over that for the last year.

- For the year ended December 31, 2014, the Group's operating profit was approximately RMB1,216.1 million, representing a decrease of approximately 36.8% over that for the last year.

- For the year ended December 31, 2014, loss attributable to equity shareholders of the Company was approximately RMB393.4 million, representing a decrease of approximately 170.6% as compared to a profit attributable to equity shareholders of the Company of approximately RMB557.1 million for the last year.

- The Board recommends not to distribute the final dividend for the year ended December 31, 2014.

* *For identification purpose only*

The board (the "**Board**") of directors (the "**Directors**") of Guodian Technology & Environment Group Corporation Limited (the "**Company**") announces herewith the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2014, together with comparative figures for the year ended December 31, 2013. The results were extracted from the Group's audited financial statements prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2014
(Expressed in Renminbi)

	Note	**2014**	2013
		RMB'000	*RMB'000*
Revenue	4	**25,605,613**	25,420,355
Cost of sales		**(21,327,430)**	(21,628,015)
Gross profit		**4,278,183**	3,792,340
Other revenue	5	**319,603**	395,471
Other net (losses)/income	5	**(27,625)**	134,456
Selling and distribution expenses		**(1,133,140)**	(765,790)
Administrative expenses		**(2,220,962)**	(1,631,453)
Profit from operations		**1,216,059**	1,925,024
Finance costs	6	**(1,178,236)**	(934,924)
Share of profits less losses of associates		**21,312**	(50,675)
Profit before taxation	7	**59,135**	939,425
Income tax	8	**(195,642)**	(80,143)
(Loss)/profit for the year		**(136,507)**	859,282

	Note	**2014**	2013
		RMB'000	*RMB'000*
Attributable to:			
Equity shareholders of the Company		**(393,374)**	557,095
Non-controlling interests		**256,867**	302,187
(Loss)/profit for the year		**(136,507)**	859,282
Basic and diluted (loss)/earnings per share *(RMB cents)*	9	**(6.5)**	9.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2014
(Expressed in Renminbi)

	2014	2013
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(136,507)**	859,282
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation of financial statements of operations outside the People's Republic of China (the "**PRC**")	**97**	(607)
— Available-for-sale securities: net movement in the fair value reserve	**—**	23,958
Other comprehensive income for the year	**97**	23,351
Total comprehensive income for the year	**(136,410)**	882,633
Attributable to:		
Equity shareholders of the Company	**(393,277)**	580,446
Non-controlling interests	**256,867**	302,187
Total comprehensive income for the year	**(136,410)**	882,633

CONSOLIDATED BALANCE SHEET

as at 31 December 2014

(Expressed in Renminbi)

	Note	**2014**	2013
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**11,808,852**	12,773,702
Investment properties		**357,109**	404,121
Lease prepayments		**899,309**	916,973
Intangible assets		**1,392,627**	1,310,418
Goodwill		**57,591**	57,591
Interests in associates		**386,867**	411,214
Other equity investments		**162,187**	162,187
Other non-current assets		**4,654,776**	4,607,239
Deferred tax assets		**451,557**	408,419
Total non-current assets		**20,170,875**	21,051,864
Current assets			
Inventories		**4,503,967**	3,964,868
Gross amounts due from customers for contract work		**3,486,111**	2,673,962
Trade and bills receivables	10	**21,671,373**	19,503,759
Deposits, prepayments and other receivables		**3,383,322**	2,674,484
Tax recoverable		**83,704**	63,356
Restricted deposits		**504,890**	383,222
Cash at bank and in hand		**3,124,807**	4,100,688
Assets held for sale		**—**	190,392
Total current assets		**36,758,174**	33,554,731

	Note	**2014**	2013
		RMB'000	*RMB'000*
Current liabilities			
Borrowings		**13,456,136**	13,277,217
Trade and bills payables	11	**18,165,570**	16,138,865
Other payables		**4,737,154**	3,289,696
Gross amounts due to customers for contract work		**1,273,039**	758,822
Income tax payable		**101,435**	130,305
Provision for warranty		**108,260**	107,653
Liabilities held for sale		**—**	115,029
Total current liabilities		**37,841,594**	33,817,587
Net current liabilities		**(1,083,420)**	(262,856)
Total assets less current liabilities		**19,087,455**	20,789,008
Non-current liabilities			
Borrowings		**5,086,734**	6,732,783
Deferred income		**503,131**	428,263
Deferred tax liabilities		**136,397**	120,292
Provision for warranty		**563,951**	515,114
Other non-current liabilities		**56,858**	110,314
Total non-current liabilities		**6,347,071**	7,906,766
NET ASSETS		**12,740,384**	12,882,242
CAPITAL AND RESERVES			
Share capital		**6,063,770**	6,063,770
Reserves		**3,180,135**	3,676,496
Total equity attributable to equity shareholders of the Company		**9,243,905**	9,740,266
Non-controlling interests		**3,496,479**	3,141,976
TOTAL EQUITY		**12,740,384**	12,882,242

NOTES

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as available-for-sale are stated at their fair value. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group.

— Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*

— Amendments to IAS 32, *Offsetting financial assets and financial liabilities*

— Amendments to IAS 39, *Novation of derivates and continuation of hedge accounting*

— IFRIC 21, *Levies*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in manufacturing and sale of ignition equipment, wind turbines, solar cells and modules and other related electric equipment for power plants, construction engineering of desulphurisation, water treatment, solar energy and other environmental protection and energy conservation projects, rental of desulphurisation facilities and provision of integrated services relating to environmental protection, energy conservation and renewable energy businesses.

Revenue represents the sales value of goods supplied to customers, net of VAT, revenues from construction contracts, rendering of services, service concession arrangement and rental income. The amount of each significant category of revenue recognised during the year is as follows:

	2014	2013
	RMB'000	*RMB'000*
Sales of goods *(note (i))*	**13,191,310**	12,009,862
Revenue from construction contracts	**9,961,554**	11,083,039
Rental income from operating leases *(note (ii))*	**1,804,696**	1,648,069
Rendering of services	**237,072**	182,342
Service concession arrangement revenue	**410,981**	497,043
	25,605,613	25,420,355

Notes:

(i) Revenue from sale of goods amounting to RMB417,770,000 (2013: RMB555,315,000) is sale of wind turbines to contractors who are engaged to construct wind farms for China Guodian Corporation ("**Guodian**") and related parties under Guodian.

(ii) The amount mainly represents income related to service arrangements entered into by the Group with power plants to operate the desulphurisation and denitrification facilities for the treatment of sulphur dioxide and nitrogen oxide generated by power plants during their electricity generation. The Group acquires or constructs the facilities and then maintains and operates the facilities to provide pollutant treatment services to power plants during the useful lives of power plants. The service charge is based on the volume of electricity sold by the power plant and a tariff determined by the National Development and Reform Commission of the PRC. These arrangements are not in the legal form of leases, but are deemed as operating leases based on their terms and conditions.

(b) Segment reporting

The Group manages its businesses by subsidiaries, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments.

— Environmental protection segment: this segment provides environmental protection products and services which mainly consists of sulphur oxide control technologies, nitrogen oxide control technologies, rental of desulphurisation and denitrification facilities, ash removal with filer bag, water treatment related technologies and products.

— Energy conservation solutions segment: this segment provides energy saving products and services which mainly consists of plasma ignition and micro-oil ignition equipment and gas turbine improvement services and construction of energy-efficient power plants.

— Wind power products and services segment: this segment produces and sells wind turbine and its components, provides related system solutions and services to wind power operators.

— Solar power products and services segment: this segment produces and sells solar cells, solar modules and other solar products, constructs solar power stations and provides related system solutions and services to solar power operators.

The Group combined other business activities that are not reportable in "All others". Revenue included in this category is mainly from the wind and solar power generation and sale of other electric power control system related products.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all assets with the exception of interests in associates, other equity investments, tax recoverable, deferred tax assets and other corporate assets. Segment liabilities include all liabilities with the exception of income tax payable, deferred tax liabilities and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments.

The measure used for reporting segment profit is the gross profit. In addition to receiving segment information concerning the gross profit, management is also provided with segment information concerning depreciation and amortisation, interest income, finance costs, impairment of assets, inventory write-down and additions to segment non-current assets.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2014 and 2013 is set out below:

	2014					
	Environmental protection *RMB'000*	Energy conservation solutions *RMB'000*	Wind power products and services *RMB'000*	Solar power products and services *RMB'000*	All others *RMB'000*	Total *RMB'000*
Revenue from external customers	9,134,665	3,689,308	9,453,987	2,919,416	408,237	25,605,613
Inter-segment revenue	73,126	11,793	9,325	13,252	42,079	149,575
Reportable segment revenue	9,207,791	3,701,101	9,463,312	2,932,668	450,316	25,755,188
Reportable segment profit (gross profit)	1,615,254	382,443	1,910,464	191,559	190,420	4,290,140
Depreciation and amortisation	484,624	24,391	202,611	321,034	73,932	1,106,592
Impairment of property, plant and equipment	—	—	—	524,866	—	524,866
Impairment/(reversal of impairment) of trade and other receivables	55,414	13,068	26,140	(1,229)	6,720	100,113
Inventory write-down	—	—	6,000	23,181	—	29,181
Interest income	61,053	50,180	10,394	7,358	5,550	134,535
Finance costs	395,310	10,161	395,419	344,060	5,655	1,150,605
Reportable segment assets	19,202,025	4,613,692	19,076,991	9,649,508	2,382,734	54,924,950
Additions to reportable segment non-current assets during the year	501,772	46,082	168,394	23,265	26,751	766,264
Reportable segment liabilities	14,636,517	2,640,807	16,429,907	9,482,561	735,647	43,925,439

	2013					
	Environmental protection *RMB'000*	Energy conservation solutions *RMB'000*	Wind power products and services *RMB'000*	Solar power products and services *RMB'000*	All others *RMB'000*	Total *RMB'000*
Revenue from external customers	10,082,455	1,044,454	6,916,438	7,173,462	203,546	25,420,355
Inter-segment revenue	88,203	—	7,706	130,000	33,428	259,337
Reportable segment revenue	10,170,658	1,044,454	6,924,144	7,303,462	236,974	25,679,692
Reportable segment profit (gross profit)	1,600,988	209,959	1,426,477	386,353	160,824	3,784,601
Depreciation and amortisation	438,073	19,803	187,180	281,843	61,027	987,926
(Reversal of impairment)/ impairment of trade and other receivables	(4,756)	(3,354)	—	35,719	20,790	48,399
Inventory write-down	—	—	—	57,155	—	57,155
Interest income	44,049	39,044	4,487	6,813	1,894	96,287
Finance costs	257,818	2,378	354,479	287,266	8,424	910,365
Reportable segment assets	18,204,746	3,263,765	17,604,507	11,293,857	1,960,214	52,327,089
Additions to reportable segment non-current assets during the year	697,480	94,522	183,227	63,611	153,507	1,192,347
Reportable segment liabilities	14,028,266	1,101,104	14,867,941	9,315,961	1,231,626	40,544,898

