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Announcement on the External Guarantee by the Company's Subsidiary of Hangzhou Steam Turbine Co., Ltd.

The members of the Board and the Company acknowledge being responsible for the truthfulness, accuracy, and completeness of the announcement. Not any false record, misleading statement or significant omission carried in this announcement.

Ⅰ. Overview of the Guarantee

1. Background Introduction

On May 18, 2016,The company's wholly-owned subsidiary- Hangzhou Steam Turbine Heavy Industry Co., Ltd made an application of special construction fund of RMB 208 million to China Development Bank Zhejiang Branch (hereinafter referred to as: CDB) in respect of its project-Annual output of 450 units (sets) of industrial steam turbine, gas turbine and compressor and the matching engineering base construction, with a mortgage of Hangzhou Steam Turbine Heavy Industry Co., Ltd's assets as security. Details please refer to company announcement: Announcement of the 1st Meeting of the Seventh Board of Directors（2016-55）.

For the implementation of the relevant policies for special construction fund, CDB's wholly owned subsidiary-China Development Fund Limited (hereinafter referred to as: China Development Fund) funded RMB 0.208 billion to Hangzhou Steam Turbine Heavy Industry Co., Ltd. by means of capital increase and becoming a shareholder. The term of such money provided by China Development Fund is 10 years and the return on investment for such money is 1.2% per year. For that, the four parties i.e. the company, China Development Fund, Hangzhou Steam Turbine Heavy Industry Co., Ltd. and Hangzhou Steam Turbine Group Co.,Ltd shall jointly sign the China Development Fund Investment Contract (hereinafter referred to as: Investment Contract).

According to the content of the Investment Contract, Hangzhou Steam Turbine Power Group Co., Ltd (hereinafter referred to as: Steam Turbine Group), starting from 2019, shall be the transferee to the stake of Hangzhou Steam Turbine Heavy Industry Co., Ltd. held by China Development Fund.. China Development Fund required the company and Hangzhou Steam Turbine Power Group Co., Ltd to respectively provide a guarantee on Steam Turbine Group's fulfillment of its obligation of being a transferee to the stake.

2. Basic information of the guarantee:

(1) To ensure Steam turbine group's fulfillment to the Investment Contract, the company shall pledge its holding shares of Bank of Hangzhou of 23 million shares as a pledge guarantee to China Development Fund. The company intended to sign The Pledge Contract with China Development Fund.

(2) To ensure Steam turbine group's fulfillment to the Investment Contract, Hangzhou Steam Turbine Heavy Industry Co., Ltd. shall use its legal land assets to make a mortgage guarantee to China Development

Fund. Hangzhou Steam Turbine Heavy Industry Co., Ltd. intended to sign The Mortgage Contract with China Development Fund.

The above guarantee amount is RMB 208 million, that is, the group company shall, upon the amount of RMB 208 million, buy back the stake held by China Development Fund in installments.

3. The Proposal on the Guarantee Provided by the Company and Hangzhou Steam Turbine Heavy Industry Co., Ltd. for Hangzhou Steam Turbine Power Group Co., Ltd. was approved in the 4th meeting of the 7th term of board of directors on October 21, 2016, resulted in 11 votes of assent, 0 dissenting vote and 0 vote of abstention.

4. According to the Stock Listing Rules on Shenzhen Stock Exchange and relevant regulations, the above-said guarantee provided by the Company for Steam Turbine Group(Controlling shareholder) is an included situation that needed to be examined and approved in the general shareholder meeting.

Ⅱ. Basic Information about the Guaranteed

1. Company Name：Hangzhou Steam Turbine Power Group Co., Ltd.

2.Date of establishment：December 14,1992

3. Registered address: No. 357 Shiqiao Road Hangzhou City

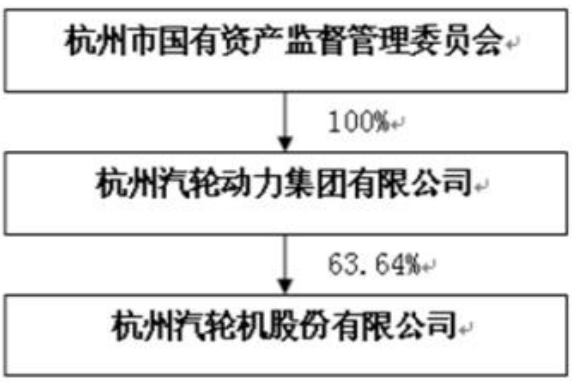
4.Office address: Block A, 68 Qingchun Road East, Hangzhou

5.Legal representative: Mr. Nie Zhonghai

6.Registered capital: RMB 800 million

7. Business scope: Manufacturing and processing: textile machinery, paper-making machinery, pump, casting products, electrical tools, gear box, thermal transmitter, digital controlling device, and spare parts of the above (limited to the subsidiaries); Contracting of domestic and overseas machinery engineering projects, export of above equipments and materials, provide labor services for above overseas projects. Thermal power plant project and equipment engineering; wholesale and retail: products and spare parts manufactured by members of the group, and technical research, consulting, and service of above products; Provide materials, equipments, and spare parts to members of the Group, water and power supply (other than installation and maintaining of power supply equipment); Including the business scope of subsidiaries.

