

Hangzhou Steam Turbine Co., Ltd.
Announcement on provide guarantee for Hangzhou Steam Turbine
Casting 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. Hangzhou Steam Turbine Casting Co., Ltd., a holding subsidiary to Hangzhou Steam Turbine Co., Ltd., applied for a working capital loan of RMB 30 million with a term of one year from the Bank of China Yuhang branch of Hangzhou City, and applied for a working capital loan of RMB 20 million with a term of one year from Hangzhou Banshan Branch of Industrial and Commercial Bank of China, for meeting the needs of its capital flow for operation and development. The Company respectively signed the Maximum Amount Guarantee Contract with Bank of China and Industrial and Commercial Bank of China for the afore-said matters, with the aggregated amount of the guarantees of RMB 50 million and the guarantee means of joint and several liability guarantee.

2. The Proposal to provide guarantee for Hangzhou Steam Turbine Casting Co., Ltd. was approved in the 34th meeting of the 7th term of board of directors on May 17, 2019, and there were 10 company's directors participated in the vote, resulted in 10 votes of assent, 0 dissenting vote and 0 vote of abstention. For details, please refer to the "Announcement on Resolutions of the 34th meeting of the 7th term of the Board " (Announcement No.2019-42).

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 Casting 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 Steam Turbine Casting Co., Ltd.
2. Date of establishment: March 1,2004
3. Place of registration: No.2,Road, Tangqi Industry Area, Yuhang District, Hangzhou.
4. Legal representative: Yu Junming
5. Registered capital: RMB 29.50 million
6. Business scope: Production: Resin sand-casting steel parts, resin sand-casting iron parts, organic ester water glass sand-casting steel parts, forgings; machining; installation, maintenance: casting equipment; sales: the company's products; import and export of goods.
7. Relationship with the company: The Company holds 38.03% stake of the Casting company, and the Casting company is a subsidiary which is in the consolidated statement of the Company.
- 8.The guarantor of the recent financial situation:

In RMB

Period	Total assets	Net assets	Revenue	Total Profit	Net profit
2018	613,474,956.73	244,452,732.22	446,900,632.40	12,774,779.82	12,800,550.85
March 2019	557,825,421.68	237,344,786.20	102,552,933.76	-7,040,277.51	-7,040,277.51

9.Description of Other matters

(1) Total amount involved in contingent events: None

(2) As of now, the accumulated amount of outstanding loans of the casting company : RMB 104.20 million (excluding the above loan limits).

(3) Whether is a defaulter against who a judgement or order is being executed: No.

III.The main contents of the guarantee agreement

(I)Maximum Amount Guarantee Contract between the Company and Bank of China

1. Creditor: Bank of China.Yuhang Branch
2. Guarantor: Hangzhou Steam Turbine Co., Ltd.
3. Guaranteed amount: RMB 30 million
4. Guarantee mean: Joint-liability guarantee
- 5.Guarantee scope: The principal claim and the interest thereof (Including statutory interest, agreed interest, compound interest, penalty interest), penalty, compensation for damage, expenses of realization of the creditor's rights (including but not limited to litigation, notarization and

enforcement costs, etc); losses due to the debtor's default to the creditors and all other fees payable are also shall be in the obligatory right of the debt being guaranteed and that specific amount shall be determined when it is liquidated. The sum of the amount that's determined in accordance with the afore-said is the maximum amount of the debt guaranteed by the contract.

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

7. The debt period of the principal contract: 1 year (From August 18 ,2019 to August 17,2020)

(II) Maximum Amount Guarantee Contract between the Company and ICBC

1. Creditor: ICBC Hangzhou Banshan Branch

2. Guarantor: Hangzhou Steam Turbine Co., Ltd.

3. Guaranteed amount: RMB 20 million

4. Guarantee mean: Joint-liability guarantee

5. Scope of Guarantee: The principal of the principle creditor's rights and the interest thereof, and compound interest, penalty interest, liquidated damages, indemnification for loss, exchange rate losses (losses due to changes in exchange rates), and expenses for the realization of the creditor's rights (including but not limited to litigation fees and lawyers' fees).

6. Guarantee period: Two years from the day after the expiration of the loan term under the master contract; if Party A declares the advance maturity according to the stipulation of the master contract, the guarantee period is two years from the next day of the loan due date.

7. The debt period of the principal contract: 1 year (From May 19 ,2019 to May 18,2020)

IV. Opinions from Board of Directors

1. Casting company applied for a working capital loan from the Bank of China, mainly to meet the liquidity requirement of its production and operation, and its main purpose was to purchase raw materials. The reason that the company provides guarantees for the casting and forging company is to help it obtain bank loans and smoothly carry out business activities.

2. Casting 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.

3 The other shareholders of the Casting Company will sign a "Counter-guarantee contract" with the Company according to their shareholding ratio. This guarantee is in line with fair and equitable

requirements. The board of directors of the Company has fulfilled the review procedures in accordance with the regulations, and the Company providing guarantee for the Casting Company is in line with laws and regulations.

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 448 million, taking up 6.97 % of the audited net capital in 2018. 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 3.24 % of the audited net capital in the latest issue.

The Company has no overdue guarantees, and there is no guarantee amount for overdue debts involving in litigation and no guarantee amount that shall be borne due to the guarantee is ruled with a defeat in lawsuit.

VI. Documents available for inspection

1. Resolutions of the 34th Meeting of the 7th term of Board
2. Counter Guarantee Contract

This announcement is hereby made.

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

May 18,2019