(ii) Reconciliations of reportable segment revenues, profit, assets and liabilities

	2014	2013
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**25,755,188**	25,679,692
Elimination of inter-segment revenue	**(149,575)**	(259,337)
Consolidated revenue	**25,605,613**	25,420,355

	2014	2013
	RMB'000	*RMB'000*
Profit		
Reportable segment profit	**4,290,140**	3,784,601
Elimination of inter-segment (profit)/loss	**(11,957)**	7,739
Reportable segment profit derived from Group's external customers	**4,278,183**	3,792,340
Other revenue	**319,603**	395,471
Other net (losses)/income	**(27,625)**	134,456
Selling and distribution expenses	**(1,133,140)**	(765,790)
Administrative expenses	**(2,220,962)**	(1,631,453)
Finance costs	**(1,178,236)**	(934,924)
Share of profits less losses of associates	**21,312**	(50,675)
Consolidated profit before taxation	**59,135**	939,425

	2014	2013
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**54,924,950**	52,327,089
Inter-segment elimination	**(597,605)**	(492,747)
	54,327,345	51,834,342
Interests in associates	**386,867**	411,214
Other equity investments	**162,187**	162,187
Tax recoverable	**83,704**	63,356
Deferred tax assets	**451,557**	408,419
Unallocated head office and corporate assets	**1,517,389**	1,727,077
Consolidated total assets	**56,929,049**	54,606,595

	2014	2013
	RMB'000	*RMB'000*
Liabilities		
Reportable segment liabilities	**43,925,439**	40,544,898
Inter-segment elimination	**(581,488)**	(511,589)
	43,343,951	40,033,309
Income tax payable	**101,435**	130,305
Deferred tax liabilities	**136,397**	120,292
Unallocated head office and corporate liabilities	**606,882**	1,440,447
Consolidated total liabilities	**44,188,665**	41,724,353

(iii) Geographical information

The Group did not have significant business operations outside the PRC, therefore no geographic segment information is presented.

(iv) Major customers

Revenues from Guodian and related parties under Guodian amounted to RMB12,452,649,000 (2013: RMB11,979,795,000).

5 OTHER REVENUE AND OTHER NET (LOSSES)/INCOME

	2014	2013
	RMB'000	*RMB'000*
Other revenue		
Government grants	**115,987**	229,426
Interest income	**136,963**	98,668
Dividend income from unquoted equity investments	**20,233**	17,802
Others	**46,420**	49,575
	319,603	395,471

	2014	2013
	RMB'000	*RMB'000*
Other net (losses)/income		
Net gain on sales of raw materials	**48,088**	54,867
Net gain on disposal of subsidiaries	**10,102**	29,637
Net gain on acquisition of control over an associate	**19,397**	16,220
Net loss on disposal of property, plant and equipment *(note (i))*	**(99,083)**	(26,969)
Available-for-sale securities reclassified from equity on disposal	**—**	51,984
Net foreign exchange loss	**(9,428)**	(3,892)
Others	**3,299**	12,609
	(27,625)	134,456

Note:

(i) The amount for the year ended 31 December 2014 includes a net loss of RMB95,599,000 for the disposal of certain components installed in the Group's desulphurisation facilities as required by the relevant environmental protection authority.

6 FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interest on bank and other borrowings wholly repayable within five years	**1,092,476**	967,253
Interest on bank and other borrowings repayable after five years	**136,411**	139,842
	1,228,887	1,107,095
Less: interest expenses capitalised into property, plant and equipment, and construction contracts	**(50,651)**	(172,171)
	1,178,236	934,924

The borrowing costs have been capitalised at a rate of 5.71% per annum (2013: 5.57%).

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Staff costs#

	2014	2013
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**1,111,033**	1,057,140
Contributions to defined contribution retirement plan *(note (i))*	**107,561**	102,373
	1,218,594	1,159,513

Note:

(i) Pursuant to the relevant labour rules and regulations in the PRC, the Company and its PRC Subsidiaries participated in defined contribution retirement schemes (the "**PRC Schemes**") organised by the relevant local government authorities for its employees. The Group is required to make contributions to the PRC Schemes at 17% to 20% of basic salaries of the employees. The local government authorities are responsible for the entire pension obligations payable to retired employees. In addition, certain subsidiaries and its staff participate in a retirement plan managed by Guodian on a voluntary basis to supplement the above-mentioned schemes and the Group is required to make contributions at 5% to 10% of total salaries of the employees. The Group has no other material obligation to make payments in respect of pension benefits associated with these schemes and supplementary retirement plan other than the annual contributions described above.

(b) Other items

	2014	2013
	RMB'000	*RMB'000*
Amortisation#		
— lease prepayments	**19,283**	19,878
— intangible assets	**70,219**	57,785
Depreciation#		
— investment properties	**10,060**	10,571
— property, plant and equipment	**1,030,500**	923,220
Impairment losses		
— trade and other receivables	**100,113**	48,399
— property, plant and equipment	**524,866**	—
Auditors' remuneration		
— annual audit services	**13,785**	13,485
— interim review service	**4,560**	4,560
Operating lease charges#		
— hire of plant and equipment	**25,103**	14,652
— hire of properties	**25,525**	29,623
Research and development costs	**259,005**	205,295
Provision for warranty	**222,238**	157,730
Rental receivable from investment properties	**(35,636)**	(35,608)
Direct outgoings of investment properties	**8,418**	5,348
Cost of inventories#	**10,534,736**	9,757,928

Cost of inventories includes staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 7(a) for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2014 *RMB'000*	2013 *RMB'000*
Current tax		
Provision for the year	**223,492**	227,964
Over-provision in respect of prior years	**(5,901)**	(3,359)
	217,591	224,605
Deferred tax		
Origination and reversal of temporary differences	**(21,949)**	(144,462)
	195,642	80,143

The charge for PRC enterprise income tax for the Group's subsidiaries established in the PRC is calculated at the statutory rate of 25% (2013: 25%) on the estimated assessable profit of the period determined in accordance with relevant enterprise income tax rules and regulations, except for certain subsidiaries of the Group, which are tax exempted or taxed at a preferential rate of 12.5% or 15% (2013: 12.5% or 15%) and a subsidiary of the Group which is a small-scale enterprise and is subject to enterprise income tax at 20% (2013: 20%).

A subsidiary of the Group is subject to Hong Kong Profits Tax at 16.5% (2013: 16.5%). Taxation for other overseas subsidiaries is charged at the appropriate rate of taxation ruling in the relevant jurisdiction.

(b) Reconciliations between tax expense and accounting profit at applicable tax rates:

	2014	2013
	RMB'000	*RMB'000*
Profit before taxation	**59,135**	939,425
Notional tax on profit before taxation at PRC statutory tax rate	**14,784**	234,856
Effect on non-deductible expenses	**12,382**	17,033
Effect of non-taxable income	**(22,512)**	(16,284)
Effect of research and development bonus deductions	**(42,904)**	(9,454)
Effect of share of profits less losses of associates	**(5,328)**	12,669
Effect of PRC tax concessions	**(34,979)**	(156,434)
Tax effect of unused tax losses and temporary differences not recognised	**312,434**	21,237
Tax effect of unused tax losses and temporary differences not recognised in previous year but utilised or recognised in current year	**(32,242)**	(25,414)
Over-provision in respect of prior years	**(5,901)**	(3,359)
Others	**(92)**	5,293
Actual tax expense	**195,642**	80,143

9 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB393,374,000 (2013: profit attributable to ordinary equity shareholders of RMB557,095,000) and the weighted average of 6,063,770,000 ordinary shares (2013: 6,063,770,000 ordinary shares) in issue during the year.

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2014 and 2013.

10 TRADE AND BILLS RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables for contract work due from:		
— Guodian	**91,723**	168,953
— related parties under Guodian	**2,612,109**	2,829,027
— associates	**6,039**	69,036
— third parties	**5,055,557**	3,666,092
	7,765,428	6,733,108
Bills receivable for contract work due from:		
— related parties under Guodian	**1,287,553**	1,016,907
— third parties	**384,236**	168,391
	1,671,789	1,185,298

	2014	2013
	RMB'000	*RMB'000*
Trade receivables for operating leases due from:		
— related parties under Guodian	**370,193**	347,941
— third parties	**15,924**	238,832
	386,117	586,773
Trade receivables for sale of goods and rendering of services due from:		
— Guodian	**4,469**	3,186
— related parties under Guodian	**2,597,080**	1,053,122
— associates	**3,322**	2,246
— third parties	**7,976,821**	8,955,912
	10,581,692	10,014,466
Bills receivable for sale of goods and rendering of services due from:		
— related parties under Guodian	**495,283**	5,509
— associates	**31,199**	700
— third parties	**1,008,251**	1,160,863
	1,534,733	1,167,072
	21,939,759	19,686,717
Less: allowance for doubtful debts	**(268,386)**	(182,958)
	21,671,373	19,503,759

(a) Ageing analysis

As at 31 December 2014, the ageing analysis of trade and bills receivables, based on invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts of the Group is as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 1 year	**19,032,456**	18,318,199
Between 1 to 2 years	**2,270,952**	765,033
Between 2 to 3 years	**255,303**	322,316
Over 3 years	**112,662**	98,211
	21,671,373	19,503,759

Trade receivables are required to be settled in accordance with contracted terms and are generally due immediately without credit upon the issuance of invoice.

11 TRADE AND BILLS PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Bills payable to:		
— sub-contractors and equipment suppliers	**36,521**	103,369
— raw material suppliers	**4,604,905**	4,550,158
	4,641,426	4,653,527
Trade payables to:		
— sub-contractors and equipment suppliers:		
— related parties under Guodian	**83,946**	22,108
— associates	**5,571**	31,974
— third parties	**6,182,116**	4,643,211
	6,271,633	4,697,293
— raw material suppliers:		
— related parties under Guodian	**121,431**	121,570
— associates	**2,215**	570
— third parties	**7,128,865**	6,665,905
	7,252,511	6,788,045
	18,165,570	16,138,865

As at 31 December 2014 and 2013, all trade and bills payables of the Group are repayable on demand except for bills payable which are repayable within 6 months. All trade and bills payables are expected to be settled within one year.

