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Announcement of Hangzhou Steam Turbine Co., Ltd. on External Guarantee

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)Guarantee for Liquidity Loan

1.In order to meet the liquidity needs arising from the production and operation, Hangzhou Guoneng Steam Turbine Engineering Co., Ltd (which is the subsidiary of the company's subsidiary-Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd) made an application to ICBC Hangzhou Banshan Branch for the liquidity loan of RMB 20 million, with a term of one year and the loan mode of credit loan plus guarantee. The company provides guarantee for such loan with the guarantee mean in joint and several liability.

2. Basic information of the guarantee:

Guarantor: Hangzhou Steam Turbine Co., Ltd.

The Guaranteed: Hangzhou Guoneng Steam Turbine Engineering Co., Ltd.

Creditor: ICBC Hangzhou Banshan Branch

Guaranteed amount: RMB 20 million

Guarantee mean: Joint-liability guarantee

(II) Guarantee for Credit Line

1. Because of the liquidity needs arising from the production and operation, Guoneng Company made an application to Bank of China Hangzhou Yuhang Branch for the credit line, of which the amount is RMB 50 million with a term of one year. Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd provides guarantee for the credit line with the guarantee mean in joint and several liability.

2. Basic information of the guarantee:

Guarantor: Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd.

The Guaranteed: Hangzhou Guoneng Steam Turbine Engineering Co., Ltd

Creditor: Bank of China Hangzhou Yuhang Branch

Guaranteed amount: RMB 50 million

Guarantee mean: Joint-liability guarantee

(III) Approval procedure of the guarantee

The Proposal on the Company's Guarantee for its holding Subsidiary-Hangzhou Guoneng Steam Turbine Engineering Co., Ltd's Liquidity Loan and the Proposal on the Company's holding Subsidiary-Hangzhou Steam Turbine Auxiliary Machinery Co. Ltd's Guarantee Provided for its Share-controlled Subsidiary-Hangzhou Guoneng Steam Turbine Engineering Co., Ltd's Credit Line- the Company was approved in the 6th meeting of the seventh board of directors on January 20, 2017, For details, please refer to the announcement of the 6th meeting of the seventh board of directors(Announcement No.2017-02).

Pursuant to the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange and the relevant regulations, none of the aforesaid guarantees provided by the Company to Guoneng Company and Auxiliary Company for the purpose of consideration by the Shareholders' General Meeting shall constitute a connected transaction and shall not be subject to The relevant government departments for approval.

Ⅱ. Basic Information about the Guaranteed

1. Company Name: Hangzhou Guoneng Steam Turbine Engineering Co., Ltd.

2. Date of establishment: December 7, 2006

3. Place of registration: Yuhang Tangqi Industrial Area

4. Legal representative：Yu Changquan

5. Registered capital: RMB 40 million

6. Business scope: design, manufacturing, technical services, technology consultation: steam turbine auxiliary equipment and spare parts.

7.The relationship with the company: Hangzhou Guoneng Steam Turbine Engineering Co., Ltd. is the subsidiary of Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd and Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd holds 75% stake of Guoneng Company; the company holds 87.53% stake of Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd.

8. The recent financial situation of the guaranteed:

In RMB

Time	Main business income	Total profit	Net profit	Net assets	Total assets	Liability ratio
Year of 2015	381,890,009.53	36,510,413.35	31,282,146.02	131,986,906.79	383,281,959.42	65.56%
January-September 2016	260,083,701.12	19,798,000.19	16,828,300.16	112,662,749.82	373,477,984.29	69.83%

Ⅲ.The main contents of the guarantee agreement

(1)The main contents of the Guarantee Contract signed between the Company and ICBC are as follows:

1.Maximum guaranteed amount: RMB 20 million

2.Guarantee mean: Joint-liability guarantee

3.Guarantee scope: The principal, interest, compound interest, penalty interest, penalty, damage compensations, exchange loss (losses arising from the exchange rate) and the costs of realization of the debt (including but not limited to legal fees, lawyers' fees)

4.Guarantee period: Two years commenced from the date of the expiration of the occurrence period of the principal claim.

5. The debt period of the principal contract: The term of the agreement is 1 year, and the loan contract shall enter into force on the date of actual withdrawal.

（2）The main contents of the Maximum Amount Guarantee Contract signed between the Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd and Bank of China are as follows:

1.Maximum guaranteed amount: RMB 50 million

2.Guarantee mean: Joint-liability guarantee

3.Guarantee scope: The sum of the expenses of the maximum amount of the principal claim and the interest (including legal interest, contract interest, compound interest, penalty interest) thereof, penalty, compensation for damage, expenses of realization of the debt (including but not limited to litigation, notarization and enforcement costs etc.) and all other accrued expenses and any expenses arising from the guarantee right.

4.Guarantee period: Two years commenced from the date of the expiration of the occurrence period of the principal claim.

5. The debt period of the principal contract: January 2017 to January 2018

IV. Opinions from Board of Directors

For meeting the liquidity needs arising from the production and operation and meeting the needs of various kinds of bank guarantee issuing, Guoneng Company made an application to ICBC for the liquidity loan and made an application to Bank of China for credit line. The company, which is Guoneng's controlling shareholder, provides guarantee for Guoneng Company's liquidity loan of RMB 20 million, and Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd, which is Guoneng's parent company, provides guarantee for Guoneng Company's credit line of RMB 50 million, thus to help Guoneng Company obtain the bank's loan and the bank's credit line for solving the liquidity needs to meet Guoneng Company's operation and development. The board of directors performed the deliberation procedures with in accordance with the regulations and such guarantee is in line with the law.

Guoneng Company maintains a relatively good record in aspects of asset quality, operation condition, industry prospect, debt paying ability and credit status. The board holds that guaranteeing it won't have any negative effect on the company.

The Company holds 87.53% stock rights of Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd. and Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd holds 75% stock rights of Guoneng Company. And the guarantee this time exceeds the that of shareholding ratio. However, The Company and Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd ,and Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd has already signed a counter guarantee agreement with Guoneng Company, which stipulates that Guoneng Company provide equal guarantee for Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd and the Company. The terms and conditions as stipulated in guarantee agreement comply with the principle of fairness and equality.

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 378 million, taking up 8.24 % of the audited net capital in 2015 which amounts to RMB4,589,137,018.15.

The company has not provided guarantee for controlling shareholders, other affiliated party, any other legal or non-legal entities or individuals, neither has it had any past external guarantee by this notice day. 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. Documents available for inspection

1. Resolutions of the 6th Meeting of the seventh Board of Directors

2.Contract on Guaranty of signed by the Company and ICBC;

3.Counter Guarantee Contract signed by The Company and Hangzhou Guoneng Steam Turbine Engineering Co., Ltd.

4.Contract on Guaranty of Maximum Amount signed by Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd and Bank of China;

5.Counter Guarantee Contract signed by Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd and Hangzhou Guoneng Steam Turbine Engineering Co., Ltd.

The Board of Directors of Hangzhou Steam Turbine Co., Ltd.

January 21, 2017