8 Relationship with the Company：Holding 63.64% stake in the company, the relationship shown below



9. Credit rating: AA+ (Rating Agency: Dagong Global Credit Rating Co., Ltd.)

10. Recent financial information (on consolidated range)

In RMB

Periods	Turnover	Net profit	Gross assets	Net assets
January-September 2016	47,599,980,000	315,100,000	31,653,940,000	8,251,530,000
Year 2015	55,917,962,311.31	421,751,997.48	29,378,018,996.17	8,064,678,349.75
Year 2014	58,232,020,389.51	750,875,510.88	28,120,769,970.09	7,932,248,584.65

IV. Main contents of the guarantee agreement

1. The main content of The Pledge Contract intended to be signed between the company and China Development Fund.

(1) The rights and obligations of the parties

The Company (the pledgor): the company shall pledge its holding shares of Bank of Hangzhou of 23 million shares as a pledge guarantee to China Development Fund

China Development Fund (the pledgee, creditor of The Investment Contract): If Steam Turbine Group does not perform its obligation of being a transferee to the said stake of Hangzhou Steam Turbine Heavy Industry Co., Ltd, China Development Fund shall be entitled to using the pledged stake for a priority compensation.

Steam Turbine Group (the debtor to the investment contract): according to the Investment Contract, Steam Turbine Group shall fulfill its obligation of being a transferee to buy-back the stake of Hangzhou Steam Turbine Heavy Industry Co., Ltd.held by China Development Fund.

(2) Subject of the Pledge: the 23 million shares of Bank of Hangzhou held by the company-according to the IPO announcement of Bank of Hangzhou, Bank of Hangzhou will be listed in October 2016 with the issuing price of RMB 14.39 per share, and according to The Pledge Contract, the pledge effectiveness and the yield of the subject (such as stock dividend, bonus).

(3)Scope of the Guarantee: the pledgee has the right to obtain the investment income during the investment period, and has the right to request the debtor to fulfill the following obligations with in accordance with the principal contract: (a)according to the principal contract, the debtor shall buy back the underlying shares and timely and fully paid for the shares buy-back to the pledgee; (b) if the pledgee does not get a full payment of investment income in time from the said company according to the contract, then the debtor shall pay the corresponding unpaid amount in time and completely to the pledgee, thus to ensure the pledgee to realize the goal of investment income in the principal contract; (c) the debtor shall assume obligations of supplementary payments for other funds according to the principal contract. The scope of the guarantee included the afore-said a, b and c obligations assumed by the debtor under the principal contract, and the corresponding compensation, penalty for breach of contract, compensation for damages and expense for realization of the right of pledge (including but not limited to attorney fees, legal fare and travel expenses).

(4) The Guarantee Period and Discharge of Contract: the guarantee period is two years commenced from the date of expiration of principal debt performance period. Under the principal contract, where the mortgage registration formalities of the land and its above-ground buildings stipulated in The Mortgage Contract which was signed between the pledgee and Hangzhou Steam Turbine Heavy Industry Co., Ltd. were completed and the mortgagee effectively obtained the established mortgage right, this contract is terminated and both parties should be cooperative in handling the deregistration formalities of the equity pledge.

2. The main content of The Mortgage Contract intended to be signed between Hangzhou Steam Turbine Heavy Industry Co., Ltd. and China Development Fund.

(1) The rights and obligations of the parties

Hangzhou Steam Turbine Heavy Industry Co., Ltd(the mortgagor): Mortgaging its own land to make a mortgage guarantee to China Development Fund;

China Development Fund (the mortgagee, the principal contract creditor): If Steam Turbine Group does not perform its obligation of being a transferee to the said stake of Hangzhou Steam Turbine Heavy Industry Co., Ltd, China Development Fund shall be entitled to using the mortgaged assets for a priority compensation.

Steam turbine group (the principal contract debtor): according to The Investment Contract, Steam Turbine Group shall fulfill its obligation of being a transferee to the stake of Hangzhou Steam Turbine Heavy Industry Co., Ltd. held by China Development Fund.

