

Suzlon Energy (Tianjin) Limited

Audited Financial Statements

31 December 2014

Important Notice

The attached financial statements have been translated from the statutory financial statements prepared in accordance with generally accepted accounting principles applicable to foreign investment enterprises established in the People's Republic of China. In the event of any differences in interpreting the financial statements, the Chinese version shall prevail.

Suzlon Energy (Tianjin) Limited

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Auditors' Report

Ernst & Young Hua Ming 2015 No. 60587001_L01

To the Board of Directors of Suzlon Energy (Tianjin) Limited:

We have audited the accompanying financial statements of Suzlon Energy (Tianjin) Limited (the "Company"), which comprise the balance sheet as at 31 December 2014, and the income and profit appropriation statement, statement of changes in equity and cash flow statement for the year then ended and notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing and fairly presenting the financial statements in accordance with Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises; (2) designing, implementing and maintaining the internal control as management determines to enable the preparation of the financial statements that are free from material misstatement whether due to fraud or error.

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 the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance as to 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, we consider the internal control relevant to the entity's preparation of 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 the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of the Company have been prepared in accordance with Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises, and present fairly, in all material aspects, the financial position of the Company as of 31 December 2014 and the results of its operations and its cash flows for the year then ended.

Ernst & Young Hua Ming LLP Tianjin Branch
Beijing, the People's Republic of China

12 June 2015

Tianjin branch has been authorized by Ernst & Young Hua Ming LLP for the conduction of business.

Suzlon Energy (Tianjin) Limited
BALANCE SHEET
31 December 2014
(Expressed in Renminbi Yuan)

ASSETS	Notes	31 December 2014	31 December 2013
Current assets:			
Cash	3	33,300,887.11	7,575,009.71
Accounts receivable	4,6	417,673,240.58	505,801,052.72
Other receivables	5,6	7,018,345.13	2,236,060.64
Advances to suppliers		7,089,326.54	2,157,158.74
Inventories	7	22,333,204.79	22,390,338.84
Prepaid expenses		<u>11,000.00</u>	<u>122,491.15</u>
Total current assets		<u>487,426,004.15</u>	<u>540,282,111.80</u>
Fixed assets:			
Cost	8	437,185,063.67	435,955,623.05
Less: Accumulated depreciation	8	<u>280,410,566.48</u>	<u>261,448,669.28</u>
Net book value	8	156,774,497.19	174,506,953.77
Construction in progress	9	<u>7,690,812.50</u>	-
Total fixed assets		<u>164,465,309.69</u>	<u>174,506,953.77</u>
Intangible assets and other long-term assets:			
Intangible assets	10	21,935,061.41	22,153,420.10
Long-term prepayments	11	-	<u>33,091.73</u>
Total intangible assets and other long-term assets		<u>21,935,061.41</u>	<u>22,186,511.83</u>
TOTAL ASSETS		<u>673,826,375.25</u>	<u>736,975,577.40</u>

The notes on pages 8 to 22 form an integral part of the financial statements.

Suzlon Energy (Tianjin) Limited
BALANCE SHEET (continued)
31 December 2014
 (Expressed in Renminbi Yuan)

LIABILITIES AND OWNERS' EQUITY	Notes	31 December 2014	31 December 2013
Current liabilities:			
Short term loans	12	46,400,410.95	52,860,500.00
Accounts payable		115,887,405.92	114,166,527.17
Advances from customers		22,699,993.10	-
Accrued payroll		1,359,936.05	1,267,978.88
Taxes payable	13	37,966,460.32	38,258,689.20
Other payables		2,556,671.83	1,820,297.96
Interest payables		385,300.38	4,283,033.94
Accrued expenses		106,235,388.63	114,905,975.04
Provisions		492,261.71	-
Total current liabilities		333,983,828.89	327,563,002.19
Total liabilities		333,983,828.89	327,563,002.19
Owners' equity:			
Paid-in capital	14	408,313,285.00	408,313,285.00
Capital surplus	15	108,425.59	108,425.59
Surplus reserves		14,753,853.75	14,753,853.75
Accumulated losses		(83,333,017.98)	(13,762,989.13)
Total owners' equity		339,842,546.36	409,412,575.21
TOTAL LIABILITIES AND OWNERS' EQUITY		673,826,375.25	736,975,577.40

The notes on pages 8 to 22 form an integral part of these financial statements.

