

Suzlon Energy (Tianjin) Limited

Audited Financial Statements

31 December 2009

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

Index

	Pages
AUDITORS' REPORT	1
AUDITED FINANCIAL STATEMENTS	
Balance Sheet	2-3
Income and Profit Appropriation Statement	4
Cash Flow Statement	5-6
Statement of Changes in Equity	7
Notes to Financial Statements	8-23

Auditors' Report

Ernst & Young Hua Ming (2009) No. 60587001_A01

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 2009, 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

The management is responsible for preparing financial statements in accordance with Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises. This responsibility includes (1) designing, implementing and maintaining the internal control relevant to the preparation of the financial statements that are free from material misstatement whether due to fraud or error; (2) selecting and applying appropriate accounting policies; and (3) making accounting estimates that are reasonable in the circumstances.

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 2009 and the results of its operations and its cash flows for the year then ended.

Ernst & Young Hua Ming
Chinese Certified Public Accountant
Beijing, the People's Republic of China

23 March 2010

Suzlon Energy (Tianjin) Limited
BALANCE SHEET
31 December 2009
(Expressed in Renminbi Yuan)

ASSETS	Notes	2009	2008
Current assets:			
Cash	3	212,610,617.14	327,579,359.19
Accounts receivable	4	709,675,844.07	441,388,841.94
Other receivables		6,755,311.53	3,210,330.14
Advances to suppliers		37,136,685.97	100,440,489.17
Inventories	5	449,559,753.65	904,914,976.62
Prepaid expenses		<u>2,832,704.49</u>	<u>971,134.37</u>
Total current assets		<u>1,418,570,916.85</u>	<u>1,778,505,131.43</u>
Fixed assets:			
Cost	6	411,085,546.95	406,977,764.15
Less: Accumulated depreciation	6	<u>128,679,445.30</u>	<u>62,124,352.94</u>
Net book value	6	282,406,101.65	344,853,411.21
Construction in process	7	<u>14,558,584.07</u>	<u>3,929,751.51</u>
Total fixed assets		<u>296,964,685.72</u>	<u>348,783,162.72</u>
Intangible assets and other long-term assets:			
Intangible assets	8	23,667,317.73	23,648,448.18
Long-term prepayments	9	<u>2,464,328.84</u>	<u>3,630,982.66</u>
Total intangible assets and other long-term assets		<u>26,131,646.57</u>	<u>27,279,430.84</u>
TOTAL ASSETS		<u>1,741,667,249.14</u>	<u>2,154,567,724.99</u>

The notes on pages 8 to 23 form an integral part of the financial statements.

Suzlon Energy (Tianjin) Limited
BALANCE SHEET (continued)
31 December 2009
(Expressed in Renminbi Yuan)

LIABILITIES AND OWNERS' EQUITY	Notes	2009	2008
Current liabilities:			
Short term loans	10	398,000,000.00	516,000,000.00
Accounts payable		205,618,508.50	576,304,954.93
Advances from customers		202,073,996.15	95,232,948.48
Accrued Payroll		2,814,588.81	2,556,149.48
Taxes payable	11	17,519,131.84	11,568,356.89
Other payables		836,431.92	661,381.28
Accrued expenses		368,703,307.83	411,564,310.34
Total current liabilities		<u>1,195,565,965.05</u>	<u>1,613,888,101.40</u>
Long-term liabilities:			
Long term borrowings		-	<u>27,340,400.01</u>
Total long-term liabilities		-	<u>27,340,400.01</u>
Total liabilities		<u>1,195,565,965.05</u>	<u>1,641,228,501.41</u>
Owners' equity:			
Paid-in capital	12	408,313,285.00	408,313,285.00
Capital surplus	13	108,425.59	108,425.59
Surplus reserves	14	13,767,957.35	10,491,751.30
Retained earnings		<u>123,911,616.15</u>	<u>94,425,761.69</u>
Total owners' equity		<u>546,101,284.09</u>	<u>513,339,223.58</u>
TOTAL LIABILITIES AND OWNERS' EQUITY		<u>1,741,667,249.14</u>	<u>2,154,567,724.99</u>

The notes on pages 8 to 23 form an integral part of these financial statements.

