

# **Suzlon Energy (Tianjin) Limited**

## **Independent Audit Report**

A.B.T.S.Z. [2018]032



Beijing An Bo Tong Certified Public Accountants Limited



**Suzlon Energy (Tianjin) Limited**  
**Audit Report and Financial Statements**

(1<sup>st</sup> January, 2017 to 31<sup>st</sup> December, 2017)

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Management of Suzlon Energy (Tianjin) Limited is also responsible for evaluate Suzlon Energy (Tianjin) Limited's corporate sustainability, and complying going concern assumption, unless the management is arranging either liquidation, termination or no realistic option to comply.

The management level is responsible for supervising the financial reporting process of the Suzlon Energy (Tianjin) Limited.

#### **IV. Certified Public Accountant's Responsibility for the Financial Statements' audit**

Our objective is to reach a reasonable assurance of if risks of material misstatement of the financial statements exist, whether due to fraud or error, and issue an independent audit report content our audit opinion.

A reasonable assurance is a high standard assurance, however, it could not ensure an audit comply with audit standards could always detect an existed material misstatement. Misstatement may be caused due to fraud or error, should a reasonable expectation on such a misstatement, or the combine of misstatements, is likely to influence the economic decision made by the user of the financial statement, such misstatement should normally be considered as material.

During our audit under audit standards, we would apply our professional judgment, and maintain professional skepticism, as well as performing following procedure:

1. Identify and evaluate the risk of financial statements caused due to fraud or error, design and perform audit procedures to countermeasure these risks and obtain reasonable evidence to fulfill such an objective as the basis of audit opinion. As fraud could involve collaboration, falsifying, intentional omission, false statement or override of control, the risk of unable to identify material misstatement due to fraud is higher than unable to identify material misstatement due to error.

2. Understanding the internal control related to the audit in order to design suitable audit procedures, however, the purpose was not to issue any opinion regarding to the effectiveness of such internal control.

3. Evaluate the appropriateness of accounting policy adopted and reasonableness of its disclosure by the management

4. Reach a conclusion of whether the management's going concern assumption is appropriate. Based on evidence obtained, reach a conclusion on events that may likely to impair its sustainability or position that may bring uncertainty to the sustainability of Suzlon Energy (Tianjin) Limited. Should the conclusion considered a significant uncertainty, audit standards required us to submit the related disclosures to the user of the financial statement; should the disclosure considered insufficient, we would not issue our opinion as non-qualified. Our conclusion is based on information available till the date of reporting date, however, future events or situations may still cause impairment of Suzlon Energy (Tianjin) Limited's sustainability.

5. Evaluate the presentation in general, structure and content (including disclosure), and evaluate whether financial statements fairly reflected transactions and events.

6. Obtain reasonable audit evidence to Suzlon Energy (Tianjin) Limited's financial information regarding to it as an entity or its business activities in order to issue our opinion over the financial statements. We are responsible for guide, supervise and execute the group audit. We will be fully responsible for our audit opinion.

We communicate with governance on audit scope, time schedule and significant audit findings, including internal control flaws that worth attention.

Beijing An Bo Tong Certified Public Accountants  
Limited



Beijing China



China CPA:



China CPA:



30. April .2018

## Balance Sheet

As of 31st December 2017

Prepared by: Suzlon Energy (Tianjin) Limited

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Assets	Notes 5	Closing Balance	Opening Balance
<b>Current assets:</b>			
Cash and bank	Note 5.1	46,884.59	3,800,899.67
Financial assets at fair value through profit and loss			
Derivative assets			
Notes receivable			
Accounts receivable	Note 5.2	183,440,108.00	188,855,458.89
Advances to suppliers	Note 5.3	8,837,741.00	20,010,880.75
Interest receivable			
Dividends receivable			
Other receivables	Note 5.4	65,201,750.98	78,355,648.49
Inventories	Note 5.5	96,305,740.66	99,128,625.81
Held-for-sale assets			
Current portion of non-current assets			
Other current assets	Note 5.6	12,847,155.90	10,979,784.65
<b>Total current assets</b>		<u>366,679,381.13</u>	<u>401,131,298.26</u>
<b>Non-current assets:</b>			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments			
Investment property			
Fixed assets	Note 5.7	103,163,198.75	120,920,358.00
Construction in progress			
Construction materials			
Fixed assets pending for disposal			
productive biological assets			
Oil and gas assets			
Intangible assets	Note 5.8	22,591,112.77	24,177,417.83
Development disbursements			
Goodwill			
Long-term deferred expenses			
Deferred tax assets			
Other non-current assets			
<b>Total non-current assets</b>		<u>125,754,311.52</u>	<u>145,097,775.83</u>
<b>Total assets</b>		<u><u>492,433,692.65</u></u>	<u><u>546,229,074.09</u></u>

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative:

Finance Officer (CFO) :

Financial Manager

## Balance Sheet (Continue)

As of 31st December 2017

Prepared by: Suzlon Energy (Tianjin) Limited

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Liability and Equity	Notes 5	Closing Balance	Opening Balance
<b>Current liabilities:</b>			
Short-term borrowings			
Financial liabilities at fair value through profit and loss			
Derivative liabilities			
Notes payable			
Accounts payable	Note 5.9	146,190,253.14	237,564,648.48
Advances from customers	Note 5.10	82,333,450.00	
Employee benefits payable	Note 5.11	4,211,907.30	1,664,671.28
Taxes and surcharges payable	Note 5.12	7,645,774.62	6,449,643.50
Interest payable			
Dividends payable			
Other payables	Note 5.13	12,228,410.78	7,515,636.51
Held-for-sale liabilities			
Current portion of non-current liabilities			
Other current liabilities			
<b>Total current liabilities</b>		252,609,795.84	253,194,599.77
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Include: Preferred stock			
Perpetual debt			
Long-term payable			
Long-term employee benefits payable			
Grants payable			
Provisions	Note 5.14	93,764,662.77	93,764,662.77
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		93,764,662.77	93,764,662.77
<b>Total liabilities</b>		346,374,458.61	346,959,262.54
<b>Equity:</b>			
Paid-in capital	Note 5.15	408,313,285.00	408,313,285.00
Other equity instruments			
Include: Preferred stock			
Perpetual debt			
Capital reserve	Note 5.16	108,425.59	108,425.59
Less: treasury shares			
Other comprehensive income			
Specialized reserve			
Surplus reserve	Note 5.17	14,753,853.75	14,753,853.75
Retained earnings	Note 5.18	-277,116,330.30	-223,905,752.79
<b>Total owner's equity</b>		146,059,234.04	199,269,811.55
<b>Total liabilities and owner's equity</b>		492,433,692.65	546,229,074.09

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative:

Finance Officer (CFO):

Financial Manager

# Income Statement

For the year ended 31 December 2017

Prepared by: Suzlon Energy (Tianjin) Limited

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 5	Current Period	Prior Period
<b>1. Operating revenue</b>	Note 5.19	3,320,343.76	4,971,239.56
Less: operating cost	Note 5.19	13,903,657.72	13,883,273.83
Taxes and surcharges	Note 5.20	2,281,604.82	2,306,343.48
Selling expenses		5,419,518.65	11,185,557.58
Administrative expenses		34,431,586.27	43,660,712.78
Finance expenses	Note 5.21	57,784.31	19,342.91
Impairment on assets	Note 5.22	-1,490,415.53	-41,490,340.87
Add: gain from fair-value changes			
Investment income			
Including: investment income from associates and joint ventures			
Gain from assets disposal			
Other income			
<b>2. Operating profits</b>		-51,283,392.46	-24,593,650.15
Add: non-operating income	Note 5.23		436,893.18
Less: non-operating expenses	Note 5.24	7,185.03	1,386,287.62
<b>3. Profit before tax</b>		-51,290,577.51	-25,543,044.59
Less: income tax			
<b>4. Net profit</b>		-51,290,577.51	-25,543,044.59
Continuous operating profit and loss		-51,290,577.51	-25,543,044.59
Termination of the business profit and loss			
<b>5. Other comprehensive income after tax</b>			
<b>I. Comprehensive income not to be reclassified as profit or loss</b>			
i. Changes in remeasured defined benefit obligations or net assets			
ii. Portion of comprehensive income not to be reclassified as profit or loss under equity method			
iii. ....			
<b>II. Comprehensive income to be reclassified as profit or loss</b>			
i. Portion of comprehensive income to be reclassified as profit or loss under equity method			
ii. Gain or loss from fair value changes of available-for-sale financial assets			
iii. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
iv. Gain or loss on effective cash flow hedging			
v. Currency translation reserve			
vi. Gain from before a invested subsidiary that no longer has control			
vii. Real estate investment converted from a non-investmental real estate property			
viii. ....			
<b>6. Total comprehensive income</b>		-51,290,577.51	-25,543,044.59
<b>7. Earnings per share:</b>			
I. Basic earnings per share			
II. Diluted earnings per share			