The financial statements on pages 2 to 22 have been signed by:

General Manager:



Financial Controller:



Suzlon Energy (Tianjin) Limited
INCOME AND PROFIT APPROPRIATION STATEMENT
For the Year Ended 31 December 2014
(Expressed in Renminbi Yuan)

	Notes	2014	2013
Revenue from principal operations	16	17,932,070.20	24,188,314.28
Less: Cost of sales		11,296,706.54	3,194,377.40
Taxes and surcharges		<u>27,903.91</u>	-
Profit from principal operations		6,607,459.75	20,993,936.88
Add: Other operating loss		-	(83,672.84)
Less: Selling expenses		13,760,227.67	18,958,307.78
General and administrative expenses		62,489,844.35	40,894,086.28
Financial expenses	17	(622,915.72)	<u>6,624,507.89</u>
Operating loss		(69,019,696.55)	(45,566,637.91)
Add: Non-operating income		103,470.31	-
Less: Non-operating expenses		<u>653,802.61</u>	<u>7,567,959.02</u>
Total loss		(69,570,028.85)	(53,134,596.93)
Less: Income tax	18	-	-
Net loss		(69,570,028.85)	(53,134,596.93)
Add: (Accumulated losses)/ Retained earnings at the beginning of the year		<u>(13,762,989.13)</u>	<u>39,371,607.80</u>
Distributable profit		(83,333,017.98)	(13,762,989.13)
Less: Appropriation to reserve fund		-	-
Dividends distribution		-	-
Accumulated losses at the end of year		<u>(83,333,017.98)</u>	<u>(13,762,989.13)</u>

The notes on pages 8 to 22 form an integral part of these financial statements.

Suzlon Energy (Tianjin) Limited
CASH FLOW STATEMENT
For the Year Ended 31 December 2014
(Expressed in Renminbi Yuan)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from sale of goods	126,792,787.31	49,778,359.42
Cash received from tax refund	-	450,496.24
Cash received relating to other operating activities	<u>103,470.31</u>	<u>16,826.53</u>
Sub-total of cash inflows	126,896,257.62	50,245,682.19
Cash paid for goods and services	(25,535,049.08)	(13,660,034.96)
Cash paid to and on behalf of employees	(21,866,640.71)	(18,739,655.47)
Cash paid for all types of taxes	(2,374,706.44)	(6,173,675.16)
Cash paid relating to other operating activities	<u>(31,393,686.59)</u>	<u>(14,078,401.06)</u>
Sub-total of cash outflows	(81,170,082.82)	(52,651,766.65)
Net cash flows from operating activities (1)	<u>45,726,174.80</u>	<u>(2,406,084.46)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received from disposal of fixed assets	-	<u>666,666.67</u>
Sub-total of cash inflows	-	<u>666,666.67</u>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	<u>(9,198,742.75)</u>	-
Sub-total of cash outflows	(9,198,742.75)	-
Net cash flows from investing activities	<u>(9,198,742.75)</u>	<u>666,666.67</u>
CASH FLOWS FINANCING ACTIVITIES:		
Cash received from borrowings	<u>68,668,260.00</u>	<u>6,860,500.00</u>
Sub-total of cash inflows	<u>68,668,260.00</u>	<u>6,860,500.00</u>
Cash repayment for borrowings	(75,316,205.61)	(3,000,000.00)
Cash paid for interest	<u>(4,115,503.83)</u>	-
Sub-total of cash outflows	(79,431,709.44)	(3,000,000.00)
Net cash flows from financing activities	<u>(10,763,449.44)</u>	<u>3,860,500.00</u>
EFFECT OF CHANGES IN EXCHANGE RATE ON CASH	<u>(38,105.21)</u>	<u>(2,335,254.10)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (2)	<u>25,725,877.40</u>	<u>(214,171.89)</u>

The notes on pages 8 to 22 form an integral part of these financial statements.

Suzlon Energy (Tianjin) Limited
CASH FLOW STATEMENT (continued)
For the Year Ended 31 December 2014
(Expressed in Renminbi Yuan)

