Stock Code: 200771 **Stock ID: Hangqilun B** **Announcement No. 2017-21**

Hangzhou Steam Turbine Co., Ltd.
Related Transactions Occurred in 2016 and Projected for Year 2017

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. Profiles of the routine related transactions

(I) Introduction of the related transaction

Routine related transactions of the Company are mainly purchasing of materials and fuel from related parties; sales of products to related parties; and receiving or providing of services to the related parties. For profiles of the related parties please go to part II of this report.

The routine related transactions to be made in year 2017 is project to RMB326.713 million, and that actually occurred in 2016 was RMB317.6996 million.

The 7th meeting of the 7th term of Board was held on March 16, 2017. The proposal about routine related transactions occurred in 2016 and project for year 2017 was examined at the meeting. Director Nie Zhonghai, Yan Jianhua, Yang Yongming, Ye Zhong, and Zheng Bin waived from the voting. As the resolution, the proposal was passed with all 6 votes in favor, 0 objection and 0 waive.

This proposal is subject to examination of the Shareholders' Meeting 2016 and Hangzhou Steam Turbine Power Group Co., Ltd. shall waive from voting of this proposal.

（II）Expected daily transaction type and amount

Type of related transaction	Related parties	Content	Price principia	Estimated amount in 2017	Amount as of the date of disclosure	Occurred last year
Purchasing of material from related party	Hangzhou Nanhua Wooden Packaging Co., Ltd.	Packing box	Fair	15,708,000.00	1,942,273.09	14,615,668.53
	Hangzhou Nanfang Tongda Gears Co., Ltd.	Gear case	Fair	10,550,000.00	3,305,182.05	6,758,649.55
	Hangzhou Steam Turbine Industrial Co., Ltd.	Raw material	Fair	2,024,000.00	159,441.41	1,489,051.67
	China mechanical and Electrical Institute -HSTG (Hangzhou) United Institutes Co., Ltd.	Raw material	Fair	1,500,000.00	380,461.17	1,377,742.72
	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Generator	Fair	141,000,000.00	8,521,367.53	140,548,615.67
	Hangzhou Steam Turbine Engineering Co., Ltd.	Raw material	Fair	4,000,000.00	-	3,871,069.18
	Subtotal			174,782,000.00	14,308,725.25	168,660,797.32
Purchasing of fuel and power from the related parties	Hangzhou Steam Turbine Power Group Co., Ltd.	Water and electricity	Fair	13,490,000.00	2,354,648.52	13,281,760.66
	Subtotal		Fair	13,490,000.00	2,354,648.52	13,281,760.66
Sales of products or merchandises of the Company to related parties	Hangzhou Steam Turbine Engineering Co., Ltd.	Steam turbine	Fair	42,000,000.00	4,358,974.36	41,776,752.14
	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Forging	Fair	9,200,000.00	1,174,237.26	11,238,358.38
	Greensol Co.	Steam turbine	Fair	2,600,000.00	14,629.34	2,472,014.43
	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Odd material	Fair	31,000.00	20,341.88	841.62
	Hangzhou Steam Turbine Compressor Co., Ltd.	Parts	Fair	10,000.00	7,136.75	
	Subtotal			53,841,000.00	5,575,319.59	55,487,966.57
Labor service to related parties	Hangzhou Steam Turbine Power Group Co., Ltd.	Service charge	Fair	100,000.00	45,283.02	94,339.62
	Hangzhou Steam Turbine Compressor Co., Ltd.	Industry Cooperation	Fair	120,000.00	-	115,384.62

	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Industry Cooperation	Fair	550,000.00		535,897.44
	Subtoal			770,000.00	45,283.02	745,621.68
Labour & services accepted from the related parties	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Freight, repair, rental	Fair	67,900,000.00	10,146,398.37	64,245,738.46
	Hangzhou Steam Turbine Power Group Co., Ltd.	Rental fees, trademark fees, etc.	Fair	12,480,000.00	162,003.95	11,338,883.31
	Hangzhou Steam Turbine Industrial Co., Ltd.	Cleaning fee	Fair	1,400,000.00	196,540.88	1,239,620.99
	Hangzhou Steam Turbine Engineering Co., Ltd.	design fee	Fair	2,000,000.00		2,668,211.79
	Hangzhou Wandong Electric Co., Ltd.	Industry Cooperation	Fair	50,000.00	-	30,974.37
	Subtotal			83,830,000.00	10,504,943.20	79,523,428.92
Products and merchandises sold by related parties as agency						
	Subtoal					
Sales of products on behalf of the related parties						
	Subtoal					