12 DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2014	2013
	RMB'000	*RMB'000*
Final dividend proposed after the balance sheet date of RMB nil per ordinary share (2013: RMB0.017 per ordinary share)	**—**	103,084

The board of directors of the Company does not recommend the payment of a final dividend in respect of the year ended 31 December 2014. The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(ii) Dividends payable to equity shareholders of the Company attributable to previous financial years, approved during the year

	2014	2013
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.017 per share (2013: RMB0.02)	**103,084**	121,275

MANAGEMENT'S DISCUSSION AND ANALYSIS

Certain statistical data and other information relating to the PRC and the industries in which the Group operates contained in, for instance, the section entitled "Key Industry Developments" in this announcement, have been derived from various publicly available official publications. The Company believes that these sources are appropriate and has taken reasonable care in extracting and reproducing such information. The Company has no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information has not been independently verified by the Company or any other relevant party and the Company makes no representation as to the accuracy of the information contained in such sources, which may not be consistent with other information compiled within or outside the PRC. Accordingly, such information may not be accurate and should not be unduly relied upon for your investment in the Company.

This announcement contains certain forward-looking statements and information relating to the Group or the Company that are based on the management's belief and assumptions. The words "anticipate," "believe," "expect," "going forward" and similar expressions, as they relate to the Company, the Group or the Company's management, are intended to identify forward-looking statements. Such statements reflect the current views of the Company's management with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the Group's business, financial condition and results of operations may be adversely affected and may vary materially from those described herein as anticipated, believed or expected.

2014 INDUSTRY AND BUSINESS OVERVIEW

Key Industry Developments

In 2014, the PRC government continued to introduce new regulatory and policy initiatives applicable to the PRC power and power-related industries amid significant challenges to sustainable economic growth and environmental protection. These new initiatives primarily aim at encouraging diversification of energy structure in the PRC and reducing environmental pollution and promoting energy conservation. The PRC is expected to further intensify its efforts to develop clean energy. The scale of the investment in clean and renewable energy is thus expected to increase. By 2020, non-fossil energy is expected to account for about 15% of the primary energy, and power investment is expected to enter the "green investment" era, which may incentivize the development of new energy equipment manufacturing industry.

On the other hand, the competition in the market of environmental protection for coal-fired power plants was even more fierce. By the end of 2014, China Guodian Corporation's ("**Guodian Group**", the Company's controlling shareholder) installed capacity of desulfurization and denitrification units had reached approximately 99.8% and 93.7%, respectively. The Group's desulfurization and denitrification construction and reconstruction projects are expected to be gradually reduced since 2015 and the Group is expected to face more intensified market competition.

For the purpose of this announcement, the "**PRC**" refers to the People's Republic of China, excluding Taiwan, the Macau Special Administration Region of the PRC and the Hong Kong Special Administration Region of the PRC.

Set forth below are the key regulations and policy initiatives issued by the PRC government and other relevant regulatory authorities that are expected to have a material effect on the Group's businesses, operations and financial condition:

In the national environment conference held in January 2014, the PRC Ministry of Environmental Protection set the emission reduction targets for year 2014: as compared to 2013, the emission of each of sulfur dioxide ("**SO_2**"), chemical oxygen demand ("**COD**") and ammonia nitrogen should be reduced by 2% and the emission of nitrogen oxides ("**NOx**") should be reduced by 5%; efforts should be made to increase the daily capacity of urban sewage treatment to 10 million tonnes, increase the capacity of sintering machine flue gas desulfurization to 15,000 m^2 and increase the coal-fired unit denitrification capacity to 130 million KW in 2014.

In the national energy conference held in January 2014, four tasks were proposed for year 2014, including developing the clean energy and promoting the development of green energy. The conference set the targets of, among others, increasing installed wind power capacity to 18 million KW and installed solar power capacity to 14 million KW, with a 60% contribution from distributed generation systems.

On January 20, 2014, the PRC National Energy Administration issued the *Guidance Opinions on Energy Related Work for Year 2014 (《2014年能源工作指導意見》) (the "**Guidance Opinions**")*. The Guidance Opinions require that the wind power industry be developed smoothly and set the target of installing wind power generators with an aggregate capacity of 18.0 million KW in 2014, an increase of 11.8% as compared to the total newly-installed wind power capacity of 16.1 million KW in 2013. In addition, the National Energy Administration has also released a plan for the fourth batch of wind power projects during the twelfth five-year period. The plan approves the proposed installation of wind power generators with an aggregated capacity of 27.6 million KW, which is much higher than the industry's expectations and implies the continuous rebound in the wind power industry. In addition, in the first meeting of a new session of the PRC National Energy Commission held in April 2014, Premier Li Keqiang required to strengthen the construction of wind power and solar power stations and the accompanying electricity transmission systems.

On March 28, 2014, the PRC National Development and Reform Commission (the "**NDRC**") and the PRC Ministry of Environmental Protection jointly issued the *Measures on Green Electricity Tariff and Supervision of the Operation of Environmental Protection Facilities for Coal-fired Generating Units (《燃煤發電機組環保電價及環保設施運行監管辦法》) (the "**Measures**")*. The Measures provide that coal-fired power stations should install desulfurization, denitrification and ash removal facilities according to relevant rules and regulations. The Measures further provide that the operation of environmental protection facilities should comply with the pollutants emission standards and should be assessed based on the average hourly emission concentration of each pollutant. If the average hourly emission concentration exceeds the emission limit but less than one time, the relevant green electricity tariff, which is the tariff for desulfurization, denitrification or ash removal of coal-fired power units, should be forfeited. If the average emission concentration exceeds the emission limit by more than one time, in addition to the forfeiture of the green electricity tariff, fines of an amount up to five times of the green electricity tariff for the period when the relevant emission limit is exceeded would be imposed.

On May 16, 2014, the PRC Ministry of Environmental Protection and the PRC General Administration of Quality Supervision, Inspection and Quarantine jointly released the new *Emission Standard of Air Pollutants for Boiler (《鍋爐大氣污染排放標準》) (the "**Standard**")*, which took effect on July 14, 2014. The Standard adds emission limits for nitric oxide, mercury and mercury compounds. The Standard further lowers the limit on concentration of SO_2 emitted by coal-fired plants in major areas, such as Beijing, Tianjin, Hebei, Inner Mongolia and Shandong, from 200mg/Nm^3 to 50mg/Nm^3 or less. The desulfurization facilities for coal-fired power plants in these areas require technical improvements, which are expected to result in increases in investment and operational costs, and may bring the Group risks related to the operation of its desulfurization concession projects.

On May 21, 2014, the NDRC released 80 projects to encourage social investment in infrastructure, 30 projects among which are large-scale applications of distributed photovoltaic power generation in demonstration areas.

On May 26, 2014, the PRC General Office of the State Council issued the *Action Plan for Energy Saving, Emission Reduction and Low Carbon Development 2014–2015 (《2014–2015年節能減排低碳發展行動方案》) (the "**Action Plan**")*. The Action Plan provides detailed targets for energy saving, emission reduction and carbon reduction and specifies the tasks of air pollutants emission reduction in 2014 to 2015. The Action Plan requires the acceleration of construction of energy saving, emission reduction and lowering carbon emission projects. The Action Plan further requires, among others, to upgrade denitrification facilities for coal-fired units with a total capacity of 300 million KW and to increase capacities for SO_2 and NOx emission reduction by 2.3 million tonnes and 2.6 million tonnes, respectively, by the end of 2015.

On June 5, 2014, the NDRC issued the *Notice on Offshore Wind Power Feed-in Tariff Policies (《關於海上風電上網電價政策的通知》) (the "**Feed-in Tariff Policies**")*, aiming at promoting the healthy development of the offshore wind power sector and encouraging the exploitation of high-quality resources. According to the Feed-in Tariff Policies, for non-tender wind power projects, feed-in tariffs are divided into tariffs for intertidal wind power and tariffs for offshore wind power. The tariff for offshore wind power generated by facilities put into operation by the end of 2017 is RMB0.85 per KWh (taxes included) and the tariff for intertidal wind power generated by facilities put into operation by the end of 2017 is RMB0.75 per KWh (taxes included). The Feed-in Tariff Policies further encourages to use market competition methods such as concession biddings to determine concessionaires and feed-in tariffs. For offshore wind power projects whose owners are determined through concession biddings, the feed-in tariff should be the winning bid price, which should not be higher than the feed-in tariffs of the same kind of wind power projects described above.

In September 2014, the NDRC, the National Energy Administration and the Ministry of Environmental Protection jointly issued *Action Plan of Coal Power Energy Saving Upgrade and Reconstruction (2014–2020) (《煤電節能減排升級改造行動計劃(2014–2020)》) (the "**Action Plan of Power Energy**")*. The Action Plan of Power Energy aims to promote the revolution of energy production and consumption and further raise the level of efficient and clean development of coal power. The Action Plan of Power Energy requires all new coal-fired units to be equipped with desulfurization, denitrification and ash removal devices and not to set bypass channel for smoke. Meanwhile, it requires the current coal-fired units to be updated in order to reach the air pollutants emission standards.

On September 25, 2014, the National Energy Administration issued the *Notice on Requirements of Regulating the Market of Wind Power Equipment (《關於規範風電設備市場秩序有關要求的通知》) (the "**Notice on the Wind Power Equipment**")* to regulate the market of wind power equipment. The Notice on the Wind Power Equipment requires enhancing certification testing to ensure the quality of wind power equipment, regulating the quality acceptance inspection of wind power equipment, establishing a fair, just and open bidding and procurement market and strengthening the disclosure and supervision of the wind power equipment market.

On October 8, 2014, in a State Council executive meeting, Premier Li Keqiang emphasized on conducting environmental protection price reform, and the need to "focus on people's urgent needs and the weak links that need to be strengthened sooner or later, and start a batch of important projects in water conservancy, environmental protection and information network within the year". In addition, the Ministry of Environmental Protection pointed out that compared to the target of the twelfth Five-Year Plan, the NOx emission reduction still lags behind. The new *Emission Standard of Air Pollutants for the Cement Industry (《水泥工業大氣污染物排放標準》) (the "**Standard of Air Pollutants**")* took effect on March 1, 2014 (or will be effective from July 1, 2015 for current cement enterprises). The Standard of Air Pollutants lowers the limit on cement kilns' NOx emission, from 800 mg/m^3 to 400 mg/m^3 in non-key regions and 320 mg/m^3 in key regions. Cement enterprises have started to prepare for NOx emission reduction projects, which will promote the denitrification industry.

On October 13, 2014, the National Energy Administration issued *Notice on Implementing the Policy on Implementing the New Distributed Photovoltaic Power (《進一步落實分布式光伏發電有關政策的通知》) (the "**Notice on Implementing the Policy**")*. The Notice on Implementing the Policy provides 15 measures to implement relevant policies concerning photovoltaic power generation, which require that all regions enhance the application and planning of distributed photovoltaic power generation, and to encourage various application of distributed photovoltaic power generation, and to strengthen the planning and coordination of the roof resource, to improve the standard and quality control of distributed photovoltaic power generation projects, to improve the development patterns of distributed photovoltaic power generation, to further innovate the construction of demonstration areas of distributed photovoltaic power generation and to enhance the construction of the matching power grid technology and management system.