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative:

Finance Officer (CFO):

Financial Manager

## Cash Flows Statement

For the year ended 31 December 2017

Prepared by: Suzlon Energy (Tianjin) Limited

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 5	Current Period	Prior Period
<b>1.Cash flows from operating activities</b>			
Cash received from sales and services		6,099,807.89	97,031,963.97
Taxes and surcharges refunds			
Other cash receipts related to operating activities		17,261.89	16,734.21
Total cash inflows from operating activities		6,117,069.78	97,048,698.18
Cash paid for goods and services		12,608,166.52	22,245,113.57
Cash paid to and for employees		10,697,160.15	22,477,839.53
Taxes and surcharges cash payments		1,177,048.55	8,613,220.37
Other cash payments related to operating activities		5,168,407.54	41,363,552.23
Total cash outflows from operating activities		29,650,782.76	94,699,725.70
<b>Net cash flows from operating activities</b>		<b>-23,533,712.98</b>	<b>2,348,972.48</b>
<b>2.Cash flows from investing activities</b>			
Cash received from withdraw of investments			
Cash received from investment income			
Net cash received from disposal of fixed assets,intangible assets and other long-term assets			436,893.18
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts related to investing activities		26,198,439.11	
Total cash inflows from investing activities		26,198,439.11	436,893.18
Cash paid for fixed assets,intangible assets and other long-term assets		12,680.55	1,721,242.21
Cash payments for investments			
Net cash paid for acquiring subsidiaries and other business units			
Other cash payments related to investing activities		6,449,850.00	
Total cash outflows from investing activities		6,462,530.55	1,721,242.21
<b>Net cash flows from investing activities</b>		<b>19,735,908.56</b>	<b>-1,284,349.03</b>
<b>3.Cash flows from financing activities</b>			
Cash received from investments by others			
Cash received from borrowings			
Other cash receipts related to other financing activities			
Total cash inflows from financing activities			
Cash repayments for debts			1,135,331.33
Cash payments for distribution of dividends, profit and interest expenses			
Other cash payments related to financing activities			
Total cash outflows from financing activities			1,135,331.33
<b>Net cash flows from financing activities</b>			<b>-1,135,331.33</b>
<b>4.Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>5.Net increase in cash and cash equivalents</b>		<b>-3,797,804.42</b>	<b>-70,707.88</b>
Add:beginning balance of cash and cash equivalents		3,800,899.67	3,871,607.55
<b>6.Ending balance of cash and cash equivalents</b>		<b>3,095.25</b>	<b>3,800,899.67</b>

(Attached Notes to statements are part of the consolidated financial statments)

Legal Representative:

Finance Officer (CFO) :

Financial Manager

## Changes of Owner's Equity

For the year ended 31 December 2017

Prepared by: Suzlon Energy (Tianjin) Limited

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 5	Current Period								
		Paid-in capital	Other equity instruments	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	Retained earnings	Total owner's equity
1.Ending balance of last year		408,313,285.00		108,425.59				14,753,853.75	-223,905,752.79	199,269,811.55
Add:increase/decrease due to changes in accounting policies										
Increase/decrease due to corrections or errors in prior period										
Others									-1,920,000.00	-1,920,000.00
2.Beginning balance of current year		408,313,285.00		108,425.59				14,753,853.75	-225,825,752.79	197,349,811.55
3.Increase/decrease for current year									-51,290,577.51	-51,290,577.51
I.Total comprehensive income									-51,290,577.51	-51,290,577.51
II.Owner's contributions and withdrawals of capital										
i. Common stock contributed by owners										
ii. Capital contributed by other equity instruments holders										
iii. Share-based payment recorded in owner's equity										
iv. Others										
III.Profits distribution										
i. Appropriation of surplus reserve										
ii. Distribution to owner/shareholder										
iii. Others										
IV.Transfer within owner's equity										
i. Capital reserve transferred to paid-in capital										
ii. Surplus reserve transferred to paid-in capital										
iii. Recover of loss by surplus reserve										
iv. Changes in remeasurement or defined benefit net obligations/assets										
v. Others										
V.specialized reserve										
i. Current year accrual										
ii. Current year utilization										
VI.Others										
4.Ending balance of current year		408,313,285.00		108,425.59				14,753,853.75	-277,116,330.30	146,059,234.04

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative:

Finance Officer (CFO):

Financial Manager:

## Changes of Owner's Equity

For the year ended 31 December 2017

Prepared by: Suzlon Energy (Tianjin) Limited

(The currency of the statements are Chinese Yuan, 'CNY', unless otherwise indicated)

Items	Notes 5	Prior Period							
		Paid-in capital	Other equity instruments	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	Retained earnings
<b>1. Ending balance of last year</b>		408,313,285.00		108,425.59				14,753,853.75	-198,362,708.20
Add: increase/decrease due to changes in accounting policies									
increase/decrease due to corrections or errors in Prior Period									
Others									
<b>2. Beginning balance of current year</b>		408,313,285.00		108,425.59				14,753,853.75	-198,362,708.20
<b>3. Increase/decrease for current year</b>									-25,543,044.59
I. Total comprehensive income									-25,543,044.59
II. Owner's contributions and withdrawals of capital									
i. Common stock contributed by owners									
ii. Capital contributed by other equity instruments holders									
iii. Share-based payment recorded in owner's equity									
iv. Others									
III. Profits distribution									
i. Appropriation of surplus reserve									
ii. Distribution to owner/shareholder									
iii. Others									
IV. Transfer within owner's equity									
i. Capital reserve transferred to paid-in capital									
ii. Surplus reserve transferred to paid-in capital									
iii. Recover of loss by surplus reserve									
iv. Changes in remeasurement or defined benefit net obligations/assets									
v. Others									
V. Specialized reserve									
i. Current year accrual									
ii. Current year utilization									
VI. Others									
<b>4. Ending balance of current year</b>		408,313,285.00		108,425.59				14,753,853.75	-223,905,752.79

(Attached Notes to statements are part of the consolidated financial statements)

Legal Representative:

Finance Officer (CFO):

Financial Manager:

## **Suzlon Energy (Tianjin) Limited**

### **For the Year Ended December 31, 2017**

#### **I. Corporate information**

##### **1. Company registration, organizational form and headquarters address**

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 911201167833069535. 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.

By 31 December 2016, the registered capital is USD55,000,000.00, registered place is Tianjin Huayuan Industrial Zone (outer ring) Haitai North Road No. 15 block A, parent company is Poly Longma Energy (Dalian) Limited and ultimate parent company is Beijing Zhongtianyuanneng Technology Co. LTD

##### **2. The nature of the company's business and its main business activities**

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.

##### **3. The approval of the financial statements**

The financial statement was approval to report on 30<sup>th</sup> April 2018

#### **II. Significant accounting policies and estimates**

##### **1. Significant accounting policies and estimates**

According to the actual transactions and matters, 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. What's more, according to the public offering of securities of the company information disclosure rules rule 15<sup>th</sup> -- General provisions of the financial report (2014 revision), which made by China Securities Regulatory Commission.

## **2. Going-concern assumption**

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.

## **III. Accounting system**

### **1. Statement of following the enterprise accounting standards**

The Company adopts the Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises. The financial statement reflected the company's operating conditions, operating results and the information about cash flow, which is honestly and integrally.

### **2. Accounting year**

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

### **3. Reporting currency**

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

### **4. 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.

### **5. Foreign currency transactions**

#### **a. Foreign currency business**

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.

The non-monetary items of foreign currency measured at fair value are converted to the immediate exchange rate of the day of fair value determination, and the resulting exchange difference is accounted for the profit and loss of the current profit and loss as the profit and loss of the change of fair value. If it is a non-monetary item for foreign currency, it will be included in other comprehensive income.

#### **b. Translation of foreign currency financial statements**

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. Owner's equity denominated in foreign currencies are restated into the reporting currency using the rates of exchange ruling at the take place date. Revenue and expenses in income statement, the company use the current rate of date. The exchange gains or losses are dealt with in other comprehensive income for the period.