Supplementary Information to cash flow statement	2014	2013
(1) Reconciliation of net loss to cash flows from operating activities		
Net loss	(69,570,028.85)	(53,134,596.93)
Add: Provision for impairment of assets	9,515,008.59	5,524,419.63
Depreciation of fixed assets	18,988,312.20	22,048,884.87
Amortization of intangible assets	582,698.32	634,679.51
Amortization of long-term prepayments	33,091.73	474,094.23
Loss on disposal of fixed assets	2,935.00	127,226.79
Finance expense	443,732.03	6,618,288.04
Decrease/(Increase) in prepaid expenses	111,491.15	(47,608.14)
Decrease in accrued expenses	(8,670,586.41)	(31,157,276.31)
Increase in provisions	492,261.71	-
Decrease in inventories	57,134.05	26,565,929.12
Decrease in operating receivables	70,398,351.26	36,578,419.38
Increase/(Decrease) in operating payables	<u>23,341,774.02</u>	<u>(16,638,544.65)</u>
Net cash flows from operating activities	<u>45,726,174.80</u>	<u>(2,406,084.46)</u>
(2) Net increase/(decrease) in cash and cash equivalents		
Cash at the end of the period	33,300,887.11	7,575,009.71
Less: Cash at the beginning of the period	<u>7,575,009.71</u>	<u>7,789,181.60</u>
Net increase/(decrease) in cash and Cash equivalents	<u>25,725,877.40</u>	<u>(214,171.89)</u>

The notes on pages 8 to 22 form an integral part of these financial statements.

Suzlon Energy (Tianjin) Limited
STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2014
(Expressed in Renminbi Yuan)

	2014	2013
PAID-IN CAPITAL:		
At the beginning and the end of the year	<u>408,313,285.00</u>	<u>408,313,285.00</u>
CAPITAL SURPLUS:		
At the beginning and the end of the year	<u>108,425.59</u>	<u>108,425.59</u>
SURPLUS RESERVES:		
At the beginning of the year	14,753,853.75	14,753,853.75
Addition of the year	-	-
Include: Appropriation to reserve fund	-	-
At the end of the year	<u>14,753,853.75</u>	<u>14,753,853.75</u>
Include: Reserve fund	14,753,853.75	14,753,853.75
(ACCUMULATED LOSSES)/ RETAINED EARNINGS		
At the beginning of the year	(13,762,989.13)	39,371,607.80
Net loss for the year	(69,570,028.85)	(53,134,596.93)
Appropriation	-	-
At the end of the year	<u>(83,333,017.98)</u>	<u>(13,762,989.13)</u>

The notes on pages 8 to 22 form an integral part of these financial statements.

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS
For the Year Ended 31 December 2014
(Expressed in Renminbi Yuan)

1. Corporate information

Suzlon Energy (Tianjin) Limited ("the Company") is a wholly foreign-owned enterprise registered in Tianjin on 4 January 2006. The Company was established by Suzlon Energy Co., Ltd. under the Law of the People's Republic of China for Foreign Investment with an operating term of 50 years. The registration number of the Company is 12000040053143. The registered capital is USD55,000,000.00.

In March 2013, Suzlon Energy Ltd. reached an agreement with Poly Longma Energy (Dalian) Limited to sell 75% shares of the Company. On 22 July 2013, the Company got the updated Certificate of Foreign-Funded Enterprise from Tianjin Municipal People's Government.

The Company commenced production activities in August 2006. Its principal activities are as following: design and development of wind power technology; development, manufacturing, and sales of Wind Turbine Generators and relevant equipment and components; design and construction of wind farms; and technology consulting services on above items.

2. Significant accounting policies and estimates

The financial statements have been prepared based on the following accounting policies and estimates, which are in accordance with the Accounting Standards for Business Enterprises, the Accounting System for Business Enterprises and other related regulations.

Going-concern assumption

The financial statements have been prepared under the going concern basis as the parent company of the Company, Poly Longma Energy (Dalian) Limited, has undertaken to provide continuing financial support to enable the Company to meet its liabilities as and when they fall due. Therefore, the Company will have sufficient funds to meet its daily working capital requirements for the foreseeable future, and will not encounter going concern problems due to inadequate working capital.

Accounting system

The Company adopts the Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises.

Accounting year

The accounting year of the Company is from 1 January to 31 December.

Reporting currency

The Company's reporting and presentation currency is the Renminbi ("Rmb"). Unless otherwise stated, the unit of the currency is Yuan.

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2014
(Expressed in Renminbi Yuan)

2. Significant accounting policies and estimates (continued)

Basis of accounting and measurement basis

The Company's accounts have been prepared on an accrual basis, using the historical cost as the basis of measurement. Assets are recorded at cost when they are acquired. Subsequently, if the assets are impaired, impairment provisions are made in accordance with the Accounting System for Business Enterprises.

Foreign currency transactions

Transactions in currencies other than the reporting currency are translated into the reporting currency at the exchange rates quoted by the People's Bank of China ("the reference rates") and the cross rates quoted by the State Administration of Foreign Exchange Control (the "cross rates"), prevailing on the transaction dates in which the transactions take place.