In RMB

（III）Daily Related transactions actually situations last year

In RMB

Type of related transaction	Related parties	Content	Price principia	Estimated amount	Percentage in similar business %	Difference proportion（%）	Date and index
Purchasing of material from related party	Hangzhou Nanhua Wooden Packaging Co., Ltd.	Packing box	14,615,668.53	13,000,000.00	0.74%	12.43%	March19,2016. http://www.cninfo.com.cn .Announcement No. ：2016-25
	Hangzhou Nanfang Tongda Gears Co., Ltd.	Gear case	6,758,649.55	6,000,000.00	0.34%	12.64%	
	Hangzhou Steam Turbine Industrial Co., Ltd.	Raw material	1,489,051.67	1,400,000.00	0.08%	6.36%	
	China mechanical and Electrical Institute -HSTG (Hangzhou) United Institutes Co., Ltd.	Raw material	1,377,742.72	-	0.07%		
	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Generator	140,548,615.67	140,000,000.00	7.13%	0.39%	
	Hangzhou Steam Turbine Engineering Co., Ltd.	Raw material	3,871,069.18	2,000,000.00	0.20%	93.55%	
	Greensol Co.	Generator		29,000,000.00	0.00%	100.00%	
	HSTG Technology Association	Raw material		20,000.00	0.00%	100.00%	
	Hangzhou Wandong Electric Co., Ltd.	Raw material		15,000.00	0.00%	100.00%	
	Subtotal		168,660,797.32	191,435,000.00	8.56%	11.90%	
Purchasing of fuel and power from the related parties	Hangzhou Steam Turbine Power Group Co., Ltd.	Water and electricity	13,281,760.66	15,000,000.00	29.32%	11.45%	March19,2016. http://www.cninfo.com.cn .Announcement No. ：2016-25
	Subtotal		13,281,760.66	15,000,000.00	29.32%	11.45%	
Sales of products or merchandises of the Company to related parties	Hangzhou Steam Turbine Engineering Co., Ltd.	Steam turbine	41,776,752.14	60,000,000.00	1.30%	30.37%	March19,2016. http://www.cninfo.com.cn .Announcement No. ：2016-25
	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Forging	11,238,358.38	12,000,000.00	0.35%	6.35%	
	Greensol Co.	Stem turbine	2,472,014.43	2,000,000.00	0.08%	23.60%	
	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Odd Material	841.62	500.00	0.00%	68.32%	

	Hangzhou Nanhua Wooden Packaging Co., Ltd.	Odd Material	-	1,000.00	0.00%	100.00%	
	Hangzhou Steam Turbine Compressor Co., Ltd.	Compressor	-	650,000.00	0.00%	100.00%	
	Subtotal		55,487,966.57	74,651,500.00	1.73%	25.67%	
Labor service to related parties	Hangzhou Steam Turbine Power Group Co., Ltd.	Service charge	94,339.62	100,000.00	0.21%	5.66%	March19,2016. http://www.cninfo.com.cn .Announcement No. ： 2016-25
	Hangzhou Steam Turbine Compressor Co., Ltd.	Industrial Cooperation	115,384.62	200,000.00	0.26%	42.31%	
	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Industrial Cooperation	535,897.44	300,000.00	1.21%	78.63%	
	Subtotal		745,621.68	600,000.00	1.68%	24.27%	
Labour & services accepted from the related parties	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Freight, repair, rental	64,245,738.46	75,000,000.00	14.95%	14.34%	March19,2016. http://www.cninfo.com.cn .Announcement No. ： 2016-25
	Hangzhou Steam Turbine Power Group Co., Ltd.	Rental fees, trademark fees, etc.	11,338,883.31	12,000,000.00	2.64%	5.51%	
	Hangzhou Steam Turbine Industrial Co., Ltd.	Cleaning fee	1,239,620.99	1,200,000.00	0.29%	3.30%	
	Hangzhou Steam Turbine Engineering Co., Ltd.	design fee	2,668,211.79	-	0.62%		
	Hangzhou Wandong Electric Co., Ltd.	Industry Cooperation	30,974.37	-	0.01%		
	Subtotal		79,523,428.92	88,200,000.00	18.51%	9.84%	
Products and merchandises sold by related parties as agency	…						
	Subtotal						
Sales of products on behalf of the related parties	…						
	Subtotal						

II. Introduction of related parties and relationship

(I) Hangzhou Steam Turbine Power Group Co., Ltd.