In November 2014, the General Office of the State Council issued *Strategic Action Plan of Energy Development (2014–2020) (《能源發展戰略行動計劃(2014–2020年)》) (the "**Strategic Action Plan**")*. The Strategic Action Plan provides that the strategic policy of "economical, clean, safe" should be adhered to and the construction of clean, efficient, safe and sustainable modern energy system should be accelerated. The Strategic Action Plan proposes to develop clean energy actively, such as natural gas, nuclear power and renewable energy, reduce the coal consumption proportion and continuously optimize the energy structure. The Strategic Action Plan requires to develop wind power continuously. By 2020, the feed-in tariff of wind power and coal power are expected to be the same, with installation of WTGs (Wind Turbine Generator) in an aggregated capacity of 200 million KW. The Strategic Action Plan also requires to develop solar power. By 2020, the electricity price of photovoltaic power and power sold by the grid Company are expected to be the same, with installation of photovoltaic generators in an aggregated capacity of 100 million KW.

On December 8, 2014, the National Energy Administration issued *Notice on the Issue of National Offshore Wind Power Development and Construction Plan (2014–2016) (《關於印發全國海上風電開發建設方案(2014–2016)的通知》) (the "**Notice on Wind Power**")*, which enrolls 44 offshore wind power projects with an aggregated capacity of 10.53 million KW into the development and construction plan. The Notice on Wind Power is expected to promote the clean and healthy development of offshore wind power.

On December 24, 2014, the National Energy Administration issued three documents related to photovoltaic construction, which were *Notice on Construction of the Demonstration Areas Construction of Distributed Photovoltaic Power (《關於推進分布式光伏發電應用示範區建設的通知》)*, *Notice on the Planning and Formulation of Solar Power "13th Five-Year Plan" (《關於做好太陽能發展「十三五」規劃編制工作的通知》)*, *Notice on 2014 Grid Connection of Photovoltaic Power Project (《關於做好2014年光伏發電項目接網工作的通知》)*. The photovoltaic industry has been strongly supported by such government policies.

In early 2015, the NDRC issued the *Notice on Appropriate Adjustment of Benchmark Feed-in Tariff of Onshore Wind Power (《關於適當調整陸上風電標杆上網電價的通知》) (the "**Notice on Feed-in Tariff of Onshore Wind Power**")*, which decreased the benchmark feed-in tariff of wind power in class I, class II and class III resource areas by RMB0.02 per KWh, and the adjusted prices were RMB0.49, RMB0.52 and RMB0.56 per KWh, respectively. The benchmark feed-in tariff of wind power in class IV resources area remains RMB0.61 per KWh. The Notice on Feed-in Tariff of Onshore Wind Power applies to onshore wind power projects approved after January 1, 2015, or onshore wind power projects approved before January 1, 2015 but put into operation after January 1, 2016, and therefore stimulated demands for wind power products in 2015.

Key Business Developments

Year 2014 witnessed a series of challenges the Group faced, including, for example, the slowdown of the PRC economic growth, the glut of manufacturing capacities in the WTG and solar power industries, the reduction of investment in the coal-fired power industry, intensified competitions, the pressure from securing financing and the increase in operating costs. Notwithstanding these challenges, both the Group's revenue and its new contract value increased in 2014, which partially offset the negative impacts on the performance of the Group from the market.

Environmental Protection Business

In the SO_2 emission reduction business, the Group entered into new desulfurization engineering, procurement and construction ("**EPC**") contracts for an aggregate capacity of approximately 26,775.0 MW in 2014. As of December 31, 2014, for desulfurization EPC business, the newly installed capacity of the Group was 22,935.0 MW and the cumulative installed capacity of the Group was 149,435.0 MW. The cumulative installed capacity was 32,910.0 MW for the Group's desulfurization concession projects as of December 31, 2014. The Group conducted desulfurization concession business for six million KW power units in several cities in Jiangsu Province including Taizhou and Jianbi, with the goal to optimize its asset structure and further increase the overall profitability. The Group entered into a strategic cooperation agreement with a number of large-scale cement groups to build a comprehensive utilization platform of desulfurized gypsum. In 2014, the Group sold over 2,250.0 thousand tonnes of desulfurization gypsum, and generated sales revenue of approximately RMB56.5 million.

For the denitrification business, the Group entered into new EPC contracts for an aggregate capacity of approximately 13,930.0 MW. As of December 31, 2014, the newly installed capacity and the cumulative installed capacity for the Group's denitrification EPC business were approximately 27,173.0 MW and 62,123.0 MW, respectively; the Group's cumulative installed capacity for denitrification concession projects was approximately 5,100.0 MW. As of December 31, 2014, the Group's annual production capacity of denitrification catalysts kept on an optimal level with a capacity of approximately 24,000.0 m^3. In 2014, the Group also entered into new low-NOx combustion contracts with a cumulative contract value of more than RMB838.0 million and completed the low-NOx transformation for 51 units.

As of December 31, 2014, the Group's daily water treatment capacity was approximately 1.5 million tonnes, and the Group remained among the top 20 in China in terms of water treatment capacity. In 2014, the Group processed approximately 238.6 million tonnes of sewage water, including municipal recycled water, with an increase of 6% as compared with 2013, and reduced the cumulative COD emission by approximately 83,500.0 tonnes.

Energy Conservation Solutions Business

For the Group's energy conservation solutions business, the Group maintained its leading positions in the plasma ignition and tiny-oil ignition industries. For its waste heat recovery business, the Group has completed the development of the new energy-saving condenser and the research and development on technologies to utilize waste heat. In 2014, the heat pump was successfully put into production by the Group, and the Group became a general contractor conducting waste heat recovery business with capabilities to manufacture heat pump equipment. The Group's boiler comprehensive utilization and reconstruction business developed rapidly. In 2014, the Group successfully implemented the transformation of meagre coal to bituminous coal project in Changyuan, with all the major parameters reaching or exceeding the targets and the gross coal consumption rate decreasing by 9.5 g/KWh, and the Group's work was highly recognized by its clients. In addition, the Group completed the vortex furnace comprehensive reconstruction project in eastern Inner Mongolia, which resolved the problems of the boiler's poor operational performance and improved its efficiency in generating germanium. The contract value of boiler comprehensive utilization and reconstruction business amounted to RMB206.0 million in 2014. The Group entered into 15 new energy management contracts ("**EMC**") in 2014, with a cumulative contract amount of approximately RMB263.7 million. The Group conducted two general contracting for power station projects, with one in Hami, Xinjiang Province and the other in Ledong, Hainan Province.

Wind Power Products and Services Business

The Group's WTG sales volumes by product type for the years ended December 31, 2014 and 2013 are set forth below:

	Completed Sales *(units)*		**Orders** *(units)* **As of December 31, 2014**	
	2014	2013	**Confirmed Orders**	**Successful Tenders**
1.5 MW	**1,003**	1,093	**1,007**	**531**
2.0 MW	**405**	114	**546**	**367**
3.0 MW	**72**	8	**18**	**0**
Total	**1,480**	1,215	**1,571**	**898**

Investment in wind power saw a rebound in the second half of 2013 and a rapid increase in 2014. Demands for the Group's main product for the wind power products and services segment, the WTGs, increased significantly in 2014. The marketing efforts of the Group proved to be effective, which secured the leading position of the Group in the market. In 2014, the Group mainly made efforts in improving the WTG products in four aspects, i.e., improving the quality, the performance, service and the price competitiveness of the Group's WTG products, and achieved satisfactory results. The average malfunction rate per day of the WTGs manufactured by the Group dropped to 0.074 occurrence per unit, which decreased by 56.8% as compared with that for 2013. The performance of the WTG produced by Guodian United Power Technology Co., Ltd. ("**United Power**") was significantly enhanced, with variance ratio of average utilization hours decreasing from 9.31% to 3.04%. The 1.5 MW-97 and 2 MW-115 WTGs which were independently researched and developed by the Group reached a leading position in the industry, with competitiveness increasing significantly.

Solar Power Products and Services Business

In 2014, the Group's total contract value and in-grid capacity of solar power EPC projects decreased as a result of the impact by changes in procedures for granting administrative permissions for construction of photovoltaic power stations and the intensified competition of the solar power products and services industry. The Group entered into new contacts for photovoltaic power station projects with a total capacity of 560.22 MW (including EPC projects of 120.22 MW and integrated management contracts of 440.0 MW). The total capacity of EPC projects undertaken by the Group for 2014 decreased by 483.1 MW, or 80.1%, as compared with that for 2013. The in-grid capacity of new projects commenced in 2014 was 265.3 MW, representing a decrease of 265.7 MW, or 50.0%, as compared with that in 2013. In 2014, as a result of insufficient customer orders in the thin film solar production business, after valuation, the Group adjusted downwards the estimated future cash flows derived from the solar segment. This resulted in an impairment loss of approximately RMB524.9 million of these assets.

Steadily Expanding into the Domestic Market

The Group actively cultivated new customers in the domestic power and non-power industries and enhanced its position in the existing domestic market.

The Group has made significant progress in expanding into the domestic market. Total value of the contracts with customers outside of Guodian Group accounted for over 40.0% of the total value of the contracts entered into by the Group in the whole year. The local power enterprises and the affiliated electric power, chemical engineering and coal enterprises became new customers of the Group. For the Group's environmental protection segment, total value of the contracts entered into by the Group in 2014 slightly increased as compared to that of 2013. For the energy conservation solutions segment, in 2014, the Group entered into two contracts for the Group's general contracting for power stations business, with a total contract value of approximately RMB2.7 billion.

Actively Expanding into Overseas Market

In 2014, the Group actively explored the overseas market and scientifically enlarged the overseas marketing network. In 2014, the overseas operating revenue was approximately RMB71.76 million and the value of new contracts was approximately RMB301.0 million. Currently, the Group owns a wholly-owned subsidiary in Hong Kong. The Group also has equity interest in two subsidiaries in the United States, Guodian United Power American LLC and Guodian Longyuan Technologies USA Corporation, which contributed to the Group's expansion into the overseas market. In 2014, the Group signed the following contracts:

- Phase III 2 × 660 MW coal-fired thermal generator limestone-plaster wet flue gas desulfurization EP project for a power plant in Turkey;
- 2 × 660 MW no-fuel power station plasma ignition project for a power plant in Turkey;
- three 660 MW tiny-oil retrofitting projects for three power stations in India, respectively;
- sale of thin-film components to Korean and Italian customers and silicon components to Japanese customers; and
- supply whole-set PGS instruments to a customer in Indonesia.

