

Hangzhou Steam Turbine Co., Ltd.

Announcement on Changes in Accounting Policy

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.

Important prompts

This change in accounting policy only will affect the presented contents in the statement and will not cause changes in the Company's total assets, owner's equity and net profits.

Hangzhou Steam Turbine Co., Ltd. held the 31st meeting of the 7th Meeting Board of Directors and the 14th meeting of Board of Supervisors of the Company on March 27, 2019, in which the "Proposal on the Changes in Accounting Policy" was reviewed and passed. This accounting policy changes does not need to be submitted to the shareholders' meeting for consideration, and the details are announced as follows:

I. Overview of this accounting policy changes

(1) Reasons for the change in the accounting policy

The Ministry of Finance of the People's Republic of China (hereinafter referred to as the "Ministry of Finance") issued the revised "No. 22 Accounting Standards for Business Enterprises-Recognition and Measurement of Financial Instruments", " No. 23 Accounting Standards for Business Enterprises – Transfer of Financial Assets", " No. 24 Accounting Standards for Business Enterprises-Hedging Accounting" and "No. 37 Accounting Standards for Business Enterprises-Presentation of Financial Instruments" (the above four standards are hereinafter referred to as "Guidelines for New Financial Instruments") in 2017, required the domestic listed companies to implement the above accounting standards from January 1, 2019.

(II) The accounting policy adopted before changes and the accounting policy adopted after changes

1. The Accounting Policy adopted before the changes

Before the changes of the accounting policy, the Company implemented in accordance with the "Enterprise Accounting Standards-Basic Standards" issued by the Ministry of Finance and the various specific accounting standards, application guidelines for business accounting standards, corporate accounting standards interpretation announcements and other relevant regulations.

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II. The content changes in this accounting policy changes

According to the new financial instrument guidelines revised and promulgated by the Ministry of Finance in 2017, the main changes according to the new financial instrument guidelines are as follows:

1. As the basis for judging the classification of financial assets uses the "business model" of financial assets held by enterprises and the "cash flow characteristics of financial assets contracts", the financial assets are classified into three categories, namely "financial assets measured at amortized costs", "financial assets measured at fair value and its changes accounted into other comprehensive income" and "financial assets measured at fair value and its changes accounted into the current profits or losses".

2. The accounting treatment of financial assets impairment is revised from the "already-incurred losses method" to the "expected loss method", which requires consideration of the future expected credit losses of financial assets, so that the provision for impairment of financial assets can be made more timely and in full;

3. Adjust the accounting treatment of non-trading equity instrument investments, allowing enterprises to designate the non-trading equity instrument investments to be measured at fair value and their changes are included in other comprehensive income, but the designation is irrevocable and shall not make the accumulated fair value changes previously included in other comprehensive income be included in the current profits or losses where making the disposal.

4. Further clarify the judgment principle of financial asset transfer and its accounting treatment;

5. The hedging accounting standards emphasize more on the organic combination of hedging accounting and enterprise risk management activities, so as to better reflect the risk management activities of the enterprise.

III. The impact of this accounting policy changes on the Company

The company will implement the new financial instrument guidelines from January 1, 2019. According to the commencement rules of the new financial instrument standards, the Company does not make retrospective adjustments to the comparative statements for the same period of the previous year, and only adjusts the retained earnings or other comprehensive income at the beginning of the period. The implementation of the above new financial instrument standards is not expected to have a significant impact on the Company's financial statements. The company carries out the financial statements in accordance with the requirements of the new financial instruments guidelines from the first quarter of 2019.

IV. Explanation by the Board of Directors on the rationality of the accounting policy change

The Board of Directors considered that: this accounting policy changes is a reasonable changes according to the latest accounting standards revised and promulgated by the Ministry of Finance. The accounting policy after changes is in compliance with relevant regulations and can objectively and fairly reflect the Company's financial status and operating results; The policy change does not affect the Company's net profit and owner's equity in the current year, nor involve retrospective adjustments in previous years, and there is no situation jeopardizing the interests of the Company and all shareholders of the Company.

V. Opinions by independent directors and board of supervisors

The independent directors considered that: The Company makes corresponding changes to the Company's accounting policy in accordance with the newly revised and promulgated corporate accounting standards by the Ministry of Finance, and makes corresponding adjustments to related items and their amounts, which is in line with the Company's actual situation and is in line with the relevant provisions of the Ministry of Finance. The decision-making procedure for this accounting policy change complies with relevant laws, regulations and the relevant provisions of

the Company's "Articles of Association", and it does not harm the interests of the Company and the minority shareholders.

The Board of Supervisors considered that: this accounting policy changes is a reasonable change and adjustment according to the regulations promulgated by the Ministry of Finance, the implementation of accounting policy changes can objectively and fairly reflect the Company's financial status and operating results; the relevant decision-making procedures are in compliance with relevant laws and regulations and the Company's Articles of Association, with that there is no situation jeopardizing the interests of the Company and its shareholders. The company's board of supervisors agreed to this accounting policy changes.

This announcement is hereby made.

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

March 29, 2019