

SUZLON WIND ENERGY EQUIPMENT TRADING (SHANGHAI) CO., LTD

**FINANCIAL STATEMENTS AND
REPORT OF THE AUDITORS
FOR THE YEAR ENDED 31 DECEMBER 2014**

(English translation for reference Only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.)



Report of the Auditors

SHJN[2015]o.271

To: The Board of Directors of

Suzlon Wind Energy Equipment Trading (Shanghai) Co., Ltd.

We have audited the accompanying financial statements of Suzlon Wind Energy Equipment Trading (Shanghai) Co., Ltd, which comprise the Balance Sheet as at December 31, 2014, the Income Statement and Cash Flow Statement for the year then ended as well as the notes to the these financial statements.

I. Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the Accounting Standards for Business Enterprises and 'Accounting System for Business Enterprises'. This responsibility includes:

- 1) Follow the rule of Accounting standard for business enterprises and the <Enterprise accounting system> to do the financial report, and show the true and fair view.
- 2) Designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

II. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Auditing Standards of Chinese Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidences obtained by us are sufficient and appropriate to provide a basis for our audit opinion.



Report of the Auditors (continued)

III. Opinion

In our opinion, the financial statements of the company in all major aspects in accordance with the accounting standards for enterprises and "enterprise accounting system" provisions of the preparation, the fair reflects December 31, 2014 financial situation as well as the 2014 annual operating results.

IV. Emphasis of matter

This Audit Report is only for the management of Suzlon Wind Energy Equipment Trading (Shanghai) Co., Ltd internal use.

CPA of China



CPA of China



April 10, 2015

Shanghai Jiang Nan Certified Public Accountants Co., Ltd. 有限公司

Shanghai, China



Suzlon Wind Energy Equipment Trading (Shanghai) Co., Ltd

BALANCE SHEET

AS AT 31 DECEMBER 2014

(All amount are stated in Rmb Yuan unless otherwise stated)

ASSETS	Notes	<u>Year 2014</u>	<u>Year 2013</u>
CURRENT ASSETS			
Monetary funds		159,948.27	97,285.14
Accounts receivable		27,520.00	46,773.99
Prepayments		145,231.70	211,483.19
Other receivables		9,212,518.58	9,761,622.00
Inventory		6,553.44	-
TOTAL CURRENT ASSETS		<u>9,551,771.99</u>	<u>10,117,164.32</u>
FIXED ASSETS			
Fixed assets-cost		120,744.58	136,662.58
less: Accumulated depreciation		(111,415.69)	(105,025.62)
Fixed assets-net value		9,328.89	31,636.96
Long-term prepaid expenses		26,704.95	22,712.31
TOTAL ASSETS		<u>9,587,805.83</u>	<u>10,171,513.59</u>
LIABILITIES AND OWNERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable		1,637,586.24	1,637,586.24
Advances from customers		-	14,154.00
Employee payroll & rewards payable		528,239.46	511,316.08
Taxes & dues payable		87,677.78	180,654.95
Other payables		6,356,236.19	7,181,276.76
TOTAL CURRENT LIABILITIES		<u>8,609,739.67</u>	<u>9,524,988.03</u>
OWNERS' EQUITY			
Paid-in capital		14,893,981.11	14,893,981.11
Accumulated losses		(13,915,914.95)	(14,247,455.55)
TOTAL OWNERS' EQUITY		<u>978,066.16</u>	<u>646,525.58</u>
TOTAL LIABILITIES AND OWNERS' EQUITY		<u>9,587,805.83</u>	<u>10,171,513.59</u>

Suzlon Wind Energy Equipment Trading (Shanghai) Co., Ltd
INCOME STATEMENT

FOR THE YEAR 2014

(All amount are stated in Rmb Yuan unless otherwise stated)

	Notes	<u>Year 2014</u>	<u>Year 2013</u>
Revenue of operations		7,979,194.34	14,341,201.97
Less: Cost of operations		-	946,343.36
Operation tax & surcharges		797,919.59	980,890.14
Profit on main operation		7,181,274.75	12,413,968.47
Less: Sales expenses		6,071,846.34	6,792,200.09
General & administrative expenses		743,232.25	3,700,117.74
Add: Financial expenses		154,801.92	286,029.91
Operating Profit		211,394.24	1,635,620.73
Add: Non-operating income		120,146.36	126,730.00
Less: Non-operating expenses		-	-
TOTAL PROFIT (loss) before Tax		331,540.60	1,762,350.73
Less: Income tax		-	-
Net Profit		331,540.60	1,762,393.73
Add: Accumulated losses of the year beginning		(14,247,455.55)	(16,009,806.28)
Accumulated losses of the year end		(13,915,914.95)	(14,247,455.55)

