

Envision Energy (Denmark) ApS

Torvet 11, DK-8600 Silkeborg

CVR no. 31 49 25 21



Annual report

for the year 1 January - 31 December 2015

Approved at the annual general meeting of shareholders on 27 May 2016

Chairman:

Anders Rebsdorf

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Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of Envision Energy (Denmark) ApS for the financial year 1 January - 31 December 2015.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In my opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

Further, in my opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

I recommend that the annual report be approved at the annual general meeting.

Silkeborg, 27 May 2016
Executive Board:



Lei Zhang
CEO





Independent auditors' report

To the shareholders of Envision Energy (Denmark) ApS

Independent auditors' report on the financial statements

We have audited the financial statements of Envision Energy (Denmark) ApS for the financial year 1 January - 31 December 2015, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Aarhus, 27 May 2016

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR No. 30 70 02 28

Jens Weiersøe Jakobsen
State Authorised Public Accountant

Kim R. Mortensen
State Authorised Public Accountant



Management's review

Company details

Name	Envision Energy (Denmark) ApS
Address, Postal code, City	Envision Energy (Denmark) Aps Torvet 11, DK-8600 Silkeborg
CVR No.	31 49 25 21
Established	17 June 2008
Registered office	Silkeborg
Financial year	1 January - 31 December
Website	www.envisioncn.com
E-mail	GIC@envision.com
Telephone	+45 72 44 44 39
Telefax	+45 86 85 99 42
Executive Board	Lei Zhang, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P O Box 330, 8100 Aarhus C, Denmark



Management's review

Operating review

The Company's business review

Envision Energy (Denmark) ApS (GIC) has been established in order to accommodate "Envision's Global InnovationCentre", where experienced development engineers from the wind industry are to focus on innovation, technology and product development.

Financial review

The profit for the year DKK 4,948 thousand (2014: DKK 6,073 thousand) is in line with forecasts. The equity at 31 December 2015 totals DKK 25,630 thousand (2013: DKK 20,681 thousand).

Knowledge resources

Employees of Envision Energy (Denmark) ApS are all experienced development engineers with years of experience within the wind turbine industry. The average turbine-related business experience exceeds 15 years for the Company's employees.

Research and development activities

The preassembly of the onshore test turbine (SC-2) was completed in Grenå, Denmark. The turbine was erected in the National Testing Centre for Wind Turbines in Østerild, Denmark in July 2015. Test and verification of the turbines performance has hereafter been initiated and is currently ongoing.

Furthermore, GIC is still involved in the Chinese affiliated company concerning the ongoing work with the previously designed SC-1, offshore wind turbine, which is marketed and manufactured by Envision Energy in China.

GIC continues to focus on analyzing the novelty of innovative technologies, whereof some of these has been filed as patent applications on behalf of GIC's affiliated company in China.

GIC is responsible for the operation and maintenance of the GC-1 and SC-2 prototypes and is the owner of these prototypes. The turbines are recognized in the balance sheet under property, plant and equipment as a wind turbine for testing purpose.

Finally, GIC is participating in a Horizon 2020 funded project "EcoSwing", which aims at demonstrating the world's first superconductive, low cost and lightweight wind turbine drivetrain demonstrated on a large scale wind turbine. The project has a total duration of 4 years.

Post balance sheet events

No significant events have occurred subsequent to the financial year.

Outlook

The total investment in Envision Energy (Denmark) ApS is expected to represent DKK 100 million in 2016, which is at the same level as this year.

Management does not expect any significant changes in the number of employees in GIC in 2016

The management expect revenue and result for 2016 in the same level as 2015.



Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2015	2014
	Revenue	100,442,074	82,765,339
	Other operating income	8,662,784	8,439,580
	Other external expenses	-43,694,361	-29,140,881
	Gross profit	65,410,497	62,064,038
2	Staff costs	-33,679,771	-32,783,514
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-27,069,821	-23,691,289
	Other operating expenses	-15,678	0
	Operating profit	4,645,227	5,589,235
3	Financial income	2,622,895	3,381,633
4	Financial expenses	-637,255	-865,217
	Profit before tax	6,630,867	8,105,651
5	Tax for the year	-1,682,414	-2,033,000
	Profit for the year	4,948,453	6,072,651
	Proposed profit appropriation	4,948,453	6,072,651
	Retained earnings	4,948,453	6,072,651



Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2015	2014
	ASSETS		
	Non-current assets		
6	Intangible assets		
	Acquired intangible assets	567,981	1,098,490
		<u>567,981</u>	<u>1,098,490</u>
7	Property, plant and equipment		
	Wind turbine for testing purposes	70,860,733	54,309,972
	Other fixtures and fittings, tools and equipment	1,250,065	812,422
	Leasehold improvements	190,853	344,704
	Property, plant and equipment in progress	0	22,103,036
		<u>72,301,651</u>	<u>77,570,134</u>
	Investments		
	Other receivables	3,708,936	3,994,362
		<u>3,708,936</u>	<u>3,994,362</u>
	Total non-current assets	<u>76,578,568</u>	<u>82,662,986</u>
	Current assets		
	Receivables		
	Receivables from group entities	44,982,010	56,194,317
	Other receivables	2,506,790	2,163,552
	Prepayments	1,249,723	630,235
		<u>48,738,523</u>	<u>58,988,104</u>
	Cash	<u>4,973,061</u>	<u>6,320,268</u>
	Total current assets	<u>53,711,584</u>	<u>65,308,372</u>
	TOTAL ASSETS	<u>130,290,152</u>	<u>147,971,358</u>



Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2015	2014
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	125,000	125,000
	Retained earnings	25,504,752	20,556,299
	Total equity	25,629,752	20,681,299
	Provisions		
	Deferred tax	4,447,000	3,628,000
	Total provisions	4,447,000	3,628,000
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	3,290,284	4,411,386
	Payables to group entities	15,770,560	32,057,835
	Income taxes payable	664,271	1,331,000
	Other payables	6,266,709	4,017,833
9	Deferred income	74,221,576	81,844,005
		100,213,400	123,662,059
	Total liabilities other than provisions	100,213,400	123,662,059
	TOTAL EQUITY AND LIABILITIES	130,290,152	147,971,358

- 1 Accounting policies
- 10 Contractual obligations and contingencies, etc.
- 11 Related parties



Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2014	125,000	14,483,648	14,608,648
Profit/loss for the year	0	6,072,651	6,072,651
Equity at 1 January 2015	125,000	20,556,299	20,681,299
Profit/loss for the year	0	4,948,453	4,948,453
Equity at 31 December 2015	125,000	25,504,752	25,629,752

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Envision Energy (Denmark) ApS for 2015 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

The threshold for classification of reporting classes of the new Financial Statements Act are implemented as of 2015. This implies that the Company, as in previous years, is classified as a reporting class B enterprise. In terms of value, this had no impact on the financial statements for 2015.

The accounting policies applied by the Company are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from sale comprises invoicing of development costs to group companies and is recognised in the income statement provided that the time of delivery and transfer of risk have taken place before year end, and that the income can be reliably measured and is expected to be received.

Revenue is measured at fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Other operating income and operating expenses

Other operating income comprises items of a secondary nature relative to the entity's core activities, including gains or losses on the sale of non-current assets, income from the sale of electricity from wind turbines for test purposes, public grants for the development of technology, etc.

Other external expenses

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to advertising, administration, premises, operating leases, IT costs, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.



Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Amortisation/depreciation and impairment of intangible assets and property, plant and equipment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Balance sheet

Intangible assets

Acquired intangible assets mainly comprise of software which is measured at cost less accumulated amortisation and impairment losses. Software is amortised on a straight-line basis over the expected useful lives, corresponding to three years.

Development costs and internally developed rights are recognised in the income statement as cost in the year of acquisition.

Gains or losses on the sale of intangible assets are recognised in the income statement under 'Other operating income' or 'Other operating expenses', respectively. Gains and losses are calculated by reference to the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Property, plant and equipment

Property, plant and equipment in the course of construction and prepayments are measured at cost. Assets are depreciated at the date of use.

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any cost directly attributable to the acquisition until the date when the asset is available for use. The cost of own-produced assets comprises direct cost of material, components and subsuppliers.