The financial statements on pages 2 to 23 have been signed by:

General Manager: _____ Financial Controller: _____ Accounting Supervisor: _____

Suzlon Energy (Tianjin) Limited
INCOME AND PROFIT APPROPRIATION STATEMENT
For the Year Ended 31 December 2009
(Expressed in Renminbi Yuan)

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
Revenue from principal operations	15	1,538,449,767.84	1,168,044,068.95
Less: Cost of sales		<u>1,273,236,971.75</u>	<u>942,219,902.26</u>
Profit from principal operations		265,212,796.09	225,824,166.69
Add: (Loss)/profit from other operations		(106,047.00)	(19,320.00)
Less: Operating expenses		106,842,027.17	82,035,601.98
General and administrative expenses		83,452,899.50	81,874,854.30
Financial expenses	16	<u>31,721,368.89</u>	<u>17,336,150.19</u>
Operating profit		43,090,453.53	44,558,240.22
Add: Non-operating income		2,187,241.96	3,238,580.50
Less: Non-operating expenses		<u>1,791,165.64</u>	<u>458,851.29</u>
Total profit		43,486,529.85	47,337,969.43
Less: Income tax	17	<u>10,724,469.34</u>	-
Net profit		32,762,060.51	47,337,969.43
Add: Retained earnings at the beginning of the year		<u>94,425,761.69</u>	<u>51,821,589.20</u>
Distributable profit		127,187,822.20	99,159,558.63
Less: Appropriation to reserve fund		<u>3,276,206.05</u>	<u>4,733,796.94</u>
Retained earnings at the end of year		<u>123,911,616.15</u>	<u>94,425,761.69</u>

The notes on pages 8 to 23 form an integral part of these financial statements.

Suzlon Energy (Tianjin) Limited
CASH FLOW STATEMENT
For the Year Ended 31 December 2009
(Expressed in Renminbi Yuan)

	Supplementary information	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from sale of goods		1,484,032,507.02	1,418,321,526.03
Cash received from tax refund		-	2,613,400.43
Cash received relating to other operating activities		<u>2,187,241.96</u>	<u>625,180.07</u>
Sub-total of cash inflows		<u>1,486,219,748.98</u>	<u>1,421,560,106.53</u>
Cash paid for goods and services		(1,135,295,633.65)	(1,169,912,241.17)
Cash paid to and on behalf of employees		(90,238,530.75)	(63,304,765.19)
Cash paid for all types of taxes		(12,027,638.26)	(13,173,803.37)
Cash paid relating to other operating activities		(180,377,248.35)	(58,961,041.88)
Sub-total of cash outflows		<u>(1,417,939,051.01)</u>	<u>(1,305,351,851.61)</u>
Net cash flows from operating activities	(1)	<u>68,280,697.97</u>	<u>116,208,254.92</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(17,901,569.68)	(112,971,231.75)
Sub-total of cash outflows		<u>(17,901,569.68)</u>	<u>(112,971,231.75)</u>
Net cash flows from investing activities		<u>(17,901,569.68)</u>	<u>(112,971,231.75)</u>
CASH FLOWS FINANCING ACTIVITIES:			
Cash received from borrowings		<u>398,000,000.00</u>	<u>995,451,467.48</u>
Sub-total of cash inflows		<u>398,000,000.00</u>	<u>995,451,467.48</u>
Cash repayment for borrowings		(543,340,400.01)	(784,887,959.46)
Cash paid for interest expenses		(42,868,396.26)	(40,810,772.05)
Sub-total of cash outflows		<u>(586,208,796.27)</u>	<u>(825,698,731.51)</u>
Net cash flows from financing activities		<u>(188,208,796.27)</u>	<u>169,752,735.97</u>
EFFECT OF CHANGES IN EXCHANGE RATE ON CASH		<u>456,158.14</u>	<u>26,968,391.71</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(3)	<u>(138,285,826.12)</u>	<u>199,958,150.85</u>

The notes on pages 8 to 23 form an integral part of these financial statements.