Dedicating to Technological Innovations and Research and Development

The Group dedicated itself to technological innovations and research and development to enhance its core competitiveness. Its dedication led to a number of achievements in multiple areas of its business. The Group:

- built a comprehensive science and technology development system. The Group's technological research and development capability is in a leading position in the PRC, with five national research and development platforms such as the "National Key Wind Power Equipment and Control Lab", two provincial key laboratories, twelve provincial enterprise technological (engineering technology) research centers and two postdoctoral research and development stations.

- undertook multiple science and technology projects. Beijing Guodian Zhishen Control Technology Co., Ltd ("**Guodian Zhishen**")'s million KW double-reheat ultra super-critical units control system research and development project was approved by the Beijing Municipal Science and Technology Commission as one of the transformation and cultivation of key science and technology achievements projects. The Group actively participated in formulating national and industrial standards, including seven international and national standards and sixteen industrial standards. In 2014, the Group owned 327 intellectual properties, including 66 invention patents.

- vigorously promoted new technologies and products. The Group promoted general application and innovation of advanced products of desulfurization, denitrification, plasma low-NOx combustion, water treatment and automation in demonstration projects. The Group actively promoted the research, development and application of the super-clean management technology on smoke and gas emissions by coal-fired power stations. The Group vigorously promoted the research, development and application of the PM2.5 removal technology. The Group improved research, development and application of the new composite wet power station dedusting technology. The Group also completed the Tianjin Beitang power station demonstration project, with smoke emission at 2.76–2.88mg/Nm^3, which is in a leading position in the PRC. The Group completed the "double-reheat 1,000 MW ultra super-critical units key technology" for Taizhou power station demonstration project under the auspice of the National Science and Technology Support Program with high standard and quality. The Group steadily carried out the research, development and demonstration of the regeneration and recycle of NOx emission reduction catalyst project, which is one of the "863 Program" projects, supported by the Ministry of Science and Technology. United Power completed the research, development and application of the low wind speed 1.5 MW-97 turbine and 2 MW-115 turbine, which operate in areas with an average wind speed of 5.5–6.5 m/s. Guodian Longyuan Electrical Co., Ltd. successfully completed the research, development and manufacture of the third generation converters. Meanwhile, the Group actively promoted the research, development and application of the zero emission technology for thermal power station wastewater. The Group also improved conversion efficiency of solar cells and achieved a breakthrough in the high-efficiency GaAs cell technology, with the conversion efficiency triple-junction solar cell reaching 34.5%.

The Group received a number of industrial recognitions and awards in 2014 for its achievements in technology innovations and research and development:

- The "reducing the nitrogen oxide emission by adopting pulverized coal boiler of the internal combustion type burner" (一種採用內燃式燃燒器的煤粉鍋爐降低氮氧化物的方法) technology of a subsidiary of the Group, Yantai Longyuan Power Technology Co., Ltd., won the China Patent Excellence Award granted by the State Intellectual Property Office.

- The "design, research, development and application of 6 MW doubly-fed offshore wind turbines" (6 MW雙饋海上風力發電機組設計開發與工程實踐) project was awarded the National Energy Science and Technology Progress First Prize.

- The "research and application of thermal power stations flue gas NOx emission reduction technology and localized manufacture of catalysts" (火電廠煙氣脱硝工藝及催化劑國產化研究與應用) project won the first prize of the Science and Technology Progress Award for Electric Power Construction in 2014.

- The "super-low wind speed 1.5 MW turbine research and development (UP1500-97)" (1.5 MW超低風速風電機組研發(UP1500-97)) project was granted the 2014 "Global Top Investments to Apply New Technologies for Renewable Energy Utilization and Blue Sky Award" by the United Nations Industrial Development Organization, which proved that the United Power's technology of super-low wind speed turbines had won both domestic and international industry-wide recognitions.

- The Company was nominated as one of the "Deloitte China's Top 20 Clean Technology Companies" for its achievements in and contribution to the energy conservation, environmental protection and new energy fields.

ANALYSIS OF 2014 FINANCIAL RESULTS

Please read this section in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2014.

Analysis of Consolidated Results

Revenue

Consolidated revenue of the Group for 2014 was approximately RMB25,605.6 million, representing a slight increase of approximately 0.7% from approximately RMB25,420.4 million for 2013. The Group's slight increase was primarily due to the increases in revenues from energy conservation solutions and wind power products and services businesses, which were partially offset by the decreases in revenues from the environmental protection and solar power products and services businesses. Revenues from energy conservation solutions and wind power products and services businesses increased by approximately RMB2,644.8 million and RMB2,537.6 million, respectively, as compared to those for 2013, representing increases of approximately 253.2% and 36.7%, respectively. Revenues from environmental protection and solar power products and services businesses decreased by approximately RMB947.8 million and RMB4,254.1 million, or 9.4% and 59.3%, respectively, as compared to those for 2013. The revenue increase in the energy conservation solution business was primarily due to the Group's efforts in expanding its general contracting for power stations business. The increase in revenue from the wind power products and services business was primarily attributable to an increase in the Group's WTG sales volumes in 2014 as a result of the recovery of the PRC wind power industry since the second half of 2013. The decrease in revenue from the environmental protection business was primarily due to a significant decrease in revenue from the Group's NOx emission reduction business. The decrease in revenue from the solar power products and services business was primarily due to the decreased revenue generated from the Group's solar power EPC business.

The following table sets out the Group's revenues by segment and as a percentage of the total revenue of the Group for the years ended December 31, 2014 and 2013, respectively:

	2014 *(RMB million)*	**%**	2013 *(RMB million)*	%
Environmental protection and energy conservation solutions:				
Environmental protection	**9,134.7**	**35.7**	10,082.5	39.7
Energy conservation solutions	**3,689.3**	**14.4**	1,044.5	4.1
Sub-total	**12,824.0**	**50.1**	11,127.0	43.8
Renewable energy equipment manufacturing and services:				
Wind power products and services	**9,454.0**	**36.9**	6,916.4	27.2
Solar power products and services	**2,919.4**	**11.4**	7,173.5	28.2
Sub-total	**12,373.4**	**48.3**	14,089.9	55.4
All others	**408.2**	**1.6**	203.5	0.8
Total	**25,605.6**	**100.0**	25,420.4	100.0

Cost of sales

Cost of sales for the Group decreased by approximately RMB300.6 million, or 1.4%, from approximately RMB21,628.0 million in 2013 to approximately RMB21,327.4 million in 2014. This decrease was primarily due to the decreases in cost of sales for the Group's environmental protection and solar power products and services businesses, and was partially offset by the increase in cost of sales for the Group's energy conservation solutions and wind power products and services businesses, which were consistent with changes in revenues in these businesses.

The following table sets out the Group's cost of sales by segment and as a percentage of total cost of sales of the Group for the years ended December 31, 2014 and 2013, respectively:

	2014 *(RMB million)*	**%**	2013 *(RMB million)*	%
Environmental protection and energy conservation solutions:				
Environmental protection	**7,519.3**	**35.3**	8,462.4	39.1
Energy conservation solutions	**3,307.8**	**15.5**	834.5	3.9
Sub-total	**10,827.1**	**50.8**	9,296.9	43.0
Renewable energy equipment manufacturing and services:				
Wind power products and services	**7,544.7**	**35.4**	5,483.7	25.4
Solar power products and services	**2,739.2**	**12.8**	6,774.5	31.3
Sub-total	**10,283.9**	**48.2**	12,258.2	56.7
All others	**216.4**	**1.0**	72.9	0.3
Total	**21,327.4**	**100.0**	21,628.0	100.0

Gross profit and gross profit margin

For the foregoing reasons, gross profit of the Group increased by approximately RMB485.8 million, or 12.8%, from approximately RMB3,792.4 million for 2013 to approximately RMB4,278.2 million for 2014. The increase in gross profit was primarily attributable to the increase in gross profit for the Group's wind power products and services business and the increase in gross profit for the energy conservation solutions business, partially offset by the decrease in gross profit from the solar power products and services business. The gross profit for the Group's environmental protection business remained at the same level as compared to 2013. The average gross profit margin of the Group across all segments of the Group increased from 14.9% for 2013 to 16.7% for 2014. The increase in gross profit margin for the environmental protection business was primarily attributable to the increases in the gross profit margin for the NOx emission reduction business. The increase in gross profit margin for the solar power products and services was primarily due to the increase in gross profit margin for the solar power EPC business. The decrease in gross profit margin for the energy conservation solutions business was primarily due to the low gross profit margin of general contracting for power stations business. The decrease in gross profit margin for the wind power products and services business was primarily due to the decrease in gross profit margin of the wind turbine converter business.

The following table sets out the Group's gross profit and gross profit margins by segment for the years ended December 31, 2014 and 2013, respectively:

	2014		2013	
	(RMB million)	**%**	*(RMB million)*	%
Environmental protection and energy conservation solutions:				
Environmental protection	**1,615.4**	**17.7**	1,620.1	16.1
Energy conservation solutions	**381.5**	**10.3**	210.0	20.1
Sub-total	**1,996.9**	**15.6**	1,830.1	16.4
Renewable energy equipment manufacturing and services:				
Wind power products and services	**1,909.2**	**20.2**	1,432.7	20.7
Solar power products and services	**180.2**	**6.2**	399.0	5.6
Sub-total	**2,089.4**	**16.9**	1,831.7	13.0
All others	**191.9**	**47.0**	130.6	64.2
Total	**4,278.2**	**16.7**	3,792.4	14.9

Other revenue

Other revenue of the Group decreased by approximately RMB75.9 million, or 19.1%, from approximately RMB395.5 million for 2013 to approximately RMB319.6 million for 2014. This decrease was primarily due to the decrease in subsidies from the PRC government.

Other net (loss)/income

The Group recorded other net loss of approximately RMB27.6 million for 2014, compared with other net income of approximately RMB134.5 million for 2013. The net loss was primarily due to the net loss of approximately RMB99.1 million generated from the Group's disposal of property, plant and equipment in 2014 and was also because the Group derived a net income of approximately RMB52.0 million from sales of certain listed equity securities in 2013 but did not record such income during 2014.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB367.3 million, or 48.0%, from approximately RMB765.8 million for 2013 to approximately RMB1,133.1 million for 2014. This increase was primarily due to the increased expenses for transportation, warranty and after-sales services of WTGs as a result of the increase in WTG sales.

Administrative expenses

Administrative expenses increased by approximately RMB589.5 million, or 36.1%, from approximately RMB1,631.5 million in 2013 to approximately RMB2,221.0 million in 2014. This increase was primarily due to the Group's provision for an impairment loss of approximately RMB524.9 million for the thin-film solar production lines.