1. Profiles

(1) Date of incorporation: December 14, 1992

(2) Registered address: No. 357 Shiqiao Road Hangzhou City

(3) Office address: Block A, 68 Qingchun Road East, Hangzhou

(4) Enterprise property: sole state-owned corporation

(5) Legal representative: Mr. Nie Zhonghai

(6) Registered capital: RMB800 million

(7) Business scope: Manufacturing and processing: textile machinery, paper-making machinery, pump, casting products, electrical tools, gear box, thermal transmitter, digital controlling device, and spare parts of the above (limited to the subsidiaries); Contracting of domestic and overseas machinery engineering projects, export of above equipments and materials, provide labor services for above overseas projects. Thermal power plant project and equipment engineering; wholesale and retail: products and spare parts manufactured by members of the group, and technical research, consulting, and service of above products; Provide materials, equipments, and spare parts to members of the Group, water and power supply (other than installation and maintaining of power supply equipment); Including the business scope of subsidiaries.

(8) Actual holder: Hangzhou State-owned Asset Administration Committee

2. Recent financial information (on consolidated range)

In RMB

Periods	Turnover	Net profit	Gross Assets	Net asset
2016	72,003,681,905.10	651,160,879.41	34,584,194,181.72	10,584,617,894.02
2015	57,011,318,873.16	356,172,459.98	28,676,683,075.59	8,062,853,737.67

3. Relationship with the Company

Hangzhou Steam Turbine Power Group Co., Ltd. ("HSTG" or "the Group") is holding 479,824,800 state-owned shares account for 63.64% of the capital shares of the Company, and is the holding shareholder of the Company. It is complying with Article 10.1.3 (I) of Share Listing Rules of Shenzhen Stock Exchange. HSTG is the related legal person of the Company. This is a related transaction.

4. Description of related transactions and their necessity

The Company rents lands, office spaces, workshops, warehouses from HSTG; the water and power supply were provided by HSTG; the trade mark was authorized by HSTG. For these have been the basic conditions the Company needs for production and operation, these transactions will exist constantly.

(II) Hangzhou Hangfa Generator Equipment Co., Ltd.

1. Profiles

(1) Incorporated on: March 22, 1993

(2) Registered address: Tonger Village, Linpu, Xiaoshan

(3) Office address: 128 Shixinzhong Road, Xiaosha

(4) Enterprise property: state-owned shareholding corporation

(5) Legal representative: Yan Jianhua

(6) Registered capital: RMB 80 million

(7) Business scope: hydropower station equipment, parts of steam turbine generators, electric motor, power plant and

mining equipment, automatic control parts, export of products and technologies,

(8) The controlling shareholder: Hangzhou Steam Turbine Power Group Co., Ltd.

2. Recent financial information

In RMB

Periods	Turnover	Net profit	Gross Assets	Net asset
2016	251,789,271.26	1,288,036.40	559,371,148.68	104,688,029.91
2015	190,045,616.60	-8,110,861.71	483,674,955.14	103,399,993.51

3. Relationship with the Company

Hangzhou Hangfa Generator Equipment Co., Ltd. is a holding subsidiary of HSTG, in which HSTG is holding 85% of share equity. For Hangfa is under the common control with the Company, it is regarded as related legal person according to Article 10.1.3 (II) – "Entity or other organizations directly or indirectly controlled by aforesaid legal entity other than the PLC and its holding subsidiaries;" of the Share Listing Rules of Shenzhen Stock Exchange. Therefore it is recognized as the related entity of the Company. This is a related transaction.