The basis of depreciation, which is calculated at cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Fixtures and fittings, tools and equipment: 3-5 years

Wind turbine for testing purposes is depreciated up to and including 2016 and 2020.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Gains or losses are made up as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating costs.

Impairment of non-current assets

Every year, intangible assets and property, plant and equipment are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount. Where an impairment loss is recognised on a group of assets, the loss is allocated to the non-current assets on a pro rata basis.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net realisable value and the carrying amount.

Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

Cash at hand and in bank

Cash comprises cash balances and bank balances.

Corporation tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are measured at amortised cost.



Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.



Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK	2015	2014
2 Staff costs		
Wages/salaries	31,727,672	30,903,243
Pensions	1,793,802	1,705,292
Other social security costs	158,297	174,979
	<u>33,679,771</u>	<u>32,783,514</u>
Average number of full-time employees	<u>30</u>	<u>31</u>
3 Financial income		
Other interest income	19,170	19,917
Exchange adjustments	2,603,725	3,361,716
	<u>2,622,895</u>	<u>3,381,633</u>
4 Financial expenses		
Interest expenses, group entities	491,779	797,199
Other interest expenses	145,476	68,018
	<u>637,255</u>	<u>865,217</u>
5 Tax for the year		
Estimated tax charge for the year	863,414	1,339,000
Deferred tax adjustments in the year	819,000	694,000
	<u>1,682,414</u>	<u>2,033,000</u>

On account tax payments totalled DKK 194.000 for 2015 and payment of DKK 1.336.147 for 2014.
Deferred tax relates to non-current assets.



Financial statements for the period 1 January - 31 December

Notes to the financial statements

6 Intangible assets

DKK	Acquired intangible assets
Cost at 1 January 2015	2,731,657
Additions in the year	71,135
Cost at 31 December 2015	2,802,792
Impairment losses and amortisation at 1 January 2015	1,633,167
Amortisation in the year	601,644
Impairment losses and amortisation at	2,234,811
Carrying amount at 31 December 2015	567,981

7 Property, plant and equipment

DKK	Wind turbine for testing purposes	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
Cost at 1 January 2015	104,158,689	3,326,371	461,552	22,103,036	130,049,648
Additions in the year	0	1,108,474	0	20,106,898	21,215,372
Disposals in the year	0	-189,179	0	0	-189,179
Transfer from other accounts	42,209,934	0	0	-42,209,934	0
Cost at 31 December 2015	146,368,623	4,245,666	461,552	0	151,075,841
Impairment losses and depreciation at 1 January 2015	49,848,717	2,513,949	116,848	0	52,479,514
Depreciation in the year	25,659,173	655,153	153,851	0	26,468,177
Reversal of depreciation of disposals	0	-173,501	0	0	-173,501
Impairment losses and depreciation at 31 December 2015	75,507,890	2,995,601	270,699	0	78,774,190
Carrying amount at 31 December 2015	70,860,733	1,250,065	190,853	0	72,301,651
Property, plant and equipment include finance leases with a carrying amount totalling	0	482,727	0	0	482,727



Financial statements for the period 1 January - 31 December

Notes to the financial statements

8 Share capital

The Company's share capital comprises 1,250 shares of DKK 100 each.

The Company's share capital has remained DKK 125,000 over the past 5 years.

9 Deferred income

Deferred income comprises payments relating to development costs for wind turbines for testing purposes, which will not be recognised as income until in the subsequent financial year once the recognition criteria are satisfied.

10 Contractual obligations and contingencies, etc.

Other contingent liabilities

Other contingent liabilities include the Company's obligation to pay DKK 80 thousand for the dismantlement of leasehold improvements, when the lease expires or is terminated.

Other financial obligations

Rent and lease liabilities (operating leases) total DKK 20,742 thousand (2014: 25,598 thousand) of which DKK 5,523 thousand (2014: 7,252 thousand) falls due within a year.

11 Related parties

Envision Energy (Denmark) ApS' related parties comprise the following:

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the share capital:

<u>Name</u>	<u>Domicile</u>
Envision Energy International Limited	Hong Kong