When dealing with overseas operations, the difference between the foreign currency financial statements listed in other comprehensive income items in the balance sheet is converted from other comprehensive income items to the profit and loss of the current period; when the proportion of the equity investment or other reasons leads to the reduction in the proportion of the rights and interests of the foreign business but does not lose control over the overseas operation, the balance between the foreign currency statements related to the disposal part of the overseas operation will belong to the minority shareholders' rights and interests and will not be transferred to the current profit and loss. When dealing with an overseas operation as a part of a joint venture or a joint venture, the balance of foreign currency statements related to the overseas operation shall be transferred to the profit and loss of the current period of disposal in proportion to the disposal of the overseas operation.

## **6. Financial instrument**

Financial instruments include financial assets, financial liabilities and equity instruments.

### **a. Classification of financial instruments**

Management offer financial instruments based on the terms of the contract and the reflection of economic essence, instead of the law merely. The company divided financial assets and liabilities into different categories: receivable, other financial liabilities, etc., according to the combination of the purpose that acquisition of financial assets and undertake financial liabilities.

### **b. Financial instruments recognition basis and measurement method**

#### **(1) Receivable**

Accounts receivable refer to non-derivative financial assets that are not quoted in the active market and are fixed or determined by the amount of money recovered.

The company's creditor rights receivable is from sales of goods and service offering, which include account receivable, other receivable, notes receivable, advance payment, long-term receivable etc. Recognized the amount according to the purchase contract or purchase order.

The difference between the price and the book value of the receivable shall be included in the current profit and loss when repossession or disposal.

(2) Other financial liability

According to its fair value and related transaction costs and as the initial confirmation amount. Adopt amortization cost for subsequent measurement

**c. The confirmation basis and measurement method of financial assets transfer**

If the company has transferred almost all the risks and rewards on the ownership of the financial assets to the transferee, the financial assets will be terminated; if the risks and rewards of ownership of financial assets are retained, the financial assets will not be terminated.

When judging whether the transfer of financial assets satisfies the conditions for the termination of financial assets, the principle of substance over form is adopted. The company divides the transfer of financial assets into the overall transfer and partial transfer of financial assets. If the overall transfer of financial assets satisfies the conditions of termination confirmation, the difference between the following two amounts shall be recorded in the profits and losses of the current period:

(1) The book value of the financial assets transferred;

(2) The amount of the price received from the transfer and the cumulative amount of the change in the fair value of the original owner's equity (involving the financial assets transferred as the case for the sale of financial assets).

If the partial transfer of financial assets satisfies the conditions for termination of confirmation, the book value of the whole of the financial assets transferred is apportioned between the termination confirmation and the unconfirmed part, and the relative fair value is carried out. The difference between the following two amounts shall be recorded in the profits and losses of the current period:

(1) The book value of the termination confirmation part;

(2) The price of the terminated part of the confirmation is the sum of the amount of the change in the total amount of the change in the fair value of the original directly into the owner's equity (the case involving the financial assets transferred as the case of the sale of financial assets).

If the transfer of financial assets does not satisfy the conditions for termination of recognition, the financial asset will continue to be recognized, and the consideration received will be recognized as a financial liability.

**d. Conditions for the confirmation of the termination of financial liabilities**

If the current obligation of a financial liability has been completely or partially cancelled, the financial liability or part of the financial liability is terminated. If the company has signed an agreement with the creditor to replace the existing financial liabilities with the new financial liability, and the new financial liability is substantially different from the existing contract clause of the existing financial liability, the company terminates its confirmation. Maintain financial liabilities and identify new financial liabilities at the same time.

To make substantial amendments to the existing financial liabilities in all or part of the contract terms, the existing financial liabilities or part of the existing financial liabilities shall be terminated and the financial liabilities after the modification of the provisions are recognized as a new financial liability.

When the financial liabilities are completely or partially terminated, the balance between the accounting value of the financial liabilities and the price of payment (including the transferred non cash assets or the new financial liabilities), which is terminated, is included in the profit and loss of the current period.

If the company repurchases part of the financial liabilities, the book value of the financial liabilities as a whole is allocated on the repurchase date in accordance with the relative fair value of the confirmation part and the terminating part of the financial liability. The difference between the book value assigned to the termination confirmation and the price of the payment (including the transferred non cash assets or the new financial liabilities) is included in the profit and loss of the current period.

## **7. Receivable**

### **a. Accounts receivable which is significant and has been provision bad debt provisions separately**

Recognition criterion, which take up more than 20% of account receivable, and total amount over 1000000.

Provision method: Impairment test is performed account by account. If estimated future cash inflow is lower than the carrying amount, the difference is charged to the gains or losses.

### **b. Accounts receivable which has been provided bad debt provisions according to the combination of credit risk**

#### **(1) Recognition of the combination of credit risk**

For receivables amount which is not significant, and by testing alone without impairment of significant individual amount of receivables with division according to the features of credit risk for some combination, according to the previous year and with similar credit risk characteristics of receivables in combination with the actual loss rate as the basis, combined with the present situation to determine the accrual of provision for

bad debts.

(2) Recognition method that according to the combination of the credit risk

① Using age analysis provision of bad debt

Ageing	Provision for account receivable (%)	Provision for other receivable (%)
Within one year	5	5
1—2years	10	10
2—3years	20	20
3—4years	60	60
4—5years	60	60
Over 5 years	80	80

#### c. Although not significant, but the amount of provision for bad debts

Recognition and provision for those items whose single balances are insignificant but are provided for individually: take up less than 20% of account receivable and less than 1 million which were shareholders' loan and money between shareholders' receivable

The differences between the estimated present values of future cash inflow and carrying values are recorded to gains or losses.

### 8. Inventory

#### a. Classification of inventory

Inventory refers to the material and materials used in the process of production, in the process of production, in the process of production, or in the process of providing labor. Inventories, which include raw materials, work-in-progress, materials in transit, and finished goods, are stated at cost when purchased.

#### b. Inventory valuation methods

Inventories are initially measured at cost, including procurement costs, processing costs and other costs. The cost of inventories issued is determined on the moving weighted average basis.

#### c. The basis for determining the net realizable value of inventories and inventory impairment provision method

After the final inspection of the inventory, the reserve price will be extracted or adjusted according to the inventory cost and net realizable value. In the process of normal production and business operation, finished goods, inventory of goods and materials, with the estimated price of the stock after subtracting the estimated selling expenses and relevant taxes, determine the net realizable value; the materials needed to be processed, with the estimated selling price of finished products after subtracting the estimated cost of the finished product from the estimated cost, estimated sales expenses and related taxes and taxes, determine the net realizable value. The net realizable value of the stock held for the execution of a sales contract or labor contract is calculated on the basis of contract price. If the quantity of the inventory is more than the quantity ordered by the sales contract, the net realizable value of the excess stock is calculated on the basis of the general sales price.

At the end of the term, the provision for inventory depreciation will be calculated according to a single inventory item. However, for a large number of stocks with low unit prices, the provision for the depreciation of inventory will be made according to the category of stock. In the case of inventories which are produced and sold in the same area, with the same or similar purpose or purpose, and which are difficult to be measured separately from other items, the combined inventory depreciation reserves shall be prepared.

The influence factors affecting the inventory value have disappeared, the amount of write-down shall be restored, the amount of the inventory depreciated in the provision shall be reversed, and the amount transferred back is included in the current profit and loss.

The ending shall be prepared according to a single inventory item. However, for a large number of stocks with lower unit prices, the stock prices should be prepared according to the inventory type. The inventory that is related to a series of products produced and sold in the same area, with the same or similar end-use or purpose, and which is difficult to measure separately from other items, is prepared for the decline of the inventory.

The factors that affect the value of the inventories have disappeared, and the amount of the reduction is restored and returned in the amount of the original inventory fall reserve, and the amount transferred back to the profit and loss of the current period.

#### **d. Inventory system**

Stocktaking at the end of the year and random sampling inspection periodically.

### **9. Fixed assets**

#### **a. Fixed assets recognition conditions**

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.

Following from the definition, three essential characteristics are required of an asset:

- (1) It is probable that future economic benefits embodied in the asset will eventuate
- (2) The asset possesses a cost or other value that can be measured reliably

#### **b. Initial measurement of fixed assets**

The company's fixed assets are initially measured at cost.