GM:

Financial Manager:

Senior Accountant:

Suzlon Wind Energy Equipment Trading (Shanghai) Co., Ltd

Cash Flow Statement

FOR THE YEAR 2014

(All amount are stated in Rmb Yuan unless otherwise stated)

	<u>Year 2014</u>	<u>Year 2013</u>
Cash Flow from Operating Activities		
Cash received from sales of goods / rendering of services	7,589,565.99	10,438,813.05
Refund of taxes received	120,089.95	126,730.00
Other cash received relating to operating activities	75,176.86	1,133.97
Sub-total cash inflows from operating activities	<u>7,784,832.80</u>	<u>10,566,677.02</u>
Cash paid for goods and services	678,119.61	676,919.02
Cash paid to and on behalf of employees	4,319,092.31	5,071,558.47
Taxes & surcharges paid	566,797.01	669,907.82
Other cash paid relating to operating activities	2,160,767.33	4,196,490.92
Sub-total cash outflows from operating activities	<u>7,724,776.26</u>	<u>10,614,876.23</u>
Net cash flows from operating activities	60,056.54	(48,199.21)
Cash Flows from Investing Activities		
Net cash receipts from disposal of fixed assets	700.00	-
Cash paid to acquire fixed assets	-	12,220.58
Net cash flows from investing activities	<u>700.00</u>	<u>(12,220.58)</u>
Effect of Foreign Exchange Rate Changes on Cash	1,906.59	(74,299.73)
Net Increase in Cash	<u>62,663.13</u>	<u>(134,719.52)</u>
Add: the opening balance of Cash	<u>97,285.14</u>	<u>232,004.66</u>
The Ending Balance of Cash	<u>159,948.27</u>	<u>97,285.14</u>

GM:

Financial Manager:

Senior Accountant:

Suzlon Wind Energy Equipment Trading (Shanghai) Co., Ltd

Notes to the Financial Statements for 2014

(Monetary Unit: RMB Yuan, Unless otherwise specified)

I. Company Profile

Suzlon Wind Energy Equipment Trading (Shanghai) Co., Ltd. (hereafter refers to the company), solely invested by Suzlon Energy Ltd. The company was approved to establish on June 2, 2008 and obtained the Business License for Enterprises as Legal Persons of No. 310000400575801 on June 10, 2008. The registered capital and paid-in capital of the company is USD \$ 2,220,000.

The business scope of the company include operating range of wind energy generating units and parts (including the turbine tower) of the wholesale, import and export, commission agent (except auction), and its related services, business consulting (involving quota permit management, special management of merchandise in accordance with relevant state regulations).

II. Basis of Preparation

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprise and the "Accounting System for Business Enterprise" as promulgated by the State of the People's Republic of China.

III. Principal Accounting Policies

1. Accounting Year

The calendar year is from January 1 to December 31.

2. Recording Currency

Renminbi (RMB) is the company's recording currency.

3. Bookkeeping Principle and Valuation Basis:

Bookkeeping is based on accrual basis, and valuation is based on historical cost. If the assets of the company arising from impairment, the impairment provision for the corresponding preparation

4. Foreign Currency Translation

Transactions denominated in foreign currencies are stated after they have been translated into RMB at the market exchange rate promulgated by the People's Bank of China prevailing at the day the transactions took place. At the end of the period, each monetary foreign currency asset and liability account will be adjusted after being translated into Rmb at the market exchange rate prevailing at the end of the period, and the difference thus occurred is taken to current profit & loss account.

Suzlon Wind Energy Equipment Trading (Shanghai) Co., Ltd

Notes to the Financial Statements for 2014

(Monetary Unit: RMB Yuan, Unless otherwise specified)

4. Foreign Currency Translation (Continued)

Contributions to paid-in capital made in foreign currencies are translated into the Rmb denominated paid-in capital account at the stipulated exchange rates at the contribution dates.

5. Accounts receivable and Provision for bad debts

Receivables comprise accounts receivable and other receivables.

The Company makes provision for bad debts by allowance method. The special bad debts provisions are made at the balance sheet date except related company.