Operating profit and operating profit margin

As a result of the foregoing factors, operating profit decreased by approximately RMB709.0 million, or 36.8%, from approximately RMB1,925.0 million for 2013 to approximately RMB1,216.1 million for 2014. Operating profit margin decreased from 7.6% for 2013 to 4.7% for 2014.

Finance costs

Finance costs increased by approximately RMB243.3 million, or 26.0%, from approximately RMB934.9 million for 2013 to approximately RMB1,178.2 million for 2014, primarily due to the increased interest expenses as a result of the increases in the Group's average amount and effective interest rates of bank borrowings for 2014 and the reduced capitalized interest. As a percentage of the Group's revenues, finance costs increased from 3.7% for 2013 to 4.6% for 2014, primarily due to the increased bank borrowings and the reduced capitalized interest in 2014.

Profit before taxation

As a result of the foregoing factors, profit before taxation of the Group decreased by approximately RMB880.3 million, or 93.7%, from approximately RMB939.4 million for 2013, to approximately RMB59.1 million for 2014.

Income tax

Income tax charges increased by approximately RMB115.5 million, or 144.2%, from approximately RMB80.1 million for 2013 to RMB195.6 million for 2014.

The effective tax rate increased from 8.5% for 2013 to 330.8% for 2014, which was primarily due to that the Group did not recognize deferred tax assets in respect of the impairments of property, plant and equipment and tax losses of the solar power products and services business.

(Loss)/profit for the year

As a result of the foregoing, the Group recorded a loss for the year of approximately RMB136.5 million for 2014, compared with a profit for the year of approximately RMB859.3 million for 2013.

Profit attributable to non-controlling interests

As a result of the foregoing, profit attributable to non-controlling interests of the Group decreased by approximately RMB45.3 million, or 15.0%, from approximately RMB302.2 million for 2013 to approximately RMB256.9 million for 2014.

(Loss)/profit attributable to equity shareholders of the Company

As a result of the foregoing, loss attributable to equity shareholders of the Company was approximately 393.4 million for 2014, representing a decrease of RMB950.5 million, or 170.6%, from a profit attributable to equity shareholders of the Company of approximately RMB557.1 million for 2013.

Analysis of Segment Results

The following table sets out the Group's segment revenues, segment gross profit and segment operating profit, each as a percentage of total Group revenues, Group gross profit, and Group operating profit for the years ended December 31, 2014 and 2013, respectively:

	2014 *(RMB million)*	*%*	2013 *(RMB million)*	*%*
Environmental protection and energy conservation solutions				
Environmental protection:				
Revenue	**9,134.7**	**35.7**	10,082.5	39.7
Gross profit	**1,615.4**	**37.8**	1,620.1	42.7
Operating profit	**1,106.9**	**91.0**	1,204.1	62.6
Energy conservation solutions:				
Revenue	**3,689.3**	**14.4**	1,044.5	4.1
Gross profit	**381.5**	**8.9**	210.0	5.5
Operating profit	**264.6**	**21.8**	139.3	7.2
Segment revenues	**12,824.0**	**50.1**	11,127.0	43.8
Segment gross profit	**1,996.9**	**46.7**	1,830.1	48.2
Segment operating profit	**1,371.5**	**112.8**	1,343.4	69.8
Renewable energy equipment manufacturing and services				
Wind power products and services:				
Revenue	**9,454.0**	**36.9**	6,916.4	27.2
Gross profit	**1,909.2**	**44.6**	1,432.7	37.8
Operating profit	**643.6**	**52.9**	536.9	27.9
Solar power products and services:				
Revenue	**2,919.4**	**11.4**	7,173.5	28.2
Gross profit	**180.2**	**4.2**	399.0	10.5
Operating profit	**(767.4)**	**(63.1)**	41.3	2.1
Segment revenues	**12,373.4**	**48.3**	14,089.9	55.4
Segment gross profit	**2,089.4**	**48.8**	1,831.7	48.3
Segment operating profit	**(123.8)**	**(10.2)**	578.2	30.0

Environmental Protection and Energy Conservation Solutions

Environmental protection

Revenue

Revenue from the environmental protection business decreased by approximately RMB947.8 million, or 9.4%, from approximately RMB10,082.5 million for 2013 to approximately RMB9,134.7 million for 2014. The decrease was mainly attributable to the decrease in revenue from the NOx emission reduction business, which was partially offset by the increase in revenue from the Group's SO_2 emission reduction business. Revenues generated from the SO_2 emission reduction business increased by approximately RMB1,256.2 million, or an increase of approximately 49.4%. The growth in revenues from the SO_2 emission reduction business was primarily attributable to the increased market demand stimulated by the air pollution control initiatives promulgated by the PRC government. Revenue generated from the NOx emission reduction business decreased by approximately RMB2,282.4 million, or a decrease of approximately 44.3%. The decrease in revenue from the NOx emission reduction business was primarily attributable to the decreased scale of investment in and construction of the power stations in the PRC.

The following table sets out the revenues from the business lines comprising the Group's environmental protection business, each as a percentage of the revenue from this business, for years ended December 31, 2014 and 2013, respectively.

	2014		2013	
	(RMB million)	**%**	*(RMB million)*	%
SO_2 emission reduction	**3,799.7**	**41.6**	2,543.5	25.2
NOx emission reduction	**2,874.9**	**31.5**	5,157.3	51.1
Low NOx combustion equipment	**811.9**	**8.9**	917.7	9.1
Water treatment	**1,201.9**	**13.1**	1,286.2	12.8
Ash removal	**446.3**	**4.9**	177.8	1.8
Total	**9,134.7**	**100.0**	10,082.5	100.0

Cost of sales

Cost of sales for the environmental protection business decreased by approximately RMB943.1 million, or 11.1%, from approximately RMB8,462.4 million for 2013 to approximately RMB7,519.3 million for 2014. This was mainly due to the decrease in cost of sales for the NOx emission reduction business, partially offset by the increase in cost of sales for SO_2 emission reduction business, which were consistent with the changes in revenues from these business lines.

Gross profit and gross profit margin

As a result of the foregoing factors, gross profit attributable to the environmental protection business was approximately RMB1,615.4 million for 2014, which remained stable as compared to the gross profit of approximately RMB1,620.1 million for 2013. Gross profit margin for this business increased from approximately 16.1% for 2013 to approximately 17.7% for 2014. The increase in gross profit margin was primarily attributable to the increases in gross profit margins for the desulfurization EPC and denitrification EPC businesses, which was because of the relatively high gross profit margins of some projects and the decreased engineering costs as a result of the Group's centralized management and optimized designs.

The following table sets out the changes in gross profit margins for the business lines comprising the Group's environmental protection business for the year ended December 31, 2014 as compared with the year ended December 31, 2013:

	2014	2013
	%	%
SO_2 emission reduction	**15.3**	14.6
NOx emission reduction	**22.1**	14.3
Low NOx combustion equipment	**23.1**	30.6
Water treatment	**22.5**	22.9
Ash removal	**9.2**	18.2

Energy conservation solutions

Revenue

Revenue attributable to the energy conservation solutions business increased by approximately RMB2,644.8 million, or 253.2%, from approximately RMB1,044.5 million for 2013 to approximately RMB3,689.3 million for 2014. The revenue growth was mainly attributable to the revenue contribution from the Group's general contracting for power stations business. The increase in revenue from waste heat recovery business and the revenue generated from the Group's boiler comprehensive utilization and retrofitting business also contributed to the revenue increase from the energy conservation solutions business.

The following table sets out the revenues from the business lines comprising the Group's energy conservation solutions business, each as a percentage of the revenue from this business, for the years ended December 31, 2014 and 2013, respectively.

	2014		2013	
	(RMB million)	**%**	*(RMB million)*	%
Plasma-assisted coal ignition and combustion stabilization	**475.5**	**12.9**	350.7	33.6
Steam turbine flow passage retrofitting	**55.0**	**1.5**	51.9	5.0
Energy management contract ("**EMC**")	**407.3**	**11.0**	397.8	38.1
Waste heat recovery	**291.2**	**7.9**	100.7	9.6
General contracting for power stations	**2,420.9**	**65.6**	143.4	13.7
Boiler comprehensive utilization and retrofitting	**39.4**	**1.1**	—	—
Total	**3,689.3**	**100.0**	1,044.5	100.0

Cost of sales

Cost of sales for the energy conservation solutions business increased by approximately RMB2,473.3 million, or 296.4%, from approximately RMB834.5 million for 2013 to approximately RMB3,307.8 million for 2014. This increase was mainly attributable to the significant increase in the cost of sales for the Group's general contracting for power stations business, consistent with the revenue growth of this business line.

Gross profit and gross profit margins

As a result of the foregoing factors, gross profit attributable to the energy conservation solutions business increased by approximately RMB171.5 million, or 81.7%, from approximately RMB210.0 million for 2013 to approximately RMB381.5 million for 2014. Gross profit margin for this business decreased from approximately 20.1% for 2013 to approximately 10.3% for 2014. This was primarily due to the relatively low gross profit margin of the Group's general contracting for power stations business, for the reason that the Group's general contracting for the power stations business was still at its early stage, and the increased percentage of revenue contribution from the general contracting for the power stations business to the Group's energy conservation solutions business.

The following table sets out the changes in gross profit margins for the business lines comprising the Group's energy conservation solutions business for the year ended December 31, 2014 as compared with the year ended December 31, 2013:

	2014	2013
	%	%
Plasma-assisted coal ignition and combustion stabilization	**31.3**	39.8
Steam turbine flow passage retrofitting	**63.5**	55.9
EMC	**10.3**	8.4
Waste heat recovery	**15.9**	10.2
General contracting for power stations	**4.4**	2.0
Boiler comprehensive utilization and retrofitting	**20.5**	—

Renewable energy equipment manufacturing and services

Wind power products and services

Revenues

Revenue attributable to the wind power products and services business increased by approximately RMB2,537.6 million, or 36.7%, from approximately RMB6,916.4 million for 2013 to approximately RMB9,454.0 million for 2014. The increase was mainly attributable to a substantial increase in the Group's WTG sales volume as a result of the increase in demands for WTGs, the Group's main products of its wind power products and services business segment, due to the favorable policies promulgated by the government and the recovery of the wind power products and services market.

Cost of sales

Cost of sales attributable to the wind power products and services business increased by approximately RMB2,061.0 million, or 37.6%, from approximately RMB5,483.7 million for 2013 to approximately RMB7,544.7 million for 2014, primarily due to a corresponding increase in the sales volume of WTG units, consistent with the revenue growth in this business.