Monetary assets and liabilities denominated in foreign currencies are restated into the reporting currency using the rates of exchange (reference rates or cross rates) ruling at the balance sheet date. The exchange gains or losses are dealt with in the income statement for the period.

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value.

Bad debts

Accounts receivable meeting the following criteria are recognized as bad debts:

- The debtor is deceased or has been declared bankrupt and the debts remain uncollectible after considering the assets of the bankrupt or the estate of the deceased debtor;
- Debts that are long overdue and there is also evidence indicating that the debts are uncollectible or the possibility of collection is remote.

Specific provisions are made to account for bad debt losses on accounts receivable and other receivables. A specific provision refers to an amount that is provided based on management's assessment of the recoverability of an individual receivable.

Inventories

Inventories, which include raw materials, work-in-progress, materials in transit, and finished goods, are stated at cost when purchased. The cost of Inventories issued is determined on the moving weighted average basis.

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2014
(Expressed in Renminbi Yuan)

2. **Significant accounting policies and estimates (continued)**

Inventories (continued)

Inventories are valued at the lower of cost and net realizable value at the balance sheet date. The difference between the cost and the lower net realizable value is stated as a provision. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and estimated expenses and related taxes necessary to make the sale. The net realizable value is determined based on market price.

The provision for finished goods and raw materials are determined on a category basis.

Fixed assets

Fixed assets are tangible assets with high unit costs held by the Company for use in production of goods, supply of services, rental or for administrative purposes, and are expected to be used for more than one year.

Fixed assets are recorded at cost when acquired. Depreciation is calculated using the straight-line method. The respective estimated useful lives and estimated residual values of fixed assets are as follows:

<u>Category</u>	<u>Estimated useful life</u>	<u>Estimated residual value (%)</u>	<u>Annual depreciation rate</u>
Buildings	20 years	-	5.0%
Machinery	10 years	-	10.0%
Office and computer equipments	3 years	-	33.3%
Vehicles	3 years	-	33.3%
Mould and tools	2-3 years	-	33.3% - 50.0%

At the end of the accounting period, fixed assets are carried at the lower of book value and recoverable amount. A provision for impairment of fixed assets is made for any difference between the book value and the lower recoverable amount. The recoverable amount of the fixed assets is the greater of the net selling price and the value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Gains or losses arising from the disposal, damage, obsolescence or physical counting of fixed assets are accounted for as non-operating expenses or income in the current period.

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2014
(Expressed in Renminbi Yuan)

2. Significant accounting policies and estimates (continued)

Construction in progress

Construction in progress includes all costs incurred during the preparation period before commencement of construction and until the asset is ready for its intended use. These costs include direct materials, direct labor, equipment for installation, construction and installation charges, management fees, land-use-right, gain or loss on trial run production and borrowing costs which are qualified for capitalization. Construction in progress is transferred to fixed assets when the asset is ready for its intended use.

At the end of the year, construction in progress is examined on an individual project basis and impairment provisions are made against those projects which have been suspended for a long period of time and the construction of which is not expected to resume within three years; or for any project under construction but considered obsolete in terms of its technology and functionality and where there exists significant uncertainty as to whether it will bring future economic benefits to the Company.

Borrowing costs

Borrowing costs include interest, amortization of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings. The cost of borrowings designated for acquisition or construction of fixed assets are capitalised when the capital expenditures have been incurred, and the acquisition and construction activities that are necessary to bring the asset to its expected usable condition have commenced. The capitalised interest for the borrowing costs for each accounting period is computed based on the accumulated weighted average expenditure incurred for the acquisition or construction up to the end of the period and the related weighted average interest rate to the extent of actual borrowing costs incurred during the period. The capitalisation of borrowing costs is suspended during the period in which the acquisition or construction of a fixed asset is abnormally interrupted for a period of more than three months. Borrowing costs during this period are treated as an expense until the acquisition or construction is resumed. The capitalisation of borrowing costs ceases when the fixed asset being acquired or constructed is substantially ready for its intended use and borrowing costs incurred thereafter are recorded as finance costs in the period in which they are incurred. Other borrowing costs are charged to the income statement as finance costs as and when incurred.

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2014
(Expressed in Renminbi Yuan)

2. Significant accounting policies and estimates (continued)

Intangible assets

Intangible assets are recorded at actual cost on acquisition. The cost of an intangible asset is amortised using the straight-line method starting from the month in which the asset is acquired and over the shortest period of the estimated useful life, the beneficial period as stipulated by the contracts or the effective period stipulated by laws. Each category of intangible assets is amortized evenly over the following periods:

Land use right	50 years
Software	5 years

At the end of the accounting period, intangible assets are carried at the lower of book value and recoverable amounts. If the recoverable amount is lower than the book value, a provision for impairment on intangible assets is made for the difference.