6. Inventory

Inventories are evaluated at their actual costs at acquisition, valued using specific cost identification method at requisition and delivery.

7. Accounting method of fixed assets and depreciation:

(1) Fixed assets is defined as selling products, providing labor or management held, the use of the period at more than 1 year and higher unit value of tangible assets.

(2) Fixed assets are depreciated in the straight-line method, the depreciate rate is calculated by the value of fixed assets lessened the estimated useful life. The depreciation rate of fixed assets is as follows:

<u>Item</u>	<u>Useful Life(Year)</u>	<u>Annual Depreciation Rate (%)</u>
Electricity & Other Equipment	3	33.33%

8. Long-term Prepaid Expenses

Long-term prepaid expenses—office decoration, being average amortized in its expected life.

9. Revenue recognition

When the total amount of revenue and costs arising from provision of services can be estimated reliably, it is probably that the economic benefits associated with the transaction will flow in and the stage of completion of the services provided can be measured reliably, service revenue is recognized using the percentage of completion method.

When the service is started and completed within the same fiscal year, revenue should be recognized at the completion. When the service is started and completed in the different accounting years, relevant revenue should be recognizes using the percentage of completion method on the balance sheet day. When the outcome of the services transaction can be estimated reliably; otherwise it should be recognized only to the extent of cost incurred that are expected to be recoverable.

Suzlon Wind Energy Equipment Trading (Shanghai) Co., Ltd

Notes to the Financial Statements for 2014

(Monetary Unit: RMB Yuan, Unless otherwise specified)

10. Accounting for income taxes

The company accounts for enterprise and local income taxes using the tax payable method. Tax expense is recognized based on current period taxable income and tax rate.

11. Tax items and rates

(1) Value-added Tax, the tax rate is 17% and 6%.

(2) Enterprise income tax, the tax rate is 25% for the year 2014.

IV. Notes to the main items of Financial Statements

1. Monetary Funds

	2014.12.31	2013.12.31
Petty Cash in RMB	413.00	-
Cash in Bank in RMB	154,916.16	39,706.57
Cash in Bank in USD	4,619.11	56,909.74
	(USD 754.88)	(USD 9,334.21)
Total	159,948.27	97,285.14

2. Accounts Receivable

	2014.12.31			2013.12.31		
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value
Within a year	-	-	-	46,773.99	-	46,773.99
1 to 2 years	27,520.00	-	27,520.00			
Total	27,520.00	-	27,520.00	46,773.99	-	46,773.99

3. Prepayments

The analysis is as follows according to the account age:

	2014.12.31		2013.12.31	
	Amount	Ratio in total	Amount	Ratio in total
Within 1 year	145,231.70	100%	211,483.19	100%
Total	145,231.70	100%	211,483.19	100%

Suzlon Wind Energy Equipment Trading (Shanghai) Co., Ltd

Notes to the Financial Statements for 2014

(Monetary Unit: RMB Yuan, Unless otherwise specified)

4. Other Receivables

The analysis is as follows according to the account age:

	2014.12.31		2013.12.31	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Within 1 year	5,476,234.76	-	9,580,362.68	-
1 to 2 years	3,645,116.87	-	27,915.32	-
2 to 3 years	41,796.95	-	141,974.00	-
Over 3 years	49,370.00	-	11,370.00	-
Total	9,212,518.58	-	9,761,622.00	-

As at December 31, 2014, the balance of Billed not received of related company is Rmb 9,015,816.64, among which: accounts of SEL is Rmb 4,175,535.19, accounts of SEEL is Rmb 11,187.07, accounts of SWIL is Rmb 4,829,094.38.

5. Inventory

Items	2014.12.31		2013.12.31	
	Book balance	Provision for inventory	Book balance	Provision for inventory
Commodity stocks	6,553.44	-	-	-
Total	6,553.44	-	-	-

6. Fixed Assets & Accumulated Depreciation

Item	2014.1.1	Increase this year	Decrease this year	2014.12.31
Original value				
Electricity & Other Equipment	136,662.58	-	15,918.00	120,744.58
Total	136,662.58	-	15,918.00	120,744.58
Accumulated depreciation				
Electricity & Other Equipment	105,025.62	20,981.60	14,591.53	111,415.69
Total	105,025.62	20,981.60	14,591.53	111,415.69
Net value	31,626.96	/	/	9,328.92

Suzlon Wind Energy Equipment Trading (Shanghai) Co., Ltd

Notes to the Financial Statements for 2014

(Monetary Unit: RMB Yuan, Unless otherwise specified)