Suzlon Energy (Tianjin) Limited
CASH FLOW STATEMENT (continued)
For the Year Ended 31 December 2009
(Expressed in Renminbi Yuan)

Supplementary Information to cash flow statement

	<u>2009</u>	<u>2008</u>
(1) Reconciliation of net profit to cash flows from operating activities		
Net profit	32,762,060.51	47,337,969.43
Add: Depreciation of fixed assets	67,134,419.79	44,695,185.52
Amortization of intangible assets	621,968.22	538,535.49
Amortization of long-term prepayments	2,161,258.91	1,016,773.34
Loss on disposal of fixed assets	950,184.03	47,430.55
Inventory provision	35,200,000.00	-
Finance expense / (income)	28,959,574.66	15,530,417.11
(Increase) / decrease in prepaid expenses	(1,861,570.12)	(599,342.29)
Increase in accrued expenses	(28,496,022.79)	169,461,891.58
(Increase) / decrease in inventories	420,155,222.97	(296,995,878.83)
Decrease / (increase) in operating receivables	(231,845,264.37)	21,451,283.68
Increase / (decrease) in operating payables	(257,461,133.84)	113,723,989.34
Net cash flows from operating activities	<u>68,280,697.97</u>	<u>116,208,254.92</u>
(2) Investing and financing activities that do not involve cash receipts and payments		
Conversion of debt to capital	-	<u>238,604,340.00</u>
(3) Net increase in cash and cash equivalents		
Cash at the end of the year	189,293,533.07	327,579,359.19
Less: Cash at the beginning of the year	<u>327,579,359.19</u>	<u>127,621,208.34</u>
Net increase in cash and Cash equivalents	<u>(138,285,826.12)</u>	<u>199,958,150.85</u>

The notes on pages 8 to 23 form an integral part of these financial statements.

Suzlon Energy (Tianjin) Limited
STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2009
(Expressed in Renminbi Yuan)

	<u>2009</u>	<u>2008</u>
PAID-IN CAPITAL:		
At the beginning of the year	408,313,285.00	169,708,945.00
Addition of the year	-	238,604,340.00
Include: capital injection	<u>-</u>	<u>238,604,340.00</u>
At 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	10,491,751.30	5,757,954.36
Addition of the year	3,276,206.05	4,733,796.94
Include: Appropriation to reserve fund	<u>3,276,206.05</u>	<u>4,733,796.94</u>
At the end of the year	<u>13,767,957.35</u>	<u>10,491,751.30</u>
Include: Reserve fund	<u>13,767,957.35</u>	<u>10,491,751.30</u>
RETAINED EARNINGS/(ACCUMULATED LOSSES):		
At the beginning of the year	94,425,761.69	51,821,589.20
Net profit for the year	32,762,060.51	47,337,969.43
Appropriation	<u>(3,276,206.05)</u>	<u>(4,733,796.94)</u>
At the end of the year	<u>123,911,616.15</u>	<u>94,425,761.69</u>

The notes on pages 8 to 23 form an integral part of these financial statements.

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS
For the Year Ended 31 December 2009
(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. (the “Foreign Investor”) 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.

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.

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.

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.

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS
For the Year Ended 31 December 2009
(Expressed in Renminbi Yuan)

2. Significant accounting policies and estimates (continued)

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 year.

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.

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.

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS
For the Year Ended 31 December 2009
(Expressed in Renminbi Yuan)

2. Significant accounting policies and estimates (continued)

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 year.

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.

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS
For the Year Ended 31 December 2009
(Expressed in Renminbi Yuan)

2. Significant accounting policies and estimates (continued)

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.

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>
Virescence	2 years
Office decoration	2~4 years

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS
For the Year Ended 31 December 2009
(Expressed in Renminbi Yuan)

2. Significant accounting policies and estimates (continued)

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.

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

	Note	2009	2008
Cash on hand		110,083.88	76,352.56
Cash at bank		156,657,068.61	305,825,000.07
Other monetary funds	(1)	<u>55,843,464.65</u>	<u>21,678,006.56</u>
		<u>212,610,617.14</u>	<u>327,579,359.19</u>
Less: other monetary funds with maturity over 3 months		<u>23,317,084.07</u>	-
Cash and cash equivalent		<u>189,293,533.07</u>	<u>327,579,359.19</u>

Note

(1): Other monetary funds are deposits in banks for letter of credit and guarantees issued by banks.

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS
For the Year Ended 31 December 2009
(Expressed in Renminbi Yuan)

4. Accounts receivable

	2009	2008
Accounts receivable	709,675,844.07	441,388,841.94
Less: Bad debt provision	-	-
	709,675,844.07	441,388,841.94

The aging analysis is as below:

	2009			2008		
	Balance	%	Bad debt provision	Balance	%	Bad debt provision
Within 1 year	670,603,546.10	94%	-	421,081,159.57	95%	-
More than 1 year	39,072,297.97	6%	-	20,307,682.37	5%	-
	709,675,844.07	100%	-	441,388,841.94	100%	-

Accounts receivable aged more than 1 year are amounts for which payment conditions per sales contracts were not met. Thus, the Company does not anticipate that bad debt provisions were necessary as of the balance sheet date.