Long-term prepayments

Long-term prepayments are amortised over the periods from which the Company derives benefits, on a straight-line basis, as follows:

<u>Item</u>	<u>Beneficial period</u>
Pollution testing and land levelling	3 years

Revenue recognition

Revenue from the sale of goods is recognized when: the significant risks and rewards in relation to ownership of the goods have been transferred to the buyer; the Company maintains neither continuing management involvement nor effective control over the goods sold; it is probable that the economic benefits associated with the transaction will flow to the Company; and the relevant amounts of revenue and costs can be measured reliably.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease terms.

Income tax

Income tax is accounted for using the tax payable method, whereby the income tax provision is calculated based on the applicable income tax rate and the accounting results for the year after adjusting for items which are non-assessable or disallowed in accordance with the relevant tax laws.

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2014
(Expressed in Renminbi Yuan)

2. Significant accounting policies and estimates (continued)

Related parties

Parties are considered to be related if one party has the ability to control, or jointly control another party, or exercise significant influence over the other party in making financial and operating decisions. If two or more parties are subject to control from the same party, they are also regarded as related parties.

3. Cash

	31 December 2014	31 December 2013
Cash on hand	723.14	851.60
Cash at bank	<u>33,300,163.97</u>	<u>7,574,158.11</u>
	<u>33,300,887.11</u>	<u>7,575,009.71</u>

4. Accounts receivable

	31 December 2014	31 December 2013
Accounts receivable	447,235,360.60	535,694,664.11
Less: Bad debt provision	<u>(29,562,120.02)</u>	<u>(29,893,611.39)</u>
	<u>417,673,240.58</u>	<u>505,801,052.72</u>

The aging analysis is as below:

Aging	31 December 2014			31 December 2013		
	Balance	%	Bad debt provision	Balance	%	Bad debt provision
Within 1 year	15,959,647.98	4%	-	25,489,559.87	5%	-
More than 1 year	<u>431,275,712.62</u>	<u>96%</u>	<u>29,562,120.02</u>	<u>510,205,104.24</u>	<u>95%</u>	<u>29,893,611.39</u>
	<u>447,235,360.60</u>	<u>100%</u>	<u>29,562,120.02</u>	<u>535,694,664.11</u>	<u>100%</u>	<u>29,893,611.39</u>

As of 31 December 2014, the account receivables aged more than 1 year but has not been fully provided bad debt provisions are mainly amounts due from Aolujia (Baicheng) New Energy Development Ltd., Datang group technology engineering Ltd. and its related companies, Honiton Energy(Xilinguofe) Company Ltd. and its related companies, Huaneng Changyi wind power Ltd., and its related companies, Inner Mongolia North Longyuan Wind Power Company Ltd., Beijing Zijinyang Control System technology Co., Ltd. and Suzlon Energy Ltd. The Company has reached preliminary agreements with these customers about the payment plan. In addition, there were repayments records found in year 2014 or post balance sheet date from above customers. Accordingly, the Company does not anticipate that additional bad debt provisions were necessary as of the balance sheet date.

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2014
(Expressed in Renminbi Yuan)

5. Other receivables

	31 December 2014			31 December 2013		
	Balance	%	Bad debt provision	Balance	%	Bad debt provision
Within 1 year	8,221,092.76	83%	(3,000,000.00)	827,489.54	37%	-
1 -2 years	642,464.58	6%	-	279,360.98	12%	-
2 - 3 years	144,858.97	1%	-	160,050.15	7%	-
Above 3 years	<u>1,009,928.82</u>	<u>10%</u>	<u>-</u>	<u>969,159.97</u>	<u>44%</u>	<u>-</u>
	<u>10,018,345.13</u>	<u>100%</u>	<u>(3,000,000.00)</u>	<u>2,236,060.64</u>	<u>100%</u>	<u>-</u>

6. Bad debt provision

	Opening balance	Additions	Reversal	Written off	Closing Balance
Accounts receivable	29,893,611.39	8,668,508.63	(2,153,500.04)	(6,846,499.96)	29,562,120.02
Other receivables	-	3,000,000.00	-	-	3,000,000.00
	<u>29,893,611.39</u>	<u>11,668,508.63</u>	<u>(2,153,500.04)</u>	<u>(6,846,499.96)</u>	<u>32,562,120.02</u>

7. Inventories

	31 December 2014	31 December 2013
Raw materials	44,928,538.00	43,737,951.92
Work in process	-	14,632,886.19
Semi-finished goods	28,592,694.54	15,207,528.48
Finished goods	<u>311,972.25</u>	<u>311,972.25</u>
	73,833,204.79	73,890,338.84
Less: inventory provision	<u>(51,500,000.00)</u>	<u>(51,500,000.00)</u>
Total	<u>22,333,204.79</u>	<u>22,390,338.84</u>

There was no movement of inventory provision in the current year.