- (1) the cost of the fixed assets purchased includes the related taxes and fees, such as the purchase price, the import tariff, and other expenses that can be directly attributable to the assets before the fixed assets are reached.
- (2) the cost of fixed assets built by the enterprise itself, is made up of the necessary expenses incurred before the asset is ready to be used.
- (3) the fixed assets invested by the investors are paid in accordance with the value agreed on by the investment contract or agreement, but the unfair value of the contract or agreement is not fair in accordance with the fair value.
- (4) If the purchase price of a fixed asset exceeds the normal credit conditions, it is essentially a financing nature, and the cost of the fixed assets is determined based on the present value of the purchase price. The difference between the actual payment and the present value of the purchase price shall be included in the current profit and loss during the credit period except for the capitalization.

#### **c. Following measurement and disposal of fixed assets**

- (1) Depreciation of fixed asset

The depreciation of fixed assets is calculated according to the expected net residual value after deducting the estimated net residual value. For the fixed assets that have been prepared for impairment provision, the book value of the impairment provision shall be deducted in the future and the depreciation amount shall be determined according to the applicable years. The fixed assets that have been fully depreciated are not depreciated.

Using special reserve spending form of fixed assets, according to the formation of the cost of a fixed asset write-downs special reserves, and confirm the same amount of accumulated depreciation, the fixed assets during the period of later no longer depreciation.

Based on the nature and usage of the fixed assets, the company determines the service life of the fixed assets and the estimated net residual value. At the end of the year, the service life of the fixed assets, the estimated net residual value and the depreciation method are reviewed, and corresponding adjustments are made if there are differences with the original estimates.

The respective estimated service lives and estimated residual values of fixed assets are as follows:

Category	Estimated useful life	Estimated residual value rate (%)	Annual depreciation rate (%)
Buildings	20	0.00	5
Machinery	10	0.00	10
Furniture& fixtures	3	0.00	33.3
Vehicles	5	0.00	20
Other equipment	2-3	0.00	33.3-50

(2) The subsequent expenditure on fixed assets

Subsequent costs of assets have been included into the cost of fixed assets if meet the conditions of fixed assets. Otherwise, included into current gain or loss.

(3) Disposal of fixed assets

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.

#### d. Financial lease recognition basis and measurement method

Following situations that, individually or in combination, would normally lead to a lease being classified a finance lease are:

- (1) The lease transfers ownership of the asset to the lessee by the end of the lease term
- (2) The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised
- (3) The lease term is for the major part of the economic life of the asset even if the title is not transferred
- (4) At the inception of the lease the present value of the minimum lease payments amounts to at least

substantially all of the fair value of the leased asset

(5) The leased assets are of such a specialized nature that only the lessee can use them without major modifications

When asset and liability recorded at the fair value of the leased property or, where lower, at the present value of the minimum lease payments. The minimum lease payment is the account value of the long-term payable, and the difference is the unconfirmed financing cost.

The commission, legal expenses, travel cost, stamp tax etc., classified into leased asset value. Unrecognized Financial Charges has been amortized by the effective-interest method

The depreciation policy of financial lease is same as fixed asset. ownership of the asset transfers at the end of the lease can reasonably foreseeable, and depreciation period was in the useful life of asset. The ownership cannot be recognized when expiry of the lease term, recorded at the lease term or, where lower, at the useful life of financial asset.

## 10. Intangible asset

Intangible assets are recorded at actual cost on acquisition. Each Category of intangible assets is amortized evenly over the following periods. Include Land use right、Software and royalty expense

### a. Initial measurement of intangible assets

The intangible assets shall be initially measured according to its cost. The cost of the outstanding intangible assets shall include the purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets for the expected purpose. The purchase price of intangible assets exceeds the normal credit conditions deferred payment, essentially has the financing nature. The cost of intangible assets is determined based on the present value of the purchase price.

### b. Subsequent measurement of intangible assets

Company determined the service life of intangible asset by divided them into limited service life and uncertain service life.

(1) limited service life

Limited useful life intangible asset is amortized 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.

Category	Estimated useful life	Amortization method
----------	-----------------------	---------------------

Category	Estimated useful life	Amortization method
Software	5	straight-line method
royalty expenses	5	straight-line method
Land use right	50	straight-line method

An enterprise shall, at least at the end of each year, check the service life and the amortization method of intangible assets with limited services, when the service life and the amortization method of intangible assets are different from those before, the years and method of the amortization shall be changed.

Through the review, the life and amortization method of intangible assets at the end of this period is not different from the previous estimation.

## 11. Employee compensation

Employee compensation refers to the compensation or compensation offered by the company for the services provided by the employees or the termination of labor relations. Employee compensation includes short-term compensation, post-service benefits, dismissal benefits and other long-term employee benefits.

### a. Short-term compensation

Short-term compensation refers to the employee's salary which is required to be paid in full within 12 months after the end of the annual report of the employee providing relevant services, except the benefits and dismissal benefits. During the accounting period of the employee's service, the company shall confirm the short-term salary payable as liabilities and include the relevant asset costs and expenses according to the beneficiaries of the service provided by the staff.

### b. Post-service welfare

After the departure of welfare refers to the company for the worker in the services that after the worker is retired or remove with the enterprise labor relations, to provide various forms of compensation and benefits, short-term except compensation and termination benefits.

The company's post-departure welfare program is classified into a set plan and a benefit plan.

After leaving, the welfare setting plan is mainly to participate in the social basic endowment insurance, unemployment insurance, etc., which is organized by labor and social security organizations. During the accounting period when the employee provides services to the company, the amount of the amount due to be calculated according to the set up plan shall be recognized as liability, and shall be included in the current profit or loss or related asset cost.

The company no longer has any obligation to pay the above mentioned payment in accordance with the national standards and annuity plans.

The benefit plan for post-retirement benefits is mainly defined as the explicit standard external benefits paid by retirees, the living expenses paid to the deceased employees' survivors. The obligation to set up the benefit plan is actuarial on the balance sheet day by the independent actuary using the expected accumulative welfare unit law. The welfare obligations created by the benefit plan are attributable to the period of service provided by the workers and the cost of the profit and loss of the current period, or the related assets, unless the other accounting standards are required. Or allow the employee's welfare cost to be included in the cost of the assets, the net interest rate of the set up plan service cost and the set up plan net liabilities or net assets is recorded in the current profit and loss in the current period; the changes in the net liabilities or net assets of the benefit plan are taken into account in the current period and in the follow-up meeting. It is not allowed to return to profit and loss during the period of planning.

## **12. Expected liabilities**

### **a. Expected liability confirmation criteria**

In the event that the obligations associated with or are subject to the following conditions are met, the company shall confirm the expected liabilities:

This obligation is our current obligation;

The performance of this obligation is likely to result in the outflow of economic interest from the company;

The amount of the obligation can be measured reliably.

### **b. Measurement method of estimated liabilities**

The company's estimated liabilities are initially measured in the best estimate of the expenditures required to perform the current obligations.

When determining the best estimate, the company takes into account the risks, uncertainties and currency time value associated with or with matters. For the significant impact on the time value of money, the best estimate can be determined by discounting the relevant future cash outflow.

The best estimates are handled as follows:

Cost there is a continuous range (or range), and if all the outcomes within this range the possibility of the same, the best estimate according to the scope of the median is the mean of the upper and lower amount.

Cost does not exist a continuous range (or range), or although there is a continuous range all the outcomes within this range the possibility of not the same, or if there is any matters relating to the individual project, the best estimate according to the most likely amount; If there are several items involved, the best estimate is determined by various possible outcomes and related probabilities.

### **13. Revenue**

#### **a. Specific criteria for determining the time of receipt of merchandise revenue**

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.

The collection of the contract or agreement price shall be in the form of a deferred method, which in essence has the nature of financing, and shall determine the income amount of the sale goods in accordance with the fair value of the contract or contract price receivable.

#### **b. The confirmation basis and method of labor income**

If the results of the service transactions on the balance sheet date can be reliably estimated, the completion percentage method shall be used to confirm the provision of labor income. To provide the completion progress of the labor transaction, based on the measurement of the finished work.

A reliable estimate of the results of a service transaction means that the following conditions are met:

- (1) the amount of income can be measured reliably;
- (2) the relevant economic benefits are likely to flow into the enterprise;
- (3) the completion schedule of the transaction can be reliably determined;
- (4) the costs incurred and incurred in the transaction can be measured reliably.

The total amount of labor income is determined in accordance with the contract or agreement price received or receivable, except where the contract or agreement is not fair. The balance sheet date shall be deducted from the total amount of labor income and the amount of labor income that has been confirmed in the accounting period before deducting the total amount of labor income. At the same time, according to the estimated total cost of labor services times the amount of labor cost after the accounting period has been confirmed, the labor cost will be transferred to the current period.