4. Description of related transactions and their necessity

The major related transactions with Hangzhou Hangfa Generator Equipment Co., Ltd. were purchasing of steam turbine generators. It was to satisfy the demand of customers. Some customers require the Company to provide generators along with the steam turbines. Hangfa has been providing products to the Company since long before it was given to HSTG.

(III) Hangzhou Nanhua Wooden Packaging Co., Ltd.

1. Profiles

(1) Incorporation date: December 31, 2003

(2) Registered address: 62 Xingqiao Road North, Xingqiao, Yuhang, Hangzhou

(3) Office address: 62 Xingqiao Road North, Xingqiao, Yuhang, Hangzhou

(4) Enterprise property: state-participated limited company

(5) Legal representative: Jiang Yonggen

(6) Registered capital: RMB2 million

(7) Business scope: manufacturing, processing, and sales of wooden products (wooden packaging material); sales of construction material, decoration material; all legal items not subject to approval of authorities.

(8) The controlling shareholder: Hangzhou Steam Turbine Power Group Co., Ltd.

2. Recent financial information

In RMB

Periods	Turnover	Net profit	Gross Assets	Net asset
2016	14,744,277.63	989,621.51	6,407,588.42	5,488,164.17
2015	13,432,890.17	1,337,221.53	16,188,142.22	15,260,109.17

3. Relationship with the Company

Hangzhou Nanhua Wooden Package Co., Ltd. is a holding subsidiary of HSTG, in which HSTG is holding 30% of share equity. For it is under the common control with the Company, it is regarded as related legal person according to Article 10.1.3 (II) – "Entity or other organizations directly or indirectly controlled by aforesaid legal entity other than the PLC and its holding subsidiaries;" of the Share Listing Rules of Shenzhen Stock Exchange. Therefore it is recognized as the related entity of the Company, and this is a related transaction.

4. Description of related transactions and their necessity

Related transactions with Hangzhou Nanhua Wooden Packaging Co., Ltd. were mainly purchasing of wooden packaging material which were necessary for shipping of the products.

(IV) Hangzhou Nanfang Tongda Gears Co., Ltd.

1. Profiles

(1) Date of incorporation: January 25, 2005

(2) Registered address: 130 Stadium Road, Xiacheng District, Hangzhou

(3) Office address: 601, Block B, Lingjun World, 10 Chaowang Road

(4) Enterprise property: state-participated limited company

(5) Legal representative: Mr. Wang Zhenfeng

(6) Registered capital: RMB6 million

(7)Business scope: whole selling and retailing of gear boxes, gear speed reducer, steam turbine and parts, steel, electro-mechanism equipment (exclude cars), common machinery, hardware & electric materials.

(8) The controlling shareholder: Hangzhou Steam Turbine Power Group Co., Ltd.

2. Recent financial information

In RMB

Periods	Turnover	Net profit	Gross Assets	Net asset
2016	29,225,290.61	2,208,592.24	48,449,751.95	21,518,411.71
2015	36,426,025.63	4,194,733.50	52,845,238.62	28,844,792.27

3. Relationship with the Company

Hangzhou Nanfang Tongda Gears Co., Ltd. is a holding subsidiary of HSTG, in which HSTG is holding 30% of share equity. For Hangfa is under the common control with the Company, it is regarded as related legal person according to Article 10.1.3 (II) – "Entity or other organizations directly or indirectly controlled by aforesaid legal entity other than the PLC and its holding subsidiaries;" of the Share Listing Rules of Shenzhen Stock Exchange. Therefore it is recognized as the related entity of the Company, and this is a related transaction.

4. Description of related transactions and their necessity

The Company is mainly purchasing gear boxes and jigger devices from Nanfang Tongda. These are essential to the Company's product. Some of the industrial steam turbines are required to maintain certain speed by using of gear boxes.

(V) Hangzhou Steam Turbine Industrial Co., Ltd.

1. Profiles

(1) Date of incorporation: February 11, 2004

(2) Registered address: No. 357 Shiqiao Road Hangzhou City

(3) Office address: No. 357 Shiqiao Road Hangzhou City

(4) Enterprise property: state-participated limited company

(5) Legal representatives: Qiu Jinyong

(6) Registered capital: RMB2.5 million

(7) Business scope: manufacturing and processing of: steam turbine parts, electronic tool parts, mining equipment parts; wholesaling and retailing of: home electric appliances, grocery, food, agriculture products (other than those

under national control), stationery; service: restaurant, out-campus education and training programs, residential services. All legal items not subject to approval of authorities.

