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Hangzhou Steam Turbine Co., Ltd.

Announcement on the provision for impairment of assets for year 2016

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.

The 7th term of Board held its 7th Meeting on March 16, 2017, The meeting examined the Proposal of the provision for impairment of assets, This proposal was adopted with 11 votes in favor, 0 objection and 0 waive.

The amount of the provision for impairment of assets of year2016 of the company is RMB201，314，633.81, the detail of which is announced as follows:

I.The overview of the provision for impairment of assets

For fairly reflecting the company’s assets value, according to the Accounting Standards for Enterprises and Regulations on Provision of Asserts Impairment and Write-off of Assets for Enterprises (Revised in 2016）, and based on the principle of prudence, the company has checked each asset of the consolidated financial statements by the end of the reporting period and has assessed that there would be some impairment of assets, then determined the need for the provision for impairment of assets. The assets of the provision for impairment of asset mainly included accounts receivable, other receivables and inventory. The total amount of the provision of for impairment of assets is RMB 201，314，633.81, which was detailed as follows:

The information table of the company’s provision for impairment of assets for year 2016

In RMB

Items on impairment of assets		Amount of each corresponding item				
		Beginning balance	Provision in the current period	Lessen in the current period		Ending balance
				Recovery	Write off	
1	Provision for bad debts(accounts receivable)	794,779,150.81	184,594,273.47		7,683,219.41	971,690,204.87
2	Provision for bad debts(other receivables)	8,253,449.77	2,874,180.59			11,127,630.36

3	Provision for inventory price falling	52,988,014.66	13,846,179.75		882,471.96	65,951,722.45
4	Impairment loss of fixed assets	6,783,153.66			131,181.99	6,651,971.67
						0.00
Total		862,803,768.90	201,314,633.81			1,055,421,529.35

II. The confirmation standard and method of provision on the provision for impairment of assets

The main assets of the provision for the impairment of assets included accounts receivable, other receivables, inventory and fixed assets.

I. The amount of the provision for bad debts of accounts receivable of year 2016 is RMB 184，594，273.47. The confirmation standard and method of provision on the provision for bad debts of accounts receivable are:

1. Recognition and providing of bad debt provision on individual receivable account with large amount

Basis of recognition or standard amount of individual account with large amount	Accounts take over 10% of the book balance of receivable accounts
Basis of bad debt provision	Impairment test performed individually, bad debt provision will be provided at the difference of expected cash flow lower than the book value.

2.Recognition and providing basis of bad debt reserves for group of receivable accounts with similar characteristics of credit risks

Name of the Group	Basis of bad debt provision
Group by age analysis	Age analysis method
Combined range of association	Other method

Bad debt provisions are provided on age analyze basis in the group

Age	Rate of provision on receivable account	Rate of provision on other receivable account
Within 1 year)included)	5.00%	5.00%
1－2 years	10.00%	10.00%
2－3 years	30.00%	30.00%
3－4 years	60.00%	60.00%
4－5 years	80.00%	80.00%
Over 5 years	100.00%	100.00%

(3) Receivable accounts with minor amount but bad debt provisions are provided individually

Basis of providing bad debt individually	When there is significant difference between the current value of future cash flow of the receivable account and the current value of future cash flow of the group
Basis of bad debt provision	Impairment test performed individually, bad debt provision will be provided at the difference of expected cash flow lower than the book value.

Ⅱ. The amount of the provision for inventory falling price of year 2016 is RMB 13,846,179.75, and the confirmation standard and method of provision on the inventory falling price are:

On the balance sheet date, the inventory was the lower result between the results calculated by cost and net realized value, and according to single inventory/inventory category, the balance of the costs that was higher than the net realized value is the amount of the provision for inventory falling price. As to the inventory directly used for sales, under the normal production and operation process, the net realized value of the inventory shall be determined by the amount that calculated by the estimated sales price of the inventory minus the estimated sales expenses and relevant taxes and fees; as to the inventory needed processing, under the normal production and operation process, the net realized value of the inventory shall be determined by the amount that calculated by the estimated sales price of the final products minus the related processing costs and the estimated sales expenses and relevant taxes and fees; on the balance sheet date, under one item inventory that part have contacted price and the other part have no contracted price, the net realized value of the inventory shall be determined respectively and be compared with the corresponding costs, and the amount of provision for inventory price falling and the amount of recovery shall be respectively determined.

III. The influence of the provision for impairment of assets on the company's financial status

The company's provision for the impairment of assets leads to the decrease of RMB201，314，633.81 on the total profits in the company's consolidated financial statements of year 2016.

IV.The review process of the provision for impairment of assets

The item of the provision for impairment of assets has been examined and adopted in the company's 7th board meeting of the 7th session board of directors. Due to the amount of the provision for impairment of assets exceed the 50% audited net profits of the company of year 2015, according to the regulations of the Stock Listing Rules stipulated by the Shenzhen stock exchange, the item of provision shall be examined and adopted in the general shareholder meeting.

V.The reasonableness explanation of the provision for impairment of assets by the board of directors

The board of directors reckoned that: the provision for impairment of assets was in accordance with the Accounting Standards for Enterprises and the company's management institution on provision for impairment of assets, and that was in line with the principle of prudence and was reasonable, objectively and fairly reflected the company's financial status, so the board agreed the provision for impairment of assets. The company shall performance the review process by strictly conforming to the provisions stipulated by the Regulations on Provision of Asserts Impairment and Write-off of Assets for Enterprises (Revised in 2016).

VI.The independent opinions on the provision for impairment of assets from independent directors

The company has carried out the provision for impairment of assets of year 2016 by conforming to the Accounting Standards for Enterprises and relevant regulations, which was in line with the company's actual situation and the company law, the articles of association and relevant regulation and laws, with standardized procedure for reviewing, and there was no situation that would jeopardize the interests of the company and the minority shareholders. The provision for impairment of assets was agreed.

VII.The examination opinions on the company's provision for impairment of assets by the board of supervisors

The board of supervisors reckoned that: the company's provision for impairment of assets was in accordance with the Accounting Standards for Enterprises and relevant regulations, which fairly reflected the company's assets value and operating results. The decision making procedure of the proposal on provision for impairment of assets was in line with the law, and the provision for impairment of assets was agreed.

VIII. Documents for reference

1. Resolutions of the 7th meeting of the 7th Term of Board;

2. Resolutions of the 4th Meeting of the 7th Supervisory Committee

3. Independent Opinions of Independent Directors

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

March 18, 2017