If the results of the service transactions on the balance sheet date cannot be reliably estimated, the following situations shall be dealt with:

(1) the labor cost that has already occurred is expected to be compensated, and the labor income shall be confirmed according to the amount of labor cost that has occurred, and the labor cost shall be transferred according to the same amount.

(2) the labor costs that have already occurred are not expected to be compensated, and the labor costs that have already occurred are included in the current profit and loss, and the labor income is not recognized.

Our company signed the contract or agreement with other companies, including sales of goods and providing labor services, selling goods and providing labor services part can separate and can be measured separately, will be treated as part of selling goods as selling goods, will be treated as part of providing labor services as providing labor services. The sale of goods and the provision of labor services may not be distinguished, or may be differentiated but not individually measured, and shall be sold in part and in the provision of labor services as a sales commodity.

#### **c. Asset transfer with repurchase conditions**

Companies selling products or transfer other assets, products sold by buyer and signed a repurchase agreements or transfer assets, according to the terms of the agreement whether selling goods to meet revenue recognition conditions. If the after-sales repurchase is a financing transaction, the company does not confirm the sales revenue when the product or asset is delivered. The repurchase price shall be greater than the difference in the sales price, and the interest shall be calculated on schedule during the repurchase period, which shall be included in the financial expenses.

#### **14. Deferred income tax assets and deferred income tax liabilities**

Deferred income tax assets and deferred income tax liabilities are calculated and confirmed based on the difference between the tax base of assets and liabilities and their book value (temporary differences). On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured in accordance with the applicable tax rate for the recovery of the asset or liquidation of the liability.

##### **a. The basis for confirming the deferred income tax assets**

The company is likely to obtain the deferred income tax assets from the deductible loss and tax deductible income, which is likely to be used to offset the temporary difference of deductible deductible and to be able to transfer the deductible loss and tax deductible income for the following year. However, the deferred income

tax assets resulting from the initial confirmation of assets or liabilities in the transaction with the following characteristics are not confirmed: (1) the transaction is not an enterprise merger; (2) the transaction does not affect both the accounting profit and the deductible loss.

For the temporary discrepancy related to the investment of the joint venture and meeting the following conditions, the corresponding deferred income tax assets are confirmed: the temporary difference is likely to be returned in the foreseeable future, and the amount of the income tax which is used to offset the temporary difference of deductible is likely to be obtained in the future.

#### **b. Confirmation of the basis for deferred income tax liabilities**

The company shall recognize the temporary tax difference payable between the current period and the previous period as the deferred income tax liability. But it does not include:

(1) temporary differences in the initial recognition of goodwill;

(2) a transaction or a matter formed by a non-enterprise merger, and it does not affect neither the accounting profit nor the temporary difference in the amount of taxable income (or the deductible loss) when the transaction or item occurs.

(3) for the temporary taxable difference related to the investment of the subsidiary and the joint venture, the time of the temporary difference can be controlled and the temporary difference is likely to not be returned in the foreseeable future.

### **15. Leases**

If the lease clause, in essence, transfers all the risks and rewards related to the ownership of the leased asset to the lessee, the lease is a financing lease, and the other lease is a operating lease.

#### **a. Operating lease accounting treatment**

(1) Operating lease assets

The rental fee paid by a company's leased assets shall be assessed by the straight-line method within the entire lease period without deducting the rent free period, and shall be included in the current cost. The initial direct costs associated with leasing transactions paid by the company are included in the current cost.

When the asset lessor assumes the cost of leasing related to the company, the company deducts the part of the cost from the total rent, and apportion it within the lease term according to the deducted rent costs, and take into account the cost of the current period.

## (2) Operating leased assets

The rental fee charged by the company for the lease of assets shall be apportioned according to the straight-line method without deducting the whole lease term of the rent-free period, and the rental income shall be confirmed. The initial direct expenses related to the leasing transaction paid by the company shall be included in the current expenses; If the amount is larger, it shall be capitalized and shall be included in the current income in accordance with the same basic installment as the rental income in the whole lease period.

The company shall deduct the expenses from the total rental income from the total rental income, and the rental expenses shall be allocated within the lease term after deducting the expenses incurred by the lessee.

## b. Finance lease accounting treatment

(1) Financing renting assets: the company takes the fair value of the leased asset and the present value of the minimum lease amount as the entry value of the rented assets at the beginning of the lease, and takes the minimum lease amount as the entry value of the long term payable, and its difference as an unconfirmed financing cost. The basis, valuation and depreciation methods for the assets of the finance leased assets are detailed in this note three / (nine) fixed assets.

The company adopts the real interest rate method to amortize the unrecognized financing expenses during the asset leasing period and to include it in the financial cost.

(2) Financing leased assets: in the beginning of the lease, the company recognised the financial lease, unsecured value and the difference between its present value as unrealized financing income. In the future, the lease income, the company's initial direct expenses related to the rental transaction, are included in the lease receivable financing lease. In the initial measurement of the loan, the amount of proceeds recognized in the lease period is reduced.

## 16. Important accounting policies, changes in accounting estimates

### a. Changes in accounting policies

None

## b. Estimates accounting policy changes

The main accounting estimates did not change during this accounting period.

## IV. Taxation

### a. Main taxes and tax rates of the company

Category	Tax basis	Tax rate
Value added tax (VAT)	Sales of goods, taxable services, income and taxable services	17%
City maintenance& construction tax	Tax on turnover tax	7%
Corporate income tax	Taxable income	25%
Housing property tax	According to the original value of the property tax base for 70%	1.2%
Land use tax	According to the total land area as the tax basis	¥ 1.5/m <sup>2</sup>

## V. The main notes of financial statement

(The amount of units without special indication shall be RMB)

### Note 1. Cash and cash equivalents

Category	31 <sup>st</sup> December 2017	31 <sup>st</sup> December 2016
Cash on hand	2,178.58	11,600.00
Cash at bank	44,706.01	3,789,299.67
Total	46,884.59	3,800,899.67

### 1、As of December 31, 2017, the frozen account of our company are as follows.

Bank	Bank Account	Closing Balance
China construction bank co., LTD. Tianjin nankai branch.	12001655000052511841	632.16
Industrial and commercial bank of China LTD. Tianjin dafeng road sub-branch.	0302016919300079274	9,805.60
China minsheng banking corporation limited tianjin haihe branch.	2106014180000480	7,477.59
Bank of China limited tianjin hedong branch	272674703978	23.27
China construction bank co., LTD Tianjin Hexi sub branch	12001635400052525691	0.00
Industrial and Commercial Bank of China Ltd Tianjin Xinhai sub branch	0302073619100007756	7,956.13
Bank of Beijing jianguo branch	20000014374800016518241	120.44
Hengfeng bank co., LTD. Beijing tongzhou branch	801110010121300016	100.00
Bank of China Beijing jianguo road sub-branch	319456014316	17674.15
Total	—	43,789.34

Description of frozen account: see attached note 9.1

**2. As of December 31, 2017, there is no pledge or potential recovery risk.**

**Note 2. Account receivable**

**1. Disclosure of accounts receivable classification**

Category	Closing balance				
	Book balance		Bed debt provision		Book value
	Amount	Proportion (%)	Amount	proportion (%)	
Accounts receivable which is significant and has been provided bad debt provisions separately	131,533,148.71	61.29			131,533,148.71
Accounts receivable which has been provided bad debt provision according to the combination of credit risk	82,313,680.92	38.35	31,171,643.10	37.87	51,142,037.82
Although not significant, but has been provided bad debt provisions separately	764,921.47	0.36			764,921.47
Total	214,611,751.10	100.00	31,171,643.10	—	183,440,108.00

Continue:

Category	Opening balance				
	Book balance		Bed debt provision		Book balance
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable which is significant and has been provided bad debt provisions separately	132,819,048.71	59.29			132,819,048.71
Accounts receivable which has been provided bad debt provision according to the combination of credit risk	90,419,429.31	40.37	35,147,940.60	38.87	55,271,488.71
Although not significant, but has been provided bad debt provisions separately	764,921.47	0.34			764,921.47
Total	224,003,399.49	100.00	35,147,940.60	—	188,855,458.89

**2. Accounts receivable account disclosure**

Aging	Closing balance		
	Account receivable	Bad debt provision	Proportion (%)
Within 1 year	10,391,350.80	519,567.54	5.00
1—2 years	35,917,618.05	3,591,761.81	10.00
2—3 years	1,326,053.01	265,210.60	20.00
3—4 years	4,739,120.50	2,843,472.30	60.00
4—5 years	1,159,559.87		
Above 5 years	161,078,048.87	23,951,630.85	14.87