(8) The controlling shareholder: Hangzhou Steam Turbine Power Group Co., Ltd.

2. Recent financial information

In RMB

Periods	Turnover	Net profit	Gross Assets	Net asset
2016	7,742,869.62	995,793.46	16,324,026.79	9,948,206.90
2015	11,924,461.36	2,443,572.06	16,311,489.59	9,187,825.64

3. Relationship with the Company

Hangzhou Steam Turbine Industrial Co., Ltd. is a holding subsidiary of HSTG, in which HSTG is holding 10% of share equity. For it is under the common control with the Company, it is regarded as related legal person according to Article 10.1.3 (II) – "Entity or other organizations directly or indirectly controlled by aforesaid legal entity other than the PLC and its holding subsidiaries;" of the Share Listing Rules of Shenzhen Stock Exchange. Therefore it is recognized as the related entity of the Company, and this is a related transaction.

4. Description of related transactions and their necessity

Hangzhou Steam Turbine Industrial Co., Ltd. was reconstructed from infrastructure departments of HSTG. The related transactions with it are mainly supporting services and medical services which are necessary for the Company doesn't have these departments.

(VI) Hangzhou Steam Turbine Automobile Sales & Service Co., Ltd.

1. Profiles

(1) Date of incorporation: September 2, 1998

(2) Registered address: No. 357 Shiqiao Road Hangzhou City

(3) Office address: No. 357 Shiqiao Road Hangzhou City

(4) Enterprise property: state-participated limited company

(5) Legal representative: Yao Binglin

(6) Registered capital: RMB5 million

(7) Business scope: wholesaling and retailing of: automobiles (except for sedan cars) and parts, metal material, construction material, electronic machine and instruments. Service: cargo transportation, automobile repairing (class B), all legal items not subject to approval of authorities.

(8) The controlling shareholder: Hangzhou Steam Turbine Power Group Co., Ltd.

2. Recent financial information

In RMB

Periods	Turnover	Net profit	Gross Assets	Net asset
2016	79,256,992.64	4,753,828.04	47,751,045.15	30,930,408.40
2015	86,465,685.45	8,190,699.49	49,362,377.24	33,676,580.36

3. Relationship with the Company

Hangzhou Steam Turbine Automobile Sales Co., Ltd. is a holding subsidiary of HSTG, in which HSTG is holding 30% of share equity. For it is under the common control with the Company, it is regarded as related legal person according to Article 10.1.3 (II) – "Entity or other organizations directly or indirectly controlled by aforesaid legal entity other than the PLC and its holding subsidiaries;" of the Share Listing Rules of Shenzhen Stock Exchange. Therefore it is recognized as the related entity of the Company, and this is a related transaction.

4. Description of related transactions and their necessity

Related transactions with Hangzhou Steam Turbine Automobile Sales & Service Co., Ltd. are mainly cargo transportation, international cargo agency, employee transportation, and vehicle repairing services.

The Company does not have transportation division, therefore accepting of these services are necessary.

(VII) Hangzhou Steam Turbine Engineering Co., Ltd.

1. Profiles

(1) Date of incorporation: September 30, 2011

(2) Registered address: 18 Street No. 22, Technical Development Zone, Hangzhou

(3) Office address: 15-17 Floor, A Building, No.68, Qingchun Road, Hangzhou.

(4) Enterprise property: state-controlled company limited

(5) Legal representative: Ye Zhong

(6) Registered capital: RMB200 million.

(7) Main business scope: general contracting of power supply projects; design and installation of: electro-mechanical equipment, mid-small scale thermal power plant, energy saving technical reconstruction and services, technical consultancy; import and export of goods; whole selling of: packaged equipment, metal material, electronic installations, wires, cables, instruments, fire-resistance materials. (as stipulated by the authority)

(8) The controlling shareholder: Hangzhou Steam Turbine Power Group Co., Ltd.

