

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.

Special Risk Disclosure:

After this guarantee, the total amount of external guarantees of the company and its holding subsidiaries is RMB 408 million, which accounts for 6.56% of the company's most recently audited net assets; the total amount of guarantees of the company's holding subsidiaries provided to units with asset-liability ratio more than 70% is RMB 170 million, accounting for 2.73% of the company's most recently audited net assets. The company has no overdue guarantees, and there is no amount of guarantees involving litigation nor there is amount of loss to be undertaken due to being defeated by the lawsuit against the guarantee.

I . Overview of the Guarantee

1. In order to meet the liquidity needs for production and operation, Hangzhou Guoneng Steam Turbine Engineering Co., Ltd. (a holding subsidiary to the company's holding subsidiary Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd., hereinafter referred to as Guoneng Company) applied for a credit line of RMB 70 million to the Bank of China Hangzhou Yuhang Branch for a period of one year, and applied for a credit line of RMB 100 million to the China CITIC Bank Hangzhou Branch for a period of one year. Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd, a holding subsidiary to the company, provided the guarantee for the afore-said two credit lines, with that the guarantee method is the joint and several guarantee.

2. Basic information of the guarantee

(1) Guarantee for Bank of China Credit

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 70 million

Guarantee mean: Joint-liability guarantee

(2) Guarantee for China CITIC Bank Hangzhou Branch Credit

Guarantor: Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd.
The Guaranteed: Hangzhou Guoneng Steam Turbine Engineering Co., Ltd.
Creditor: China CITIC Bank Hangzhou Branch
Guaranteed amount: RMB 100 million

Guarantee mean: Joint-liability guarantee

3. Approval procedure of the guarantee

The above guarantee has been approved by the shareholders' meeting of Auxiliary Machinery Company. The guarantee provided by the Auxiliary Machinery Company for Guoneng Company is to meet Guoneng's liquidity needs arising from the production and operation and to help it obtain the bank funding support, which is also conducive to the production and business development of Guoneng Company. At present, Guoneng Company is in good operating condition and has a good bank credit record, and there is no risk of overdue repayment of bank loans, with that the financial risk is within the controllable range. 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., This guarantee is in line with the principle of fairness and reciprocity, and the company's guarantee risk is controllable.

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: No.10 Tangwang Street, Tangqi Industry Area, Yuhang District, Hangzhou.
4. Legal representative: Kong Jianqiang
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 guarantor of the recent financial situation:

In RMB						
Period	Revenue	Total	Net profit	Net assets	Total asset5s	Liability total
2017	387,364,247.42	34,865,817.90	30,255,256.13	124,991,916.25	539,106,715.47	414,114,799.22
January- March 2018	73, 204, 785.84	3, 518, 230.22	3, 314, 143.16	102, 923, 213.64	636, 161, 907.75	533,238,649.11

After checking, as of now, Guoneng Company is not a defaulter against who a judgement or order is being executed.

III.The main contents of the guarantee agreement

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

(1)Maximum guaranteed amount: RMB 70 million

(2)Guarantee mean: Joint-liability guarantee

(3) Guarantee scope: The principal of the principal creditor's rights and the interest thereof (including statutory interest, contractual interest, compound interest, and penalty interest), liquidated damages, indemnification for loss, and expenses for the realization of the claim (including but not limited to the fees of litigation, lawyers, notarization, implementation, etc.), losses to the creditor as a result of the debtor's default and all other expenses payable, etc.

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

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

(1)Maximum guaranteed amount: RMB 100 million

(2)Guarantee mean: Joint-liability guarantee

(3) Guarantee scope: The principal of the principal creditor's rights and the interest thereof, penalty interest, compound interest, liquidated damages, indemnification for loss, and expenses for the realization

of the claim (including but not limited to litigation fees, arbitration fees, lawyers' fees, travel expenses, assessment fees, transfer fees, preservation fees, announcements fees, implementation fees, etc.) and all other expenses payable.

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

IV. 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 408 million, taking up 6.56 % of the audited net capital in 2017. The total balance of guarantees provided by the company and its holding subsidiaries outside the scope of the consolidated statement is RMB 208 million. taking up 3.34 % of the audited net capital in the latest issue.

The company has no overdue guarantee. And it has no litigation-involved guarantee amount or amount of loss resulting from failing guarantee-related litigation.

V Documents available for inspection

1. Resolutions of Shareholders' General Meeting of Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd.
- 2.Contract on Guaranty of Maximum Amount signed by Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd and China of Bank;
- 3.Contract on Guaranty of Maximum Amount signed by Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd and China CITIC Company;
- 4.Counter Guarantee Contract signed by Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd and Hangzhou Guoneng Steam Turbine Engineering Co., Ltd.

This announcement is hereby made.

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

June 12,2018