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2014
(Expressed in Renminbi Yuan)

8. Fixed assets

	Buildings	Machinery	Office equipment	Vehicles	Moulds and tools	Totals
Cost:						
Opening balance	211,946,667.98	78,593,394.91	8,133,931.65	2,165,049.57	135,116,578.94	435,955,623.05
Addition	-	-	131,221.69	1,116,668.93	10,900.00	1,258,790.62
Disposal	-	-	(29,350.00)	-	-	(29,350.00)
Closing balance	<u>211,946,667.98</u>	<u>78,593,394.91</u>	<u>8,235,803.34</u>	<u>3,281,718.50</u>	<u>135,127,478.94</u>	<u>437,185,063.67</u>
Accumulated Depreciation						
Opening balance	69,398,176.70	48,566,535.77	7,940,695.19	573,822.25	134,969,439.37	261,448,669.28
Addition	10,690,422.81	7,864,077.66	107,724.32	208,099.04	117,988.37	18,988,312.20
Disposal	-	-	(26,415.00)	-	-	(26,415.00)
Closing balance	<u>80,088,599.51</u>	<u>56,430,613.43</u>	<u>8,022,004.51</u>	<u>781,921.29</u>	<u>135,087,427.74</u>	<u>280,410,566.48</u>
Net book value						
31 December 2014	<u>131,858,068.47</u>	<u>22,162,781.48</u>	<u>213,798.83</u>	<u>2,499,797.21</u>	<u>40,051.20</u>	<u>156,774,497.19</u>
31 December 2013	<u>142,548,491.28</u>	<u>30,026,859.14</u>	<u>193,236.46</u>	<u>1,591,227.32</u>	<u>147,138.57</u>	<u>174,506,953.77</u>

As at 31 December 2014, the book value of fully depreciated fixed assets that are still in use is RMB 143,564,286.59 (31 December 2013: RMB 141,834,028.00). The Company pledged its buildings as for its borrowings (Note 12).

9. Construction in progress

	31 December 2014	31 December 2013
At the beginning of year	-	-
Additions	7,690,812.50	-
Impairment	-	-
At the end of year	<u>7,690,812.50</u>	<u>-</u>

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10. Intangible assets

	Land use right	Software	Totals
Opening Balance	22,030,696.93	122,723.17	22,153,420.10
Addition	-	364,339.63	364,339.63
Amortization	(523,501.71)	(59,196.61)	(582,698.32)
Closing Balance	<u>21,507,195.22</u>	<u>427,866.19</u>	<u>21,935,061.41</u>
Cost on acquisition	<u>26,079,120.09</u>	<u>1,363,119.38</u>	<u>27,442,239.47</u>

The Company pledged its land use right for its borrowings (Note 12).

11. Long-term prepaid expenses

	Pollution testing and land leveling
Opening Balance	33,091.73
Amortization	(33,091.73)
Closing Balance	<u>-</u>

12. Short term loans

	31 December 2014	31 December 2013
Loan from related company	43,300,000.00	6,860,500.00
Loan from third company	<u>3,100,410.95</u>	<u>46,000,000.00</u>
	<u>46,400,410.95</u>	<u>52,860,500.00</u>

As at 31 December 2014, the loan from related company represents borrowing from the ultimate parent company of Baoheng (Beijing) Investment Holding Group Co., Ltd. The loan is interest free, unsecured and has no fixed terms of repayment.