2. Recent financial information

In RMB

Periods	Turnover	Net profit	Gross Assets	Net asset
2016	61,411,411.98	-41,058,926.89	781,370,533.25	71,856,606.74
2015	67,209,420.35	-59,995,303.66	848,273,239.83	112,915,533.63

3. Relationship with the Company

Hangzhou Steam Turbine Engineering Co., Ltd. is a holding subsidiary of HSTG, in which HSTG is holding 73% of share equity. For it is under the common control with the Company, it is regarded as related legal person according to Article 10.1.3 (II) – "Entity or other organizations directly or indirectly controlled by aforesaid legal entity other than the PLC and its holding subsidiaries;" of the Share Listing Rules of Shenzhen Stock Exchange. Therefore it is recognized as the related entity of the Company, and this is a related transaction.

4. Description of related transactions and their necessity

To satisfy the needs of business operation of both parties, sales of steam turbines to Hangzhou Steam Turbine Engineering Co., Ltd. is a support to the Company's shares force.

(VIII) Hangzhou Hangqilun Compressor Co., Ltd.

1. Profiles:

(1) Date of incorporation: July 9, 2014

(2) Registered address: No. 357 Shiqiao Road Hangzhou City

(3) Office address: No. 357 Shiqiao Road Hangzhou City

(4) Type of enterprise: state-owned limited company

(5) Legal representative: Yan Jianhua

(6) Registered capital: RMB10 million

(7) Main business scope:

Licensed items: manufacturing of rotating machinery and equipment such as compressors (within expiration period). General items: services such as design, development, technical consulting, repairing, and reformation of compressors. Design of integrated compressor projects. Wholesale and retail of parts and material related to compressors.

(8) The main shareholder: Hangzhou Steam Turbine Power Group Co., Ltd.

2. Recent financial information(Established in 2014)

In RMB

Periods	Turnover	Net profit	Gross Assets	Net asset
2016	13,546,153.86	-1,679,885.30	25,663,286.91	866,705.21
2015	12,046,076.92	-5,556,009.47	34,265,133.57	985,869.51

3. Relationship with the Company

HSTG is holding 63.64% of the Company's share capital as the controlling shareholder. While it is also holding 40% of the share capital of the Compressor Company. Therefore the Compressor Company is under the common control with the Company, it is regarded as related legal person according to Article 10.1.3 (II) – "Entity or other organizations directly or indirectly controlled by aforesaid legal entity other than the PLC and its holding subsidiaries;" of the Share Listing Rules of Shenzhen Stock Exchange. Therefore it is recognized as the related entity of the Company.

4. Description of related transactions and their necessity

The Company is mainly providing steam turbine products and processing and installation to the Compressor Company.

Engaging of the contracts between the Company and the Compressor Company was for the expanding of the Company's market share. For compressors and steam turbines are at the same stream of production, the co-operation will benefit the competition of the both parties.

（IX）Hangzhou Wandong Electronic Co., Ltd.

1. Profiles:

(1) Date of incorporation: January 18, 1998

(2) Registered address: Room 301, No. 385 Wener Road, Xihu District,Hangzhou City

(3) Office address: No. 10 Shixiang Road, Hangzhou City

(4) Type of enterprise: state-owned limited company

(5) Legal representative: Li Guiwen

(6) Registered capital: RMB32 million

(7) Main business scope: The development of electronic techniques, service, results transferring; Production: Class II 6831 Medical X-Ray Tube; Wholesales, Retail: Class I Medical Apparatus and Instruments, Self-produced Product; Include the business scope of subordinate branches; Other all legal projects without being submitted as well as being examined and approved.

(8) The main shareholder: Hangzhou Steam Turbine Power Group Co., Ltd.

2. Recent financial information

In RMB

Periods	Turnover	Net profit	Gross Assets	Net asset
2016	39,922,584.93	-429,908.51	63,311,955.85	51,557,348.58
2015	40,488,873.54	-4,774,474.80	64,489,206.98	52,452,449.94

3. Relationship with the Company

Hangzhou steam turbine group holds 63.64% of the shares of the company , and is the holding shareholder of the Company. It is complying with Article 10.1.3 (I) of Share Listing Rules of Shenzhen Stock Exchange. HSTG is the related legal person of the Company. This is a related transaction.