Aging	Closing balance		
	Account receivable	Bad debt provision	Proportion (%)
Total	214,611,751.10	31,171,643.10	—

### 3. Description of accounts receivable classification:

(1) Accounts receivable which is significant and has been provided bad debt provisions separately in closing balance

Corporate name	Closing balance			
	Account receivable	Bad debt provision	Proportion (%)	Reason
Suzlon Energy Limited	128,999,036.87			
SE Composites Limited	1,374,551.97			
Suzlon Wind Energy Equipment Trading (Shanghai) Ltd.	1,159,559.87			
Total	131,533,148.71			

(2) Accounts receivable which divided by the aging of bad debt provision

Aging	Closing balance		
	Account receivable	Bad debt provision	Proportion (%)
Within 1 year	10,391,350.80	519,567.54	5.00
1—2 years	35,917,618.05	3,591,761.81	10.00
2—3 years	1,326,053.01	265,210.60	20.00
3—4 years	4,739,120.50	2,843,472.30	60.00
4—5 years			
Above 5 years	29,939,538.56	23,951,630.85	80.00
Total	82,313,680.92	31,171,643.10	—

### 4. The summary of top five balance of accounts receivable

Corporate name	Closing balance	Proportion of the final balance of accounts receivable (%)	Bad debt Provision
The summary of top five balance of accounts receivable	207,560,585.98	96.72	30,440,864.4

### Note 3. Advance to suppliers

#### 1. Advance payment list by aging

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	1,486,899.94	16.82	13,631,438.23	68.12
1 to 2 years	4,245,960.60	48.04	2,782,858.04	13.91
2 to 3 years	288,337.60	3.26	3,201,540.08	16.00
Above 3 years	2,816,542.86	31.87	395,044.40	1.97
Total	8,837,741.00	100.00	20,010,880.75	100.00

**2. Description of the reasons for the delay in payment of prepaid payments exceeding one year and the amounts is important**

Corporate name	Closing balance	Aging	Reason
Hohhot Alfa Electric Power Engineering Co., Ltd.	3,000,000.00	1 to 2 years, above 3 years	Goods not received
Beijing zijinyang Control System Technology Co., Ltd.	2,027,638.60	1 to 2 years	Goods not received
Total	5,027,638.60	——	——

**3. The summary of top five balance of advances to suppliers**

Corporate name	Closing balance	Proportion of total prepaid account (%)
The summary of top five balance of advances to suppliers	6,599,741.60	74.68

**Note 4. Other receivable**

**1. Other receivable disclosure**

Category	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables which is significant and has been provided bad debt provision separately					
Other receivables which has been provided bad debt provision according to the combination of credit risk	72,021,486.21	99.84	6,938,426.33	9.63	65,083,059.88
Other receivable not individually significant but has been provided for bad debt provision separately	118,691.10	0.16			118,691.10
Total	72,140,177.31	——	6,938,426.33	——	65,201,750.98

Continue:

Category	Opening balance				
	Book balance		Bad debt provision		Book balance
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables which is significant and has been provided bad debt provision separately					
Other receivables which has been provided bad debt provision according to the combination of credit risk	82,689,501.75	99.86	4,452,544.36	5.38	78,236,957.39
Other receivable not individually significant but has been provided for bad debt provision separately	118,691.10	0.14	4,452,544.36		118,691.10
Total	82,808,192.85	——	4,452,544.36	——	78,355,648.49

**2. Age disclosure of other receivables**

Aging	Closing balance
-------	-----------------

	Other receivable	Allowance for bad debt	Proportion (%)
Within 1 year	17,701,093.91	885,054.70	5.00
1 to 2 years	52,551,913.15	5,255,191.32	10.00
2 to 3 years	765,785.40	153,157.08	20.00
3 to 4 years	785,658.80	471,395.28	60.00
4 to 5 years			
Above 5 years	335,726.05	173,627.96	51.72
Total	72,140,177.31	6,938,426.33	—

### 3. Description of other receivables classification :

(1) Other receivables which divided by the aging of bad debt provision

Aging	Closing balance		
	Other receivable	Allowance for bad debt	Proportion (%)
Within 1 year	17,701,093.91	885,054.70	5.00
1 to 2 years	52,551,913.15	5,255,191.32	10.00
2 to 3 years	765,785.40	153,157.08	20.00
3 to 4 years	785,658.80	471,395.28	60.00
4 to 5 years			
Above 5 years	217,034.95	173,627.96	80.00
Total	72,021,486.21	6,938,426.33	—

(2) Other receivable not individually significant but has been provided for bad debt provision separately

Combination name	Closing balance		
	Other receivable	Bad debt provision	Proportion (%)
SE Composites Ltd.	103,396.63		
Suzlon Energy Korea Liaison Office	15,294.47		
Total	118,691.10		

### 1. Other receivables are classified according to the nature of the fund

Category	Closing balance	Opening balance
Bond	658,455.59	586,455.59
Reserve fund	3,053,662.47	2,505,793.77
Intercourse funds	68,428,059.25	79,715,943.49
Total	72,140,177.31	82,808,192.85

### Note 5. Inventory

Category	Closing balance	Opening balance
----------	-----------------	-----------------

	Book value	Provision	Book value	Book value	Provision	Book value
Raw materials	58,810,336.62	15,363,112.77	43,447,223.85	65,627,677.77	15,363,112.77	50,264,565.00
Finished goods	12,596,237.20		12,596,237.20	13,642,419.11		13,642,419.11
Work in process	40,262,279.61		40,262,279.61	35,221,641.7		35,221,641.7
Total	111,668,853.43	15,363,112.77	96,305,740.66	114,491,738.58	15,363,112.77	99,128,625.81

# 1. Inventory classification

## 2. Inventory provision.

Category	Opening balance	Addition		Disposal			Closing balance
		Accrued	Other	reverse	Written off	other	
Raw materials	15,363,112.77						15,363,112.77
Total	15,363,112.77						15,363,112.77

## Note 6. Other current assets

Category	Closing balance	Opening balance
Value added tax deduction	12,847,155.90	10,979,784.65
Total	12,847,155.90	10,979,784.65

## Note 7. The original value of fixed assets and accumulated depreciation

### 1. Condition of fixed assets

Category	Building	Machinery	Office equipment	Vehicles	Mold and tools	totals
a. Book value						
1. Opening balance	211,946,667.98	79,337,710.40	8,346,010.95	1,746,177.04	136,062,448.16	437,439,014.53
2. Addition			19,027.35	320,683.76		339,711.11
Purchase			19,027.35	320,683.76		339,711.11
3. Disposal						
Other roll out						
4. Closing balance	211,946,667.98	79,337,710.40	8,365,038.30	2,066,860.80	136,062,448.16	437,778,725.64
b. Accumulate depreciation						
1. Opening balance	100,548,072.98	71,366,410.04	8,251,955.88	1,005,450.24	135,346,767.39	316,518,656.53
2. Addition	11,622,106.19	5,661,259.12	63,766.61	251,012.89	498,725.55	18,096,870.36
depreciation	11,622,106.19	5,661,259.12	63,766.61	251,012.89	498,725.55	18,096,870.36
3. Disposal						
Other roll out						
4. Closing balance	112,170,179.17	77,027,669.16	8,315,722.49	1,256,463.13	135,845,492.94	334,615,526.89
c. Impairment						
d. Net book						

Category	Building	Machinery	Office equipment	Vehicles	Mold and tools	totals
value						
1. 31 December 2017	99,776,488.81	2,310,041.24	49,315.81	810,397.67	216,955.22	103,163,198.75
2. 31 December 2016	111,398,595.00	7,971,300.36	94,055.07	740,726.80	715,680.77	120,920,358.00

Other instructions: as of December 31, 2017, the company's housing buildings have been sealed for 9,977.65 million yuan. See the attached note 9.2.

## Note 8. Intangible asset

### 1. Intangible asset

Category	land use right	Computer software	Royalty fee	Total
a. Book value				
1. Opening balance	26,079,120.09	1,392,179.21	7,690,812.50	35,162,111.80
2. Addition				
Purchase				
3. Disposal				
4. Closing balance	26,079,120.09	1,392,179.21	7,690,812.50	35,162,111.80
a. Accumulate depreciation				
1. Opening balance	5,618,928.30	1,392,179.21	3,973,586.46	10,984,693.97
2. Addition	500,000.04	-259,591.86	1,345,896.88	1,586,305.06
Accrued	500,000.04	-259,591.86	1,345,896.88	1,586,305.06
3. Reduction				
4. Closing balance	6,118,928.34	1,132,587.35	5,319,483.34	12,570,999.03
c. Impairment				
d. Net book value				
1.31 December 2017	19,960,191.75	259,591.86	2,371,329.16	22,591,112.77
2.31 December 2016	20,460,191.79	-	3,717,226.04	24,177,417.83

Other instructions: as of December 31, 2017, the final book value of the company's land use right is \$1,996.02 million. See the attached note.

