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Hangzhou Steam Turbine Co., Ltd.

Announcement on the Annual Write-offs Asset of 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 Write-offs Asset of the Company, This proposal was adopted with 11 votes in favor, 0 objection and 0 waive.

The 2016 annual write-offs asset of the Company is RMB8,6969 million. Asset verification write off is RMB 3.7322 million. According to “Stock Listing Rules” of Shenzhen Stock Exchange and “Regulation of Assets Depreciation Reserves and Write-offs Asset”of the Company, no submission will be required for this write-offs asset to be deliberated by the shareholder’s meeting of the Company. Now the specific situations are announced as follows:

1.Generalization of the Write-offs Asset Situation

1.The write-offs of receivables is RMB 7,683,219.41 , of which the write-offs of the Company’s home office is RMB 6,336,279.86; Hangzhou Zhongneng Steam Turbine Power Co., Ltd. , the holding subsidiary of the Company, the write-offs of which was RMB902,500.00; Hangzhou Turbine Machinery Co., Ltd., the holding subsidiary of the Company, the write-offs of which was RMB229,398.46; Zhejiang Turbine Complete Set Technology Development Co., Ltd., the holding subsidiary of the Company, the write-offs of which was RMB190,000.00 ; Hangzhou Turbine Auxiliary Machinery Co., Ltd., the holding subsidiary of the Company, the write-offs of which was RMB25,041.09..

2.The stock of cancel after verification was RMB 882,471.96, which was caused mainly by inventory falling price reserves for the stock usage or corresponding sale write-off withdrawing.

3.The fixed assets of cancel after verification was RMB 131,181.99 , which was caused mainly by the preparation for assets impairment of the fixed assets sales cancel after verification.

4. Asset inventory of raw materials scrap and dish deficient fixed assets Losses in total is RMB 3,732,210.08.

II.Influence of the Write-offs Asset to the Company’s Financial Condition

The Company’s write-offs asset has been withdrawn in full amount for bad-debt provision and inventory falling price reserves, where no influence will be exerted to the current profit and loss. Asset verification and write-off on the current profit and loss generated RMB 3.7322 million impact.

III.Deliberation Procedure of the Write-offs Asset

The write-offs asset has been examined and adopted by the 7th meeting of the 7th board of directors of the Company. According to “Stock Listing Rules”of Shenzhen Stock Exchange and

"Regulation of Assets Depreciation Reserves and Write-offs Asset"of the Company(2016 Revise), no submission will be required for this write-offs asset to be deliberated by the shareholder's meeting of the Company

IV.Reasonability Explanation of the Board of Directors on Withdrawing Assets Depreciation Reserves

The Company's board of directors considers that this write-offs asset complied with Accounting Standards for Business Enterprises and management system on the Company's write-offs asset, which truly reflected the Company's financial condition, where the write-offs basis is sufficient and which won't involve with the Company's relate party. Therefore, the Company's board of directors agreed on this write-offs asset. The Company strictly complied with the relevant regulations of "Regulation of the Company's Assets Depreciation Reserves and Write-offs Asset"to fulfill the deliberation procedure.

V. Independent Opinions of the Independent Directors for the Company's of the provision for impairment of assets

The company has carried out the Write-offs Asset 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 Write-offs Asset was agreed.

VI.Examination and Approval Opinions of the Board of Supervisor on the Company's of provision for impairment of assets

The Company's board of directors considers that this write-offs asset complied with Accounting Standards for Business Enterprises and management system on the Company's write-offs asset, which truly reflected the Company's financial condition, where the write-offs basis is sufficient and which won't involve with the Company's relate party. Therefore, the Company's board of directors agreed on this write-offs asset.

VII. 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