Gross profit and gross profit margin

As a result of the foregoing, gross profit attributable to the wind power products and services business increased by approximately RMB476.5 million, or 33.3%, from approximately RMB1,432.7 million for 2013 to approximately RMB1,909.2 million for 2014. Gross profit margin for this business decreased slightly from 20.7% for 2013 to 20.2% for 2014. The decrease was primarily due to the decrease in gross profit margin of the wind turbine converter business line, which contributed a relatively low proportion to the Group's revenue generated from the wind power products and services.

Solar power products and services

Revenues

Revenue attributable to the solar power products and services business decreased by approximately RMB4,254.1 million, or 59.3%, from approximately RMB7,173.5 million in 2013 to approximately RMB2,919.4 million in 2014. The decrease was mainly due to a significant decrease in revenue from the Group's solar power EPC business, which is attributable to the significant decrease in the Group's photovoltaic ground power station EPC projects in 2014, as a result of the impact by changes in procedures for granting administrative permissions for construction of photovoltaic ground power stations and the intensified competition in the solar power products and services industry.

Cost of sales

Cost of sales attributable to the solar power products and services business decreased by approximately RMB4,035.3 million, or 59.6%, from approximately RMB6,774.5 million for 2013 to approximately RMB2,739.2 million for 2014, consistent with the revenue decrease in this business.

Gross profit and gross profit margin

As a result of the foregoing, the solar power products and services business of the Group recorded a gross profit of approximately RMB180.2 million for 2014, compared to a gross profit of approximately RMB399.0 million for 2013, representing a decrease of approximately RMB218.8 million, or 54.8%. The Group recorded a gross profit margin of approximately 6.2% for 2014, which increased slightly from the gross profit margin of approximately 5.6% for 2013, primarily due to the increase in the gross profit margin for the Group's solar power EPC business, which contributed a relatively high proportion to the Group's revenue generated from its solar power products and services business.

Liquidity and Capital Resources

The Group's cash is mainly used in operating activities and repayment of due bank loans.

The following table sets out the net cash flows of the Group for the years ended December 31, 2014 and 2013, and the cash and cash equivalents as of December 31, 2014 and 2013, respectively:

	2014	2013
	(RMB million)	*(RMB million)*
Net cash generated from/(used in) operating activities	**2,705.6**	(697.6)
Net cash used in investing activities	**(1,164.3)**	(1,044.8)
Net cash (used in)/generated from financing activities	**(2,718.3)**	1,979.3
Cash and cash equivalents as of December 31	**2,456.1**	3,633.7

Net cash generated from/(used in) operating activities

Net cash generated from the Group's operating activities for 2014 was approximately RMB2,705.6 million, as compared to net cash used in the Group's operating activities of approximately RMB697.6 million for 2013, primarily attributable to the Group's improvement in management of its trade receivables and therefore achieved a better result in collection of trade receivables.

Net cash used in investing activities

Net cash used in the Group's investing activities for 2014 was approximately RMB1,164.3 million, as compared to approximately RMB1,044.8 million for 2013. The primary reason for the increase in net cash used in investing activities was the Group's sales of certain listed equity securities in 2013 but the Company did not conduct any such sales during 2014.

Net cash (used in)/generated from financing activities

Net cash used in the Group's financing activities for 2014 was approximately RMB2,718.3 million, as compared to net cash generated from financing activities of approximately RMB1,979.3 million for 2013, primarily due to the Group's decreased amount of indebtedness during the year.

Working Capital

As of December 31, 2014, the Group's cash and cash equivalents were approximately RMB2,456.1 million, representing a decrease of approximately RMB1,177.6 million, as compared to RMB3,633.7 million as of December 31, 2013. As of December 31, 2014, the Group had unutilized bank credits of approximately RMB15.45 billion.

The Group's gearing ratio, which is calculated by dividing net debt (including interest-bearing other payables and interest-bearing borrowings, less cash and cash equivalents) by the result of total equity plus net debt, decreased from 56.6% as of December 31, 2013 to 56.0% as of December 31, 2014. This was primarily due to a decrease in net debt by approximately RMB589.5 million, partially offset by the decrease in total equity of approximately RMB141.9 million.

Based on the existing cash resources and unutilized bank credit facilities, the Directors are of the opinion that the Group will have enough working capital to support current requirement and daily operation for the following 12 months.

Net Current Liabilities

As of December 31, 2014, the Group's net current liabilities were approximately RMB1,083.4 million, representing an increase of approximately RMB820.5 million, or 312.1%, as compared to December 31, 2013. The increase was primarily attributable to the increases in the Group's trade and bills payables of approximately RMB2,026.7 million and the Group's other payables of approximately RMB1,447.5 million, and the decrease in cash at bank and in hand of approximately RMB975.9 million, which were partially offset by increases in the Group's trade and bills receivables of approximately RMB2,167.6 million, the Group's gross amounts due from customers for contract work of approximately RMB812.1 million and the Group's deposits, prepayments and other receivables of approximately RMB708.8 million.

Inventory Analysis

The inventories of the Group were approximately RMB4,504.0 million as of December 31, 2014, which increased by approximately RMB539.1 million, or 13.6%, from approximately RMB3,964.9 million as of December 31, 2013. The increase was primarily attributed to the increase in inventories of the WTGs under manufacture and semi-finished WTGs. The Group's inventory turnover days increased to 72.5 days for 2014 from 61.3 days for 2013.

Trade and bills receivables

Trade and bills receivables increased by approximately RMB2,167.6 million, or 11.1%, from approximately RMB19,503.8 million as of December 31, 2013 to approximately RMB21,671.4 million as of December 31, 2014. The increase was mainly attributable to the increase in trade and bills receivables due to the increased revenue of wind power products manufacturing business.

Deposits, prepayments and other receivables

The Group's deposits, prepayments and other receivables increased by approximately RMB708.8 million, or 26.5%, from approximately RMB2,674.5 million as of December 31, 2013 to approximately RMB3,383.3 million as of December 31, 2014. The increase was primarily attributable to increase in prepayments paid for procurements of inventories for the Group's wind power products and services business and for construction contracts for the environmental protection business, and increase in advances to associates.

Trade and bills payables

Trade and bills payables increased by 12.6% from RMB16,138.9 million as of December 31, 2013 to RMB18,165.6 million as of December 31, 2014, primarily due to the increase in payables in relation to general contracting for power stations in the energy conservation solution business of the Group.

Indebtedness

The following table sets forth the Group's borrowings as of December 31, 2014 and 2013:

	As of December 31, 2014 *(RMB million)*	As of December 31, 2013 *(RMB million)*
Long-term interest bearing borrowings		
Bank loans:		
Secured	**1,387.4**	1,701.1
Unsecured	**2,176.6**	1,581.2
Other loans	**68.0**	—
Corporate bonds	**4,055.7**	4,049.5
Sub-total	**7,687.7**	7,331.8
Less: Current portion of long-term borrowings	**(2,601.0)**	(599.0)
Sub-total	**5,086.7**	6,732.8
Short-term interest bearing borrowings		
Bank loans:		
Secured	**311.1**	892.7
Unsecured	**8,745.5**	10,185.5
Other loans:		
Secured	**300.0**	200.0
Unsecured	**125.1**	1,400.0
Private placement of debt financing instruments	**1,373.4**	—
Current portion of long-term borrowings	**2,601.0**	599.0
Sub-total	**13,456.1**	13,277.2
Total indebtedness	**18,542.8**	20,010.0

The Group's total indebtedness decreased by approximately 7.3% from approximately RMB20,010.0 million as of December 31, 2013 to approximately RMB18,542.8 million as of December 31, 2014. The decrease was mainly because the Group collected its receivables to repay the bank loans and controlled its debt financing. The proportion of short-term indebtedness to overall indebtedness increased from approximately 66.4% as of December 31, 2013 to approximately 72.6% as of December 31, 2014, with a corresponding proportionate decrease in long-term indebtedness.

All of the Group's borrowings were denominated in the RMB.

The following table sets out the maturity status of long-term borrowings (including current portion) as of December 31, 2014 and as of December 31, 2013, respectively:

	As of December 31, 2014 ***(RMB million)***	As of December 31, 2013 *(RMB million)*
Less than 1 year or on demand	**2,601.0**	599.0
More than 1 year but less than 2 years	**983.1**	2,530.5
More than 2 years but less than 5 years	**2,269.4**	2,490.1
More than 5 years	**1,834.2**	1,712.2
Total	**7,687.7**	7,331.8

The annualized effective interest rate of the Group for 2014 (determined by dividing total interest expenses for 2014 by the average of sums of outstanding borrowings and other interest bearing payables as of January 1, 2014 and December 31, 2014) was 6.3%, as compared to the Group's effective interest rate of 6.0% in 2013. The increase in the Group's effective interest rate was primarily due to the decrease of interest-bearing debts as a result of repayment of bank loans with collected receivables at the end of 2014.

Contingent Liabilities

The Group's contingent liabilities increased by 55.6%, from approximately RMB1,025.1 million as of December 31, 2013 to approximately RMB1,595.2 million as of December 31, 2014. The Group's contingent liabilities as of December 31, 2014 primarily consisted of bid and performance guarantees.

Acquisitions and Disposals

Acquisition of Guodian Zhishen

On December 31, 2013, the Group entered into a purchase agreement to acquire 6.3% of the equity interests in Guodian Zhishen with a consideration of approximately RMB10.8 million. On January 1, 2014, the Group and the other shareholder of Guodian Zhishen entered into a concert party agreement, under which the other shareholder of Guodian Zhishen agreed to vote in concert with the Group with respect to, among others, decisions regarding financial and operating policies. As a result, the Group effectively controlled Guodian Zhishen since January 2014. Therefore, Guodian Zhishen has been a subsidiary of the Group since January 2014.

Disposal or deemed disposal of equity interest in three subsidiaries

During the year ended December 31, 2014, the Group disposed of 100% of the equity interest in Guodian Lucency Puyang Water Co., Ltd. and Tonghua Guodian Longyuan Environment Engineering Co., Ltd., with an aggregate consideration of approximately RMB86,102,000. Guodian Longyuan Taizhou Co., Ltd. ("**Guodian Taizhou**"), a former subsidiary of the Group, allotted share capital to certain independent third parties and Beijing Guodian Longyuan Environmental Engineering Co., Ltd. ("**Longyuan Environment**"), a subsidiary of the Group. Upon completion of the share allotment, the percentage equity interest of Longyuan Environment in Guodian Taizhou reduced from 100% to 45%. Guodian Taizhou became an associate of the Group.

Market Risk

The Group is exposed to various risks associated with its business operations, including credit and counterparty risk, interest rate risk, liquidity risk and exchange rate risk.

Credit and counterparty risk

The Group's credit risk is primarily attributable to its bank deposits and cash in-hand, trade and bills receivables, deposits, prepayments and other receivables, gross amounts due from customers from contract work and other non-current assets. The Group has an internal credit policy to monitor its exposure to its counterparty credit risk on an ongoing basis.