As at 31 December 2014, the loan from third company represents remaining borrowing from Shandong ZhongKai Heavy Industry Group Limited. The borrowing has been secured by the Company's buildings and land use right. The loan interest rate is implemented in accordance with the loan interest rate stipulated by the People's Bank of China for the corresponding period. There is no fixed term of repayment

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13. Taxes payable

	31 December 2014	31 December 2013
Value added tax	22,159,787.53	22,443,036.09
Withholding of individual income tax ("IIT")	665,828.57	605,710.24
Withholding business tax ("BT")	10,517,185.03	10,577,011.49
Housing property tax	158,158.96	158,158.94
Land use tax	125,000.00	125,000.00
Stamp duty	4,172.80	(624.30)
City maintenance & construction tax	4,511,255.73	4,511,255.73
Others	(174,928.30)	(160,858.99)
Totals	<u>37,966,460.32</u>	<u>38,258,689.20</u>

The major categories of taxes applicable to the Company and the respective tax rates are as follows:

- (1) Corporate income tax - In accordance with the relevant tax laws in the PRC, the Company is subject to a corporate income tax rate of 25% on its taxable income.
- (2) Value added tax ("VAT") - In accordance with the relevant tax laws in the PRC, the VAT rate for export sales is 0% and for domestic sales is 17%. VAT is levied at 17% on the invoiced value of sales and is payable by the purchaser. The Company is required to remit the VAT it collects to the tax authority, but may deduct the VAT it has paid on eligible purchases.
- (3) Withholding of IIT - In accordance with the relevant tax laws in the PRC, the Company is required to withhold individual income tax on salaries paid to its employees.
- (4) Withholding BT and CIT - In accordance with the relevant tax laws in the PRC, the Company is required to withhold and pay corporate income tax of 10% and business tax of 5% in respect of the interest and technology transfer fees payable to foreign investors and overseas related companies.

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NOTES TO FINANCIAL STATEMENTS (continued)
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13. Taxes payable (Continued)

- (5) City maintenance and Construction tax & Education surcharge - In accordance with the relevant notice "Guo Fa [2010]-35" the foreign invested companies, foreign companies and foreign individuals are subject to city maintenance and construction tax as well as education surcharge since 1 December 2010 with the tax rate of 7% and 3% respectively. And in accordance with the relevant notice "Jin Zheng Ban Fa [2011]-21" the companies in Tianjin are subject to local education surcharge since 1 February 2011 with the tax rate of 2%.

14. Paid-in capital

Registered and paid-in capital:

	<u>31 December 2014 and 2013</u>	
	USD	RMB equivalent
Suzlon Energy Co., Ltd.	13,750,000.00	102,078,321.25
Poly Longma Energy (Dalian) Limited	<u>41,250,000.00</u>	<u>306,234,963.75</u>
	<u>55,000,000.00</u>	<u>408,313,285.00</u>

All the capital contribution was verified by the Certified Public Accountants and capital verification reports were issued.

15. Capital surplus

Capital reserves represented the inventory donations from Suzlon Energy Co., Ltd.

16. Revenue from principal operations

	2014	2013
Sales of goods	<u>17,932,070.20</u>	<u>24,188,314.28</u>

17. Financial Expense

	31 December 2014	31 December 2013
Interest expense	405,626.83	4,266,207.41
Exchange (gain)/loss	(1,480,579.80)	2,335,254.10
Others	<u>452,037.25</u>	<u>23,046.38</u>
	<u>(622,915.72)</u>	<u>6,624,507.89</u>

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NOTES TO FINANCIAL STATEMENTS (continued)
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18. Income tax expense

2014 2013

Income tax expense - -

Further to the disclosure in Note 13(1), the Company's applicable income tax rate is 25%. As for 2014 and 2013, the Company was in tax losses. Therefore, the income tax expense was Nil.

19. Related party relationships and transactions

Details of the Company's investor are summarized as follows:

<u>Name of the investor</u>	<u>Place of incorporation</u>	<u>% of equity held</u>
Poly Longma Energy (Dalian) Limited	China	75%

The major related companies with which the Company had transactions during the period are as follows:

<u>Name of related companies</u>	<u>Relationship</u>
Baoheng (Beijing) Investment Holding Group Co., Ltd.	Ultimate parent company
Suzlon Energy Limited	Investor
AE Rotor Holding BV	Fellow subsidiary controlled by Suzlon Energy Limited
SE Composites Limited	Fellow subsidiary controlled by Suzlon Energy Limited
SE Electricals Limited	Fellow subsidiary controlled by Suzlon Energy Limited
Suzlon Energy A/S	Fellow subsidiary controlled by Suzlon Energy Limited
Suzlon Energy Australia PTY Ltd.	Fellow subsidiary controlled by Suzlon Energy Limited
Suzlon Energy Korea Liaison Office	Fellow subsidiary controlled by Suzlon Energy Limited
Suzlon Energy Limited Pondicheery	Fellow subsidiary controlled by Suzlon Energy Limited
Suzlon Generators Pvt. Ltd.	Fellow subsidiary controlled by Suzlon Energy Limited
Suzlon Global Services Limited	Fellow subsidiary controlled by Suzlon Energy Limited
Suzlon Infrastructure Services Ltd.	Fellow subsidiary controlled by Suzlon Energy Limited
Suzlon Rotor Corporation	Fellow subsidiary controlled by Suzlon Energy Limited
Suzlon Wind Energy Corporation	Fellow subsidiary controlled by Suzlon Energy Limited
Suzlon Wind Energy Equipment Trading (Shanghai) Ltd.	Fellow subsidiary controlled by Suzlon Energy Limited
Suzlon Wind International Limited	Fellow subsidiary controlled by Suzlon Energy Limited