## Note 9. Account payable

Category	Closing balance	Opening balance
Payable for materials	146,190,253.14	237,564,648.48
Total	146,190,253.14	237,564,648.48

## Note 10. Advances from customers

### 1. Condition of advances from customers

Category	Closing balance	Opening balance
Selling models	82,333,450.00	
Total	82,333,450.00	

## Note 11. Employee salary and benefits Payable

### 1. List of employee salary and benefits Payable

Category	Opening balance	Addition	Reduction	Closing balance
Short-term salary	948,357.90	12,621,470.40	9,578,572.41	3,991,255.89
Demission benefits - defined contribution plan	716,313.38	1,297,438.14	1,793,100.11	220,651.41
Total	1,664,671.28	13,918,908.54	11,371,672.52	4,211,907.30

### 2. Short- term Employee Salary Payable

Category	Opening balance	Addition	Reduction	Closing balance
Wages, bonuses, allowances and subsidies	841,971.28	10,368,276.76	7,308,346.26	3,901,901.78
Employee welfare		327,770.90	327,770.90	
Social insurance premium	106,386.62	935,285.90	980,601.25	61,071.27
In which: Basic medical insurance	97,283.32	836,440.99	877,696.23	56,028.08
Work injury insurance		49,365.65	49,365.65	
Maternity insurance premium	9,103.30	49,479.26	53,539.37	5,043.19
Housing Provident Fund		990,136.84	961,854.00	28,282.84
Total	948,357.90	12,621,470.40	9,578,572.41	3,991,255.89

### 3. List of employee salary and benefits payable

Category	Opening balance	Addition	Reduction	Closing balance
Pension contributions	716,313.38	1,237,184.19	1,732,846.16	220,651.41
Unemployment insurance		60,253.95	60,253.95	
Total	716,313.38	1,297,438.14	1,793,100.11	220,651.41

## Note 12. Tax payable

Category	Closing balance	Opening balance
Withholding of individual income tax	779,503.99	636,435.84
City maintenance& construction tax	4,501,382.28	4,501,382.28
Education surcharge	9,873.45	9,873.45
Housing property tax	1,897,909.76	974,100.64
Land use tax	375,038.56	192,490.08
Value add tax		53,294.63
Other	82,066.58	82,066.58
Total	7,645,774.62	6,449,643.50

### Note13. Other payable

#### 1. Other payable, as shown in the nature of the payment

Nature of the payment	Closing balance	Opening balance
Non-financial institution loan	1,182,198.40	
Employee reimbursement	566,454.69	222,022.11
Intercourse funds	10,479,757.69	7,293,614.40
Total	12,228,410.78	7,515,636.51

### Note 14. Accrued expenses

Category	Closing balance	Opening balance
Provision for liquidated Damages	17,500,000.00	17,500,000.00
Provision for Royalties	38,123,115.64	38,123,115.64
Other	38,141,547.13	38,141,547.13
Total	93,764,662.77	93,764,662.77

### Note 15. Paid in Capita

Name of shareholder	Closing balance	Opening balance
Suzlon Energy Limited	102,078,321.25	102,078,321.25
poly Longma Energy (Dalian) Limited	306,234,963.75	306,234,963.75
Total	408,313,285.00	408,313,285.00

### Note 16. Capital Surplus

Category	Opening balance	Addition	Reduction	Closing balance
Other capital surplus	108,425.59			108,425.59
Total	108,425.59			108,425.59

Notice: accept Energy Limited Suzlon provide free inventory.

### Note 17. Surplus Reserve

Category	Opening balance	Addition	Reduction	Closing balance
Legal surplus reserve	14,753,853.75			14,753,853.75
Total	14,753,853.75			14,753,853.75

### Note 18. Retained Earnings

Category	Amount	Extraction or distribution ratio (%)
Closing balance of retained earnings before adjust	-223,905,752.79	—
Adjustment of undistributed profit at the beginning of the period (increase +, decrease -)	-1,920,000.00	

Category	Amount	Extraction or distribution ratio (%)
Adjust the late period of undistributed profit	-225,825,752.79	
Add: the net profit attributable to the owner of the parent company.	-51,290,577.51	
Minus: extraction of legal surplus reserve		—
Closing balance of retained earning	-277,116,330.30	

## Note 19. Revenue and operating costs

### 1. Revenue and operating costs

Category	31 December 2017		31 December 2016	
	Revenue	Cost	Revenue	Cost
Operation	3,320,343.76	13,903,657.72	4,971,239.56	13,883,273.83

## Note 20. Business Taxes and Surcharges

Category	31 December 2017	31 December 2016
City maintenance& construction tax		917.47
Education surcharge		597.09
Local education surcharge		58.25
Housing property tax	1,897,906.76	1,923,054.02
vehicle and vessel tax	6,945.00	81.25
Land use tax	375,041.56	380,010.86
stamp tax	1,711.50	1,624.54
Total	2,281,604.82	2,306,343.48

## Note21. Financial Expenses

Category	31 December 2017	31 December 2016
Interest expense	58,761.22	
Less : interest income	17,261.89	16,734.21
Exchange gain/ loss	426.91	
Other	15,858.07	33,779.15
Total	57,784.31	19,342.91

## Note 22. Impairment Loss

Category	31 December 2017	31 December 2016
Bad debt losses	-1,490,415.53	-41,490,340.87
Total	-1,490,415.53	-41,490,340.87

## Note 23. Non-operating revenue

Category	31 December 2017	31 December 2016	The amount of non-recurring gains and losses included in the current period
Other		436,893.18	
Total		436,893.18	

**Note 24. Non-operating expense**

Category	31 December 2017	31 December 2016	The amount of non-recurring gains and losses included in the current period
Fine for delaying payment	7,185.03		7,185.03
Other		1,386,287.62	
Total	7,185.03	1,386,287.62	7,185.03

**Note 25. Cash flow statement****1. Cash flow statement**

Category	31 December 2017	31 December 2016
1、Net profit adjusted for cash flow from operating activities		
Net profit	-51,290,577.51	-25,543,044.59
Add : provision for impairment loss	-1,490,415.53	-41,490,340.87
Fixed assets depreciation, depletion of oil and gas assets, productive biological assets depreciation	18,096,870.36	974,919.51
Amortization of intangible assets	1,586,305.06	2,462,955.25
Amortization of long-term prepaid expenses		224,052.60
The loss of fixed assets, intangible assets and other long-term assets		436,893.21
financial expense	58,761.22	-2,297.97
Inventory reduction	2,822,885.15	-72,246,793.87
Decrease in operating receivables	84,070,862.20	71,237,596.13
Increase in operating payable	-77,388,403.93	66,295,033.08
Other		
Net cash flows from operating activities	-23,533,712.98	2,348,972.48
2、Major investment and financing activities that do not involve cash receipts and payments		
conversion of debt into capital		
Switchable Company bonds maturing within one year		
Finance lease		
3、Net change in cash and cash equivalents		
Closing balance of cash	3,095.25	3,800,899.67
Less: opening balance of cash	3,800,899.67	3,871,607.55
Net increase in cash and cash equivalents	-3,754,015.08	-70,707.88

**2. The composition of cash and cash equivalents**

Category	Closing balance	Opening balance
1. Cash	3,095.25	3,800,899.67
In which : Cash on hand	2,178.58	11,600.00
Cash in bank	916.67	3,789,299.67
2. Cash equivalents		
3. closing balance of cash and cash equivalents	3,095.25	3,800,899.67

## 六. Related parties and related transactions

### 1. Related party and related party transactions

#### (一) The parent company of the company

Parent company name	Registered place	Operating range	Registered capital(Thousand)	Proportion of the company's shares (%)	Proportion of the voting rights of the company (%)
Poly Longma Energy (Dalian) Limited	Note (1)	Note (2)	40,000.00	75	75

#### 1. Description of the parent company of the company

**Note (1):** Liaoning Province, Dalian Dayaowan bonded harbor area public warehouse office building 201B-13

**Note (2):** Dalian Bonded Port Area in the coal business, international trade, entrepot trade, commodity display, consulting services (not including special); mechanical and electrical equipment (excluding motor vehicles), metal building materials, steel, general merchandise for daily use, Cereals, oil, chemical products (excluding special), mineral products (excluding special) sales. \* \* \* (subject to the approval of the project, approved by the relevant departments to carry out business activities before.)