7. Long-term Prepaid Expenses

Item	2014.1.1	Increase this year	Decrease this year	2014.12.31
Cost				
Office Decoration	1,019,332.31	30,608.12	-	1,049,940.43
Total	1,019,332.31	30,608.12	-	1,049,940.43
Amortization				
Office Decoration	996,620.00	26,615.48	-	1,023,235.48
Total	996,620.00	26,615.48	-	1,023,235.48
Book value	22,712.31	/	/	26,704.95

8. Accounts Payable

	2014.12.31	2013.12.31
Total	1,637,586.24	1,637,586.24

As at December 31, 2014, the balance of Accounts Payable is Rmb 1,637,586.24, among which: accounts of SETL is Rmb 1,151,468.16, accounts of SEEL is Rmb 477,242.39.

9. Salary & Welfare Payable

	2014.12.31	2013.12.31
Salary Payable	417,982.12	404,943.91
Welfare Benefits Payable	110,257.34	106,372.17
Total	528,239.46	511,316.08

10. Taxes Payable

	2014.12.31	2013.12.31
VAT payable	40,907.88	138,511.36
City construction tax payable	2,862.58	338.09
Withholding of Individual Income Tax	41,453.61	41,515.66
Other surtax payable	2,453.71	289.84
Total	87,677.78	180,654.95

Suzlon Wind Energy Equipment Trading (Shanghai) Co., Ltd

Notes to the Financial Statements for 2014

(Monetary Unit: RMB Yuan, Unless otherwise specified)

11. Other payables

	2014.12.31		2013.12.31	
	Amount	Ratio in total	Amount	Ratio in total
Within a year	7,653.57	0.13%	836,895.14	11.65%
1-2 years	8,092.00	0.14%	5,489.00	0.08%
2-3 years	-	-	-	-
Over 3years	6,338,892.62	99.73%	6,338,892.62	88.27%
Total	6,356,236.19	100%	7,181,276.76	100%

The ending balance is 6,356,236.19 at December 31, 2014, among which the amount should pay to related company-Rep Office is Rmb 6,338,892.62, accounts payable to SETL is Rmb 8,092.00.

12. Paid-in Capital

	2014.12.31 & 2013.12.31			
	Registered currency	Paid-in capital	Paid-in capital	Ratio
	Original Monetary (USD)	Original Monetary (USD)	Recording Monetary (RMB)	%
Investor				
Suzlon Energy Ltd	2,220,000.00	2,220,000.00	14,893,981.11	100%

The Paid-in Capital totally USD \$ 2,220,000, audited by Shanghai Jiang Nan Certified Public Accountants Co., Ltd, which issued the capital verification report (JNSBY(2011) No.055).

13. Undistributed Profits

	2014.12.31	2013.12.31
Year-begin Undistributed Profits	(14,247,455.55)	(16,009,806.28)
Add: Profit this year	331,540.60	1,762,350.73
Year-end Undistributed profits	(13,915,914.95)	(14,247,455.55)

14. Revenues from main operations

	Year 2014	Year 2013
Total	7,979,194.34	14,341,201.97
Among which: Professional service revenues	7,979,194.34	12,099,919.97
Sales revenues	-	2,241,282.00

Suzlon Wind Energy Equipment Trading (Shanghai) Co., Ltd

Notes to the Financial Statements for 2014

(Monetary Unit: RMB Yuan, Unless otherwise specified)

15. Cost from main operations

	Year 2014	Year 2013
Total	-	946,343.36
Among which: Cost of sales	-	946,343.36

16. Sales Expenses

	Year 2014	Year 2013
Total	6,071,846.34	6,792,200.09
Among which: Salary & Welfare	5,316,899.29	5,896,118.56
Traveling expenses	101,119.85	135,195.31
Insurance expenses	74,569.28	132,686.97

17. General & Administrative Expenses

	Year 2014	Year 2013
Total	743,232.25	3,700,117.74
Among which:		
Rental & Property management fee	584,007.05	815,929.28
Depreciation/Amortization expenses	47,597.09	70,847.02
Consultant fee -PD	-	2,582,540.00

18. Financial Expenses

	Year 2014	Year 2013
Total	154,801.92	286,029.91
Among which: Interest income	(426.22)	(1,133.97)
Exchange gain & loss	140,639.96	276,378.98
Bank charges	7,981.11	10,784.90
Others	6,607.07	-