Hangzhou steam turbine group holds 70% stake in Wandong electronics Company,For Compressor Company is under the common control with the Company, it is regarded as related legal person according to Article 10.1.3 (II) – "Entity or other organizations directly or indirectly controlled by aforesaid legal entity other than the PLC and its holding subsidiaries;" of the Share Listing Rules of Shenzhen Stock Exchange. Therefore it is recognized as the related entity of the Company. This is a related transaction.

4. Description of related transactions and their necessity

Related transactions with Wangdong Electronic Co., Ltd. were mainly purchasing of Component and parts material.

(X) China mechanical and Electrical Institute -HSTG (Hangzhou) United Institutes Co., Ltd.

1. Profiles:

(1) Date of incorporation: October 22,2008

(2) Registered address: Room 1501, No.68-1 Qingchun East Road,Jianggan District,Hangzhou City

(3) Office address: No.68-1 Qingchun East Road,Jianggan District,Hangzhou City

(4) Type of enterprise: state-owned limited company

(5) Legal representative: Song Siyuan

(6) Registered capital: RMB1 million

(7) Main business scope: Services: Technology development, consulting, service and transfer of products, new materials, new products, new technology, new equipment, technology development, consulting, services and transfer of benefits, electronic computers and automation, environmental protection products and resource utilization products. (Including pre-approval projects); wholesale and retail: mechanical and electrical equipment and spare parts, metal materials, monitoring equipment and other non-cultural training, The import and export of goods, the import and export of goods, the import and export of goods (except for projects prohibited by laws and administrative regulations, except when the items subject to legal and administrative regulations are restricted); the business scope of the subordinate branches; Law project.

(8) The main shareholder: Hangzhou Steam Turbine Power Group Co., Ltd.

2. Recent financial information

In RMB

Periods	Turnover	Net profit	Gross Assets	Net asset
2016	1,377,742.72	80,283.73	2,994,169.66	1,251,124.78
2015	569,902.90	22,672.08	2,455,063.31	1,170,841.05

3. Relationship with the Company

Hangzhou steam turbine group holds 63.64% of the shares of the company , and is the holding shareholder of the Company. Hangzhou steam turbine group holds 70% stake in China mechanical and Electrical Institute -HSTG (Hangzhou) United Institutes Co., Ltd ,For Compressor Company is under the common control with the Company, it is regarded as related legal person according to Article 10.1.3 (II) – "Entity or other organizations directly or indirectly controlled by aforesaid legal entity other than the PLC and its holding subsidiaries;" of the Share Listing Rules of Shenzhen Stock

Exchange. Therefore it is recognized as the related entity of the Company. This is a related transaction.

4. Description of related transactions and their necessity

Related transactions with China mechanical and Electrical Institute -HSTG (Hangzhou) United Institutes Co., Ltd . were mainly purchasing of raw material.

III. Main contents of the related transactions

1. Pricing policies and basis of the transactions

The above related transactions were conducted under the principles of trustfulness, equality, and voluntary. All pricing are with reference to market prices. In case bidding invitation is required as market routine, the prices will be decided by open and legal procedures.

2. Entering of agreements

The Company has entered the general agreements with the above related parties, and detailed contracts were engaged on each particular transaction.

3. Payment and clearance

According to the agreement provided by the contracts.

IV. Purposes and influences of the related transactions on the company

1. For the necessity of the related transactions please go to the profiles of parties above.

2. Impact of the related transactions on the Company

The Company sells products to some of the related parties to increase demand of the Company's products, as well as increase the efficiency of sales process including transportation, packaging. This enables the Company to focusing on its main business. All prices are on fair prices without impairing the Company's interests.

3. Legality of the process of transactions

The pricing mechanisms of the related transactions are examined by the Board and subject to approval of the shareholders' meeting. Related directors and shareholders have waived from voting of such proposals.

V. Independent directors' opinions

The above related transactions are complying with the Company Law, the Articles of Association, and related laws and regulations. They were conducted through legal examining procedures and satisfying the needs of normal business operation of the Company. Pricing was on fair basis and no interests of the Company or the mid-small shareholders were impaired.

VI. Document Ready for Inquiring

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

2.The prior approval of the independent directors on the daily connected transactions of the Company;

3. Independent opinions of the independent directors on the routine related transactions.

The Board of Directors of

Hangzhou Steam Turbine Co., Ltd.

March 18, 2017