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19. Related party relationships and transactions (continued)

Significant transactions between the Company and its related companies during the year are as follows:

(1) Purchase of materials

	2014	2013
SE Electricals Limited	12,149.56	1,064,687.53
Suzlon Generators Pvt. Ltd.	9,269.98	324,302.50
Suzlon Energy Limited	-	1,544,592.11
Suzlon Wind Energy Corporation	-	48,542.58
SE Composites Limited	-	28,700.75
	<u>21,419.54</u>	<u>3,010,825.47</u>

The purchase of raw material was made according to a price mutually agreed after taking into account the prevailing market price.

(2) Sales of goods(raw materials)

	2014	2013
Suzlon Wind Energy Equipment Trading (Shanghai) Ltd.	-	<u>1,029,907.64</u>

The sale of materials was made according to a price mutually agreed after taking into account the prevailing market price.

(3) Royalty fee

	2014	2013
AE Rotor Holding BV	<u>7,690,812.50</u>	-

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19. Related party relationships and transactions (continued)

(4) Balance with major related parties included in receivables and payables of the Company is as follows:

Accounts	Name of related party	31 December 2014	31 December 2013
Accounts receivables	Suzlon Energy Limited	121,873,606.43	121,433,435.37
	SE Composites Limited	1,335,610.10	1,330,786.28
	Suzlon Wind Energy Equipment Trading (Shanghai) Ltd.	1,159,559.87	1,159,559.87
	SE Electricals Limited	700,674.94	698,144.31
	Suzlon Wind International Limited	40,315.58	40,169.97
			<u>125,109,766.92</u>
Other receivables	SE Composites Limited	94,844.50	94,501.95
	Suzlon Energy Korea Liaison Office	15,294.47	-
		<u>110,138.97</u>	<u>94,501.95</u>
Accounts payable	Suzlon Energy AS	20,370,581.08	20,378,445.38
	Suzlon Energy Limited	19,338,725.72	20,193,725.41
	AE Rotor Holding BV	2,168,200.73	2,168,200.73
	SE Electricals Limited	1,377,495.57	1,360,403.00
	Suzlon Wind Energy Corporation	1,135,860.06	1,131,757.67
	Suzlon Generators Pvt. Ltd.	318,494.44	317,344.13
	Suzlon Wind International Limited	64,627.65	60,325.17
	Suzlon Energy Australia PTY Ltd.	55,775.93	60,363.71
	Suzlon Global Services Limited	31,206.90	-
	Suzlon Energy Limited Pondicheery	17,583.74	-
	Suzlon Rotor Corporation	13,433.96	13,385.44
	Suzlon Infrastructure Service Ltd.	5,833.61	5,812.54
SE Composites Limited	354.71	354.71	
		<u>44,898,174.10</u>	<u>45,690,117.89</u>
Accrued expense			
Royalty	AE Rotor Holding BV	38,123,115.64	38,123,115.64

Amounts due from/to related parties were all interest free and unsecured, with no fixed terms of repayment.

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS (continued)
For the Year Ended 31 December 2014
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19. Related party relationships and transactions (continued)

(5) Balance with major related parties included in loans of the Company is as follows:

	31 December 2014	31 December 2013
Short-term loans		
Baoheng (Beijing) Investment Holding Group Co., Ltd.	<u>43,300,000.00</u>	<u>6,860,500.00</u>

As for the loan due from related parties, please refer to Note 12.

20. Operating lease commitments

The non-cancelable minimum lease payments for each of the next one year subsequent to the balance sheet date and the aggregate minimum lease payments thereafter are as follows:

	31 December 2014	31 December 2013
In first year	928,810.23	1,136,040.00
In second year	<u>21,600.00</u>	<u>568,020.00</u>
	<u>950,410.23</u>	<u>1,704,060.00</u>

21. Subsequent Financial Statements

There are no events occurring after the balance sheet date that need to be disclosure up to the date of approval of these financial statements.

22. Approval of the financial statements

The financial statements have been authorized for issuance by the management on 12 June 2015.