5. Inventories

	2009	2008
Raw materials	175,926,739.39	375,239,128.48
Goods in transit	2,736,441.96	-
Work in process	36,106,705.96	54,571,894.77
Finished goods	269,989,866.34	475,103,953.37
Less: inventory provision	(35,200,000)	-
Total	449,559,753.65	904,914,976.62

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS
For the Year Ended 31 December 2009
(Expressed in Renminbi Yuan)

6. Fixed assets

	Buildings	Machinery	Office equipments	Vehicles	Moulds and tools	Total
Cost:						
Opening balance	212,118,988.22	81,356,150.25	7,487,521.89	2,214,193.40	103,800,910.39	406,977,764.15
Addition	670,471.06	-	486,285.32	-	1,728,837.29	2,885,593.67
Transferred from construction in progress	1,121,258.56	1,452,443.16	27,000.00	-	-	2,600,701.72
Other transferred	144,000.00	-	-	-	6,998.87	150,998.87
Disposal	(415,280.80)	(240,280.00)	(139,092.00)	(726,858.66)	(8,000.00)	(1,529,511.46)
Closing balance	<u>213,639,437.04</u>	<u>82,568,313.41</u>	<u>7,861,715.21</u>	<u>1,487,334.74</u>	<u>105,528,746.55</u>	<u>411,085,546.95</u>
Accumulated depreciation:						
Opening balance	15,828,891.40	9,671,360.51	3,712,128.71	720,008.14	32,191,964.18	62,124,352.94
Charges for the year	10,750,925.59	8,237,268.89	2,479,503.92	430,724.37	45,235,997.02	67,134,419.79
Disposal	(39,797.74)	(72,084.00)	(86,313.17)	(374,719.18)	(6,413.34)	(579,327.43)
Closing balance	<u>26,540,019.25</u>	<u>17,836,545.40</u>	<u>6,105,319.46</u>	<u>776,013.33</u>	<u>77,421,547.86</u>	<u>128,679,445.30</u>
Net Book Value:						
31 December 2009	<u>187,099,417.79</u>	<u>64,731,768.01</u>	<u>1,756,395.75</u>	<u>711,321.41</u>	<u>28,107,198.69</u>	<u>282,406,101.65</u>
31 December 2008	<u>196,290,703.81</u>	<u>71,684,789.74</u>	<u>3,774,786.19</u>	<u>1,494,185.26</u>	<u>71,608,946.21</u>	<u>344,853,411.21</u>

As at 31 December 2009, the book value of fully depreciated fixed assets that are still in use is RMB35,708,225.26.

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS
For the Year Ended 31 December 2009
(Expressed in Renminbi Yuan)

7. Construction in progress

	2009	2008
Opening Balance	3,929,751.51	41,522,929.41
Additions	13,680,258.28	95,375,942.72
Transfer to fixed assets	(2,600,701.72)	(129,910,798.51)
Transfer to long-term prepaid expenses	(450,724.00)	(3,058,322.11)
Closing Balance	<u>14,558,584.07</u>	<u>3,929,751.51</u>

No borrowing cost was capitalized during the year (2008: nil).

8. Intangible assets

	Land use right	Software	Total
Opening Balance	23,541,666.72	106,781.45	23,648,448.17
Increase	-	640,837.78	640,837.78
Amortization	(500,000.00)	(121,968.22)	(621,968.22)
Closing Balance	<u>23,041,666.72</u>	<u>625,651.01</u>	<u>23,667,317.73</u>
Cost on acquisition	<u>25,000,000.00</u>	<u>830,279.75</u>	<u>25,830,279.75</u>

9. Long-term prepaid expenses

	Virescence	Office decoration	Total
Opening Balance	1,852,166.29	1,778,816.37	3,630,982.66
Increase	120,000.00	2,240,526.00	2,360,526.00
Decrease	(95,337.80)	(1,270,583.11)	(1,365,920.91)
Amortization	(1,279,604.65)	(881,654.26)	(2,161,258.91)
Closing Balance	<u>597,223.84</u>	<u>1,867,105.00</u>	<u>2,464,328.84</u>

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS
For the Year Ended 31 December 2009
(Expressed in Renminbi Yuan)

10. Short term loans

	2009	2008
Bank loans	<u>398,000,000.00</u>	<u>516,000,000.00</u>

Short-term bank loans are unsecured and are subject to an annual interest rate ranging from 4.78% to 5.58%.