Substantially all of the Group's cash is deposited in state-owned or state-controlled PRC banking institutions. Directors of the Company consider counterparty risks with these PRC banks insignificant.

The Group performed credit evaluations on all of its customers, and monitors outstanding receivables due from such customers on an ongoing basis. The Group's credit evaluation focuses on a customer's payment history and its ability to pay and takes into account industry and customer-specific considerations, as well as the general macroeconomic climate. The Group generally requires its customers to settle progress billings and other debts in accordance with agreed contract terms.

Interest rate risk

The Company has significant borrowings and its operational activities are significantly dependent on the availability of credit facilities at competitive rates. Substantially all of the Company's borrowings are denominated in RMB and are owed to PRC bank lenders and non-bank financial institutions, which are subject to adjustments in interest rates based on changes in the applicable regulations of the People's Bank of China. Accordingly, fluctuations in interest rates may have a significant impact on the Group's business, financial condition and results of operations. The Company issued corporate bonds with an aggregate principal amount of RMB4.0 billion in 2012 and completed private placements of debt financing instruments with an aggregate principal amount of RMB1.35 billion, both of which are fixed interest rate indebtedness, and thus are not subject to interest rate risks.

The Group does not currently hedge its interest rate risks through any derivative instruments or other hedging arrangements.

Liquidity risk

The Group's operating cash flows are subject to significant fluctuations, given the nature of the businesses in which it is engaged. The Group increasingly carries out its water treatment business through the BOT business model and its desulfurization business through the concession business model. While the Group believes that such business models generate steady cash flows and revenues for the Group over extended periods, such business models require substantial up-front capital investment and a longer period to fully recoup such investments as compared to the traditional business model of EPC. Accordingly, while the Group aims to ensure that it has sufficient working capital to meet its operational requirements or has access to sufficient banking credit facilities to continue its operations without disruption, the cash flow position of the Group may vary with its continued growth and expansion.

Exchange risk

The continued development and expansion of the Group's international operations is expected to result in increased exposure to exchange rate risk, arising primarily through export sales which would typically be denominated in foreign currencies. The Group expects that its future export sales will principally be denominated in either United States dollars, Euros or Hong Kong dollars. In 2014, the Group recorded an exchange loss of approximately RMB9.4 million, mainly because the Company's subsidiary, Guodian Technology & Environment Group (Hong Kong) Co., Ltd. imported parts of the pitch systems, which were priced in Euros and Euros depreciated significantly. The Group has made modifications to its trading contracts in order to mitigate risks in association with the fluctuation of Euro exchange rates. Directors consider the Group's exchange rate risk to be insignificant. The Group does not currently hedge against its exchange rate risk.

The RMB is not a freely convertible currency and the PRC Government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in such foreign exchange controls may adversely affect the Group's international operations and sales, and may prevent the Group from satisfying its foreign exchange denominated obligations. In addition, the Group may be restricted from paying dividends on its listed H-shares to shareholders by any such changes in regulations.

Prospects for the year of 2015

Looking forward, the Group is faced with both challenges and opportunities. On one hand, tighter standards of energy conservation and emission reduction in China may result in the expansion of the Group's environmental protection and energy conservation solutions business. The Group's renewable energy equipment manufacturing and services business may benefit from the development of clean energy in China and the gradual increase of investment in renewable energy. Policies such as the proposed *Action Plan for Anti Water Pollution* (《水污染防治行動計劃》) , which is expected to take effect in 2015, are likely to benefit the development of the Group's water treatment business. On the other hand, the Group may face the uncertainties of the electricity price of renewable energy, a diminishing market for coal-fired power stations and intensified competition.

To leverage on the favorable policies in the PRC, the Group intends to implement the followings for its continuous development.

Optimizing the Asset Structure

The Group plans to adjust its asset structure and withdraw from industries and projects in which the Group does not have competitive advantage. On one hand, the Group seeks to dispose of unprofitable projects and businesses and concentrates on enhancing its core businesses. On the other hand, the Group intends to strengthen the development of new energy projects, such as wind and solar power stations, and the preparation works of operational projects for coal-fired power stations and enlarge the scale of its general contracting for green power stations and EMC businesses.

Strengthening Technology Development

The Group intends to accelerate the industrial application of new technologies to improve its capability of utilizing the technological innovation to meet the demands of the Group's development. The Group intends to put together its high-quality resources and enhance its technological potential to achieve the breakthrough in its core businesses. Meanwhile, the Group expects to offer incentives for scientific and technological innovations, and motivates the technical personnel of the Group by connecting the remunerations of the technical personnel to the profits of science and technology projects.

Enhancing Service Innovations

The Group expects to establish a supportive system for service innovations. Regarding clients' demands as the guidelines, the Group intends to integrate advanced technologies from every area of its business, innovate its business model and improve the ability to adapt to the ever-changing market. The Group intends to assist Beijing Guodian Sida Technology Co., Ltd., a subsidiary of United Power, to enhance the WTG repair and maintenance service business, in order to transform its business from manufacturing to integrated system design and provision of integrated solutions. The Group also intends to accelerate the upgrading of services in information service companies, creating new business models and providing value-added services.

Expanding Market

The Group divides the market into the market within the Guodian Group, the power market outside of the Guodian Group, the non-electric power market outside of the Guodain Group and the overseas market. The Group will analyze the capacity and business rules of each market, focusing on efficiency and profitability, make diversified marketing strategies, seize every market change, integrate its market resources and enhance its market competitiveness comprehensively.

Strengthening centralized management and control

The Group intends to further increase its efficiency by improving its centralized management. The Group will focus on the financial indicators, emphasize on meeting targets and strengthen its management in 2015. The Group expects to further improve the internal control system by means of, among others, strengthening centralized purchasing of goods, enhancing budget management, optimizing designs and production and improving financial management.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiaries had purchased, sold or redeemed any shares of the Company for the year ended December 31, 2014.

FINAL DIVIDEND

The Board has recommended no distribution of a final dividend for the year ended December 31, 2014.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In 2014, the Company has complied with the relevant provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct regarding all directors' and supervisors' dealings in the Company's securities. The Company has made specific enquiry with the directors and supervisors of the Company, all of whom confirmed that they strictly complied with the required standards set out in the Model Code during the year ended December 31, 2014.

AUDITORS

KPMG (畢馬威會計師事務所) and Union Power Certified Public Accountants (Special General Partnership) (眾環海華會計師事務所(特殊普通合夥)) were appointed as the Company's international and PRC auditors, respectively, for the year ended December 31, 2014. The financial statements as of, and for the year ended, December 31, 2014 of the Company, prepared in accordance with the International Financial Reporting Standards, have been audited by KPMG. Resolutions to re-appoint KPMG and Union Power Certified Public Accountants (Special General Partnership) as the Company's international and PRC auditors, respectively, will be proposed at the 2014 annual general meeting of the Company.

AUDIT COMMITTEE

The Group has established an audit committee (the "**Audit Committee**") in accordance with the requirements of the Listing Rules. The Audit Committee is responsible for, inter alia, proposing to the Board on the appointment, reappointment and removal of external independent auditors, and monitoring the work of these auditors. The Audit Committee consists of three independent non-executive Directors, namely, Mr. FAN Renda Anthony (chairman of the Audit Committee, independent non-executive Director), Mr. QU Jiuhui (independent non-executive Director) and Mr. ZHANG Wenjian (independent non-executive Director). The 2014 annual results of the Group and the financial statements as of, and for the year ended, December 31, 2014, prepared in accordance with the International Financial Reporting Standards, have been reviewed by the Audit Committee.

MATERIAL LITIGATION

Litigation. As announced in the Company's annual report of 2012, interim report and annual report of 2013, on September 29, 2012, a bank sued Guodian Solar Co., Ltd. ("**Guodian Solar**") and its associated company, requiring the repayment of a loan. According to the judgment of the Intermediate People's Court of Wuxi, Jiangsu province on July 29, 2013, the court dismissed the plaintiff's claim demanding Guodian Solar to take on additional liability and ordered the associated company to pay the loan. The plaintiff appealed to the High People's Court of Jiangsu Province. On May 30, 2014, the High People's Court of Jiangsu Province dismissed the claim in a final verdict and confirmed the judgment by the intermediate court and held that Guodian Solar assumed no additional liability.

In 2014, certain suppliers sued a subsidiary of the Group for overdue payables with additional interests and liquidated damages. As of the date of this announcement, the subsidiary reached settlement agreements with some of these suppliers and agreed that the subsidiary should repay the overdue payables without any additional interests and penalties. For the unresolved claims, the total amount of the interests and penalties claimed by the suppliers was approximately RMB5.83 million.

International Arbitration. As disclosed in the Company's 2013 interim report, 2013 annual report, and 2014 interim report, a subsidiary of the Group was named as a respondent in an arbitration case at the Singapore International Arbitration Centre for a contractual dispute arising from a joint effort in certain research and development matters. As stated in the notice of arbitration dated July 16, 2013 and the statement filed by the applicant on November 25, 2013, the applicant asked for a compensation of approximately RMB324.0 million plus interest and cost from the subsidiary for its alleged breach of contractual obligations. The subsidiary responded and denied all of the allegations and submitted its defense and counterclaims to the arbitral tribunal, alleging the other party's defaults, requesting termination of the contract and raising a counterclaim of approximately RMB78.7 million. The case was heard by the tribunal at the Singapore International Arbitration Centre from December 16 to 19, 2014. Based on the facts and the legal advice it has received, the Group believes that the subsidiary has duly performed its obligations pursuant to the contract and the claims are without merit. The Group believes that the proceeding will not have a material adverse effect on the Group's business, results of operations or financial position. The Group thus has not made any provisions for the claim.

Save as disclosed above, for the year ended December 31, 2014, the Company was not involved in any material litigation or arbitration.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited (the "**Exchange**") at http://www.hkexnews.hk and the Company's website at http://www.01296.hk, respectively.

The Company's 2014 annual report containing all the information required under the Listing Rules will be dispatched to the relevant shareholders and will be published on the websites of the Company and the Exchange in due course.

By order of the Board
Guodian Technology & Environment Group Corporation Limited*
Mr. YANG Guang
Chairman

Beijing, PRC, March 29, 2015

As at the date of this announcement, the executive Directors are Mr. YANG Guang, Mr. FEI Zhi and Ms. WANG Hongyan; the non-executive Directors of the Company are Mr. WANG Zhongqu, Mr. ZHANG Wenjian, Mr. FENG Shuchen and Mr. YAN Andrew Y.; and the independent non-executive Directors are Ms. ZHANG Xiaolu, Mr. QU Jiuhui, Mr. XIE Qiuyue and Mr. FAN Ren Da Anthony.

* *For identification purpose only*