

Hangzhou Steam Turbine Co., Ltd.

Announcement about Extending Engaging of Routine related Transaction

Contracts

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. Summary of the related transaction

1.The Related-party transactions: As the company's routine related-party transaction agreement signed with related parties will be expired in recent days. In order to meet the daily production, operation and management needs of the company, the company intends to renew the related transaction agreement with related parties, and the contents include: the company and Hangzhou Steam Turbine Power Group Co., Ltd (hereinafter referred to as “Hangzhou Steam Turbine Group”) to sign the “Related party transaction agreement on building leasing”; the company and Hangzhou Steam Turbine Group to sign the “Related party transaction agreement on energy supply and management and generator maintenance and operation”; the company and Hangzhou Steam Turbine Group to sign the “Trademark Licensing Use Contract”; the company and Hangzhou Steam Turbine Group to sign the “Related transaction agreement on land lease”.

2. The 20th meeting of the 6th term of Board was held on March 26, 2018 , on which the proposal of routine related transactions was examined , As Hangzhou Steam Turbine Group is the Company's controlling shareholder, this transaction constitutes a related party transaction. Zheng Bin, Yan Jianhua, Yang Yongming and Ye Zhong– the related directors, waived from voting of this proposal.

3. None of the aforesaid routine transactions is constituting major asset reorganizing and backdoor listing as described by “ Criteria of Major asset Reorganizing of listed companies”. Therefore none of them are subject to approval by the authorities.

II. Introduction of related parties and relationship

1. Profiles

(1) Name: Hangzhou Steam Turbine Power Group Co., Ltd.

(2) Enterprise property: Sole state-owned corporation

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

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

(5)Date of incorporation: December 14, 1992

(6) Legal representative: Mr. Zheng Bin

(7) Registered capital: RMB800 million

(8) 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.

(9) 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
Year 2016	71,900,517,257.77	681,575,082.81	35,931,320,397.65	10,614,479,296.29
Year 2017	103,065,113,064.09	677,793,097.41	39,162,805,947.77	10,080,467,102.93

3. Relationship with the Company

Hangzhou Steam Turbine Group is the controlling shareholder of the company and complies with the Shenzhen Stock Exchange's "Stock Listing Rules," "(1) Legal entities or other organizations that directly or indirectly control the listed company", and thus it is a related legal entity to the company.

III. Description of related transactions and their necessity

(1) Main content of the agreement

Party of the agreement	Transaction content	Transaction price	Detail	Mode of payment	Term
Hangzhou Steam Turbine Property Management Branch	Lease the buildings of the related party	1, 735, 637. 21 yuan/year	Workshop : Unit-price : 220. 5 yuan/ m ² , Per square meter, area:4115. 79 m ² ; warehouse : unit-price : 160. 5 yuan/ m ² , Per square meter, area:1816. 62 m ² ; Office : 401	From 2018, in April and in October of each year, paying half year's fees respectively	January 1, 2018 to December 31, 2019 (2 years)

			yuanm ² , Per square meter, area: 1338m ²		
Hangzhou Steam Turbine Group	Purchase fuel and power, and generator set maintenance and operation service from the related party	Power : 1.2425 yuan/KWH; KWH: 5.829 Yuan/m ³	The unit price of water and electricity already includes the energy management fees, as well as energy equipment maintenance and operation service fees.	The actual used energy supply fees is calculated monthly	January 1, 2018 to December 31, 2019 (2 years)
Hangzhou Steam Turbine Group	Use the trademark of the related party	1,800,000 yuan/year		One-off payment before 31 December each year	January 1, 2018 to December 31, 2022 (5 years)
Hangzhou Steam Turbine Group	Leasing of land (industrial land) use right	5,318,686,50 yuan/ year	Price : 75 yuan/m ² /year , Per square meter, area:: 70915.82 m ²	From 2018, in April and in October of each year, paying half year's fees respectively	January 1, 2018 to December 31, 2019 (2 years)

(2) Analysis of necessity

The company leases part of the land and factory buildings, warehouses and offices from Hangzhou Steam Turbine Group; the water and electricity energy services are unifiedly provided by the Hangzhou Steam Turbine Group; the trademarks are licensed by the Hangzhou Steam Turbine Group. As the aforementioned land, plant, trademark and other resources and energy supply services are the basic conditions for the company's production and operation, the above-mentioned related-party transactions will continue to exist.

IV. Pricing Policies and Pricing Basis of the Transaction

The above related party transaction conducted by the company and the Hangzhou Steam Turbine Group determines the transaction price according to the market price, and follows the principle of fairness, voluntariness and consensus in the pricing process.

V. The purpose and influence of the related party transaction

1. The company rents land, factory buildings, warehouses and offices of Hangzhou Steam Turbine Group, uses the trademark of Hangzhou Steam Turbine Group, and purchases water and electricity and other energy management services and the related equipment maintenance service from Hangzhou Steam Turbine Group, which is mainly to optimize the allocation of production

resources and improve the efficiency of the production and management of the company. The price of the related party transaction between the company and the related party is fair and there is no circumstance jeopardizing the company's interests.

2. The company's routine related transactions have a related party transaction pricing mechanism and all related transactions are reviewed by the company's board of directors in accordance with regulations, and are submitted to the company's general meeting of shareholders for review. During the review process, the related directors and related shareholders abstain from the vote, and the procedure is in line with the laws.

3. The related transaction will not have a significant impact on the company's financial status, operating results and cash flow.

VI. Amount of related transactions already occurred since the opening of current year to present

The total amount of all kinds of related transactions occurred with the related party from the beginning of the year to the disclosure date is RMB 2.8597 million.

VII. Opinions of Independent Directors

1. The company's signing of the routine related-party transaction agreement is reviewed by the company's board of directors in accordance with regulations, and is submitted to the company's general meeting of shareholders for review in accordance with the standard. During the deliberation process, the related directors and related shareholders abstain from the vote, and the procedure is legal.

2. The signing of the company's related transaction agreement is in compliance with the company law, the company's articles of association and relevant laws and regulations. The review procedure is standardized. The content of the transaction meets the needs of the company's business development and normal operation. The transaction pricing is fair and reasonable, and there is no circumstance jeopardizing the company and the interests of small and medium shareholders.

VIII. Documents for reference

1. Resolutions of the 20th meeting of the 6th Term of Board;
2. The prior approval of Independent Directors
3. Independent Opinions of Independent Directors
4. The "Related party transaction agreement on building leasing" signed by the company and the Property Branch

Company of Hangzhou Steam Turbine Group;

5.The “Related party transaction agreement on energy supply and management and generator maintenance and operation” signed by the company and Hangzhou Steam Turbine Group;

6.The “Trademark Licensing Use Contract” signed by the company and Hangzhou Steam Turbine Group

7.The “Related transaction agreement on land lease” signed by the company and Hangzhou Steam Turbine Group.

This announcement is hereby made.

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

March 28, 2018