11. Taxes payable

	2009	2008
Value added tax	(846,366.05)	(7,543,680.70)
Withholding of individual income tax ("IIT")	407,734.28	139,096.46
Withholding of business tax and corporate income tax ("BT and CIT")	14,547,508.66	18,972,941.13
Stamp duty	132.10	-
CIT payable	<u>3,410,122.85</u>	-
Total	<u>17,519,131.84</u>	<u>11,568,356.89</u>

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

- (1) Corporate income tax - The Company is a foreign investment enterprise which was registered in the Tianjin High-tech Industry Park. In accordance with the relevant tax laws in the PRC, the Company is exempted from corporate income tax for its first two profits making years (after deducting losses incurred in previous years) and is entitled to a 50% tax reduction for the succeeding three years. According to the PRC Corporate Income Tax Law approved by the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, and the regulations on the implementation approved at the 197th Executive Meeting of the State Council on 28 November 2007, the Company will be subject to an income tax rate of 25% starting from the sixth year. The current year is the Company's first year of 50% tax reduction; hence the income tax rate for 2009 is 12.5%. According to the investment agreement signed between the Company and the Tianjin High-tech Industry Park Administration Committee, the Company would receive 40% and 20% income tax refund in the third and sixth profit making years, respectively.

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS
For the Year Ended 31 December 2009
(Expressed in Renminbi Yuan)

11. Taxes payable (Continued)

- (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. The company is entitled to a VAT rebate of 25% (after deduction of RMB300,000.00) from Tianjin High-tech Industry Park when the first VAT invoice for a period of 3 years. From the following fourth year to sixth year, the VAT rebate rate is 12.5% (after deduction of RMB300,000.00).
- (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.

12. Paid-in capital

Registered/Paid up:

	2009		2008	
	USD	RMB equivalent	USD	RMB equivalent
Suzlon Energy Co., Ltd	<u>55,000,000.00</u>	<u>408,313,285.00</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.

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS
For the Year Ended 31 December 2009
(Expressed in Renminbi Yuan)

13. Capital surplus

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

14. Surplus reserves

Pursuant to the Company's Articles and the resolution of the board of directors, the Company appropriated the funds as below:

	Net profit for the year ended 31 December 2009	10%
Reserve fund		

15. Revenue from principal operations

	2009	2008
Sales of goods	<u>1,538,449,767.84</u>	<u>1,168,044,068.95</u>

16. Financial expenses/ (income)

	2009	2008
Interest expense	30,244,061.32	44,386,256.86
Interest income	(1,740,644.79)	(1,887,448.04)
Exchange gain	456,158.13	(26,968,391.71)
Others	<u>2,761,794.23</u>	<u>1,805,733.08</u>
Total	<u>31,721,368.89</u>	<u>17,336,150.19</u>

17. Income tax

	2009	2008
Income tax for the year	<u>10,724,469.34</u>	<u>-</u>

Note: Further to the disclosure in Note 11(1), the Company is a foreign investment enterprise which registered in Tianjin High-tech Industry Park. In accordance with the relevant tax laws in the PRC, the Company is exempted from corporate income tax for its first two profit-making years (after deducting losses incurred in previous years) and is entitled to a 50% tax reduction for the succeeding three years. The current year is the Company's first year of 50% tax reduction.

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS
For the Year Ended 31 December 2009
(Expressed in Renminbi Yuan)

18. 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>
Suzlon Energy Co., Ltd	India	100%

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

<u>Name of related companies</u>	<u>Relationship</u>
Suzlon Energy Co., Ltd	Parent company
Suzlon Energy AS	Fellow subsidiary controlled by the Parent company
A E Rotor Holding BV	Fellow subsidiary controlled by the Parent company
Suzlon Generators Pvt. Ltd .	Fellow subsidiary controlled by the Parent company
Hansen Transmissions International	Fellow subsidiary controlled by the Parent company
SE Electricals Limited	Fellow subsidiary controlled by the Parent company
REpower China	Fellow subsidiary controlled by the Parent company
REpower Systems AG	Fellow subsidiary controlled by the Parent company
Suzlon Energy GmbH	Fellow subsidiary controlled by the Parent company
Suzlon Wind Energy Equipment Trading (Shanghai)	Fellow subsidiary controlled by the Parent company
Hansen China	Fellow subsidiary controlled by the Parent company
SE Composites	Fellow subsidiary controlled by the Parent company