#### (二) The situation of other related parties

Name of other related party	Relationship
Suzlon Energy Limited	Investor
SE Composites Limited	Fellow subsidiary controlled by Suzlon Energy Limited
Suzlon Wind Energy Equipment Trading (Shanghai) Ltd.	Fellow subsidiary controlled by Suzlon Energy Limited
SE Electricals Limited	Fellow subsidiary controlled by Suzlon Energy Limited
Suzlon Wind International Ltd	Fellow subsidiary controlled by Suzlon Energy Limited
Suzlon Energy A/S	Fellow subsidiary controlled by Suzlon Energy Limited
Suzlon Wind Energy Corporation	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 Energy Australia Pty. Ltd.	Fellow subsidiary controlled by Suzlon Energy Limited
Suzlon Rotor Corporation	Fellow subsidiary controlled by Suzlon Energy Limited
Suzlon Infrastructure Services Ltd.	Fellow subsidiary controlled by Suzlon Energy Limited
Suzlon Energy Limited Pondicheery	Fellow subsidiary controlled by Suzlon Energy Limited

## 1. Related party transactions for the purchase of goods and services

### (1) Purchasing of goods and services

Related party	transaction	actual amount of this period	actual amount of last period	Note
Suzlon Global Services Limited	Purchasing of raw materials		19,859.71	
SE Electricals Limited	Purchasing of raw materials		9,126.01	
Total			28,985.72	

## 2. Accounts receivable from related parties

### (1) Receivables of the company

Name	Related party	Closing balance		Opening balance	
		Book balance	Allowance for bad debts	Book balance	Allowance for bad debts
Account receivable					
	Suzlon Energy Limited	128,999,036.87		128,999,036.87	
	SE Composites Limited	1,374,551.97		1,374,551.97	
	Suzlon Wind Energy Equipment Trading (Shanghai) Ltd.	1,159,559.87		1,159,559.87	
	SE Electricals Limited	722,334.14		722,334.14	
	Suzlon Wind International Limited	42,587.33		42,587.33	
Advance payment					
	Suzlon Generators Pvt. Ltd .			97,539.95	
	Suzlon Global Services Limited			51,039.07	
	Suzlon Energy Limited	32,077.53		43,816.39	
	SE Electricals Limited	516.64		9,642.65	
Other receivables					
	SE Composites Limited	103,396.63		103,396.63	

### (2) The company payables to a related party

Name	Related party	Closing balance	Opening balance
Account payables			
	Suzlon Energy A/S	20,423,248.21	20,423,248.21
	Suzlon Energy Limited	22,016,717.80	22,028,456.66
	SE Electricals Limited	1,404,972.34	1,414,294.24
	Suzlon Wind Energy Corporation	1,177,930.75	1,177,930.75
	Suzlon Generators Pvt. Ltd .	310,882.47	408,422.42

	Suzlon Wind International Limited	69,152.83	69,152.83
	Suzlon Energy Australia Pty. Ltd.	71,972.33	71,972.33
	Suzlon Rotor Corporation	14,983.96	14,983.96
	Suzlon Infrastructure Services Ltd.	5,601.64	5,601.64
	Suzlon Energy Limited Pondicheery	1,789.83	1,789.83
	Suzlon Global Services Limited	3,180.87	54,219.94
	AE Rotor Holding BV	2,168,200.73	2,168,200.73

## 7. Commitments and contingencies

### (a) Significant commitments

The company does not exist commitments need to be disclosed

### (b) The date of the balance sheet of contingencies

The company does not require disclosure of contingencies

## 8. Events after the balance sheet date

As of the date of financial report, the company has no other should not disclose the disclosure of significant events occurring after the balance sheet date

## 9. Other important instructions

A、The company has received the second trial judgment of the contract dispute with Beijing zhongnenghuarui energy environmental protection technology co., LTD., which is named Beijing third people's court civil case (2016) Beijing 03 people's final 6080.

Suzlon Energy Company should pay ¥19,463,519.00 to Zhongnenghuarui Company. The decision of the court is due to Suzlan Energy Company still owes ¥151,455,519.00 to Zhongnenghuarui Company as of December 31, 2017.

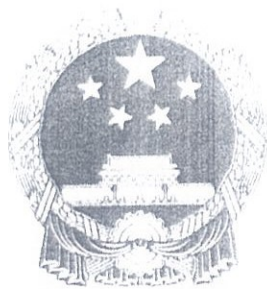
B、The company has received other civil adjudication with Caiaifu (Tianjin) wind power Co., Ltd., civil adjudication of the Tianjin people's Court (2017) No. 27 of Tianjin 0111.

The court decided that the real estate of the applicant in Tianjin Huayuan Industrial Area should be seized. At the end of the date of approval, ¥16,590,826.40 is still under.

**Suzlon energy (Tianjin) Limited**

**(Company seal)**

**30 April 2018**



# 营业执照

(1-1)

(副本)

统一社会信用代码 91110105684355207W

名称 北京安博通会计师事务所有限公司  
类型 有限责任公司(自然人投资或控股)  
住所 北京市朝阳区安慧里四区15号楼院2号楼1211室  
法定代表人 张天泽  
注册资本 30万元  
成立日期 2009年02月02日  
营业期限 2009年02月02日至 2029年02月01日  
经营范围 审查企业会计报表, 出具审计报告; 验证企业资本, 出具验资报告; 办理企业合并、分立、清算事宜中的审计业务, 出具有关报告; 基本建设年度财务决算审计; 代理记账; 会计咨询、税务咨询、管理咨询、会计培训; 法律、法规规定的其他业务。(企业依法自主选择经营项目, 开展经营活动; 依法须经批准的项目, 经相关部门批准后依批准的内容开展经营活动; 不得从事本市产业政策禁止和限制类项目的经营活动。)



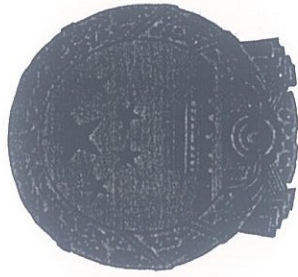
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登记机关



提示: 每年1月1日至6月30日通过企业信用信息公示系统报送上一年度年度报告并公示。

2017 年 11 月 13 日



证书序号:0000059

## 说明

- 1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。
- 2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。
- 3、《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。
- 4、会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。

会计师事务所

执业证书

名称: 北京安博通会计师事务所有限公司

首席合伙人:

主任会计师: 张天泽

经营场所: 北京市海淀区马坊东路马坊商业综合楼东楼9层18-19/S-R轴

组织形式: 有限责任

执业证书编号: 11010057

批准执业文号: 京财会许可[2009]0011号

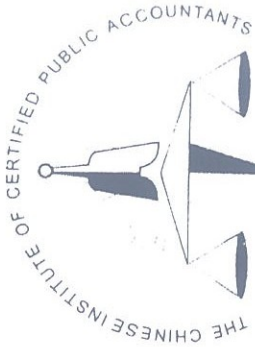
批准执业日期: 2009年01月23日

发证机关:



二〇一八年一月二十五

中华人民共和国财政部制



姓 Full name 吴彩霞

性 Sex 女

出生日期 Date of birth 1970-09-08

工作单位 Working unit 北京安博通会计师事务所有限公司

身份证号码 Identity card 872830700908010

Working unit 北京安博通会计师事务所有限公司

身份证号码 Identity card 872830700908010



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## 年度检验登记

Annual Renewal Registration

本证书经检验合格，继续有效一年。

This certificate is valid for another year after this renewal.

年 /y 月 /m 日 /d

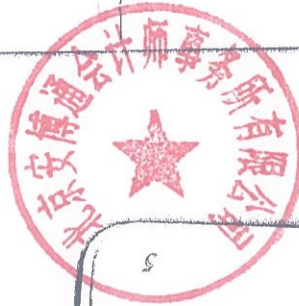
年 /y 月 /m 日 /d

年度检验登记  
Annual Renewal Registration

本证书经检验合格，继续有效一年。  
This certificate is valid for another year after this renewal.



年 /m  
月 /d  
日



姓名 赵晓亮  
Full name  
性别 男  
Sex  
出生日期 1982-08-05  
Date of birth  
工作单位 北京安博通会计师事务所  
Working unit  
身份证号 14012119820805701X  
Identity card No.