(2) Collateral: the 285,029.6 square meters of land in Longchuanwu village & Zhujia village Qianjiang Economic Development Zone Hangzhou city (No.107-854-2014 Hang Yu Chu Guo Yong)-which is legally owned by the mortgagor, and all the above-ground buildings on the afore-said land after the completion of the project.

(3)Scope of the Guarantee: the mortgagee has the right to obtain the investment income during the investment period, and has the right to request the debtor to fulfill the following obligations with in accordance with the principal contract: (a)according to the principal contract, the debtor shall buy back the underlying equity and timely and fully paid for the equity buy-back to the mortgagee; (b) if the mortgagee does not get a full payment of investment income in time from the said company according to the principal contract, then the debtor shall pay the corresponding unpaid amount in time and completely to the mortgagee, thus to ensure the mortgagee to realize the goal of investment income in the principal contract; (c) the debtor shall assume obligations of supplementary payments for other funds according to the principal contract. The scope of the guarantee included the afore-said a, b and c obligations assumed by the debtor under the principal contract, and the corresponding compensation, penalty for breach of contract, compensation for damages and expense for realization of the right of mortgage (including but not limited to attorney fees, legal fare and travel expenses).

(4) The guarantee period: two years commenced from the date of expiration of principal debt performance period.

IV. Opinions from Board of Directors

1. Hangzhou Steam Turbine Heavy Industry Co., Ltd. made an application of special construction fund to CDB, and China Development Fund implemented the special construction fund policy by means of increasing capital to Hangzhou Steam Turbine Heavy Industry Co., Ltd.and getting equity shares accordingly. For ensuring that Steam turbine group will buy-back the shares to repay the funds contributed by China Development Fund with in accordance with the Investment Contract, China Development Fund required the company and Hangzhou Steam Turbine Heavy Industry Co., Ltd.to provide guarantee for this. The board of directors reckoned that Steam Turbine Group agrees to be a transferee to buy-back the said shares held by China Development Fund with in accordance with the CDB's requirements and the company and Hangzhou Steam Turbine Heavy Industry Co., Ltd.provide the guarantee for Steam Turbine Group according to the CDB's requirement is for ensuring that Hangzhou Steam Turbine Heavy Industry Co., Ltd.will smoothly get the national special construction funds, thus to help reduce Hangzhou Steam Turbine Heavy Industry Co., Ltd's financial pressure on the project construction. Through obtaining low-costs funds provided by CDB, the company can better ensure the smooth construction of Hangzhou Steam Turbine Heavy Industry Co., Ltd's project, which will have a positive impact on the company's development.

2. Steam Turbine Group's business operating state, debt paying ability and credit status are good. The company and Hangzhou Steam Turbine Heavy Industry Co., Ltd.providing the guarantee for Steam Turbine Group will not jeopardize the interests and rights of the company and other shareholders.

V. Cumulative Amount of External Guarantee and Amount of Overdue Guarantee

By this announcement date, the accumulative amount of external company by the company and its holding subsidiary is RMB 100 million, （Details please refer to company announcement: Announcement of the Company on External Guarantee.(Announcement No:2016-46） , taking up 2.18% of the audited net assets in 2015Which amounts to RMB 4,589,137,018.15. The company has no overdue guarantee. And it has no litigation-involved guarantee amount or amount of loss resulting from failing guarantee-related litigation.

VI. Independent directors' opinions

The company and Hangzhou Steam Turbine Heavy Industry Co., Ltd.providing the guarantee for Steam Turbine Group is mainly for guaranteeing Hangzhou Steam Turbine Heavy Industry Co.,Ltd's smooth obtaining of the national special construction funds, which will meet the funds demand arising from the company's big project construction and be helpful to the company's operation and development; Steam Turbine Group's business operating state, debt paying ability and credit status are good, therefore providing guarantee for it will not bring risks to the company's business operation; the company deliberated the Proposal of the guarantee with in accordance with relevant laws and regulations, and the guarantee does not have a circumstance that would jeopardize the interests and rights of the company and other shareholders; As of now, the company does not have a situation that the controlling shareholder or other related parties illegally occupied the funds.

VII. Document Ready for Inquiring

1. Resolutions of the 4th meeting of the 7th term of Board;
2. The Pledge Contract intended to be signed between the company and China Development Fund;
3. The Mortgage Contract intended to be signed between Hangzhou Steam Turbine Heavy Industry Co., Ltd and China Development Fund.

The Board of Directors of Hangzhou Steam Turbine Co., Ltd.
October 22, 2016