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS
For the Year Ended 31 December 2009
(Expressed in Renminbi Yuan)

18. Related party relationships and transactions (continued)

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

(1) Purchase of raw material	<u>2009</u>	<u>2008</u>
Suzlon Energy Co., Ltd	23,606,854.18	47,467,613.15
Suzlon Generators Pvt. Ltd .	-	1,593,697.82
Suzlon Energy AS	-	242,053.23
SE Electricals Limited	374,487.75	-
Suzlon Energy GmbH	51,984.23	-
Hansen Transmissions International	1,572,270.38	30,999,578.45
Hansen China	2,365,190.00	-
REpower Systems AG	174,511.41	-
SE Composites	48,765.54	-
	<u>28,194,063.49</u>	<u>80,302,942.65</u>

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

(2) Property transactions

Properties acquired from related parties during the year are as follows:

	<u>2009</u>	<u>2008</u>
Suzlon Energy Co., Ltd.	<u>11,756,857.62</u>	<u>34,737,151.60</u>

The properties were acquired at their net book value with 10% mark up plus incidental costs.

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS
For the Year Ended 31 December 2009
(Expressed in Renminbi Yuan)

18. Related party relationships and transactions (continued)

(3) Financing

Borrowed from Suzlon Energy Co., Ltd.

	2009	2008
Interest	-	<u>2,920,471.83</u>
Total	<u>-</u>	<u>2,920,471.83</u>

	2009	2008
(4) Royalty fees		
Suzlon Energy Co., Ltd.	26,226,168.21	23,216,684.21
AE Rotor Holding BV	<u>19,828,660.07</u>	<u>7,738,894.29</u>
	<u>46,054,828.28</u>	<u>30,955,578.50</u>

(5) Sales of goods(raw materials)		
REpower China	<u>37,664,923.92</u>	<u>-</u>

(6) Balance with major related parties included in receivables of the Company are as follows:

	Name of related companies	2009	2008
Other receivables	Suzlon Wind Energy Equipment Trading (Shanghai)	<u>3,191,705.92</u>	<u>-</u>
Prepayments	Hansen China	<u>24,905,450.70</u>	<u>-</u>

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS
For the Year Ended 31 December 2009
(Expressed in Renminbi Yuan)

18. Related party relationships and transactions (continued)

(7) Balance with major related parties included in payables of the Company are as follows:

	<u>Name of related companies</u>	<u>2009</u>	<u>2008</u>
Accounts payable	Suzlon Energy Co., Ltd	14,333,924.05	290,917,945.34
	Suzlon Energy AS	20,305,451.11	20,300,521.05
	AE Rotor Holding BV	1,568,224.60	19,261,642.03
	Suzlon Generators Pvt. Ltd .	-	1,760,660.04
	SE Electricals Limited	374,514.64	-
	Suzlon Energy GmbH	52,846.02	-
	SE Composites Ltd.	48,731.13	-
	Hansen Transmissions International	-	30,999,578.45
		<u>36,683,691.55</u>	<u>363,240,346.91</u>
Accrued expense			
- Interest	Suzlon Energy Co., Ltd	-	13,545,093.68
- Royalty	Suzlon Energy Co., Ltd	17,601,984.90	-
	AE Roter Techenik BV	15,285,398.39	-
		<u>32,887,383.29</u>	<u>-</u>

Amounts due to the parent company are unsecured, interest free and are for purchase of raw materials and fixed assets, and royalty fees. The amounts due to related companies are royalty fee and for purchase of materials.

19. Commitments

(a) Capital commitments

	<u>2009</u>	<u>2008</u>
Purchase of fixed assets	<u>-</u>	<u>510,000.00</u>

Suzlon Energy (Tianjin) Limited
NOTES TO FINANCIAL STATEMENTS
For the Year Ended 31 December 2009
(Expressed in Renminbi Yuan)

19. Commitments (continued)

(b) 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:

	<u>2009</u>	<u>2008</u>
In first year	3,576,803.52	3,255,920.00
In second year	3,794,641.92	737,150.00
In third year	3,794,641.92	-
In fourth year	<u>1,897,320.96</u>	-
	<u>13,063,408.32</u>	<u>3,993,070.00</u>

20. Approval of the financial statements

The financial statements have been authorized for issuance by the board of directors on 23 March 2010.